



## Staff Report

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**TO:** Mayor and City Council

**FROM:** Finance Committee of the Salem City Council and the Urban Renewal Agency of the City of Salem

**SUBJECT:**

Resolutions adopting Council Policies C-19 (Transportation Services Fund Financial Policy) and C-20 (Streetlight Fund Financial Policy); updating Council Policies C-9 (Capital Improvement Program Policy) and C-14 (Utility Fund Financial Policy).

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Good Governance; Natural Environment Stewardship; Safe, Reliable and Efficient Infrastructure.

**SUMMARY:**

At the February 20, 2024, meeting of the Finance Committee, staff presented updates to City Council Policies C-9 (Capital Improvement Program Policy) and C-14 (Utility Fund Financial Policy) along with new financial policies C-19 (Transportation Services Fund Financial Policy) and C-20 (Streetlight Fund Financial Policy) for consideration. Policies C-9 and C-14 had not been updated since 2008 and 2016 respectively. Additionally, two new policies for the Transportation Services and Streetlight Funds were provided for consideration. The Finance Committee approved the policies and forwarded them to the City Council for consideration.

**ISSUE:**

Shall City Council adopt Resolution Nos. 2024-10, 2024-11, 2024-12, and 2024-13, updating Council policies C-9 (Capital Improvement Program Policy) and C-14 (Utility Fund Financial Policy) and adopting new Council policies C-19 (Transportation Services Fund Financial Policy) and C-20 (Streetlight Fund Financial Policy)?

**RECOMMENDATION:**

Adopt Resolution Nos. 2024-10, 2024-11, 2024-12, and 2024-13, updating Council policies C-9

(Capital Improvement Program Policy) and C-14 (Utility Fund Financial Policy) and adopting new Council policies C-19 (Transportation Services Fund Financial Policy) and C-20 (Streetlight Fund Financial Policy).

## **FACTS AND FINDINGS:**

The Public Works Department and Finance Department have worked to update two existing and create two new Council Policies. Three of these policies are financial policies for City funds which are important for several reasons including:

- helping to ensure financial stability by guiding the maintenance of reserves,
- establishing clear rules for holding and using operating reserves,
- promoting fiscal discipline,
- and being a Government Finance Officers Association (GFOA) best practice.

Major updates and / or establishing guidelines for the four policies are listed below by policy.

### *C-9 (Capital Improvement Program Policy) Updates - Resolution No. 2024-10*

The Capital Improvement Program (CIP) policy was last updated in 2008 and prior to that was outlined by a Department Head Letter from 1992. Substantial updates to this policy include increasing the dollar threshold for a CIP project from \$50,000 to \$100,000, clarifying the role of the CIP staff review committee, designating the Finance Committee as the Council liaison on CIP matters, and forwarding mid-year projects over \$100,000 to City Council for approval. The policy has also been updated to correct miscellaneous language and grammar.

During the Finance Committee meeting, Member Varney requested that as part of section III D, quarterly reports include a list of projects completed in the quarter and a budget to actual project cost comparison for each. This revision was approved by the Committee and included in the final version of the policy attached to this staff report.

### *C-14 (Utility Fund Financial Policy) Updates - Resolution No. 2024-11*

Initially adopted in 2014 with an update in 2016, the approval of this policy will include clarification that the rate stabilization funds are part of the operating reserve as well as correcting miscellaneous language and grammar updates.

### *C-19 (Transportation Services Fund Financial Policy) New - Resolution No. 2024-12*

The first of the two proposed new fund policies is for the Transportation Services Fund. Major tenants of the policy include a 45-day operating reserve of State Highway Revenue and a \$500,000 contingency to be budgeted annually. As pressure on the Transportation Services Fund continues to grow, this policy will help guide decision making into the future.

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*C-20 (Streetlight Fund Financial Policy) New - Resolution No. 2024-13*

The second of the proposed new fund policies is for the Streetlight Fund. The policy establishes allowable uses for the fund including: the replacement of streetlight lamps and poles, installation of new streetlight lamps and poles, and electricity costs for streetlights and lights in parks. The policy also establishes that the Streetlight Fee should be adjusted annually with the change in the construction cost index. The fee has not been increased since it was established in 2015. As with the Transportation Services Fund policy, the Streetlight Fund also will have 45 days of revenue held in reserve along with an annually budgeted contingency of \$200,000.

**BACKGROUND:**

The Public Works Department began working on updating and creating these policies in the fall of 2023. During the winter, Finance and Public Works collaborated to align fund policy language and revise for miscellaneous grammar updates. The policies were presented and approved by the Finance Committee to forward to City Council at their meeting on February 20, 2024.

**Attachments:**

1. Resolution No. 2024-10
2. Resolution No. 2024-10, Exhibit A - Revised Council Policy C-9 (Capital Improvement Program Policy)
3. Resolution No. 2024-10, Exhibit B - Redline Council Policy C-9 (Capital Improvement Program Policy)
4. Resolution No. 2024-11
5. Resolution No. 2024-11, Exhibit A - Revised Council Policy C-14 (Utility Fund Financial Policy)
6. Resolution No. 2024-11, Exhibit B - Redline Council Policy C-14 (Utility Fund Financial Policy)
7. Resolution No. 2024-12
8. Resolution No. 2024-12, Exhibit A - Council Policy C-19 (Transportation Services Fund Financial Policy)
9. Resolution No. 2024-13
10. Resolution No. 2024-13, Exhibit A - Council Policy C-20 (Streetlight Fund Financial Policy)