



City of Salem
CITY OF SALEM AND SALEM URA
FINANCE COMMITTEE
MEETING AGENDA
October 24, 2022 4:00 PM

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PARTICIPANTS

Board Members

Councilor Jose Gonzalez, Chair
Councilor Virginia Stapleton
Councilor Vanessa Nordyke
Councilor Micki Varney
Alternate-Councilor Linda Nishioka

Staff

Keith Stahley, City Manager
Dan Atchison, City Attorney
Josh Eggleston, Chief Financial Officer
Ryan Zink, AIC Budget Officer
Jenny Mattecheck, Chief Accountant
Jeremy Morgan, Supervisor
Anja Hill, Treasury Supervisor
Kelli Blechschmidt, Management Analyst I
Shengnan Thomas, Administrative Analyst I

AGENDA

1. Welcome and call to order
2. Approval of Minutes
 - a. September 26, 2022 (Package page 3)
3. Public Comment - Appearance of persons wishing to address the Board on any matter other than those which appear on this Agenda
4. Action Items
 - a. Proposed Post – Issuance Compliance Procedures Policy (Package page 5)
5. Management Update/Information Items
 - a. ARPA Updates (Package page 20)
 - b. Historic Revenue Analysis (Package page 25)
 - c. Property Taxes in Oregon Presentation
6. Continued Business
 - a. None

7. New Business
 - a. Meeting days and times
8. Adjourn

Next Meeting: November 28, 2022

This meeting is being conducted virtually, with remote attendance by the governing body. No in-person attendance is possible. Interested persons may view the meeting online on [YouTube](#). To sign up to testify via Zoom or to submit public comment, contact the Finance Department via email at finance@cityofsalem.net or telephone at 503-588-6040 the day of the meeting by 1PM.

Special accommodations are available, upon request, for persons with disabilities or those needing sign language interpretation, or languages other than English. To request accommodations or services, please call 503-540-2371 (TTD/TTY 503-588-6439) at least two business days in advance.

It is the City of Salem's policy to assure that no person shall be discriminated against on the grounds of race, religion, color, sex, marital status, familial status, national origin, age, mental or physical disability, sexual orientation, gender identity, and source of income, as provided by Salem Revised Code 97. The City of Salem also fully complies with Title VI of the Civil Rights Act of 1964, Americans with Disabilities Act of 1990, and related statutes and regulations, in all programs and activities.

CITY OF SALEM AND SALEM URA FINANCE COMMITTEE

Minutes

DATE: September 26, 2022

PLACE: ZOOM

CHAIRPERSON: Jose Gonzalez

STAFF LIAISON: Josh Eggleston 503-588-6130 JEggleston@cityofsalem.net

Members Present:

Councilor Jose Gonzalez, Chair
Councilor Virginia Stapleton
Councilor Venessa Nordyke
Councilor Micki Varney
Alternate-Councilor Linda Nishioka

Members Absent:

Staff Present:

Keith Stahley, City Manager
Dan Atchison, City Attorney
Josh Eggleston, Chief Financial Officer
Anja Hill, Treasury Supervisor
Kelli Blechschmidt, Management Analyst I
Shengnan Thomas, Administrative Analyst I

1. CALL TO ORDER: 4:01 PM / Quorum

2. APPROVAL OF COMMITTEE MINUTES

a. May 23, 2022

Motion was moved by Member Stapleton, seconded by Member Varney and carried by the following vote:

Aye: Unanimous

Nay: None

Abstentions: None

3. MANAGEMENT UPDATE / INFORMATION ITEMS

a. Quarterly Investment Report (FY 2021-22 4th quarter) was provided for Committee review

Questions or comments by: Chair Gonzalez, Alternate-Member Nishioka, and Keith Stahley, City Manager

Responses by: Josh Eggleston, Chief Financial Officer

4. New Business

Members expressed the desire to explore new revenue options such as a public safety levy and / or a parks levy as well as revisiting the work of the Sustainable Services Revenue Task Force.

Staff will be returning with a post issuance compliance policy for review and recommendation to the City Council. Post issuance compliance policies are a best practice for debt issuers.

5. ADJOURNMENT: 4:26 PM

The next meeting is scheduled for Monday, October 24, 2022 at 4:00 PM.

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

FROM: Josh Eggleston, Chief Financial Officer

SUBJECT:

Post-Issuance Compliance Procedures Policy

ISSUE:

Shall the Finance Committee of the Salem City Council and the Urban Renewal Agency of the City of Salem recommend to the City Council and Urban Renewal Agency Board adoption of the proposed Post-Issuance Compliance Procedures Policy?

RECOMMENDATION:

Recommend to the City Council and Urban Renewal Agency Board adoption of the proposed Post-Issuance Compliance Procedures Policy.

SUMMARY:

When issuing debt (notes, general obligation bonds, revenue bonds, etc.) the City or Urban Renewal Agency has continuing disclosure responsibilities that occur post issuance and often until the debt is repaid. As a best practice for government finance, a post issuance compliance policy is recommended for adoption.

FACTS AND FINDINGS:

The Government Finance Officers Association (GFOA) is the leading professional body for government finance officials and organizations. The GFOA provides best practices and guidelines consistent with Securities and Exchange Commission (SEC) and Governmental Accounting Standards Board (GASB) to government finance officials and departments across the nation. Such a best practice involves continuing disclosure responsibilities.

Upon completion of a successful debt issuance, those institutions buying an issuer's debt (such as a bank) often have requirements for the borrower to keep up with until the debt is repaid in full. When a buyer of debt does not have these requirements, federal or state institutions – such as the SEC – still necessitate certain elements of continuing disclosure. Typical examples of continuing disclosure include the posting of

the City and / or Urban Renewal Agency's annual audit report and the budget posted to the federally ran Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access (EMMA) website. Other examples include notifying debt buyers of material financial events like delinquency or insolvency or actions of a governing body like changing of a financial policy that happen post issuance.

Post issuance compliance policies are not only a best government financial practice, but have real world implications. Rate agencies such as Moody's and Fitch will look at the financial policies of an agency to take note of the fiscal stewardship of the institution when providing a credit rating. Credit ratings then inform buyers of debt of the overall, high level position fiscal condition of an issuer which will in turn impact the willingness of a buyer to purchase debt and at a more competitive rate.

The adoption of this proposed continuing disclosure policy will demonstrate the City's dedication to fiscal best practices to the public, debt holders and credit agencies.

BACKGROUND:

During the Summer and Fall of 2022, Finance Department staff worked to create a proposed post debt issuance compliance policy. In conjunction with the City Attorney's Office and the City's outside Bond Counsel, the version of the policy attached to this report for review. Upon approval of the Finance Committee, the policy will be forwarded to the City Council for adoption some time in November.

Attachment 1: Draft Post-Issuance Compliance Procedures Policy

COUNCIL POLICY NO. C-X

TITLE: POST-ISSUANCE COMPLIANCE PROCEDURES POLICY

POLICY: See attached.

REFERENCE: City Council and Urban Renewal Agency Finance Committee Report dated 10/24/2022, Agenda Item No.4a

Draft

CITY OF SALEM POST-ISSUANCE COMPLIANCE PROCEDURES POLICY
[NOVEMBER 7, 2022]

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CITY OF SALEM, OREGON

POST-ISSUANCE COMPLIANCE PROCEDURES POLICY

The purpose of this Post-Issuance Compliance Procedures Policy (the “Policy”) is to set forth post-issuance compliance procedures to (1) monitor the federal income tax requirements necessary to maintain the exclusion from gross income of interest on the City’s and/or URA’s Tax-Exempt Obligations (the “Procedures”) for the life of the Tax-Exempt Obligations; and (2) comply with federal securities laws for City or URA borrowings that are publicly offered. This policy works in conjunction with Council Policy C-2 Debt Management Policy. Financial terms can be found in **Appendix I –Glossary**.

I. Purpose – Tax Compliance

Pursuant to the Tax Regulatory Agreements, often titled Tax Certificate, (“TRAs”) executed by the City of Salem, Oregon (the “City”) and Urban Renewal Agency of Salem, Oregon (the “URA”) in connection with the issuance of the City’s and/or URA’s bonds, bond anticipation notes and other tax-exempt or tax-advantaged obligations (the “Tax-Exempt Obligations”), and government finance best practices, the Issuer has covenanted that it shall at all times perform all acts and things necessary or appropriate under any valid provision of law in order to ensure that the interest paid on the Tax-Exempt Obligations shall be excluded from gross income for federal income tax purposes under the Internal Revenue Code.

II. General

A. Responsible Officials.

The following officials/employees shall be responsible for performing the Procedures. The persons named in Appendix II shall also have responsibility for adherence to the Policy and the Procedures described.

B. Training.

The Chief Financial Officer, Chief Accountant, and Treasury Supervisor shall read and become familiar with the requirements and procedures set forth in the TRA for each of the Tax-Exempt Obligations.

The Chief Financial Officer, Chief Accountant, and the Treasury Supervisor shall, on an annual basis, attend at least one (1) appropriate Government Finance Officers’ Association (National, Regional or Oregon/Washington), bond counsel or other seminar or program regarding federal income tax requirements applicable to the Tax-Exempt Obligations.

C. Records Retention.

The Chief Financial Officer or designee shall maintain the following information with respect to the Tax-Exempt Obligations and the projects financed thereby, as applicable (“Bond Documents”), for a period of the life of the Tax-Exempt Obligations (including refundings thereof), plus three (3) years:

Bond transcript
Debt service schedules

Investment contracts and bid documents
Rebate reports, forms, payments

Construction/Purchase
Trustee/Bank statements
Invoices, cancelled checks
Swap documents
Authorizing minutes/resolution
Service or management contracts
Sale or lease agreements

Contracts Arbitrage rebate calculations
Yield reduction payments
Forms 8038T and payment documentation
Forms 8038-CP (for credit payment bonds)
Correspondence with IRS
Amendments to bond documents
Audited financial statements

The retention period corresponds with State administrative rules. The Bond Documents shall be maintained in paper files and electronic media and shall be reduced to electronic media as soon as practicable in accordance with Issuer policy. The Bond Documents shall be maintained on-site or at an offsite storage facility within the City limits.

III. Arbitrage Monitoring

A. The Chief Accountant or their designee shall monitor and document the expenditure of Bond Proceeds on a monthly basis:

1. Bond Proceeds used for reimbursement of expenses incurred prior to the Bond issue date (date of expenditure, check number, payee, amount, purpose, copy of contract, invoice, cancelled check).
2. Bond Proceeds used for construction and costs of issuance (date of expenditure, check number, payee, amount, purpose, copy of contract, invoice, cancelled check).
3. Bond Proceeds used for interest on the Tax-Exempt Obligations.
4. Bond Proceeds deposited into reserves (capitalized interest, debt service, debt service reserve).
5. Bond Proceeds in refunding escrows.
6. Bond Proceeds used for bond insurance, letters of credit, other credit enhancement.
7. Use of grants, Issuer equity and other non-Bond Proceeds for the project.
8. Interest rate swap agreement payments.
9. Date of completion of project(s).

B. The Chief Accountant or designee shall report any unspent Bond Proceeds to the Chief Financial Officer on a semiannual basis.

1. The Chief Financial Officer and Chief Accountant shall consult with Bond Counsel as to the use of unspent Bond Proceeds

C. The Chief Accountant or designee shall monitor and document the investment of Bond Proceeds.

1. Investment of Bond Proceeds and sale of investments.

2. Receipt of investment income.

D. The Chief Accountant shall determine whether the Bond Proceeds have been spent in compliance with a rebate spending exception described in the TRA and report to the Chief Financial Officer.

1. If no rebate spending exception is met, the Chief Financial Officer and Chief Accountant shall consult with Bond Counsel to determine whether an arbitrage rebate calculation is necessary.

E. The Chief Accountant shall determine whether any Bond Proceeds are subject to yield restriction after expiration of a "temporary period" as described in the TRA and report to the Chief Financial Officer.

1. If any Bond proceeds are subject to yield restriction, the Chief Financial Officer shall consult with Bond Counsel to determine whether a yield reduction payment calculation is necessary.

F. The Chief Accountant or designee shall monitor and document debt service payments and report any failure to pay on time to the Chief Financial Officer immediately.

G. The Chief Accountant or designee shall monitor and document the receipt the expenditure of any Federal or State grants, donations, capital campaign contributions or gifts for the Project.

IV. Private Activity Monitoring

A. The Chief Accountant shall monitor and document the property financed by Bond Proceeds.

1. Bond financed property shall be separately identified in asset listings.

2. The Chief Accountant in conjunction with the Budget Officer, shall document the extent to which other sources of financing (e.g. State or Federal grants or General Fund moneys) are used to finance projects funded by Bond Proceeds.

B. The Chief Accountant shall contact the Building & Facilities Manager on an annual basis to determine whether any Bond-financed property has been sold or otherwise disposed of or if there are any plans to sell or otherwise dispose of Bond-financed property.

1. The Chief Financial Officer shall consult with Bond Counsel prior to the sale or disposition of Bond-financed property when there is outstanding debt as such sale or disposition may be prohibited or require certain use of the proceeds from the sale or disposition.

C. The Chief Accountant shall contact the Building & Facilities Manager on an annual basis to determine whether any Bond-financed property has been rented or leased, or if there are any plans to rent or lease Bond-financed property.

1. The Chief Financial Officer shall consult with Bond Counsel prior to the rental or lease of Bond-financed property when debt is still outstanding.

D. The Chief Accountant shall contact the Building & Facilities Manager on an annual basis to determine whether any Bond-financed property is subject to a service or management contract.

1. The Chief Financial Officer shall consult with Bond Counsel prior to entering into a service or management contract involving Bond-financed property when debt is still outstanding.

E. The Chief Accountant shall contact the Building & Facilities Manager on an annual basis to determine whether any Bond-financed property which is intended to be used for general public use or good, is not being used for general public use or good.

F. The Chief Accountant shall contact the Building & Facilities Manager on an annual basis to determine whether any private person or trade or business has any special legal entitlements to Bond-financed property.

G. The Chief Accountant shall contact the Building & Facilities Manager on an annual basis to determine whether any Issuer operations have been privatized, or if there are any plans to privatize any Issuer operation.

H. The Chief Accountant shall contact the Building & Facilities Manager on an annual basis to determine whether any person or legal entity is using any Bond-financed property in a trade or business activity.

V. Reporting and Remedies for Noncompliance

Noncompliance with the Procedures set forth in this Policy can generally be remedied without the interest on the Tax-Exempt Obligations being declared taxable. As such, the following procedures should be followed upon discovery of any potential noncompliance with tax requirements:

A. The Chief Accountant shall report any potential noncompliance with tax requirements to the Chief Financial Officer and the Chief Financial Officer shall consult with Bond Counsel and remedy as recommended.

B. If necessary, and upon the recommendation and advice of Bond Counsel, the Chief Financial Officer shall utilize the remedial action procedures set forth in Treasury Regulation Section 1.141-12 to maintain the exclusion from gross income of interest on the Tax-Exempt Obligations for federal income tax purposes. The Chief Financial Officer shall report said remedial actions to the Finance Committee of the City Council and Urban Renewal Agency if recommended by the City Manager.

C. If necessary, and upon the recommendation and advice of Bond Counsel, the Chief Financial Officer shall utilize the Voluntary Closing Agreement Program set forth in Internal Revenue Manual Section 7.2.3.

VI. Continuing Disclosure

A. The City or URA (collectively the “Issuer”) has issued and may issue borrowings in the public securities market and has executed and may execute “continuing disclosure certificates,” “undertakings” or “continuing disclosure agreements” (collectively, “CDAs”) in which it agrees to make certain kinds of information available to participants in the public securities market. To assist its compliance with its CDAs, the Issuer has adopted these Procedures.

B. This document narrowly focuses on the Issuer’s obligation under its CDAs. The Issuer has many other obligations in connection with its borrowings that are not addressed by this document.

C. Components of CDAs

1. The Bond Compliance Officer and the Alternate Bond Compliance Officer will review the exact language of each CDA at least once each fiscal year and after each new CDA is executed. Each CDA is different and the exact language in each governs the Issuer’s contractual obligations under the CDA.

2. Most CDAs require the Issuer to make two kinds of Filings: Annual Reports and Specified Events.

a. Annual Reports. Annual Reports usually must be filed on EMMA within a certain period of time after the end of each fiscal year. The nature of the Annual Report that is required by each CDA is described in that CDA, but Annual Reports generally consist of:

i. the Issuer’s audited financial statements,

ii. additional financial information and operating data of the type specifically described in each CDA.

b. Specified Events. Recent CDAs require Issuers to report certain Specified Events within ten business days, although older CDAs may only require notice “in a timely manner.” These procedures assume that Filing for a Specified Event must be made within ten business days after the Specified Event occurs.

3. Compliance officers and member of the Disclosure Group must bear in mind that any Filings must be accurate in all material respects.¹

¹ In submitting Filings to EMMA or to third parties, the Issuer is subject to the general antifraud provisions of the federal securities laws, which require that there be no material misstatements or material omissions.

The SEC has stated in the context of an enforcement action against a municipal securities issuer, that “[i]nformation is material if there is a substantial likelihood that a reasonable investor would consider it important to an investment decision.” With respect to omissions (as opposed to misstatements), the standard is whether such omission resulted in a failure “to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.”

In light of such standard, when the Compliance Officer circulates for comment to the Disclosure Group a draft of a Filing, it shall be accompanied by the following cautionary note:

Federal securities laws require that the information be complete, accurate, and in no way misleading. Please review carefully and critically the information that you are providing to be certain, to the best of your knowledge after reasonable inquiry of the appropriate persons, that it is accurate, complete, and not misleading. Please be certain that the source documentation is reliable

D. Roles of Parties

1. The Bond Compliance Officer is primarily responsible for ensuring that the Issuer complies with its CDAs and follows these Procedures.
2. The Alternate Bond Compliance Officer shall assist the Bond Compliance Officer and shall act as the Bond Compliance Officer if the Bond Compliance Officer is not available to perform the Bond Compliance Officer's functions under these Procedures.
3. The Disclosure Group includes other officers or employees of the Issuer who may assist the Bond Compliance Officer and the Alternate Bond Compliance Officer in ensuring that the Issuer complies with its CDAs and these Procedures.
4. The Bond Compliance Officers and the Alternate Bond Compliance Officer shall each report their actions under these Procedures to each other and to any member of the Disclosure Group. Reports shall be made promptly and in writing.

E. Disclosure Group

1. The Disclosure Group shall include:
 - a. Bond Compliance Officer – operationally known as the Chief Financial Officer,
 - b. Alternate Bond Compliance Officer – operationally known as the Chief Accountant,
 - c. Treasury Supervisor,
 - d. Accounting Supervisor
 - c. Any officer or employee of the Issuer who is appointed as a member of the Disclosure Group by the Compliance Officer.
2. Not later than sixty days after the beginning of each Fiscal Year, the Compliance Officer shall determine whether additional members should be appointed to the Disclosure Group to assist the Issuer in carrying out these Procedures. The Compliance Officer may appoint anyone the Compliance Officer believes would assist the Issuer in carrying out these procedures. If Issuer officers or employees have special knowledge relating to matters that the Issuer is required by its CDAs to report on EMMA, the Compliance Officer should consider appointing those people to the Disclosure Group. For example, if the Issuer has water revenue bonds outstanding and the Issuer is required to report financial information relating to the water system that is not contained in the Issuer's audited financial statements, the Compliance Officer should consider appointing someone who has direct knowledge of the financial performance of the water system.

and auditable, should any future inquiry arise. Please provide a copy of all source documentation. Please describe any expectation or other caveats to the information you are providing. Please review the information in its entirety, rather than simply updating that which has already been provided, to determine whether any material changes have occurred or if any new or additional information should be included to make the information that you are providing not misleading and as complete and accurate as possible.

3. The Issuer may create distinct Disclosure Groups for each credit.

4. When the Compliance Officer appoints a person as a member of the Disclosure Group, the Compliance Officer or their designee shall provide that person with a written copy of these Procedures and a copy of all then-outstanding CDAs, and shall notify all other members of the Disclosure Group of the appointment.

E. Annual Reports

1. Promptly after adoption of these Procedures the Compliance Officer shall review all existing CDAs and draft a chart outlining the filing deadlines, the material to be included with each Annual Report Filing for each CDA, and the Specified Events for each CDA. The chart shall be updated every time the Issuer enters into a CDA, and each time a CDA ceases to be in effect. A copy of the updated chart shall be provided to each member of the Disclosure Group for review before the updated chart is finalized. When each chart is finalized a copy shall be provided to each member of the Disclosure Group promptly.

2. Each fiscal year, the Compliance Officer shall calendar the deadlines for each Annual Report Filing, with appropriate reminder notifications for each member of the applicable Disclosure Group. The calendar and notifications shall also appear on a centralized calendar in the office of the Finance Department.

3. Not less than twenty-five (25) days before each Filing deadline, the Compliance Officer shall circulate a draft Filing for review by the Disclosure Group.

4. The members of the Disclosure Group shall review the draft Filing, and shall advise the Compliance Officer of any changes the member recommends.

5. The Compliance Officer shall take any recommended changes into account, finalize and timely make the Filing, and provide a copy of the final Filing to each member of the Disclosure Group.

F. Specified Event Filings.

1. If any member of the Disclosure Group becomes aware of the occurrence of an event that may qualify as a Specified Event, that member shall notify the Disclosure Group immediately.

2. Each member of the Disclosure Group shall provide a recommendation to the Compliance Officer regarding the reporting of that event. If the Compliance Officer determines that the event is a Specified Event, the Compliance Officer shall circulate a draft Specified Event Filing to the Disclosure Group for review within two business days.

3. All available members of the Disclosure Group shall provide comments to the Compliance Officer on the draft Specified Event Filing within one business day after the Compliance Officer circulates the draft Filing.

4. The Compliance Officer shall consider any recommendations of the Disclosure Group, finalize the Specified Event Filing, and file it on EMMA. Unless the Compliance Officer determines that the applicable CDAs do not require the filing to be made within ten business days, the Compliance Officer shall file the Specified Event Filing within ten business days after the Specified Event occurs.

G. Omissions and Voluntary Submissions

1. If any member of the Disclosure Group becomes aware of the occurrence of an event that is not a Specified Event, but that the member believes should be disclosed promptly on EMMA and not as part of the Annual Report, including notice of a failure of the Issuer to comply with its obligations under a CDA or the Rule, that member shall notify the Disclosure Group immediately.
2. Each member of the Disclosure Group shall provide a recommendation to the Compliance Officer regarding the reporting of that event. If the Compliance Officer determines that the Issuer should disclose the event on EMMA promptly and not as part of the Annual Report, the Compliance Officer shall circulate a draft Filing to the Disclosure Group for review within ten business days.
3. All members of the Disclosure Group shall provide comments to the Compliance Officer on the draft Filing within five business days after the Compliance Officer circulates the draft Filing.
4. The Compliance Officer shall consider any recommendations of the Disclosure Group, finalize the voluntary submission Filing, and file it on EMMA within ten business days after comments on the filing are due to the Compliance Officer from the Disclosure Group.

H. Training

1. The Compliance Officer shall be responsible for familiarizing the Disclosure Group and any other appropriate Issuer officials and employees with these Procedures and the Issuer's continuing disclosure obligations.
2. The Compliance Officer shall arrange for a training session to be conducted at least once each fiscal year for all members of the Disclosure Group and for any other Issuer employee identified by the Compliance Officer as having significant responsibility for collecting or analyzing information included in the Filings. The Compliance Officer shall provide appropriate training to any new member of the Disclosure Group who is appointed during a fiscal year after the annual training session for that fiscal year has been held, not later than two months after the person is appointed as a member of the Disclosure Group. To the extent practical, training shall be provided with the assistance of an outside party experienced in the responsibilities of municipal issuers under federal securities laws such as the Government Finance Officers Association, the Issuer's Bond Counsel, or other professional firm.
3. Training sessions shall cover, at a minimum:
 - a. these Procedures;
 - b. the Issuer's disclosure obligations under its CDAs; and
 - c. any changes in laws or regulations and significant new cases or enforcement actions since the date of the most recent prior training session.

Appendix I – Glossary

Alternate Bond Compliance Officer: The Chief Accountant of the Issuer.

Annual: One (1) time per fiscal year.

Annual Reports: The financial information and operating data (including audited financial statements) required to be filed on an annual basis pursuant to the CDAs.

Arbitrage: The difference between the interest rate cost of a debt instrument and the rate of the interest earned on the investment of the proceeds. Federal law limits the amount of interest local governments can earn on proceeds of debt issuance.

Bond Compliance Officer: The Chief Financial Officer of the Issuer, or their designee.

Bond Counsel: An attorney (or firm of attorneys) retained by the City or URA to give a legal opinion concerning validity of security, concerns of City staff regarding post-issuance compliance and other debt related matters. Bond counsel may prepare, review and/or advise the issuer during any point in the life of the debt including but not limited to authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings, disclosure requirements and litigation.

Bond-financed project: A capital project that is funded solely or in part by debt. Depending on the type of debt utilized to finance the project, there are additional/specific reporting and operational requirements for the funds.

Bond-financed property: A piece of any type of physical or technological property that can be capitalized and is funded solely or in part by debt. Depending on the type of debt utilized to finance the property, there are additional/specific reporting and operational requirements for the funds.

CDAs: The Issuer's continuing disclosure certificates, continuing disclosure agreements and undertakings relating to its outstanding securities entered into pursuant to the Rule.

Compliance Officer: the Bond Compliance Officer, or the Alternate Bond Compliance Officer if the Bond Compliance Officer is not available to perform the duties of the Compliance Officer under these Procedures.

Disclosure Group: the group described in Section IV E of this Policy that assists the Issuer in complying with this Policy.

EMMA: Electronic Municipal Market Access system maintained by the Municipal Securities Rulemaking Board.

Filing: the filings of Annual Reports, Specified Events and other information that the Issuer submits to EMMA in accordance with the Issuer's CDAs, in accordance with the Rule or other applicable law, or voluntarily.

Issuer: Legal entity issuing debt, either the City of Salem, Oregon or the Salem Urban Renewal Agency.

Monthly: One (1) time per month after the close of the prior month's general ledger.

Outstanding Debt: Any debt that still has interest and/or principle payments that remain owed to the holder of the City or URA's debt.

Private Use/Good: When the primary or exclusive benefit of a project or property financed in part or in whole by debt is to serve the interest of an individual, business, company or trade.

Procedure/Policy: This Post Issuance Compliance Policy and the procedures therein.

Public Use/Good: When the primary or exclusive benefit of a project or property financed in part or in whole by debt is to serve the interest of the community.

Rule: Rule 15c2-12 of the Securities and Exchange Commission, adopted under the Securities Exchange Act of 1934, 17 CFR § 240.15c2-12.

Semi-Annual: Two (2) times per fiscal year. Once after the prior fiscal year audit has been completed and once before the next fiscal year's purposed City or URA Budget is published.

Specified Events: List of specific events that the Issuer is required by each CDA to report on EMMA very promptly, usually within ten days. "Specified Events: are often referred to as "material events".

DRAFT

Appendix II: Authorized Staff by Title

Accounting Supervisor: Responsible in conjunction with Chief Accountant for reporting requirements. Official a part of the Disclosure Group.

City Manager: Chief Administrative Officer of the City and of the Urban Renewal Agency. Responsible for reporting to the City and Urban Renewal Agency Finance Committee.

Chief Financial Officer: Officer in charge of the City and Urban Renewal Agency finances, oversees the Chief Accountant and is part of the Disclosure Group.

Chief Accountant: Official in charge of monitoring spending of Bond Proceeds, compliance with debt covenants and policies, oversees the Treasury Supervisor and Accounting Supervisor and is part of the Disclosure Group.

Building & Facilities Manager: Official in charge of monitoring the use of facilities. Official is issuance or project specific.

Treasury Supervisor: Employee in charge of record retention, compliance with this policy, payments of debt issuance and investments of bond proceeds and is part of the Disclosure Group.

Budget Officer: Officer in charge of annual budget and Capital Improvement Plan creation and publication.

FOR COMMITTEE MEETING OF: October 24, 2022
AGENDA ITEM NO.: 5a

TO: Salem City Council and Salem Urban Renewal Agency Finance Committee

THROUGH: Josh Eggleston, Chief Financial Officer

FROM: Jenny Mattecheck, Chief Accountant

SUBJECT: ARPA/SLFRF Financial Update

ISSUE:

Coronavirus State and Local Fiscal Recovery Funds program update, including financial reporting as of June 30, 2022 and overview of remaining funds to be used in future years.

SUMMARY:

On March 11, 2021, the American Rescue Plan Act ("ARPA") was signed into federal law, and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") program. The City of Salem was deemed an eligible SLFRF recipient by the US Department of Treasury ("Treasury"), who serves as the program administrator. As of June 30, 2022, the City has received the total amount of SLFRF funds originally awarded by Treasury through ARPA. This report provides an overview of the City's SLFRF program financials through FY 2022 and discusses the planned use of remaining funds in future years.

RECOMMENDATION:

Information only.

FACTS AND FINDINGS:

In April 2021, the Treasury awarded the City of Salem \$34,127,916 in one-time SLFRF program funding. The Treasury directly distributed the funds to the City in two equal tranches, each totaling \$17,603,658. The first tranche was received in May 2021 and the second was received in June 2022.

As of June 30, 2022 the SLFRF program has been identified as the funding source for \$32,080,307 of eligible costs as outlined by federal rules related to expenses incurred by the City. Please see the table and reference notes on the following pages for further details on the SLFRF funded costs summarized by project type.

SLFRF Funded Costs by Project
through June 30, 2022

<u>Project</u>		<u>Reference</u>
Sheltering Projects	\$ 3,342,289	[a]
Hotel Acquisition Loan	500,000	[b]
Navigation Center	2,700,958	[c]
Affordable Housing	2,163,000	[d]
Revenue Replacement	17,719,260	[e]
COVID Response	5,654,800	[f]
Total SLFRF Funded Costs	<u>\$ 32,080,307</u>	

References

- [\[a\]](#) Project consists of five individual subrecipient contracts, in which subrecipients are responsible for preparing sheltering sites and delivering sheltering services. Amounts paid by the City, to the subrecipients by the City, cover costs related to providing sheltering and safe park services to individuals and families in Salem, including but not limited to staff, staff training, contracted services such as security, restroom facilities, supplies, including food items, insurance and utilities.
- [\[b\]](#) Loan awarded to Mid -Willamette Valley Community Action Agency for the limited purpose of paying acquisition costs of acquiring the Real Property for use as a temporary shelter. Recipient shall use the Real Property continuously for a temporary shelter for a 10-year period beginning not more than 90 days after Recipient receives title and takes possession of the Real Property. After the ten-year period has been successfully completed, the Loan will be automatically forgiven. The Real Property consists of land and a former 80-room hotel. Recipient indicates the Real Property will provide temporary shelter for up to a maximum of 120 individuals, including couples and families at any one time.
- [\[c\]](#) The Navigation Center project is a low-barrier shelter with intensive case management to connect people to public benefits, health services, and permanent housing through a Housing First philosophy. The City's Navigation Center project is being funded by multiple revenue sources, including direct Federal grants, Federal subaward grants, and non-Federal grants received by the City. The amounts included in the project costs shown herein represent only the building acquisition cost and the associated closing and property tax costs. The City does not anticipate funding any further Navigation Center costs with the City's SLFRF award allocation due to a lack of remaining funds.

References (Continued)																	
[d]	Partial funding for purchase of land and buildings in West Salem in efforts to support affordable housing for low-income Salem residents. The structures currently in place will be refurbished and the site offers additional space for future affordable housing developments. The goal is to provide complexes for homeless families, men and women (all in one service facilities with support for health, counseling, career, finance, etc.) and implement a one year program to move from streets to affordable housing complex to own sustainable housing.																
[e]	<p>The replacement revenue for the City has been used for the provision of essential City operations for public safety services, parks and recreation, cultural and tourism promotion, parking services, and transportation services. Allocation of revenue replacement funding is as follows:</p> <table> <tr> <td colspan="2"><u>Allocated Funds</u></td></tr> <tr> <td>General Fund</td><td>\$ 9,775,990</td></tr> <tr> <td>Transportation Services Fund</td><td>1,616,990</td></tr> <tr> <td>Downtown Parking Fund</td><td>490,550</td></tr> <tr> <td>Cultural and Tourism Fund</td><td>3,186,090</td></tr> <tr> <td>Liberty Parking Leasehold Fund</td><td>76,730</td></tr> <tr> <td>Water & Sewer Utility Fund</td><td>2,572,910</td></tr> <tr> <td><u>Total Revenue Replacement Allocation</u></td><td><u>\$ 17,719,260</u></td></tr> </table>	<u>Allocated Funds</u>		General Fund	\$ 9,775,990	Transportation Services Fund	1,616,990	Downtown Parking Fund	490,550	Cultural and Tourism Fund	3,186,090	Liberty Parking Leasehold Fund	76,730	Water & Sewer Utility Fund	2,572,910	<u>Total Revenue Replacement Allocation</u>	<u>\$ 17,719,260</u>
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[f]	The COVID Response project includes cost incurred by the City which are necessary for responding to the on-going health and safety risks of the pandemic. Examples of expenditures being reporting in this project include emergency medical response expenses, communications, disinfecting public areas, employees dedicated to COVID-19 monitoring and policy such as Fire and Human Resources, public health and safety specific employees, and resources required telework capabilities.																

As of June 30, 2022, the remaining funds available for eligible costs in future years is \$2,047,309. However, \$1,370,102 has already been approved to fund sheltering projects in FY 2023. This results in an actual upset balance remaining of \$677,508, or 1.98%, of the original award. This balance is currently being planned and reported as reserve funds. These reserve funds have been allocated between the Federal Relief Fund and the Navigation Center (Capital Improvements) Fund. Please see the tables on the following page for further details on the remaining funds calculation, approved sheltering projects, and summary of remaining SLFRF funding available for eligible costs incurred by the City in future years.

Summary of SLFRF Funding		
SLFRF Funding Award Total	\$	34,127,916
Expenditures to Date (6.30.2022)		(32,080,307)
<u>Remaining SLFRF Funding</u>	\$	<u>2,047,609</u> = [A] + [B]

FY 2023 Approved Sheltering Projects		
Church at the Park Sheltering Subaward	\$	700,000
Church at the Park Site Prep Subaward		140,102
United Way Shelter Expansion Subaward		300,000
Center for Hope and Safety Sheltering Subaward		230,000
<u>Total Approved FY 2023 Sheltering Projects</u>	\$	<u>1,370,102</u> [A]

Summary of Unallocated SLFRF Funds		
Federal Relief Fund Reserve	\$	378,465
Navigation Center Fund Reserve		299,042
<u>Unallocated SLFRF Funding</u>	\$	<u>677,508</u> [B]

At this time, the Finance Department is preparing the September 30, 2022 quarterly reporting deliverables required by the US Treasury as a stipulation of receiving the funding. These are due to Treasury by October 31, 2022. Once completed, The Finance Department can provide an update to this report, reflecting activity through September 30, 2022, if that is of interest.

In addition, the FY 2022 Single Audit which reviews federally awarded monies, is being completed by the City's auditors, Grove, Mueller & Swank. The auditors have made Finance staff aware that the SLFRF program will be considered a major program, requiring robust testing, due to the high-risk nature of the program. The high-risk associated with this program is not a reflection of the City's inability to comply with program requirements, nor a lack of internal controls. The SLFRF program will be consistently audited as a major program for all subrecipients engaged in a Single Audit. In the event audit testing results in material changes or significant findings, Finance will provide prompt notification to the Finance Committee.

BACKGROUND:

On March 11, 2021, ARPA was signed into law, and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which together make up the SLFRF program. The program is intended to provide support to State, territorial, local, and Tribal governments in directly responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses.

The SLFRF program is administered by the US Department of Treasury ("Treasury"). As the program administrator, Treasury was responsible for determining which governments were eligible recipients, the allocation of funding awarded to eligible recipients, and the eligible uses of funds by recipients. Eligible SLFRF recipients include states, territories, tribal governments, counties, metropolitan cities, and non-entitlement units of local governments.

Amounts paid to eligible states and local governments were based on 2019 population data from the US Census Bureau, as well as latest available data from the Bureau of Labor Statistics at the time of the issuance of Treasury's Interim Final Rule (May 17, 2021). The Treasury made a determination to allocate payments to tribal governments based on enrollment and employment data, as well as consultation with tribal leaders. Treasury facilitated the distribution of funds in two tranches, each totaling 50% of the total amount awarded to the recipient. Recipients received payment of the first tranche of funding in May 2021 and the second tranche was received in June 2022.

Per the formal rulings issued by Treasury, SLFRF recipients may use SLFRF program funds to:

1. Replace lost public sector revenue;
2. Respond to far-reaching public health and negative economic impacts of the pandemic;
3. Provide premium pay for essential workers; and,
4. Invest in water, sewer, and broadband infrastructure.

As intended by Treasury, these categories are broad, open-ended, and vague. Taking this approach provides substantial flexibility for each SLFRF recipient to meet local needs within these four separate eligible use categories. To provide additional flexibility, the SLFRF program performance period, which extends over 5.5 years, is longer than typical federally funded grant programs. Recipients may use SLFRF funds to cover eligible costs incurred during the period beginning on March 3, 2021 and ending on December 31, 2024. Although funds must be obligated by December 31, 2024, recipients have until December 31, 2026 to liquidate (or spend) all obligations incurred as of December 31, 2024.

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

FROM: Josh Eggleston, Chief Financial Officer

SUBJECT:

General Fund At-Risk Revenue Analysis

ISSUE:

Results of General Fund At-Risk Revenue Analysis

RECOMMENDATION:

Information Only

SUMMARY:

During the Finance Committee of the Salem City Council and the Urban Renewal Agency of City of Salem meeting of September 26, 2022, members requested an analysis of General Fund revenue that may be at risk of decreasing, specifically revenue from utility franchises held by the City.

FACTS AND FINDINGS:

Staff analyzed the past five fiscal years (FY 2018 – 2022) to determine trends of various General Fund revenue sources. Many funding sources are somewhat insulated from economic swings such as property taxes and have continued to steadily grow between 3.63% (FY 2020) and 4.89% (FY 2021) over the last five fiscal years. Meanwhile, revenues such as Parks and Recreation fees, Planning fees, and Parking Rents have been negatively impacted by the COVID-19 pandemic. While some of these fees such as Planning rebounded quickly to pre-pandemic levels, others are still struggling to return to a typical trend. Additionally, there have been policy changes to discontinue some City revenues, such as the Salem Public Library which no longer charges for overdue items or parking.

Funding Sources of Interest

Franchise Fees

During the Finance Committee meeting of September 26, 2022, members inquired specifically about the City's franchise revenue. A franchise is a privilege granted by

the City to a utility provider that allows them to use the public rights-of-way within the City to provide service to residents and businesses. As the custodian of the public rights-of-way, the City receives compensation for the use of the limited resources of the public domain. This revenue is used to fund services provided by the General Fund for Salem residents. The City collects franchise fee revenues on electricity, telecommunications (telecom), natural gas, refuse, cable TV, and water & sewer utilities. Some of these revenues have grown over the last five years such as electricity, water & sewer, and refuse. Meanwhile, revenue from telecom and cable TV have declined over the last five years.

- Telecom franchise fee revenue, which includes traditional landline telephone services, wireless, and broadband, has decreased 6.3% (\$116K) between FY 2018 and FY 2022. As subscribers move away from wired services that pay a franchise fee based on a percentage of gross receipts, towards wireless services that pay based on the number of wireless antennae sites, franchise fee revenue could continue to see reductions. Fortunately, all wireless services are ultimately connected to wired facilities called “backhaul,” so revenue should remain stable over time.
- Cable TV franchise fee revenue decreased 2.1% (\$39K) over the same five-year period. Staff expects this trend to continue as customers cancel cable TV subscriptions and move to over-the-top (OTT) streaming services. Across the U.S., at least twelve local governments (non in Oregon) have filed claims in their state court arguing that OTT video service providers like Netflix and Hulu are subject to state video franchising laws. So far, none have been successful.

State Shared Revenue and Taxes (Alcohol, Cigarette and Marijuana)

The State collects taxes on alcohol, cigarettes, and marijuana and shares a portion of those funds with cities and counties that meet specified criteria. Over a five-year period, state-shared revenue from cigarette sales have fallen with the popularity of vaping which is not taxed, while revenue from alcohol sales have generally increased. Due to the passage of Measure 110, a portion of the State’s marijuana tax revenue was diverted to treatment programs for those impacted by drug use. The result of this is a sharp reduction in the revenue available to cities, including Salem. Between FY 2018 and FY 2022, marijuana state shared revenue dropped by over 65%.

In addition to the State shared revenue for marijuana, the City of Salem taxes the sale of marijuana. This revenue source has continued to steadily grow as it is not impacted by Measure 110. Between FY 2018 and FY 2022, this revenue grew over 134% or \$1.02M.

BACKGROUND:

The City receives revenues for the General Fund through taxes, fees, charges, and other sources that support General Fund activities in all six of the City's result areas. Programs supported include Police and Fire, the Library, Community Development Planning, Compliance Services, Parks and Recreation, Municipal Court, and City government and administration. Apart from one-time Federal revenues received as a result of the COVID-19 pandemic, ongoing expenditures continue to outpace revenues.