



Staff Report

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TO: Mayor and City Council
THROUGH: Keith Stahley, City Manager
FROM: Josh Eggleston, Chief Financial Officer

SUBJECT:

Revised FY 2024 Budget - Follow-up to the September 18, 2023 Council Work Session

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods
Result Area(s): Good Governance; Natural Environment Stewardship; Safe and Healthy Community; Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

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 in the General Fund, it would need to be amended. The City Council held a work session on September 18, 2023 to discuss potential reduction scenarios for the five-year forecast period. This work session is a follow up to the September 18th work session with additional information and scenarios.

ISSUE:

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

RECOMMENDATION:

Information and discussion.

FACTS AND FINDINGS:

Like many cities in Oregon, the City of Salem has been facing challenges in funding valued and

essential services in our community. Salem is one of many Oregon cities projecting a deficit in their General Fund because expenditures are increasing at a faster rate than revenues each year and demand for services in our growing community is increasing. Attachment 6 provides additional information on the status of several other Oregon peer cities and their financial position.

Salem's General Fund provides for City services such as police, fire, library, parks and recreation, neighborhood services, code enforcement, municipal court, and support service departments that provide a citywide benefit. Property tax, the primary General Fund revenue source, as budgeted in FY 2024, only covers 77% of budgeted Police and Fire department expenses and only 46% of all budgeted General Fund expenses.

On June 26, 2023, the City Council adopted the FY 2024 budget, which covers the period from July 1, 2023 through June 30, 2024. The City Council is discussing options to amend the FY 2024 budget in early 2024.

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. Maintaining a fund balance is especially important in Oregon, where property taxes, representing the majority of Salem's General Fund Revenue, aren't received until November. The fund balance is used to pay expenses, the majority of which is payroll, for the months of 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 currently adopted staffing levels in the FY 2024 budget. In this scenario the City is out of compliance with the fund balance policy in FY 2025 and would be unable to adopt the budget with fund balance almost depleted in FY 2026, which begins July 1, 2025

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	\$ 36.62	\$ 27.21	\$ 15.39	\$ 0.25	\$ (15.94)
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	\$27.21	\$15.39	\$0.25	(\$15.94)	(\$34.90)
Fund Balance Policy at 15% of Revenues	\$ 25.45	\$ 26.05	\$ 26.66	\$ 27.57	\$ 28.33
Over (Under) Policy	\$1.75	(\$10.66)	(\$26.40)	(\$43.52)	(\$63.23)

Definitions

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

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.

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.

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.

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.

Reduction Scenarios

At the September 18 work session staff presented a service reduction scenario to balance the budget throughout the five-year forecast period. During the work session, City Council sought more information, asked questions, and asked to see the impact of additional options for reduction scenarios or changes to City services. A comparison of the four scenarios is included as Attachment 1. The basic financial outlook for all four scenarios is similar, with the aim of maintaining the ending fund balance in FY 2028 slightly above the Council adopted fund balance policy of 15% of budgeted revenues. All scenarios include **the changes and reductions** in the September 18, 2023 proposal, unless noted below.

Option 1: September 18, 2023 Proposal

On September 18, staff presented a service reduction scenario that aimed to preserve flexibility by making smaller cuts earlier and balancing reductions across services, rather than across the board cuts.

This display has been updated to reflect an update in the beginning working capital amount for FY 2024 from \$36.35 million to \$36.62 million. This update does not materially change the financial forecast for the General Fund.

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	\$ 36.62	\$ 33.30	\$ 31.61	\$ 31.41	\$ 30.75
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	\$33.30	\$31.61	\$31.41	\$30.75	\$30.18
Fund Balance Policy at 15% of Revenues	\$ 25.45	\$ 26.05	\$ 26.66	\$ 27.57	\$ 28.33
Over (Under) Policy	\$7.85	\$5.56	\$4.75	\$3.18	\$1.85

Option 2: Add Park Rangers and SOS team expansion.

In this scenario the Police HST, Park Rangers and SOS team expansions proposed in the FY 2024 Budget are retained. This additional expense is offset by reducing cost through elimination of the homeless rental assistance program (HRAP) and by generating additional revenue from Planning Services cost recovery (fee increases) and full recreation cost recovery (fee increases) in FY 2025.

- Homeless rental assistance program (HRAP) eliminated - \$625,000
 - In the developed partnership with City of Salem departments including the SOS team, Salem Housing Authority has been the primary provider of staff who supply immediate outreach to our community members experiencing homelessness. SHA staff are known and trusted in the community and can successfully interact with vulnerable individuals where public safety officers and others in positions of authority may not have the same level of success.

Outreach staff bridge gaps by providing vital navigation services that include a wide variety of resources throughout the community. Our Outreach team includes a SOAR navigator who assists individuals in accessing Social Security income, and another team member is in the process of becoming an Oregon Health Plan Assister, who will be able to assist individuals in accessing healthcare and insurance coverage. SHA Outreach Navigators participate in the Homeless Management Information System (HMIS) through the Continuum of Care, helping to maintain current data that informs HUD reporting and ultimately documents the need for federal funding.

SHA Outreach Navigators took the lead on the 2023 Point in Time Count. Due to SHA level of expertise and trust in the community, the SHA Outreach team was asked to coordinate access to the Wallace Marine Park encampment during the PIT count.

SHA Outreach works with community partners, including Church at the Park, Be Bold, Easter Seals, and many others in collaborative outreach efforts. Additionally, SHA Outreach staff manage the immediate needs station that is a vital resource for the community, providing much needed resources that can be accessed by Salem Police and Fire 24/7 when needed.

Lastly, our Outreach Navigators provide vital support to households moving from homeless situations to permanent housing. Federal resources, like the Section 8 Voucher program, have funds for rental assistance, but do not include funds to help people navigate the housing system, or address barriers to moving to permanent housing. The availability of the support from our Outreach team allows us to creatively assist residents who would likely not be successful in accessing mainstream resources because of their individual barriers to housing stabilization.

Without this vital funding, our Outreach Navigators would have to be reassigned to other duties within the Housing Authority and would have to focus their talents and expertise elsewhere, and our community would lose this vital resource.

- Additional Planning cost recovery - \$200,000 (fee increases)
 - The land use application and permit fees collected by the Planning Division are currently set to recover the staff time and materials but do not account for a full cost recovery associated with the division as they do in restricted funds such as Building and Safety. Planning fees have been slowly increased over the last decade to achieve a cost recovery of 100 percent of staff time and materials.

Planning fees are required under state law to be no more than the actual or average cost of processing the application or permit. Planning fees could be increased to more fully cover the cost of the operations to more accurately reflect the actual cost of the service. The proposed increase would generally be spread across all land use application and permit types. Planning fees are generally a small fraction of the overall fees collected by the City for a development, however, any increase in fees could potentially impact development throughout the city.

- Recreation full cost recovery - \$200,000 (fee increases)
 - Additional fee increases or services decreases will be necessary to bring Recreation Services to full cost recovery.

Please note that all the reductions from the original September 18th reduction proposal are included unless indicated otherwise.

Option 3: No Reductions to Public Safety Services

In this scenario all current public safety positions are maintained. In order to maintain these 43 public safety positions, additional service reductions and actions are needed, including:

Impacts in FY 2025

- Homeless rental assistance program (HRAP) eliminated (refer to detail in option 2)
- Additional Planning cost recovery (refer to detail in option 2)
- Recreation full cost recovery (refer to detail in option 2)
- Close the Library - \$3,940,391
 - The City of Salem residents will lose their only public library along with the following investments and collections:
 - \$4.5 million estimated value for 350,000 collection items.
 - \$18.6 million dollar bond to renovate building with seismic upgrade investment.
 - \$500,000 seismic upgrades and renovation from the Salem Public Library Foundation.
 - \$43,000 grant investment for purchase of the Library of Things collection
 - \$689,300 annual revenue Chemeketa Cooperative Regional Library Service.
 - West Salem Library branch building, resources, material, and technology investment.
 - Over \$161,000 investment in Facilities maintenance and upkeep in the last two years.
 - The following partnerships within the community would be severely impacted or cease:

- Salem/Keizer School District- school tours, outreach to classroom, and teacher book delivery.
- Assistance League of Salem/Keizer and the Operation Bookshelf- monthly delivery of books to adults who are homebound, seniors in assisted living locations, and group homes.
- Willamette Valley Genealogical Society- run by volunteers who help community members with genealogical research.
- 155 community volunteers with over 3,946.5 hours volunteered.
- Friends of the Library - established in 1965 to support library services, programs, and facilities for the community. Over 13 members volunteer their time to ensure that the library bookstore is open, books are sold, and donations received.
- Salem Public Library Foundation - established in 1981, is a community-based group of Library supporters who raise and administer funds for enhancement projects and programs at the Salem Public Library.
- Teen Advisory Board
- Library Advisory Board-currently 7 members who have supported the library through renovation, helps fund library programming and enhancements, supports the Teen Advisory Board, and access to resources such as the Seed Library and Take What You Need project.
- Salem Public Art Commission collaboration with the Library Foundation to have regular art installations and exhibitions of local artists in the art hall.
- Access to the following community resources would be eliminated:
 - Access to 28 free online databases for research and learning.
 - Study rooms, meeting spaces, public restrooms, other building uses which provide indoor, temperature-controlled spaces
 - Loucks Auditorium space
 - Public Wi-Fi and internet access
 - Technology access (computers, hotspots, laptops, tablets, scanners, copy machines)
 - Access to historical subjects and material such as the Hugh Morrow collection and Willamette Valley Genealogical Society collection.
 - Cultural passes funded by the Friends of the Library.
 - West Salem library access to building, resources, and material.
 - Access to microfilm for the Statesman Journal dating back to 1999.
 - Local Art Gallery hall- highlights local art from local artists.
- Literacy programs and activities eliminated:
 - Teen programming, access to the Teen designated areas and collection.
 - Adult programs for enrichment, community, and tech help.
 - Reference and resource help.
 - Homebound Services to community members
 - Interlibrary loan program fulfilling community's requests for books outside the system, nationwide for research and personal enrichment.
 - Project R.E.A.D. Literacy Outreach partnership with Salem-Keizer.
- Employment and valuable talent loss:

- 35 full-time employees; 3 part-time employees; 15 library on-call employees; 4 college interns; 2 high school interns; 155 community volunteers who support in library boards, community partnerships, and internal services. Close Center 50+

Impacts in FY 2026

- Close Center 50+ - \$1,222,675
 - According to U.S. Census Bureau 7,100 people are turning 65 each day, and by 2030 nearly one in five Americans is projected to be aged 65 and older. By 2035, the U.S. will have more older adults (65+) than of children under the age of 18. According to AARP, Oregon is one of the fastest aging states in the West. Between 2010-2018, Oregon saw a 32% growth in its 65 years and older population, compared to an 8% increase in the general population. Salem is one of the top three largest Cities in the State and has an ever-increasing older adult population.

Center 50+ is poised to serve this fast growing population. Through proactive programming the City of Salem addresses the impact a growing senior population can have on a community. By addressing barriers to healthy aging, Center 50+ encourages and engages seniors in both improving their own health journey and sharing their time and talents to improve Salem as a whole. Seniors are a part of a community solution, however, an investment in maintaining their health and engagement is critical to utilizing this 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 reality of its true outcome and the trickle down and community-wide impact cannot be fully calculated or understood in advance.

- A closure of Center 50+ equates to:
 - Displacing 9,800 in-building patrons, 200,000+ registrations.
 - Stopping services to 8,000 outreach recipients.
 - Eliminating 11,500 Information and Assistance Call recipients
 - Eliminating 200 programs, activities, and services
 - Loss of momentum of creating an Age Friendly Livable Community.
 - Loss of the only social model, Medicaid qualified Alzheimer's Respite Program in Marion and Polk County- impacting 400 people annually.
 - Eliminating engagement of 450+ volunteers and reducing nearly 100,000 hours of service
 - Eliminating a peer-driven, volunteer lead organization. Currently the Center 50+ model is 1 FTE Staff for every 3,663 patrons/customers.
 - Eliminates \$350,000- \$400,000 in revenue generated from fees.
 - Eliminates \$350,000 in fundraising efforts by Friends of Center 50+ and direct program support.
- A closure of Center 50+ impacts the health of the community:
 - Seniors are at greater risk of falls and need for emergency services and medical care. Maintaining health and wellness programming, creating sense of belonging, and facilitating volunteerism and engagement prevents falls.
 - Seniors are a growing group facing homelessness/home insecurity. Assisting

- with peer/relationship development, and navigating resources is a part of the solution. Seniors may be at risk of not accessing resources or assistance due to technological barriers.
 - Seniors are one of the largest groups facing isolation and loneliness and the physical/social impacts of disconnection.
 - Loss of a Nationally recognized Senior Center, with a 45+ year history of providing cutting edge programming and engaging seniors in their own health success and community engagement.
 - A general fund reduction of \$1.6 million translates to a loss of local services, collaborations, and volunteer workforce that is valued over \$3million.
- Center 50+ is the convener of over 45 different business and agency partners. As a collaborative model Center 50+ takes the lead by encouraging agencies/ non-profits to work together to avoid duplication of services. A closure will impact community partners:
 - Displace Alzheimer’s Association Salem Office
 - Displace Marion Polk Foodshare Meals On Wheels office, kitchen and distribution site. Impacting 850+ per day, eliminating joint partnership to provide nutritional support to seniors. Shifting greater burden to MPFS.
 - Displace Northwest Senior and Disability Services- loss of Respite Services, reduction in Medicare Counseling, reduction of family caregiver support and loss of information dissemination.
 - Displace 25 private contractors providing educational classes.
 - Displace hundreds of groups (private and non-profit interest groups).
 - Eliminate community hub, gathering space.
 - Creates hardship for 501© 3 Non-profit fundraising arm “Friends of Center 50+” that have been working since 1997 to raise funds to support Center 50+. The non-profit has made promises to past seniors and community by creating an endowment fund and sustainer’s program.

Impacts in FY 2027

- Eliminate two Finance positions (2 FTE) - \$142,531. Please note that these positions do have some cost recovery from other funds and the General Fund will not receive the full benefit for the reductions.
 - There are four divisions of the Finance Department: the Municipal Court, the Budget Office, Contracts and Procurement, and Accounting. Between the three financial divisions (excluding Court), there are a total of 25 full time budgeted positions who are in charge of all aspects of the City and Urban Renewal Agency financial reporting, auditing, accounting, budgeting, accounts payable/receivable, financial analysis, franchise management, debt issuance, analysis and management along with grants management. Any reductions to the Finance Department would be impactful to residents, internal customers (other departments) and City decision makers including the City Manager, Mayor and Council. Impacts could include: the timeliness of vendor payments, accuracy of financial reporting and auditing, slower customer service and billing from accounts receivable, less ability to perform analysis requested by leadership

to make financial decisions, errors when reviewing documentation for payments or debt agreements which could lead to a downgrade in our credit rating driving up borrowing costs, budgeting and accounting errors leading to audit findings, no time for internal process documentation or succession planning when senior department leaders retire, longer bidding times resulting in longer and more costly projects, less community outreach regarding budget, less staff to work on Council Committees such as the Bond Oversight, Finance, Budget and Solid Waste Committees, ability and time to review franchise agreements and solid waste rates.

Impacts in FY 2028

- Eliminate two Information Technology Positions (2 FTE) - \$209,061. Please note that these positions do have some cost recovery from other funds and the General Fund will not receive the full benefit for the reductions.
 - The IT Division of the Enterprise Service Department is already significantly understaffed and has been struggling to keep up with the rapidly changing technology landscape and the demands of the City technology service needs. Due to lack of City IT resources, departments are already seeking independent, less reliable, short-term solutions that are ultimately costing the city more money and increasing cybersecurity concerns.

The reduction of two full-time positions within the IT department will have a cascading effect on various critical services. This will result in diminished support for departmental applications, as well as the absence of IT support for the acquisition, installation, and maintenance of non-enterprise applications. Additionally, support for the in-person IT Tech Support will see a reduction, and service desk phone support will no longer be available, with all requests being directed through the portal. The current same-day tech support will face delays, possibly extending to multiple days, and the deployment of new hardware will be postponed. Furthermore, departments will experience extended wait times for the deployment of new applications or the replacement of systems, incurring significant costs for the extended support or maintenance of outdated systems. This reduction also necessitates the termination of valuable programs such as internships, volunteer initiatives, and job-sharing opportunities.

- Eliminate one Human Resources Position (1 FTE) - \$94,842. Please note that these positions do have some cost recovery from other funds and the General Fund will not receive the full benefit for the reductions.
 - The HR Division of the Enterprise Service Department currently faces a significant staffing shortage, and retaining personnel in these roles has proven challenging due to the increasing workload. From 2021 to the present, the department has proactively addressed HR concerns, resulting in reduced grievances, potential litigations, and an improved employee experience. However, a reduction of 1 FTE in HR could force a shift from proactive to reactive HR practices, potentially incurring higher future costs for the City. This change could also impact various aspects, including dissatisfied employees, increased labor costs, and potential noncompliance with labor contracts. Participation in cross-functional efforts on payroll and talent acquisition issues might cease, and key performance indicators (KPIs), enterprise-wide programs, and customer response times will be affected. The supervisors rely on HR heavily for managing union positions, and

employees are more and more seeking HR for a better work experience. With further reduction of HR staff, both supervisors and employees will experience a reduction in service quality. HR's ability to provide timely data, monitor leave, maintain records, ensure pay equity, and engage in long-term HR planning could be jeopardized, hindering the department's strategic contributions. The management of internal and external webpages for document accessibility and updates may also be compromised.

- Eliminate one Legal Position (1 FTE) - \$121,134. Please note that these positions do have some cost recovery from other funds and the General Fund will not receive the full benefit for the reductions.
 - For the Legal Department the four ACA general counsel positions all have a substantial case load. They each represent and advice multiple City departments and divisions. A .50 FTE reduction to one of these positions will result in the remaining three general counsel attorneys, as well as the City Attorney and DCA - general counsel taking on more assignments and clients. As previously stated in regarding to the elimination of the ACA position funded through the Operations Fee, City departments are generally very satisfied with the level of service and advice provided by the Legal Department. A recurring theme dating back decades is that while the advice and work-product produced by the department is high quality, timeliness is poor and departments are often frustrated by slow response time. This also create potential liability to the City. Heaping more assignments on the remaining general counsel attorneys will result in; 1) an overall reduction in responsiveness from the Legal Department; 2) long-term projects being deferred in order to more timely respond to time-sensitive matters; 3) reduction or elimination of ACA participation in board and commission meetings; 4) reduction or elimination of ACA participation in general City initiatives such as leadership training and other citywide employee engagement initiatives, and; 5) an overall reduction in the quality of the day-to-day legal advice provided to departments because the attorneys will simply have less time to devote to researching issues to give more complete nuanced advice.
- Eliminate 2 Code Enforcement Officers - \$283,738.
 - There are 10 budgeted code enforcement officers for the City of Salem. Of these 10 positions, four provide a specific code enforcement service including the Blight to Bright program officer (funded by Building and Safety Fund), the Park Ranger who patrols City Parks and two officers that work on Multifamily Licensing and Inspection (funded by licensing fees).

The remaining six positions each patrol a district inside the City work through outreach, education and enforcement to bring properties into compliance. Most common code violation cases include: dangerous buildings, health hazards, public nuisances, housing code violations, junk and/or garbage, Illegal dumping, derelict, vacant, and abandoned buildings, garbage can storage in the street, parking in yard, unpermitted fencing, abandoned and/or junk vehicles on the right-of-way, oversized or trailers parked on the right-of-way, inhabited vehicles on the right-of-way and/or city property, land use and zoning code violations, including home occupations and set-back violations, grass and weeds, noxious vegetation (blackberries), significant tree removal, dangerous, dead, and dying trees, industrial noise complaints, sound permits, temporary RV residential

placement permits and the Park Ranger monitors the Park Rules. Vehicles in public right-of-way represent about 75% of average caseload.

Reductions in the code enforcement program would result in either a severe reduction or a complete stop in response to calls that are not of the most egregious and life/safety concern to the public. One potential solution could be to transfer some code enforcement positions to other sections such as Planning (land use and zoning code violations, temporary RV residential permits) or Public Works (significant tree removals, dangerous/dead/dying trees) that have permit revenue associated to work on those types of violations.

- Eliminate 1 Municipal Court Position - \$133,824.
 - A reduction in force of 1 FTE will have a significant negative impact to the court as the court does not have enough support staff to process the current workload to sustain the approximate 62,000 legal case filings each year. Violations Bureau staff are working mandatory overtime 5 days each week due to a staffing shortage. The court is struggling to cover the required timely legal actions before factoring in employee sick leave, vacation leave, Paid Leave Oregon, and other emergencies that affect staffing. There are days that we do not have enough staff to cover court and the Violations Bureau.

The result of a 1 FTE reduction of court staff will impact the legal process that supports arraignment, adjudication, and judgment, diversion, and probation for the resolution of parking and traffic violations and criminal misdemeanor cases. Defendants will experience the following:

- Longer lines in and outside of the court's lobby for defendants to check in for their arraignment appearance.
 - Longer wait times at the Violations Bureau for adjudication of parking and traffic citations, diversion qualification, community service initiation, etc.
 - Court Staff Call Center availability will be extremely limited and there will be a delay in telephone call handling resulting in taking messages and returning calls on a priority basis within 24 to 48 hours. The court receives approximately 48,000 to 52,000 telephone calls a year.
 - The court will be unable to timely process emails each week. Emails include dialogue between defendants, attorneys, and outside agencies. The court accepts legal filings by email which require timely responses and legal actions that may impact a pending case or trial.
- Eliminate an additional 5 Parks Operations positions - \$546,364
 - Restroom closures for all community and urban parks (utilization of chemical toilets only in these park classifications).
 - Elimination of all irrigation in community and urban parks in all park areas except sports program areas, Bush's Pasture Park Rose Garden and Orchard, Riverfront Park reservable areas.
 - Elimination of sports turf maintenance program.
 - Elimination of new tree planting and associated tree maintenance in parks.

- Removal of damaged/vandalized playground, bench, picnic table, drinking fountain amenities exceeding minimal repair levels.
- Elimination of staff support to all volunteer events.
- Complete elimination of all seasonal staffing, resulting in further substantial reduced levels of service in addition to the previously proposed reductions.

Please note that all the reductions from the original September 18th reduction proposal are included unless indicated otherwise.

Option 4: Funding all Sheltering Services

In this scenario the current sheltering services are restored and uses General Fund resources to continue the Navigation Center and Micro Shelters. To fund these services additional reductions are needed in the following areas:

Impacts in FY 2025

- Homeless rental assistance program (HRAP) (refer to detail in option 2)
- Planning full cost recovery (refer to detail in option 2)
- Recreation full cost recovery (refer to detail in option 2)

Impacts in FY 2026

- Close the Library (refer to detail in option 3)
- Close Center 50+ (refer to detail in option 3)
- Eliminate an additional 6 Police positions - \$1,237,140.
 - The police department will disband its Strategic Investigations Unit (SIU) comprising one police sergeant and five police officers. Staff will no longer be dedicated to proactively combatting community violence-such as gang-related shootings-and the apprehension of violent offenders in partnership with local, state, and federal law enforcement agencies. This will further limit our ability to address illegal narcotics trafficking in our community, including the sales/delivery of fentanyl, investigation of overdose deaths, and cases involving drug-exposed children. It will also eliminate our ability to investigate human trafficking cases.

Impacts in FY 2027

- Eliminate two Finance Positions (2 FTE) (refer to detail in option 3)

Impacts in FY 2028

- Eliminate two Information Technology Positions (2 FTE) - (refer to detail in option 3)
- Eliminate one Human Resources Position (1 FTE) - (refer to detail in option 3)
- Eliminate one Legal Position (1 FTE) - (refer to detail in option 3)
- Eliminate two Code Enforcement Officers - (refer to detail in option 3)
- Eliminate one Municipal Court Positions - (refer to detail in option 3)
- Eliminate an additional 5 Parks Operations positions - (refer to detail in option 3)

Please note that all the reductions from the original September 18th reduction proposal are included unless indicated otherwise.

BACKGROUND:

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 on the topic of continuation of services in the General Fund:

[-2/21/23 Meeting agenda <https://salem.legistar.com/View.ashx?M=A&ID=1077590&GUID=05E2B29E-A0FD-42EB-803C-75A4B364C4EF>](https://salem.legistar.com/View.ashx?M=A&ID=1077590&GUID=05E2B29E-A0FD-42EB-803C-75A4B364C4EF) and materials

[-4/5/23 Meeting agenda <https://salem.legistar.com/View.ashx?M=A&ID=1086867&GUID=AFD68A20-990D-4358-99CB-1921E5861F7C>](https://salem.legistar.com/View.ashx?M=A&ID=1086867&GUID=AFD68A20-990D-4358-99CB-1921E5861F7C) and materials

[-5/15/23 Meeting agenda <https://salem.legistar.com/View.ashx?M=A&ID=1099675&GUID=A5AA8B45-B840-4FED-8A24-C6E5AF8665F0>](https://salem.legistar.com/View.ashx?M=A&ID=1099675&GUID=A5AA8B45-B840-4FED-8A24-C6E5AF8665F0) and materials

[-9/18/23 Meeting agenda <https://salem.legistar.com/View.ashx?M=A&ID=1110440&GUID=642C0855-8ECA-4F6F-BC1B-ABF8C4947DAB>](https://salem.legistar.com/View.ashx?M=A&ID=1110440&GUID=642C0855-8ECA-4F6F-BC1B-ABF8C4947DAB) and materials

In addition the City's [Budget Committee <https://www.cityofsalem.net/government/boards-commissions/other-advisory-groups/citizen-budget-committee>](https://www.cityofsalem.net/government/boards-commissions/other-advisory-groups/citizen-budget-committee) deliberated on the City's FY 2024 budget and made recommendations to support new revenues.

In 2018 the City also formed the [Sustainable Services Revenue Task Force \(SSRTF\) <https://www.cityofsalem.net/government/boards-commissions/other-advisory-groups/sustainable-services-revenue-task-force>](https://www.cityofsalem.net/government/boards-commissions/other-advisory-groups/sustainable-services-revenue-task-force) that deliberated on revenue options and made recommendations to the City Council.

Attachments:

1. Reduction Scenario Comparison
2. What is Priority Based Budgeting (PBB)?
3. General Fund vacancies
4. Furlough costing and options
5. Sustainable Services Revenue Task Force (SSRTF) background and information
6. Salem Peer City Financial Research - Updated October 2023
7. Memo to Council - PD Vacancies and Staffing
8. Memo to Council - SFD Vacancies and staffing