



## Staff Report

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**File #:** 17-292

**Version:** 1

**Date:** 6/12/2017

**Item #:** 4.b.

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**TO:** Mayor and City Council

**THROUGH:** Steve Powers, City Manager

**FROM:** Kacey Duncan, Deputy City Manager

**SUBJECT:**

Public hearing on the FY 2017-18 City of Salem budget.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

**ISSUE:**

Shall City Council hold a public hearing on the FY 2017-18 Budget Committee recommended City of Salem budget; approve a budget amendment to increase appropriation authority in the Utility Fund budget by \$1,197,300 to provide for increased debt service payments; and direct staff to return on June 26, 2017 with a resolution to adopt the FY 2017-18 City of Salem budget?

**RECOMMENDATION:**

Hold a public hearing on the FY 2017-18 Budget Committee recommended City of Salem budget; approve a budget amendment to increase appropriation authority in the Utility Fund budget by \$1,197,300 to provide for increased debt service payments; and direct staff to return on June 26, 2017 with a resolution to adopt the FY 2017-18 City of Salem budget.

**SUMMARY AND BACKGROUND:**

Oregon local budget law requires the Budget Committee to recommend a budget to City Council. The City Council is then required to hold a public hearing on the recommended budget and adopt a final budget prior to July 1, 2017.

On May 15, 2017, the Budget Committee recommended a FY 2017-18 budget to City Council. Attachment 1, entitled City of Salem Final Additions, Deletions and Changes Recommended by the Budget Committee for Fiscal Year 2017-18, summarizes the changes to the City Manager's proposed budget recommended by the Budget Committee. Attachment 2, entitled City of Salem Budget

Committee Recommended FY 2017-18 Budget, is a fund-level recap of the recommended budget.

## **FACTS AND FINDINGS:**

### **Public Hearing**

Pursuant to Oregon Local Budget Law, the public hearing on the Budget Committee recommended budget was noticed in the Statesman Journal on June 2, 2017. At the hearing any person may appear for or against any item in the recommended budget document (ORS 294.453).

### **Budget Amendment - Utility Fund Debt Service**

On May 22, 2017, City Council authorized negotiation of the financial terms to issue approximately \$67 million in bonds to refinance the City of Salem full faith and credit obligations for the Utility Fund. As part of the refinancing process, the City will have the opportunity to shorten the debt maturity schedule by two years, reduce interest expense, remove the full faith and credit pledge from the General Fund and, because of the financial health of the Utility, issue parity (revenue) bonds without a debt service reserve requirement.

The shortened maturity schedule will require larger principal payments than originally budgeted for FY 2017-18, but is expected to generate net present value savings of approximately \$7.8 million dollars. With the early payoff of the Business Oregon (Oregon Economic and Community Development Department) loan approved by City Council in April 2017, and the resulting \$400,000 of annual debt service savings, as well as the declining debt service payments for the remaining 2012 loan, the Utility is well positioned to fulfill its debt obligations while continuing to increase pay-as-you-go capital project funding.

### **Budget Deliberation and Recommendation**

City Council is asked to approve the recommended changes on June 12, 2017 to provide sufficient time to prepare the necessary budget resolution by the June 26, 2017 meeting. The resolution will include any changes approved on June 12, 2017. The resolution will also include some additional amendments (see below) that will be presented at the June 26 meeting.

Additional amendments will include rebudgeted purchase orders and carryover projects. Accounting regulations require the City to rebudget outstanding purchase orders and carryover projects prior to June 30, 2017. A detailed list will be provided to the City Council at the June 26, 2017 meeting.

The City Council may amend the Budget Committee's recommended budget within the following restrictions:

- Property tax levies cannot be increased in total beyond the amount approved by the Budget Committee.
- The recommended expenditures for each fund cannot be increased by more than ten percent (10%).

Kelley Jacobs  
Budget Officer

Attachments:

1. City of Salem Final Additions, Deletions and Changes Recommended by the Budget Committee for Fiscal Year 2017-18
2. City of Salem Budget Committee Recommended FY 2017-18 Budget