



Staff Report

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Item #: 2.a.

TO: Mayor and City Council

THROUGH: Keith Stahley, City Manager

FROM: Josh Eggleston, Chief Financial Officer

SUBJECT:

Revised FY 2024 Budget.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Good Governance

SUMMARY:

The City Council adopted the FY 2024 budget on June 26, 2023. The budget was adopted with the understanding that if new revenues did not materialize, it would need to be amended. This work session is to discuss potential reduction scenarios for during the forecast period.

ISSUE:

City Council discussion regarding the General Fund including: fund balance after the closing of FY 2023, proposed service cuts, and direction to staff on preparation of a FY 2024 supplemental budget.

RECOMMENDATION:

Information and discussion.

FACTS AND FINDINGS:

The City of Salem's General Fund, like many cities in Oregon, has been experiencing difficulty in funding valued and essential services. Expenditures are outpacing revenues due to property tax constraints from Measures 5 and 50 in the 1990's, escalating costs, and increasing demand for services. For example, budgeted property tax revenue in FY 2024 covers only 77% of budgeted expenses in the Police and Fire departments alone that are paid from the General Fund.

There are only two levers to fix the structural imbalance - reduce expenses or increase revenues. The information in this report assumes **no new revenue sources*** and proposes decreases to expenses to maintain the City's General Fund balance at an appropriate level - please see the attachment 2 "Why do we need a fund balance?" document for more information on why maintaining a fund balance is critical. Maintaining a fund balance is especially important in Oregon, where property taxes (the majority of Salem's General Fund Revenue) aren't receipted until November. The City needs to pay expenses, the majority of which is payroll, for July, August, September, and October before receiving property tax revenues. An appropriate fund balance also helps maintain the City's credit rating - which reduces the borrowing costs for taxpayers when the City issues General Obligation (GO) bonds.

* ORS 260.432 prohibits public employees, during work time, from promoting or opposing a ballot measure. The City's employee payroll tax will be on the November 7, 2023 ballot, and City staff may not advocate for or against the measure. In order to avoid violating state law, the City Attorney, in relation to this discussion of the City's budget, has advised staff to assume that the payroll tax will not take effect.

Baseline City of Salem General Fund Projection - FY 2024 through FY 2028

The following table shows a status quo forecast with the currently adopted staffing levels in the FY 2024 budget. In this display the City is out of compliance with the fund balance policy in FY 2025 and unable to adopt the budget with fund balance depleted in FY 2026.

FY 2024 - FY 2028 Summary (in millions)					
	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F
Beginning Fund Balance	36.35	26.93	15.11	(0.03)	(16.22)
Net Revenues	\$ 169.69	\$ 173.66	\$ 177.71	\$ 183.83	\$ 188.87
Total Expenditures	\$ 186.02	\$ 192.59	\$ 200.13	\$ 207.49	\$ 215.50
Unspent Contingency	(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
2.5% Savings	(4.42)	(4.61)	(4.78)	(4.97)	(5.17)
Net Expenditures	\$ 179.10	\$ 185.48	\$ 192.85	\$ 200.02	\$ 207.82
Fund Balance Spend	(\$9.42)	(\$11.82)	(\$15.14)	(\$16.19)	(\$18.95)
Ending Fund Balance	\$26.93	\$15.11	(\$0.03)	(\$16.22)	(\$35.17)
Fund Balance Policy at 15% of Revenues	\$ 25.45	\$ 26.05	\$ 26.66	\$ 27.57	\$ 28.33
Over (Under) Policy	\$1.47	(\$10.94)	(\$26.68)	(\$43.79)	(\$63.50)

Definitions

Beginning Fund Balance: The fund balance at the beginning of the fiscal year. For FY 2024 the fund balance is preliminary based on the closing of FY 2023 and may be adjusted up until the audit is

complete.

Ending Fund Balance: The fund balance at the end of the fiscal year.

Fund Balance: The cash available that is carried over from one year to another.

Net Expenditures: The total budgeted expenditures (full cost for all positions and programs) less unspent contingency and a 2.5% savings estimate for vacant positions.

Unspent Contingency: The City budgets \$3 million in the General Fund for contingency, but anticipates only spending \$500,000. This can vary greatly depending on whether funds are needed throughout the fiscal year.

2.5% Savings: The City budgets fully for all positions (similar to other Oregon cities) as if they will be filled for the entire year. However, the City historically has seen savings due to vacancies and turnover. This line accounts for that natural savings that occurs throughout the year for more realistic fund balance projections.

Fund Balance Policy: The City Council has an adopted fund balance policy (C-11) of 15% of budgeted revenues.

Fund Balance Spend: This line displays how much is spent (negative number) or added (positive number) to fund balance each fiscal year.

Over (Under) Policy: This line displays compliance with the City Council adopted fund balance policy. If the amount is negative, the fund balance is out of compliance with the policy.

General Fund Reduction Scenario

The table below displays the effect of staff recommended reductions to the current and future City fiscal year budgets. The recommended reductions are explained in greater detail below. The objective is to stay above fund balance policy throughout the forecast period.

FY 2024 - FY 2028 Summary <i>(in millions)</i>					
	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F
Beginning Fund Balance	36.35	33.03	31.33	31.13	30.47
Net Revenues	\$ 169.69	\$ 173.66	\$ 177.71	\$ 183.83	\$ 188.87
Total Expenditures	\$ 186.02	\$ 192.59	\$ 200.13	\$ 207.49	\$ 215.50
<i>Eliminate Ops Fee Positions</i>	(1.84)	(1.77)	(1.88)	(2.01)	(2.18)
<i>Eliminate Other New Positions</i>	(1.62)	(1.73)	(1.83)	(1.94)	(2.10)
<i>Additional Reductions</i>	(2.64)	(6.63)	(11.22)	(11.58)	(14.11)
Unspent Contingency	(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
2.5% Savings	(4.42)	(4.61)	(4.78)	(4.97)	(5.17)
Net Expenditures	\$ 173.01	\$ 175.35	\$ 177.91	\$ 184.49	\$ 189.44
Fund Balance Spend	(\$3.32)	(\$1.69)	(\$0.20)	(\$0.66)	(\$0.57)
Ending Fund Balance	\$33.03	\$31.33	\$31.13	\$30.47	\$29.90
Fund Balance Policy at 15% of Revenues	\$ 25.45	\$ 26.05	\$ 26.66	\$ 27.57	\$ 28.33
Over (Under) Policy	\$7.57	\$5.28	\$4.48	\$2.90	\$1.57

Eliminate New Ops Fee Positions - All FY 2024

The City Council approved an increase to the City Operations fee effective July 2023. The purpose of the increase was to fund the first part of the Safe and Secure Community funding proposal. The increase would have funded a portion of current services as well as additional positions. Without new and additional revenue, the funding from the increased City Operations Fee will be needed to maintain current services and the following positions, which are vacant, are recommended to be eliminated. A brief summary of the impacts associated with those reductions is included for each reduction.

1. Park Rangers (2 FTE) - \$236,000
 - a. Support in parks will continue on a status quo basis with one park ranger for all the Salem parks.
2. Code Compliance Officers (2 FTE) - \$236,000 year 1
 - a. Not having these two new positions will mean that Code Compliance will continue at current staffing levels. The goal of adding these positions was to have an officer assigned to each ward and to allow more participation in neighborhood association meetings and faster response to neighborhood issues.
3. SOS Team Expansion (4 FTE) - \$417,000
 - a. Adding these positions would have allowed the City to expand the SOS Team from four

days a week to seven. The current team, funded at one full-time team, provides 40 hours per week of coverage, which stretches over four days of the week. Ground is lost on the days staff are not on duty. The additional positions would have increased capacity and provided a daily presence at difficult locations. Current staffing does not currently keep up with demand, despite averaging pulling about 22 tons per month of garbage throughout Salem. Doubling this work team would have increased the amount of garbage removed which increases health for our community members, public lands and waterways.

4. HR Business Partner (1 FTE) - \$166,000

- a. The workload for each HR Business Partner, who typically oversees over 350 employees, handles two unions, and supports non-represented employees, is impeding their ability to proactively address employee relations, engagement, and development. This substantial workload is having a negative impact on their work-life balance, resulting in job dissatisfaction and high turnover rates. Managing such a heavy workload poses challenges for HR Business Partners in providing each employee with the necessary time and attention. This lack of sustainability affects their ability to effectively support their colleagues, ultimately leading to demoralization for the business partner and less effective service to the employees. Furthermore, employees are frequently working extended hours, often exceeding 9 to 10 hours per day, and even weekends.

5. Security Officer (1 FTE, Civic Center) - \$82,000

- a. Ensuring a safe and secure workplace is a top priority for the City. Not filling or budgeting for this position would leave a gap in security presence at the Civic Center. Over the past year, security at the Civic Center has been effectively managed by a security contractor. They have played a crucial role in assisting visitors, de-escalating potential issues, and serving as a deterrent against disruptive behavior during Council meetings. Presently, the funding for this contractor is coming from the Risk and Building & Safety divisions, which is not a sustainable arrangement. The City Operations Fee proposed adding two security officers to replace the security contractor. One of the positions is proposed to be eliminated with the remaining FTE either hired or budget authority used to continue the current contract in the General Fund.

6. Finance Senior Fiscal Analyst (1 FTE) - \$166,000

- a. The Finance Department is understaffed and has received increasing requests for financial analysis - both internal and external. Without this position, there will be delays in processing these requests. Often the requests include revenue scenarios, property tax research, responses to community and Council inquiries, and customer service.

7. Legal Assistant City Attorney (1 FTE) - \$195,000

- a. The Legal Department anticipated adding one Assistant City Attorney II through the increased operations fee for this fiscal year. The position would have enhanced the

department's ability to provide more thorough general counsel advice and support for all City departments and well as additional support and redundancy for civil litigation. Without that position the department will maintain current levels of service to departments. Based on the recent internal client satisfaction survey, city departments are generally pleased with the quality of the legal advice and work product provided by the Legal Department. However, many respondents noted that responses are often delayed and some types of services are either not provided or are limited in scope due to the attorneys' other commitments. As workloads increase across City departments, reliance on general counsel services has increased over the years. The attorneys' current workloads do not allow them time to respond as thoroughly and comprehensively as desired; the additional FTE would have made that easier to accomplish.

8. IT Supervisor II (1 FTE) - \$148,000

- a. Without the addition of this supervisor position, the eight Department Technical Support Analyst's will continue to report to the IT Operations Division Manager. Presently, the group lacks a dedicated resource to oversee the establishment of standards, patterns, and consistency in delivering services to the department, as well as to identify organizational efficiencies. Additionally, having a dedicated supervisor for this work group would bring about valuable advantages, including enhanced communication and knowledge sharing among team members.

9. One-Time Costs - Vehicle and upfit purchases - \$195,000

- a. These one-time vehicle purchase and upfit costs are tied to the new positions, specifically the Parks Rangers and Code Compliance Officers.

Eliminate Other New Positions - All FY 2024

In addition to the City Operations Fee funded positions, the City's FY 2024 General Fund budget included several other new positions. These positions were added to respond to internal and external demands for services. Without new revenue, these positions, which are currently vacant, are proposed for elimination. A brief summary of the impacts associated with those reductions is included for each reduction.

1. HR Business Partner (1 FTE) - \$147,000

- a. The workload for each HR Business Partner, who typically manages over 350 employees, handles two unions, and supports non-representative employees, is impeding their ability to proactively address employee relations, engagement, and development. This substantial workload is having a negative impact on their work-life

balance, resulting in job dissatisfaction and high turnover rates. Managing such a heavy workload poses challenges for HR Business Partners in providing each employee with the necessary time and attention. This lack of sustainability affects their ability to effectively support their colleagues, ultimately leading to demoralization. Furthermore, employees are frequently working extended hours, often exceeding 9 to 10 hours per day, and even weekends.

2. HR Specialist (1 FTE) - \$116,000

- a. Clerical and administrative tasks in HR have been inconsistently managed, with no dedicated individual responsible for maintaining files and handling administrative functions such as recording minutes during labor meetings and preparing for upcoming union contract negotiations. Without proper clerical support, there is a significant risk of errors, oversights, and potential liability for the City.

3. HR Program Manager II (1 FTE, DEI coordinator) - \$157,000

- a. Having a dedicated Diversity, Equity, and Inclusion (DEI) position has enabled the City to focus on the specialized tasks necessary to comply with employment regulations, protect staff from discrimination, and mitigate the City's exposure to litigation related to unfair labor practices. This role has played a pivotal role in sustaining the City's momentum in continually enhancing equity, DEI literacy, DEI practices, and employee empowerment. The incumbent has been responsible for developing, implementing, and curating DEI-related content, training programs, and experiences. The elimination of this dedicated resource will result in the discontinuation of these essential services, leading to a significant slowdown in the City's initiatives in these critical areas.

4. IT Administrative Analyst I (1 FTE) - \$105,000

- a. This position plays a crucial role in ensuring the uninterrupted functioning of the Enterprise Services Department. Currently, these responsibilities are being handled by a full-time career employee, resulting in overtime costs exceeding \$20,000 last year, which accounts for 30% of the hourly staff's salary equivalent. This situation is unsustainable for the department and significantly affects the efficiency and morale of the staff. Without this position, overtime expenses will persist, making it challenging to meet customer demands related to cell phone management and technical equipment receiving and setup.

5. IT Administrative Analyst I (1 FTE) - \$105,000

- a. Over the past five years, IT procurement volume has consistently increased by 10 to 20% annually. In the fiscal year 2022/2023, the Division successfully processed 927 purchase orders, totaling \$8.47 million. This work involves meticulous attention to detail and has a direct impact on every department and work group within the City. Additionally, the Division is responsible for managing more than 70 contracts, with a combined budgeted value exceeding \$1.76 million. The IT contract process is known for its complexity and time-consuming nature. Without the support of this position,

backlogs will persist, affecting the timely deployment of technical solutions across the City. Furthermore, the role of regular account administration, essential for effective cost management, cannot be adequately fulfilled without this position.

6. IT Dept Tech Support Analyst II (1 FTE) - \$138,000

- a. The purpose of this Full-Time Equivalent (FTE) position was to offer support to General Fund departments that currently lack access to a Department Technical Support Analyst (DTSA) for their IT requirements. Having a DTSA embedded within these departments brings an enhanced level of technical expertise and ensures faster response times to IT-related issues. Without this position, these departments will face significantly higher long-term costs associated with equipment, IT purchases, and system maintenance.

7. Finance Management Analyst II (1 FTE, Grants Administrator) - \$138,000

- a. The Finance Department is understaffed and the City has had increased grant activity in recent years both as a grantor and grantee. This position would have provided Citywide oversight over grants to ensure compliance. Without this position the City is at greater risk of non compliance.

8. Community Services Management Analyst I (1 FTE) - \$128,000

- a. The Comm Services Management Analyst 1 was created to support the administration of the newly formed Community Services Department. Eliminating this position will create inefficiency and workload challenges for the department.

9. Library Supervisor II (1 FTE) - \$132,000

- a. Leaving vacant the position of Library Supervisor II (FY24 Customer Experience Supervisor) has impacted the customer service levels and implementation of the Library's strategic plan goals. The current Circulation Supervisor oversees 27 employees while also handling the daily operations of the circulation department. The new Supervisor II would have assisted with overseeing half of those employees while also assisting with initiatives to streamline services, strengthen internal and external customer service, and find opportunities to support underserved communities with a DEI lens.

10. Police Crime Analyst (1 FTE) - \$118,000

- a. This position was developed to enhance collection and categorization of crime data, analyze quantitative crime data to develop apparent crime series, trends, patterns and potential suspects, while preparing tables and graphic displays. The loss of this position will significantly limit the ability of the department to complete the aforementioned tasks. Additionally, it will limit the department's ability to research and respond to inquiries from news media representatives and the general public.

11. Fire Training Officer (1 FTE) - \$217,000

- a. The lack of an additional Fire Training Officer has significant consequences. The training officers play a crucial role in facilitating the orientation and instruction of recruits, ensuring their understanding of company policies, procedures, job responsibilities, and other essential duties. To offer historical context, it is worth noting that the Salem Fire Department previously functioned with a staff comprising two Fire Training Officers and one EMS Trainer. In 2010, the Training Division experienced reduced staffing due to budget constraints within the City. As a consequence, one Training Officer position was eliminated. During that period, the department comprised 156 line personnel and handled approximately 17,000 calls effectively. Subsequently, the Fire Department has relied on operational staff to augment the activities of the Training division, resulting in a discernible impact on the department's overtime budget. This assistance includes supporting promotional exams, the hiring process, training academies, and various training requirements required by State and Federal Requirements, Oregon Health Department and The Department of Public Safety and Standards. In addition, it is worth noting that the conditions within the fire service have experienced significant growth since 2010. This includes the implementation of prerequisites such as DPSST certifications, specialty team certifications, and mandatory training, which have now become widely recognized as industry standards. Not reinstating the Fire Department's training staff to their 2010 levels will persistently impede the capacity to meet existing industry standards and requirements. The ongoing expansion of training requirements for the current workforce will follow a natural progression. Based on the provided information, in addition to the growth of the staffing levels to 165 line personnel and the increase in the department's annual call volume to over 35,000, it is apparent that the training requirements have surpassed the current capabilities of the Training Division in terms of staffing capacity.

12. UD Administrative Analyst II (1 FTE) - \$118,000

- a. This position was needed to offset 2 FTE that were moved to the new Community Services department. With another 20 individuals and more budgets and cost centers moving to the Community and Urban Development Department from Public Works, this position is needed even more. The impact of not having this position will require workload rebalancing in the department and look at what functions we can stop doing to absorb this added work.

Reductions/Cost Recovery Opportunities

The reductions of the City Operations Fee and other new General Fund positions are not enough to maintain a fund balance level above the City Council policy. These additional positions are organized by year and represent ongoing reductions in service. A brief summary of the impacts associated with those reductions is included for each proposed reduction.

FY 2024 - July 1, 2023 through June 30, 2024

1. Library Reduction (6 FTE) - \$718,000

- a. West Salem Branch closure. The West Salem Library operates 5 days/week @ 5 hours/day (25 hours/week) and is the only branch besides the main Salem Public Library. Closure of the West Salem branch significantly reduces the accessibility of library resources and programs to Salem residents. Community members utilize the West Salem library to access computers, Wi-Fi, study areas, meeting spaces, access to research databases, books, media, printers, and a safe space to shelter from the heat and cold.

2. Fire Positions (6 FTE) - \$903,000

- a. Reducing six (6) personnel in the fire department, mainly when covering off-duty personnel, will give rise to several implications closely tied to minimum staffing requirements and overtime. This reduction will lead to increased overtime due to the need to cover scheduled time off, Kelly Days, vacations, sick leave, and other absences. The fire department will partially rely on overtime to fulfill the minimum staffing requirements outside the remaining floaters. Moreover, reducing staffing will heighten the remaining employees' workload, as fewer individuals will be available to cover scheduled time-off and call-back situations. These positions are currently vacant.

3. Police Positions (4 FTE) - 2 Police Officers, 1 Lieutenant, 1 Sergeant - \$916,000

- a. The police department will no longer have the ability to conduct high-level drug trafficking cases that distribute illicit narcotics (including fentanyl) throughout the community. Additionally, it will impact the department's ability to investigate federal overdose cases criminally, and hold the suppliers of deadly narcotics accountable for their distribution to adults and children alike. The loss will also impact asset forfeiture amounts.
- b. Losing a sergeant will directly limit the ability to provide managerial oversight of patrol officers in the field during high-risk situations, use of force incidents, and other incidents involving safety of the community and livability within the city. This position was also tied to phasing out of the corporal rank.
- c. Loss of a lieutenant will directly impact the department's ability to strategize, coordinate, and participate in community engagement events and strategic response to the complex problems within the community.

4. Sheltering Services (Cleaning) - \$100,000

- a. Environmental and hazardous waste cleanup dollars fund removal of material from waterways, riparian areas, sidewalks, and other publicly owned locations. Living in areas not meant for human habitation, without access to garbage service and restroom facilities, results in accumulation of waste. This can lead to rodent infestations, disease outbreaks and impacts to soils and waterways.

FY 2025 - July 1, 2024 through June 30, 2025

1. All Salem funded micro shelter villages - \$5,400,000
 - a. Unless new revenue sources or remaining state grant fund allocations are applied here, on July 1, 2024 180 temporary emergency shelter beds could close. Eighty beds are currently provided at the Village of Hope, serving individual adults; up to 100 beds, depending upon the time of year, are provided at the Catholic Community Services site, serving children and families. The villages provide the safety, sanitation, and support for guests to come in from unsheltered homelessness and transition toward positive destinations (432/935 have exited positively to date). Services provided have also reduced use of emergency services by guests (of those tracked, there was an 80% reduction in use of hospital emergency room and a 75% reduction in calls to 911). Salem currently has hundreds more people experiencing unsheltered homelessness than there are available shelter beds; micro-shelter villages currently carry wait lists with more interest to access these services than the current capacity.
2. Library Reduction (8 FTE) \$1,168,000
 - a. Eliminate Sunday service, reduce hours to 10am - 6pm Tuesday through Saturday, and reduce programs offered by 50%.
3. Center 50+- Cost Recovery - \$400,000
 - a. Center 50+ utilizes collaborative partnerships and contracts with 45 different partners, assesses nominal program fees, partners with a nonprofit fundraising "friends" group and endowment fund, and uses the time and talents of a large 400+ volunteer workforce. While any budget reduction translates to reduction of direct senior and caregiver services and impacts the Center's ability to fulfill its mission, the true outcome and the trickle down and community-wide impact cannot be fully calculated or understood in advance. As fees are increased it will cause people to participate differently, and reduces accessibility and affordability to services that keep older adults connected, engaged and serving the community. A combination of cost savings options and revenue generating actions include:
 - i. Reduce Professional Services by \$200,000, eliminating the ability to offer new Outreach Programming, expand programs, or utilize new co-sponsorship agreements.
 - ii. Reduce Part-Time/ Seasonal Staffing by \$30,000, resulting in a reduction in evening and weekend programming, and ability to serve as a community hub to a variety of groups including focus groups and City-wide Engagement.
 - iii. Reduce Materials and Supplies by \$30,000, impacting marketing strategies, print materials, and limit programming that requires hobby specific supplies.

- iv. Implement City Resident/Non-Resident differential for all fees (programs, services, rentals).
- v. Increase Patrons Fees- \$40,000.
- vi. Increase Facility Rental Fees by \$50,000.

4. Recreation - Cost Recovery - \$400,000

- a. Implement City Resident/Non-Resident differential for all fees (programs, services, rentals).
- b. Elimination of fee reductions/waivers for you sports camps and summer parks program.
- c. Increase in fees for all youth sports camps, summer parks programs, fun runs.
- d. Increase in all ballfield, tennis/pickleball court, disc golf course rental fees.
- e. Increase in all baseball/softball/kickball league and tournament fees.
- f. Increase in Wallace Marine sports complex rental fees.
- g. Elimination of all waivers for Facility Use Permits approved by City Council for non-profit organizations.
- h. Increase in fees for all Facility Use Permits associated with park reservable areas. Includes all parks and recreation support provided to reservation holders.
- i. Increase in all special event and support fees.

5. Parks Operations (7 FTE) - \$700,000

- a. Expenditure reductions - service level impacts:
 - i. Eliminate closing and weekend parks staff for maintenance activity, reservation and event support.
 - ii. Restroom closures for all neighborhood parks and day-use only for community and urban parks. Use of chemical toilets during non-open hours for restrooms.
 - iii. Frequency reduction of parks maintenance services, to include refuse removal, restroom cleaning, mowing, landscape and trail maintenance.
 - iv. Reduced/limited response to addressing homeless activity impacts, vandalism and graffiti.
 - v. Eliminate all irrigation in neighborhood parks.
 - vi. Closure of drinking fountains and splash pads throughout the parks system.
 - vii. Reduced frequency of mowing and field prep work (dragging of fields) in

non-Wallace sports complex athletic field locations.

6. Transient Occupancy Tax (TOT) Grants Redirect - \$70,000

- a. A reduction to the TOT grant funding of 10% will mean that 7 to 10 local events would not receive the funding needed to market, promote, and in some cases hold their event. In FY 2024, there are 33 TOT Event grants awarded, several are new DEI qualifying events. A reduction would impact them the most as their organizations rely on donations, grants, and volunteers to survive. 10% reduction to the facility operator grants (9 total currently) results in lowered funding for each entity to operate important heritage and tourism facilities. The 10% redirection of TOT grant funds to the Parks division will help offset General Fund support.

7. Youth Development (1 FTE + Grants) - \$224,000

- a. A backbone of any system working to address homelessness is early intervention with youth and young adults who are unsheltered; we would no longer have City staff dedicated to helping with this regional effort. Part of the City's work around diversity, equity and inclusion is to work capably to welcome in young people to volunteer and staff positions - we would no longer have this dedicated resource. Unless youth serving community partners can step in, the ILEAD Conference, the summer CARE Corps leadership development program, mini-grants, and other partnerships would conclude.

8. Police Graffiti Abatement (1) - \$91,000

- a. The loss of this position will reduce the two-person Graffiti Abatement Team to just one person. In 2022, the two-person team handled nearly 2,200 incidents. Eliminating one position reduces capacity to remove/cover graffiti by 50%. Moreover, larger jobs require two employees, so the one remaining employee will need assistance from a manager, another staffer, or volunteer(s), if those abatements are to be accomplished at all.

9. Social Service Grants - \$400,000

- a. This would eliminate support to programs like Center for Hope and Safety for case management, Marion Polk Food Share for food purchases and staff, and NW Human Services funding for the crisis hotline and case management. Other nonprofits have also received funding in past years for case management and other services.

10. Sheltering Services (Safe Park, Emergency Warming) - \$410,000

- a. Inclement weather emergency response services are not currently funded by any other resource. These services save lives. Last year the warming network activated each night the temperature dropped below 32 degrees: 35 days and 2,572 bed nights were provided last season, with the city's investment coupled with other funding partners. Going into this season, Salem's general fund is the only investment providing specific funding to activate the Salem Warming Network.
- b. Safe Park services would not have emerged without city grant funding. Safe Parking

sites are established in collaboration with faith communities, businesses, non-profit organizations, government offices, and private landowners. Church @ the Park (C@P) provides sanitation services (restroom facilities and handwashing stations), trash pick-up, and site-management - at no cost to the host. C@P's Safety Team monitors all sites daily and is available 24/7 to both the host's staff and all Safe Parking participants. Many hosts have communicated that their partnership with C@P's Safe Parking program and Safety Team has reduced the number of incidents of trespassing and vandalism on their property. Providing safe places for people to park helps individuals stabilize their lives and gain better access to services and employment. C@P's goal is to help transition those in the Safe Parking program to permanent housing as quickly as possible. Through this program, C@P is decreasing the number of calls for emergency services by providing legal living accommodations and supportive services for people in crisis.

FY 2026 - July 1, 2025 through June 30, 2026

1. City of Salem Funding for Navigation Center - \$2,400,000
 - a. Barring any unforeseen new revenue sources, on July 1, 2025, 75 temporary emergency low-barrier shelter beds would close. Having just opened June 1, 2023 so far we have helped a high number of people with significant mental health issues who were vulnerable in unmanaged locations not fit for human habitation. Sixty of the beds are accessed by people who have completed needs assessments and been selected out of hundreds waiting. About fifteen of the beds are used for emergency dynamic situations. The center provides stabilization for people to come in from unsheltered homelessness and transition to positive destinations. Salem currently has hundreds more people experiencing unsheltered homelessness than available shelter; the navigation center carries significant wait lists with more interest to access these services than current capacity.
2. Fire Station (9 FTE) - \$1,902,000
 - a. By the conclusion of 2025, it is projected that call volume will have surged by 4,000 calls, totaling 38,000 for the year. This increase, coupled with the anticipated closure of a station, will result in a substantial decline in the Department's ability to maintain the current 5.5-minute response time, diminishing it to just 51%. Regrettably, this means that 8,847 community members will not receive the prompt and effective response they deserve. While the specific nature of emergencies each citizen may face cannot be foreseen, it's crucial to acknowledge that some emergencies will be life-threatening, where every moment counts. Furthermore, this reduction will heighten the risk of our inability to respond adequately to significant incidents with an effective firefighting force, potentially allowing large fires to grow even larger, increasing the threat to both life and property. With this reduction, the number of successful medical interventions experienced recently and over the past few years will decrease (i.e., CPR save rates). Regardless of the nature of the emergency, the fire department's duty is to

furnish immediate aid, limit the emergency's impact, and shield individuals and communities, employing specialized equipment, techniques, and protocols tailored to each situation's demands. The closure of this station will also impose a heavier workload on the remaining stations, as they will need to respond to the calls previously covered by the closed station. This added workload will adversely affect the workforce's stability and overall functioning.

3. Police Position Reduction (12 FTE) - 10 Officers, 1 Graffiti Abatement, 1 Telephone Reporting Specialist - \$2,474,000
 - a. Homeless Services Team - Eliminating these positions will significantly limit the department's ability to respond to complaints related to unmanaged camping within the city limits of Salem. These positions work directly with the City's SOS team and were shown to be an effective way to safely provide a multi-team approach to meet with the unsheltered individuals and encourage them to accept services, while also addressing barriers to housing and employment.
 - b. Police Community Action Unit - The police department will no longer have a team dedicated to working collaboratively with local and state government entities, community partners, non-profit organizations, and volunteer organizations, to address livability concerns throughout the city and find preventative long-term solutions. There will no longer be bicycle patrols in the downtown area of the city and there will no longer be a team for rapid emergency response into the city parks by use of the Utility Task Vehicle (UTV). This will also have a direct impact on the department's ability for community engagement events within the city.
 - c. Telephone Report Specialists receive and process a high volume of non-emergency citizen generated crime reports that do not require the dispatching of a police officer. This loss will reduce the Telephone Report Staff to just two people, which reduces not only hours of operations, but will require police officers to receive and process those reports, removing those police officers from response to emergency calls during that time period.
 - d. The loss of this position will entirely eliminate the final laborer on the Graffiti Abatement Team and which would eliminate the ability of the department to respond and remove/cover any graffiti within the city. As previously mentioned, in 2022, the two-person graffiti team handled nearly 2,200 incidents. Without these positions, that graffiti will go unmanaged by the department.

FY 2028 - July 1, 2027 through June 30, 2028

1. Fire Station (9 FTE) - \$2,066,000
 - a. At the end of 2027, forecasts indicate a significant surge in the call volume, with another additional 4,000 calls anticipated, bringing the annual total to 42,000. This is due to increased population and current call volume trends, among other factors.

In conjunction with the recommended additional station closure, this substantial increase is poised to erode further the capacity to sustain the current 5.5-minute response time, diminishing it to a mere 43.8%, constituting an additional 7.2% reduction. Unfortunately, this translates to 10,645 members of the Salem community who will not receive the timely and efficient response they rightfully deserve. This station's closure will again continue to impose a heavier workload on the remaining stations, as they will need to respond to the calls previously covered by the closed station as they did in 2026. This added workload will adversely affect the workforce's stability and overall functioning.

- b. The 2022 Safety and Livability Bond included funding to relocate one fire station and construct a new fire station 12. Due to lack of funding to staff the new station and closure of two other stations, these projects would be put on hold until funding to staff the stations is identified.

Key Questions and Dates - Potential Next Steps

The City Council has two basic levers to adjust the General Fund financial picture - increase revenues or decrease expenses. Timing and the process for these conversations are important considerations as the City Council moves forward.

Key questions:

1. Who should be involved in continuing conversations? Potential options include:
 - a) Re-form a Revenue Task Force
 - b) Budget Committee
2. When should the Community Satisfaction Survey be revisited?
3. What should community engagement look like? Potential options include:
 - a) Town Halls
 - b) Surveys
 - c) Listening Sessions
 - d) Balancing Act with decision packages

Key Dates:

October 28, 2023 - City Council Retreat

November 11, 2023 - City Council Policy Agenda Work Session

January 10, 2024 - Budget Committee Five-Year Forecast Presentation

April - May 2024 - Budget Committee Budget Process

May 2024 - Primary Election*

November 2024 - General Election*

May 2025 - General Election*

November 2025 - General Election*

*Election dates are noted due to statutory requirements for some new revenue options to go to the ballot.

BACKGROUND:

General Fund FY 2017 through FY 2028 - With CARES/ARPA and City Operations Fee

The below table shows the five-year forecast plus 6 years of history with City Operations Fee and Coronavirus Aid, Relief, and Economic Security (CARES), and America Rescue Plan Act (ARPA) revenues separated. As detailed below, prior to the addition of the City Operations Fee and the eventual federal monies, the City had been in deficit spending for several years. This is why the Sustainable Services Revenue Task Force was created that eventually proposed the City Operations Fee.

FY 2017 - FY 2028 Summary <i>(in millions)</i>												
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 YEE	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F
Beginning Fund Balance	28.13	26.82	25.02	22.20	24.97	30.91	40.68	36.35	26.93	15.11	(0.03)	(16.22)
Revenues	\$114.26	\$119.86	\$125.92	\$127.25	\$131.04	\$141.27	\$ 148.13	\$ 156.11	\$ 159.75	\$ 163.52	\$ 169.35	\$ 174.10
City Operations Fee				\$ 3.56	\$ 7.21	\$ 7.48	\$ 7.95	\$ 13.57	\$ 13.91	\$ 14.19	\$ 14.48	\$ 14.76
CARES/ARPA				\$ 3.14	\$ 10.30	\$ 12.90	\$ 0.82					
Net Revenues	\$114.26	\$119.86	\$125.92	\$133.96	\$148.54	\$161.64	\$ 156.90	\$ 169.69	\$ 173.66	\$ 177.71	\$ 183.83	\$ 188.87
Total Expenditures	\$ 115.57	\$ 121.66	\$ 128.75	\$ 131.19	\$ 142.60	\$ 151.87	\$ 161.23	\$ 186.02	\$ 192.59	\$ 200.13	\$ 207.49	\$ 215.50
Unspent Contingency								(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
2.5% Savings								(4.42)	(4.61)	(4.78)	(4.97)	(5.17)
Net Expenditures	\$115.57	\$121.66	\$128.75	\$131.19	\$142.60	\$151.87	\$ 161.23	\$ 179.10	\$ 185.48	\$ 192.85	\$ 200.02	\$ 207.82
Fund Balance Spend	(\$1.30)	(\$1.80)	(\$2.83)	\$2.77	\$5.94	\$9.77	(\$4.33)	(\$9.42)	(\$11.82)	(\$15.14)	(\$16.19)	(\$18.95)
Ending Fund Balance	\$26.82	\$25.02	\$22.20	\$24.97	\$30.91	\$40.68	\$36.35	\$26.93	\$15.11	(\$0.03)	(\$16.22)	(\$35.17)
Fund Balance Policy at 15% of Revenues	\$ 17.14	\$ 17.98	\$ 18.89	\$ 20.09	\$ 22.28	\$ 24.25	\$ 23.53	\$ 25.45	\$ 26.05	\$ 26.66	\$ 27.57	\$ 28.33
Over (Under) Policy	\$9.68	\$7.05	\$3.31	\$4.87	\$8.63	\$16.43	\$12.81	\$1.47	(\$10.94)	(\$26.68)	(\$43.79)	(\$63.50)

General Fund FY 2017 through FY 2028 - With City Operations Fee and without CARES/ARPA

The table below shows a display of FY 2017 through FY 2024 as if the City didn't receive CARES or ARPA funding. The City would have been out of compliance with the fund balance policy FY 2021 and unable to adopt the budget FY 2024.

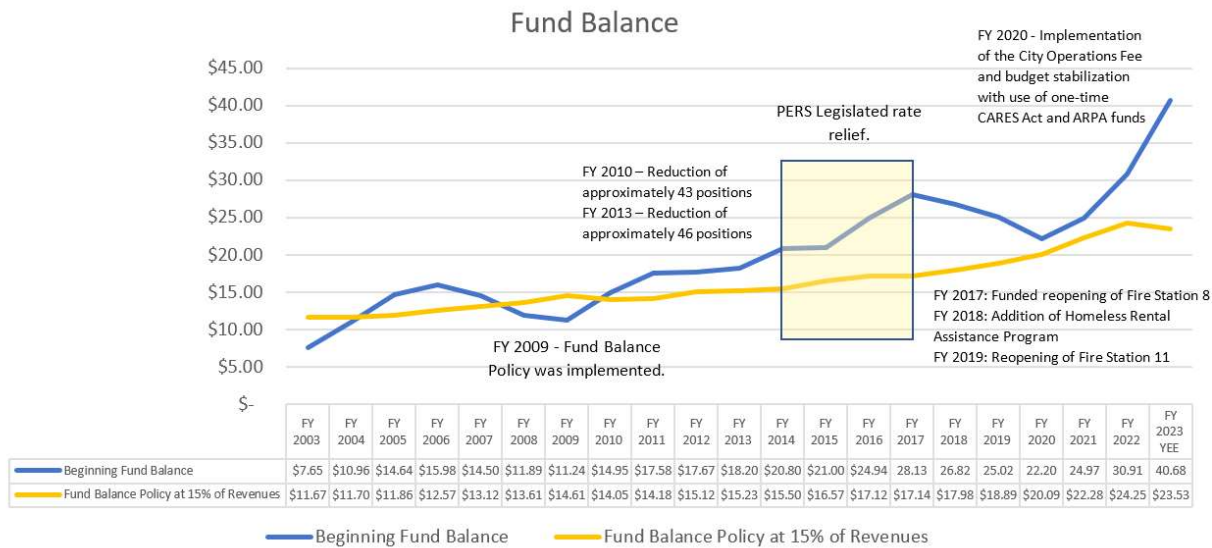
FY 2017 - FY 2028 Summary (in millions)												
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 YEE	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F
Beginning Fund Balance	28.13	26.82	25.02	22.20	21.83	17.47	14.34	9.19	(0.23)	(12.05)	(27.18)	(43.38)
Revenues	\$114.26	\$119.86	\$125.92	\$127.25	\$131.04	\$141.27	\$ 148.13	\$ 156.11	\$ 159.75	\$ 163.52	\$ 169.35	\$ 174.10
City Operations Fee				\$ 3.56	\$ 7.21	\$ 7.48	\$ 7.95	\$ 13.57	\$ 13.91	\$ 14.19	\$ 14.48	\$ 14.76
CARES/ARPA				\$ -	\$ -	\$ -	\$ -					
Net Revenues	\$114.26	\$119.86	\$125.92	\$130.82	\$138.24	\$148.74	\$ 156.08	\$ 169.69	\$ 173.66	\$ 177.71	\$ 183.83	\$ 188.87
Total Expenditures	\$ 115.57	\$ 121.66	\$ 128.75	\$ 131.19	\$ 142.60	\$ 151.87	\$ 161.23	\$ 186.02	\$ 192.59	\$ 200.13	\$ 207.49	\$ 215.50
Unspent Contingency								(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
2.5% Savings								(4.42)	(4.61)	(4.78)	(4.97)	(5.17)
Net Expenditures	\$115.57	\$121.66	\$128.75	\$131.19	\$142.60	\$151.87	\$ 161.23	\$ 179.10	\$ 185.48	\$ 192.85	\$ 200.02	\$ 207.82
Fund Balance Spend	(\$1.30)	(\$1.80)	(\$2.83)	(\$0.37)	(\$4.36)	(\$3.13)	(\$5.15)	(\$9.42)	(\$11.82)	(\$15.14)	(\$16.19)	(\$18.95)
Ending Fund Balance	\$26.82	\$25.02	\$22.20	\$21.83	\$17.47	\$14.34	\$9.19	(\$0.23)	(\$12.05)	(\$27.18)	(\$43.38)	(\$62.33)
Fund Balance Policy at 15% of Revenues	\$ 17.14	\$ 17.98	\$ 18.89	\$ 19.62	\$ 20.74	\$ 22.31	\$ 23.41	\$ 25.45	\$ 26.05	\$ 26.66	\$ 27.57	\$ 28.33
Over (Under) Policy	\$9.68	\$7.05	\$3.31	\$2.20	(\$3.27)	(\$7.97)	(\$14.22)	(\$25.68)	(\$38.10)	(\$53.84)	(\$70.95)	(\$90.66)

General Fund FY 2017 through FY 2028 - Without City Operations Fee or CARES/ARPA

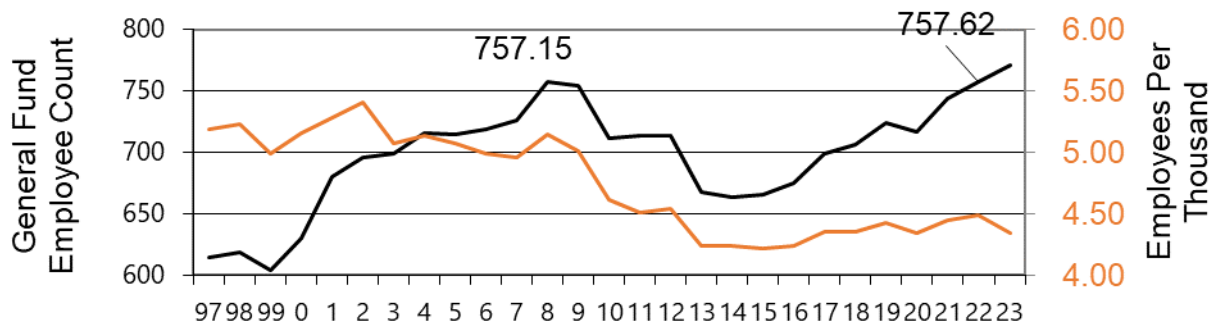
This table shows a display of FY 2017 through FY 2024 as if the City didn't receive CARES, ARPA, or City Operations Fee revenue. The City would have been out of compliance with the fund balance policy FY 2020 and unable to adopt the budget FY 2022.

FY 2017 - FY 2028 Summary (in millions)												
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 YEE	FY 2024 YEE	FY 2025 F	FY 2026 F	FY 2027 F	FY 2028 F
Beginning Fund Balance	28.13	26.82	25.02	22.20	18.26	6.70	(3.90)	(17.01)	(40.00)	(65.73)	(95.06)	(125.73)
Revenues	\$114.26	\$119.86	\$125.92	\$127.25	\$131.04	\$141.27	\$ 148.13	\$ 156.11	\$ 159.75	\$ 163.52	\$ 169.35	\$ 174.10
City Operations Fee				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CARES/ARPA				\$ -	\$ -	\$ -	\$ -					
Net Revenues	\$114.26	\$119.86	\$125.92	\$127.25	\$131.04	\$141.27	\$ 148.13	\$ 156.11	\$ 159.75	\$ 163.52	\$ 169.35	\$ 174.10
Total Expenditures	\$ 115.57	\$ 121.66	\$ 128.75	\$ 131.19	\$ 142.60	\$ 151.87	\$ 161.23	\$ 186.02	\$ 192.59	\$ 200.13	\$ 207.49	\$ 215.50
Unspent Contingency								(2.50)	(2.50)	(2.50)	(2.50)	(2.50)
2.5% Savings								(4.42)	(4.61)	(4.78)	(4.97)	(5.17)
Net Expenditures	\$115.57	\$121.66	\$128.75	\$131.19	\$142.60	\$151.87	\$ 161.23	\$ 179.10	\$ 185.48	\$ 192.85	\$ 200.02	\$ 207.82
Fund Balance Spend	(\$1.30)	(\$1.80)	(\$2.83)	(\$3.93)	(\$11.56)	(\$10.61)	(\$13.10)	(\$22.99)	(\$25.73)	(\$29.33)	(\$30.67)	(\$33.72)
Ending Fund Balance	\$26.82	\$25.02	\$22.20	\$18.26	\$6.70	(\$3.90)	(\$17.01)	(\$40.00)	(\$65.73)	(\$95.06)	(\$125.73)	(\$159.44)
Fund Balance Policy at 15% of Revenues	\$ 17.14	\$ 17.98	\$ 18.89	\$ 19.09	\$ 19.66	\$ 21.19	\$ 22.22	\$ 23.42	\$ 23.96	\$ 24.53	\$ 25.40	\$ 26.12
Over (Under) Policy	\$9.68	\$7.05	\$3.31	(\$0.82)	(\$12.95)	(\$25.09)	(\$39.23)	(\$63.42)	(\$89.69)	(\$119.59)	(\$151.13)	(\$185.56)

Fund Balance History - General Fund



Employee Count History - General Fund



The City of Salem's General Fund, like many cities in Oregon, has been experiencing deficit spending where revenues are outpacing expenditures. Reasons for this include property tax constraints from Measures 5 and 50 in the 1990's and increased demand for services. For example, budgeted property tax revenue in FY 2024 covers only 77% of budgeted expenses in the Police and Fire departments that are paid from the General Fund.

The City has found other ways to help pay for these services including the City Operations Fee and other revenues such as planning fees and a local marijuana tax. Additionally, over time the City has made cuts to balance the budget including in 2009 and 2013 through the closing of fire stations and the reduction of library hours, recreation services and neighborhood outreach.

With the COVID-19 pandemic, the City received federal dollars in the form of the CARES (Coronavirus Aid, Relief and Economic Security Act) and ARPA (American Rescue Plan Act) legislation. In total, the City was able to recognize \$17M in lost General Fund revenue because of the pandemic. Revenue replacement was an eligible use of these funds as outlined in federal and auditor guidance. Without this one-time influx of revenues, coupled with the start of the City Operations Fee, the City would have been insolvent in the General Fund several years ago and unable to provide relied upon services.

The City Council has held multiple work sessions this year (2/21/23 - [Meeting Agenda \(legistar.com\)](https://saalem.legistar.com/View.ashx?M=A&ID=1077590&GUID=05E2B29E-A0FD-42EB-803C-75A4B364C4EF) <<https://saalem.legistar.com/View.ashx?M=A&ID=1077590&GUID=05E2B29E-A0FD-42EB-803C-75A4B364C4EF>>, 4/5/23 - [Meeting Agenda \(legistar.com\)](https://saalem.legistar.com/View.ashx?M=A&ID=1086867&GUID=AFD68A20-990D-4358-99CB-1921E5861F7C) <<https://saalem.legistar.com/View.ashx?M=A&ID=1086867&GUID=AFD68A20-990D-4358-99CB-1921E5861F7C>>, and 5/15/2023 - [Meeting Agenda \(legistar.com\)](https://saalem.legistar.com/View.ashx?M=A&ID=1099675&GUID=A5AA8B45-B840-4FED-8A24-C6E5AF8665F0) <<https://saalem.legistar.com/View.ashx?M=A&ID=1099675&GUID=A5AA8B45-B840-4FED-8A24-C6E5AF8665F0>>) to discuss sustaining the City's General Fund Services. In addition, the Budget Committee deliberated on the City's FY 2024 budget and made recommendations supporting new revenues. The City originally formed the [Sustainable Services Revenue Task Force](https://www.cityofsaalem.net/government/boards-commissions/other-advisory-groups/sustainable-services-revenue-task-force) <<https://www.cityofsaalem.net/government/boards-commissions/other-advisory-groups/sustainable-services-revenue-task-force>> in 2018 that recommended multiple revenue options to the City Council.

Attachments:

1. Reduction Detail - Budget Impact
2. Why do we need fund balance?