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DATE: February 28, 2017
TO: City of Salem
FROM: ECONorthwest
SUBJECT: SITUATION ASSESSMENT
           APPENDIX TO STRATEGIC PLAN

This situation assessment provides information about past, current, and potential future conditions in the City of Salem. Its purpose is to identify challenges and opportunities to address in the Strategic Plan.

The assessment relies on information from a variety of sources: a scan of relevant documents provided by the City; interviews with City staff, elected officials, and stakeholders; a resident satisfaction survey; a stakeholder charrette; a community open house; and a review of reports and articles on broader and longer-run forces external to the City of Salem that will affect its ability to deliver services in the future.

This memorandum is a working draft of the situation assessment chapter of the Strategic Plan. This assessment summarizes key findings from the sources noted above. More detail on source information will be available in appendices to the Strategic Plan. The following draft appendices are included in the packet of materials for the Council Work Session on March 6, 2017:

- **Strategic Plan Process**: an overview of the process adopted by the City to develop the Strategic Plan.

- **City of Salem Community Priorities—Telephone Survey:** the results from the resident satisfaction survey conducted by DHM.

- **City of Salem Charrette and Open House Findings**: the results from the Phase 1 charrette and open house.

Following this introduction, Section 2 describes forces that affect the ability of the City to deliver the services its residents use. Some of these forces are things over which the City has some control (e.g., the way it delivers the services, the level of services, or the amount of revenue that it has to provide services). Others are external to the City and beyond its control (e.g., the national economy, national and state changes in demographics, federal mandates).

Section 3 summarizes recent *citywide performance.* Section 4 summarizes *performance by service area.* It considers five service areas that cover the range of services provided by City departments:

- **Development** includes economic activity, the land and buildings where that activity occurs, and the houses where those workers and their families live. Citizens typically relate to a city first and most directly through its physical form.

- That development would not be possible without **Public Works,** which include infrastructure, capital construction, and facilities management.

- City residents also desire **Cultural Services**, some of which the public sector provides, like libraries, recreation services, and convention and meeting space.

- For residents to enjoy the benefits of development and cultural services, they must feel reasonably safe. **Public Safety** services typically include police, ambulance and medical, fire, building permits, and courts.

- All these services require the support of **Central Services** like strategic planning, budget and finance, information technology, human resources, legal services, records management, and inter-governmental relations.

The final section, Section 5: Implications for the Strategic Plan, describes how Council can use this assessment to make progress on the Strategic Plan.

2 Forces Affecting the City's Ability to Deliver Services

A large number of forces out of the City's control impact its ability to deliver services. Those forces fall into five categories:

- **Social (Demographic)**. The social characteristics of the population served by a city largely determine the type and quantity of products the city provides.

- **Technological**. Technological change may allow or require a city to reshape its service infrastructure to improve the cost or quality of services.

- **Economic.** Fluctuations in city, state, and national economies will impact what services residents need, what residents can afford to pay for those services, and a city's ability to provide those services at that cost.

- **Environmental.** Some environmental issues are local and can be partially controlled; broader issues and state and federal mandates are conditions that a city cannot control, but must respond to.

- **Political.** The actions of other political entities can affect city service provision directly (e.g., federal or state mandates); local interest groups can sometimes cause policy to shift unexpectedly and rapidly.

This section describes how these forces impact the City's work, both now and potentially in the future.

Social (Demographic) Forces

City government exists primarily to provide services to residents. Therefore, the number of residents, their characteristics, and their service preferences are among the most important

external factors to consider in a strategic plan. Population characteristics that often impact service demand include its size, age, economic status, race, and educational attainment.

The City of Salem had 164,549 residents as of 2015.[1] In the following five years, Salem's population is forecasted increase by 7.5% total (12,000 people).[2] That is higher than the 6.3% growth rate over the previous five-year period (2010–2015), and higher than the projected growth of the State (7.0%) and nation (4.0%)[3] over the next five years.

Some growth trends to note:

- **Salem will become more diverse.** According to the 2010 Census, 79% of Salem residents identified as White alone. By 2021, this demographic will drop to 66.8%. To engage these residents, the City will need more targeted outreach and engagement activities.

- **The share of older adults (65 years of age and older) will increase**. According to the 2010 Census, 12% of Salem residents were 65 years of age or older. By 2021, this demographic will grow to 16.3%. This trend will place pressure on the budget, as the City will still need to provide services to these residents, but will not expect as much tax revenue from them to do so.

- **The labor force will increase proportionally to the population**. The increase in the labor force will grow the tax base and help support some of the increased service demands cited above. In 2010, the City had a labor force of 75,531. By 2021, the labor force will grow to 85,391.

Technological Forces

A recent survey of cities across the U.S. by *Government Technology* magazine identified three major technological trends shaping how cities do their work:

- **Open data:** Demand for transparency in local government dates back to the passing of the Public Records Act in California. This act required municipalities to disclose government records to the public *on request*. Since then, municipalities have experimented with making information publicly available *on demand* both on-site and online. But, this information was not necessarily easily accessible, as it required a trip to a government office or the patience to read non-searchable PDFs. Technological advances in data storage and sharing have allowed municipalities to share information—from government spending, to assessor records, to City Council meeting minutes—online in searchable databases and documents.

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[1] U.S. Census Bureau, Census QuickFacts, 2017.

[2] All 2021 demographics come from the following source: Oregon Prospector, Demographics Report: Salem, Oregon, Business Oregon, no date, available at: http://www.oregonprospector.com/?sst=oregon&mode=search&searchtype=COMMUNITIES&commtype=2&geoentities=41f818b9-f2a9-4c22-ada9-14736e31fcb9.

[3] US Census Bureau, Population Projections, 2014 National Population Projections: Summary Tables, Table 1, available at: https://www.census.gov/population/projections/data/national/2014/summarytables.html.

- **Statistical programs and data analytics:** Use of statistical and data analysis to improve government performance is not a new concept, but the proliferation of technologies and abilities will increase data-driven performance improvement initiatives. Data-driven policing, programs that rely on crime analysis to determine how to deploy resources, is one of the first examples of this trend. A more recent example is the development of performance evaluation programs that launch and sift through government data sets (e.g., budget expenditure data) to identify trends and possible areas for improvement. Denver and Phoenix both have such programs.

- **Online citizen engagement:** Technology is changing how municipalities engage with residents. Most municipalities now have social media profiles. But, some municipalities are experimenting with more unique tools. Avondale, AZ has a mobile app and online forum in which residents can submit ideas and vote on those of their peers. Westminster, CO has an online forum in which residents can vote on community ideas and get rewards for regular participation (e.g., free passes to a fitness program).[4]

These trends will require some changes in how cities deploy resources. For example, the automation of information sharing will reduce demand for administrative staff to fulfill data requests, but will increase demand for IT staff to build data-storage systems. Cities will almost certainly need to increase IT investments, both capital and labor, to take advantage of technological advances.

Economic Forces

Economic conditions impact what services residents need and what cities can do to meet those needs. Employment rates, industry performance, and average wages help signal the strength of a city's economy. Anticipating future economic conditions help a city to supply the services efficiently and effectively.

Forecasting future economic conditions is a challenge. The inability of the majority of mainstream of economists to predict the global financial crash of 2007 demonstrates this point. Therefore, the best case is a simulation of what the economic picture looks like *if* certain trends play out.

In that context, the outlook for the economy is generally good. Mainstream economic forecasters are not predicting a crash at any specific date in the next 20 years. The Congressional Budget Office (CBO) forecasts that Gross Domestic Product (GDP) and jobs will grow at an average rate of 1.9% per year from 2017 – 2027.[5]

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[4] Tod Newcombe, "4 Tech Trends Changing How Cities Operate," Governing the States and Localities, December 8, 2014, available at: http://www.governing.com/columns/tech-talk/gov-technology-trends-local-government.html.

[5] Congressional Budget Office, "*The Budget and Economic Outlook: 2017 to 2027,*" Congress of the United States, January 2017, available at: https://www.cbo.gov/sites/default/files/115th-congress-2017-2018/reports/52370-outlook.pdf

If that occurs, will Oregon share in that growth? Many of the fundamentals suggest that it will. The Portland region has a diverse economy, anchored by a high-tech sector among the largest in the nation. It also has a high quality of life, which bodes well for the growth of knowledge-based sectors.

Data also suggest that Salem will share in the State's prosperity. Salem has a higher share of young residents than other Oregon cities. As these residents grow up and enter the labor force, they will increase Salem's competitiveness.[6]

But not all indicators are positive. Exhibit 1 shows that Salem trails Portland on GDP per capita. A low GDP per capita correlates to lower per capita income and, in turn, lower government revenues.

Exhibit 1: Total Real GDP for Metropolitan Statistical Areas of Portland, Bend, and Salem, 2004 to 2014.
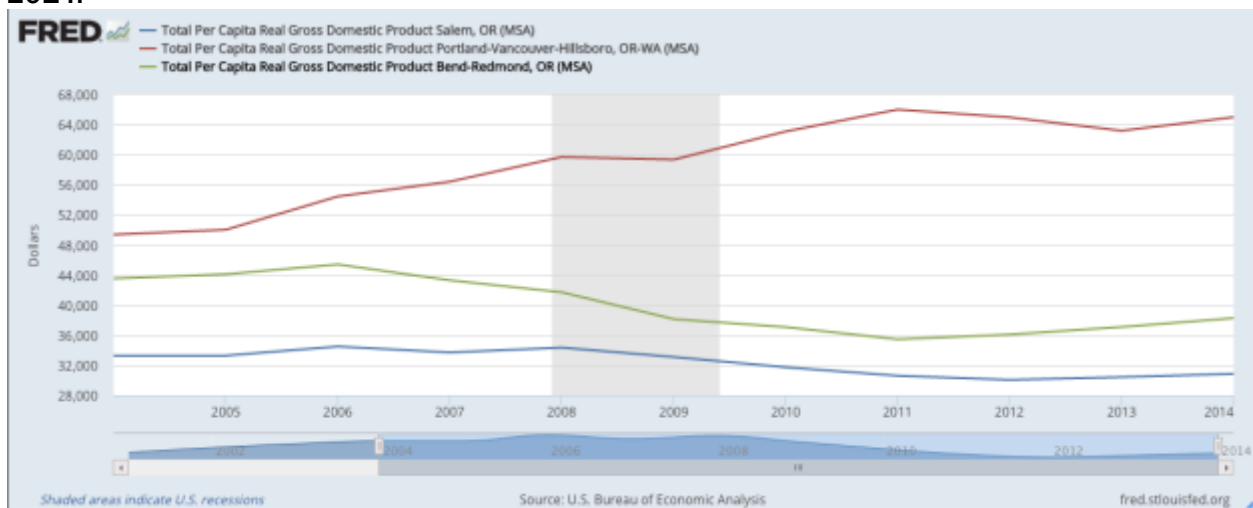
Source: U.S. Bureau of Economic Analysis.

Two factors compound the revenue challenges facing the City of Salem and other local governments:

- Property tax limitations, phased in during the 1990s, abruptly reduced the main revenue source for city-provided core services and continue to constrain government revenues.

- Pension and health care costs for municipal workers are expected to continue to outpace the growth of property taxes and the economy as a whole.

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[6] Josh Lehner, "*Salem has GREAT Demographics*," Oregon Office of Economic Analysis, March 24, 2016, available at: https://oregoneconomicanalysis.com/2016/03/24/salem-has-great-demographics/

Mounting costs previously forced the City to cut its services. Although some of these positions and services have been restored, the City predicts that critical services such as policy research and infrastructure investments will go unfunded due to budget limitations.[7]

Environmental Forces

Climate change is a pressing environmental concern. Effects of climate change include increased greenhouse gas emissions, increased average global temperature, more extreme weather events, and a higher sea level. In the Northwest, local impacts can include reduced water supply, erosion, increased risk of wildfire, and decreased forest cover due to outbreaks of tree diseases and insects.[8]

Local governments are responding to these impacts with policies for energy use, climate action, and resilience. These policies may address a range of facilities and services, depending on a jurisdiction's location, specific issues, and available resources. Examples of common policies, many of which the City of Salem has pursued, include:

Development

- Protect the natural environment
- Invest in green jobs
- Add seismic code requirements for new buildings

Public Works

- Reduce energy consumption
- Invest in clean energy
- Invest in public transit and bike/pedestrian infrastructure
- Invest in seismic upgrades to existing infrastructure

Central Services

- Invest in an emergency operations center
- Build monitoring and evaluation systems

Political Forces

Political forces beyond the City's jurisdiction can transform its relationships with other jurisdictions and partners. Federal and state mandates are the most obvious example of such

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[7] According to the City Manager's financial forecast for 2018 through 2022, the City reduced its General Fund workforce by over 10 percent from FY 2009 to FY 2013; the City also closed two fire stations in that period.

[8] National Aeronautics and Space Administration, The Consequences of Climate Change, 2017, available at: https://climate.nasa.gov/effects/.

forces. But, trying to predict such mandates is difficult in today's uncertain political environment.

If the City had completed this plan a year ago, it may have expected a federal carbon tax increment to the federal fuel tax. This tax would have impacted driving cost, driving behavior, and consumer choices about where to live in Salem. Such a federal policy now seems less likely.

There are several ways the City could respond to this inherent uncertainty:

- **Focus on the long run:** spend resources on trying to predict the long-run potential trajectories for federal and state policy. Such efforts are typically part of a scenario planning process. The benefit of long-run scenario planning is that it provides a framework for a City to explore potential futures, evaluate how potential City actions might fare under different futures, select actions that meet short- and long-run objectives (e.g., resilience), and continue to monitor progress.

- **Focus on the short-run:** monitor federal and state mandates already under discussion and adjust local actions as necessary. The benefit of such an approach is that it is less expensive and speculative than scenario planning.

- **Focus on political forces under the City's control:** declare the long-run political future essentially unknowable and limit efforts to predict federal and state mandates.

3 Citywide Performance

According to surveyed residents, the City has generally done a good job providing facilities and services. Residents report high satisfaction with the direction the City is heading and the services the City provides. City Council and staff tend to agree, but believe that the City can do better.

Many City Council and staff interviewed for this assessment feel that the City needs more clarity about where it is going, how it will get there, and how to measure progress. Several factors contribute to that sentiment:

- The absence of a vision, a mission, and values for the City
- The absence of a five-year roadmap toward that vision (a strategic plan)
- Disjointed policymaking, implementation, and evaluation processes
- Recent challenges communicating with the public.

This section describes these citywide findings in greater detail.

Finding 1. Salem residents are positive about the direction of the City and the services it provides

Overall, City residents surveyed are satisfied with the City and many of the services it provides. Sixty-six percent of residents believe Salem (as a whole) is headed in the right direction. Nine in ten residents are satisfied with City services.[9] These results are comparable to or slightly above those of communities in Oregon.

Satisfaction with the *direction* of the City varies by tenure in Salem, political affiliation, and ethnicity. Those who have lived in Salem the longest are the most positive; those who are newer to the area are the least positive. Democrats tend to be more positive than Republicans: 75% of Democrats said things are headed in the right direction compared to 55% of Republicans. Residents who identify as Latino or Hispanic are more positive than residents who identify as white.

Satisfaction with *city services*, while still high overall, also varies within subpopulations. Satisfaction rates decline with age. Residents under 35 are the most satisfied (95%), while those 55 and older are the least satisfied overall (89%). Latino residents are more satisfied than white residents (98% compared to 92%), and those who identify as neither white nor Latino are the least satisfied (86%)."[10]

Finding 2. Most residents believe their part of the community receives its fair share of services

More than eight in ten residents surveyed believe their area of the City receives its fair share of services. This statement varies geographically, with residents from North Salem the least likely to feel they receive their fair share of services. The difference between North Salem and South Salem residents is statistically significant.

Finding 3. Elected officials and staff do not have coordinated systems to make, implement, and evaluate policy decisions

Although residents expressed satisfaction with City services overall, elected officials expressed uncertainty about their understanding of community priorities and choices for strategic service delivery that align with those priorities. This uncertainty results in part from the City's decision-making processes.

The City has two processes by which it makes citywide policy and budget decisions. The first is Council Goals, a biennial process in which the Council identifies broad priorities and initiatives to achieve those priorities. The second is the citywide budget process in which the City Manager's Office and Budget Office set budget targets for each department; departments create

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[9] "Satisfied" means they answered "very satisfied" or "somewhat satisfied" to survey questions about services.

[10] DHM Research, City of Salem Community Priorities: Telephone Survey, December 2016.

budgets that fit within those targets; and the Citizen Budget Committee and City Council review, hold public hearings, and approve those budgets.

That dual process has some limitations. First, the Council Goals process is short-run and not supported by policy evaluation. Consequently, staff and Councilors interviewed for this assessment felt the organization was drifting without answers to critical questions like: What is the City's longer-term vision for the future? Is the City making deliberate progress toward that vision? Does that progress align with community priorities? Second, in the absence of clear direction from Council on relative service delivery priorities, staff makes policy decisions through the budgeting process about what services to provide at what level.

The professional literature on high-performing institutions supports some practices that Salem has not fully implemented. In a high-performance government, the City would have purpose statements (vision, mission, values) that answer the question: What is the City's vision for the future? The City would have a package of *forecasting, planning, and evaluation systems* to determine the roadmap to achieve that vision and track progress. Those systems would allow Council to:

- Coordinate with staff to collect information about community priorities
- Use that information in conjunction with a budget forecast to develop a citywide strategic plan that describes strategies and actions for a five-year period
- Ensure that department-level strategic plans align with the citywide plan
- Develop an annual Council work plan and budget that align with the citywide strategic plan
- Evaluate performance annually on the strategic plan and work plan actions, with reports back to Council and the community
- Restart the process at the top.

Within those systems, there would be a clear delineation of roles and expectations. Council and staff would work effectively *together* to make policy (Council, with support from staff), implement that policy (staff), and evaluate outcomes (Council, with support from staff).

Finding 4. The City needs more staff capacity to implement a coordinated package of forecasting, planning, and evaluation systems

Implementing a coordinated package of forecasting, planning, and evaluation systems requires staff capacity. Staff must have time to: communicate with residents about community priorities, produce staff reports on potential strategic plan and work plan policies, develop department-level strategic plans, and collect data on policy performance.

The City does not have sufficient central services capacity to do the work it already has, much less to do additional forecasting, planning, and evaluation work. Current Human Resources staffing exemplifies this deficit. According to the Human Resources Director, best practice in

municipal operations suggests the department should have 1.0 FTE per 100 staff, but it operates with 0.58 FTE. The City will need to increase its central services and managerial capacity to effectively do integrated, citywide forecasting, planning, and evaluation.

Finding 5. A majority of residents surveyed are willing to pay more in taxes and fees to improve services

Residents may be willing to pay for additional central services and managerial capacity if the City can show how this investment would improve services. According to the resident survey, 71% are satisfied with the value they receive from their tax dollars, and 62% would be willing to pay more to improve certain, unspecified services. Typical of other jurisdictions, support for tax increases is highest among Democrats, women, residents under the age of 35, and those who believe they receive a fair share of City services.

Finding 6. To improve governance systems, the City must improve communication with residents

Making decisions about what services to provide at what level and asking for additional funding to support those services requires communication with the public. This communication must be two-way. Residents must be able to provide input on their priorities; the City must communicate back to residents how it used their input to make policy decisions.

The City has acknowledged that it must improve its communication with the public. In 2015, it engaged a consultant team to produce a communications strategy for the City. That strategy, adopted in 2016, sets forth eight strategies to improve City communication:

1. Review and develop internal standards and policies for communications delivery and then provide ongoing training to ensure effectiveness

2. Make progress to increase and deepen the relationship with the Latino/Hispanic community in the short-term

3. Move toward a more centralized organizational structure that provides communication resources and services to the City

4. Develop internal communications approach to ensure all City staff have resources and information to support communications strategies

5. Increase/form partnerships with a variety of organizations to form relationships, build community, increase trust and transparency, and broaden the City's reach

6. Continue to deepen relationships with the Latino/Hispanic community

7. Consistently use multiple, effective tools to increase points of contact with the community

8. Allow time for public engagement in decision-making processes and clearly communicate opportunities for input as well as how input was considered.

The City is already making progress on implementing this strategic plan. In August 2016, the City hired a gull-time Community Engagement Manager to serve as a central communications resource. Later this year, the City will roll out a new, more user-friendly web site.

Feedback from engagement for this assessment confirms a need for more and better communication. It supports the implementation of the remaining strategies, with some minor modifications. The public wants to get involved *early* and *regularly* in the decision-making process. These opportunities should exist after business hours and in neighborhoods, so residents can more easily take advantage of them. The public's desire for accessible, in-person communication opportunities suggests that the City should prioritize the implementation of strategies 7 and 8.

Finding 7. The City is overly dependent on the general fund to pay for services

City managers across the U.S. would probably list funding among the top challenges faced by their cities. Nationwide, federal and state transfers to local governments as a percent of total local revenue have decreased, even as mandates have increased. Oregon faces additional budget constraints from property tax limits and PERS obligations (see Section2). Moving forward, the City will not be able to sustain delivery of current levels of service.

The City may be able to fund its systems by going to voters for an operating levy increase (see Finding 5), but there are other options. Some cities, like Eugene, have addressed their funding challenges by moving toward a fee-based revenue structure. As the City evaluates its service delivery structure in the context of this Strategic Plan process, it makes sense to also explore how it funds these services so to increase total revenues and decrease pressure on the general fund.

4 Service Area Performance

Residents surveyed are largely satisfied with individual services (see Table 1). Public safety and cultural services received the highest rates of satisfaction. A subset of development services (access to affordable housing) and public works services (maintenance of city streets, sidewalks, and bridges) received the highest rates of dissatisfaction. More detail on key issues within each service area follows the table.

Table 1: Resident satisfaction with City services, organized by service area, ranked within service area from high to low in terms of satisfaction

Service	Satisfied	Not Satisfied	Don't Know
Development			
Protecting our natural environment	77%	17%	7%
Parking structures and on-street parking near local business	72%	25%	2%
Enforcement of city codes for issues such as noise, yard upkeep, and other nuisances	70%	19%	11%
Growing job opportunities in the local economy	57%	28%	14%
City planning and development review	49%	25%	26%
Ensuring that residents of all income levels have access to affordable housing	41%	40%	18%
Public Works			
Water, sewer and stormwater services	79%	17%	4%
Street lighting	77%	20%	2%
Maintenance of city streets, sidewalks and bridges	70%	29%	1%
Municipal court	54%	8%	37%
Cultural Services			
Salem public library	85%	6%	9%
Parks and recreation	85%	12%	3%
Supporting arts and culture	73%	12%	15%
Public Safety			
Police, fire, ambulance, and 911 service	88%	8%	5%

Source: ECONorthwest with data from DHM Research.

Development

Development services include economic development, land use planning, and neighborhood spaces. The departments of Community Development and Urban Development have primary responsibility for most of these services. Public Works and public safety providers play supporting roles.

Finding 8. The City's Comprehensive Plan does not provide an overarching vision and plan for how the City will grow

Oregon and its cities, including Salem, have a long history of planning for development. There are a lot of different types of development plans that vary based on area of concern (e.g., comprehensive, issue specific), geography (e.g., citywide, downtown), and time period (e.g., long-run, short-run).

Salem has a package of documents and maps that it collectively refers to as *The Salem Area Comprehensive Plan.* It includes the *Salem Transportation System Plan* (2016), *Comprehensive Parks System Master Plan* (2013), *Salem Historic Preservation Plan* (2010), *McNary Field Airport Master Plan* (1997), *Willamette River Greenway Plan* (1979), as well as a package of neighborhood plans and public facilities plans. According to the project website, this collection of plans guides long-range development in the City.

The City has additional documents that guide specific development issues or geographic areas. From 2008-2010, the City began to develop a vision for the Downtown (*Salem Vision 2020*), which led to the Downtown (*Downtown Strategic Action Plan*, 2011). In 2011 the City worked on broader planning issues through its collaboration with University of Oregon's *Sustainable Cities Initiative*. Most recently, the City completed a *Housing Needs Analysis* (2016) and *Economic Opportunities Analysis* (2016).

The issue facing the City is that its existing Comprehensive Plan does not provide a vision for how the City will grow as a whole: what type of growth will occur, where, and when. Nor does the Plan integrate all other development plans and tie their actions into an implementation plan.

A revisit to the comprehensive plan would address some of Salem's most pressing issues. The City is at a critical decision point: growth forecast suggest that the City will continue to add residents and jobs, but the City does not have the infrastructure capacity to support that growth. The City must make a decision about if it will accommodate projected growth and, if so, where and when it will do so.

The resident survey, stakeholder charrette, and public open house all documented differences of opinion about how Salem should grow. According to the survey, some residents (56%) prefer to see multifamily housing near City Center. Others prefer to see more single-family homes near the outskirts of the City (33%). Some prefer walkable neighborhoods that mix shops, housing, and services (60%). Others prefer residential neighborhoods separate from other services (30%). Some (49%) want planning to encourage residents to walk, bike, or take public transportation. Others (46%) want the City to prioritize road capacity for future drivers. Feedback at the charrette and open house exhibited a similar split in opinions.

A revisit to the Comprehensive Plan is the natural place to facilitate a public discussion about Salem's physical environment. Building a citywide vision for how the City as a whole will grow and change will provide a strong foundation for project specific discussions. By starting from a point of agreement on where and when growth will occur, the City will likely find it easier to agree on what infrastructure and facility investments are needed to accommodate that growth.

Such an overhaul would likely take several years, so may require a multi-step process. In the short-term, the City may find resolution on growth and infrastructure investment issues by engaging the community in a visioning process on the physical future of the City. How much growth and development is desired and expected, and where and how should it be accommodated? What lands should not be built on because they have cultural or natural values,

or are otherwise developed to the level desired? Of the lands that remain and have some capacity for development, how much growth should they accommodate, of what type, in what pattern, and with what supporting services?

Finding 9. The City has made progress on the development of a vibrant downtown, but opportunities for improvement exist

Over the last decade, the City has made progress in the development of a vibrant downtown core. In 2005, it opened its new Convention Center (with an adjoining 200-room hotel): in 2015 it received the "Best of the Best 2015" award (best in Oregon) from Northwest Meetings & Events magazine.[11] From 2008-2010, the City worked on a vision for downtown (Vision 2020), which led to the development and adoption of the Downtown Strategic Action Plan (2011). And, since then, Salem has accomplished the following items from the Plan:

- Grants for the location and expansion of businesses downtown

- Investments in new parking technology and public art

- Land acquisition for the Peter Courtney Minto Island Pedestrian Bridge

- Funding of the Roth Company and McGilchrist building renovations in the Downtown Historic District.

City staff, residents, and businesses all want to build on these successes. The Downtown has some essential attributes and strong advantages for continued development: a supply of historic buildings that create a "downtown" atmosphere, proximity to the activity of state government, and waterfront access. But each of these assets could do more. Engagement conducted during this assessment confirms many of the priorities first adopted Downtown Strategic Action Plan and re-affirmed by the 2016 Task Force:

- **Downtown commercial and residential development.** There is an adequate supply of commercial space, but some buildings need renovation. The Downtown does not have enough housing to activate the area outside of business hours.

- **Downtown transportation.** The Downtown needs more pedestrian and transit improvements, and parking continues to be an issue (technical solutions exist; political ones have proved illusive).[12]

- **Waterfront recreation development.** The waterfront is potentially a great resource, but is difficult to access.

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[11] Selected by meeting and event planners from Alaska, British Columbia, Idaho, Oregon and Washington.

[12] Parking was not a priority in the 2016 focus groups, but it was identified as a major impediment in Salem 2025: A Report on Economic Development in Downtown Salem and in the 2015 Downtown Parking Report.

Finding 10. Salem has opportunities for economic development, and residents want the City to direct more effort toward helping local businesses grow

Together, the Urban Development Department and SEDCOR provide a robust package of economic development services, including business relocation assistance, tax incentives, tax increment financing, and promotion of the region. The vibrancy of the downtown has been substantially enhanced by tax-increment-financed investments, a testament to the success of past economic development efforts.

Salem residents are proud of these successes, notably the downtown, but they want a greater share of future investment to support "grow your own" business efforts in Salem. There are local organizations that support startups (e.g., Startup Salem, SCORE). But the City itself has not earmarked economic development funds specifically for homegrown startups or small businesses.

Finding 11. Residents want the City to be more proactive in its protection of the natural environment

The majority of surveyed residents (77%) are satisfied with the City's protection of the natural environment, but attendees at both the charrette and open house (January 2017) were concerned that the City does not have measures in place to ensure environmental protection into the future. Event attendees suggested two options for improvement:

1. Report progress on the 2010 grant-funded Salem Community Energy Strategy and determine if additional improvements to energy use are warranted

2. Incorporate environmental impacts into policy decisions, specifically development decisions.

Public Works

Public works services include infrastructure, utilities, capital construction and maintenance, engineering and inspection, the airport, and parks facilities (not programing). The Public Works department has primary responsibility for this service area. Urban Development and Community Development play supporting roles.

Finding 12. The City has deferred maintenance on critical infrastructure

As with many local governments across the country, the City of Salem has a significant infrastructure problem. Infrastructure refers to the tools, equipment, buildings, land, and machinery that City employees use to produce services and products for residents. To hold the budget line during the recession, the City focused on the provision of direct services and reduced its infrastructure repairs and maintenance. "Catching up" on the backlog of infrastructure repair and maintenance is a difficult task for which the City has not allocated sufficient resources.

Delaying necessary repairs and maintenance increases the total cost of ownership for the City. First, the costs are cumulative, so the cost of foregone work in one year adds to the cost of work the following year. Second, too much delayed maintenance can result in repairs or replacements that are more expensive than foregone maintenance. Third, poorly functioning infrastructure is less productive and requires more employee time to operate.

The City does not have a comprehensive capital cost inventory, so it is not possible to identify to the precise cost of deferred maintenance and repair. Without this inventory, it is possible to perform a back of the envelope assessment to estimate the potential cost. A cursory analysis, which should be revisited and fleshed out, indicates that the City could be underinvesting in its infrastructure by as much as 100%+.

Finding 13. Big capital projects will continue to be a challenge

Every city has problems funding large capital facility projects, as they are expensive. Funding in Oregon is constrained by property tax limitations and PERS obligations. So, the construction of big facilities requires debt, which the public must approve in a vote.

Salem, like other cities, must do two things to get voters to approve facility investments. First, the City must demonstrate sufficient need. The City's inability to build consensus around the third bridge investment shows the difficulty of this first task. Second, the City must demonstrate the price tag is justifiable (it provides good value and is affordable). The failure of the police facility bond in 2016 shows the difficulty of this second task.

Addressing Finding 8, the Comprehensive Plan, should provide a good foundation from which to engage the public in meaningful and productive discussions around facility investments. Once the City has a clear narrative about how it will grow, the City can more easily discuss and build agreement on what investments are necessary to support that growth.

Finding 14. The City does not have a public transportation system that adequately serves residents

The absence of night and weekend public transportation service was a top concern shared by interviewees, charrette attendees, and open house attendees. Cherriots, the public transportation service for Salem-Keizer, has been unable to fund these services since 2009. The Salem Area Mass Transit Board tried unsuccessfully to pass a 0.21% payroll tax on businesses in the Salem-Keizer Transit service area to fund the restoration of night, weekend, and holiday operating hours as well as free student passes during the school year. Since that ballot measure failed, neither the Board nor policy leaders have publicly put forward an alternative funding plan. Although public transportation is not under the City's jurisdiction, residents involved in this assessment think the City could play a role in developing a solution.

Cultural Services

Several departments provide cultural services in the City of Salem:

- The Community Development Department houses the Library division

- The City Manager's Office staffs the Salem Public Art Commission and manages the contracts for cultural and heritage organizations operating at City facilities (Gilbert House, Deepwood Estate, Bush House and Barn)

- Public Works manages Center 50+, recreation services, and the facilities in which those services are provided

- Urban Development manages the Convention Center through a management agreement.

Finding 15. Residents want more cultural and recreation facilities

A strong majority of surveyed residents are generally satisfied with the library (85%) and parks and recreation services (85%). But the results of both engagement activities and needs assessments by the City suggest two opportunities for improvement:

- **Branch libraries.** The City has two public libraries, one downtown and one in West Salem. In the strategic plan for the Library, Board members said that the absence of neighborhood branches in the north, south, and east parts of the City is the largest barrier to public use and support of the library. Open house attendees suggested that the City consider a "mobile library" as an intermediate step toward permanent branch libraries.

- **More neighborhood parks and community gardens.** The most recent Comprehensive Park System Master Plan Update found that many areas in the City are not served by a neighborhood park. At a level of service standard of 2.5 acres per 1,000 residents, the City would need 23 additional parks sites.[13]

Public Safety

Public safety is a complex service area that includes police, fire, building permits, ambulance and medical, health and social services, and courts. Surveys and interviews both suggest that the biggest elements of public safety are working well. In the longer run, population growth and development will require ongoing capital and operational improvements, but there are no urgent deficiencies with core emergency services that are not being addressed in other planning processes.[14]

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[13] City of Salem, May 2013, *Comprehensive Park System Master Plan Update.*

[14] The City is working through a second iteration of the police facility plan, which should address that deficiency.

Finding 16. Vulnerable populations, especially the homeless, lack access to affordable housing and social services

Like other cities across the country, Salem is struggling to support its most vulnerable residents: those suffering from mental illness, addiction, or homelessness. This issue is at the forefront of the minds of residents, elected officials, and City staff. In his State of the City address, Mayor Bennett made a commitment to prioritize solutions for Salem's homelessness crisis. When asked in the most recent survey what issue is most important for City leaders to address, 21% of residents mentioned housing or homelessness. This is a 13-percentage point increase since the last resident survey in May 2016.

The City is already working on this issue. In collaboration with Marion and Polk Counties and the City of Keizer, the City initiated a Task Force dedicated to homelessness, which is working on an action plan for Council consideration. This strategic plan process will continue to track on the progress of the Task Force, so to align potential strategies and actions.

5 Implications for the Strategic Plan

This assessment identified 13 issues that could be included in the Strategic Plan. The purpose of the upcoming Council Work Session on March 6th is to discuss these issues and prioritize them. Those priorities are clearly the decision of the City Council, but we believe the consultant team has an obligation to offer its assessment for the Council's consideration.

Our recommendation is that the City focus first on those issues identified in Section 2, Citywide Performance:

- Elected officials and staff do not have coordinated systems to make, implement, and evaluate policy decisions (Finding 3)

- The City needs more staff capacity to implement a coordinated package of forecasting, planning, and evaluation systems (Finding 4)

- To improve governance systems, the City must improve communication with residents (Finding 6).

- The City is overly dependent on the general fund to pay for services (Finding 7).

These are systems issues that impact work in all City departments. Making progress on these issues first will make it easier for the City to work through service-specific issues.

Our recommendation is that Council then decide in its Work Session how to prioritize issues within service areas (Findings 8 – 16):

- The City's Comprehensive Plan does not provide an overarching vision and plan for how the City will grow (Finding 8).

- The City has made progress on the development of a vibrant downtown, but opportunities for improvement exist (Finding 9)

- Salem has opportunities for economic development, and residents want the City to direct more effort toward helping local businesses grow (Finding 10)

- Residents want the City to be more proactive in its protection of the natural environment (Finding 11)

- The City has deferred maintenance on critical infrastructure (Finding 12)

- Big capital projects will continue to be a challenge (Finding 13)

- The City does not have a public transportation system that adequately serves residents (Finding 14)

- Residents want more culture and recreation facilities (Finding 15)

- Vulnerable residents lack access to affordable housing and social services (Finding 16).

ECONorthwest and BDS Planning & Urban Design will lead Council through a decision-making exercise at the March 6, 2017 Work Session to discuss and agree on the prioritization of issues. Those decisions will inform the revision of this Implications section so that it aligns with the final package of strategies and actions.