

City of Salem
CITY OF SALEM AND SALEM URA
FINANCE COMMITTEE
MEETING AGENDA
March 18, 2024 4:00 PM

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Si necesita ayuda para comprender esta información, por favor llame 503-588-6274

PARTICIPANTS

Board Members

Councilor Jose Gonzalez, Chair
Councilor Deanna Gwyn
Councilor Vanessa Nordyke
Councilor Micki Varney
Alternate-Councilor Linda Nishioka

Staff

Keith Stahley, City Manager
Josh Eggleston, Chief Financial Officer
Brian Luse, Assistant City Attorney
Scott Leavell, Deputy Fire Chief
Kali Leinenbach, Budget Manager
Jenny Mattechek, Chief Accountant
Jeremy Morgan, Supervisor
Anja Hill, Treasury Supervisor
Kelli Blechschmidt, Management Analyst II
Rachael Hostetler, Management Analyst II
Shengnan Thomas, Administrative Analyst I

Guests

AGENDA

1. Welcome and call to order
2. Approval of Minutes
 - a. February 20, 2024 (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. Willamette Valley Communication Center (WVCC) Fund Policy,
Radio Communications (City Services) Fund Policy
(Package page 6)
5. Management Update/Information Items
 - a. ARPA Update
6. Continued Business
7. New Business
8. Adjourn

Next Meeting: April 15, 2024

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: February 20, 2024

PLACE: ZOOM / Finance Conference Room

CHAIRPERSON: Jose Gonzalez

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

Members Present:

Councilor Jose Gonzalez, Chair
Councilor Micki Varney
Councilor Deanna Gwyn
Councilor Vanessa Nordyke (joined at 4:04 PM)
Alternate-Councilor Linda Nishioka

Members Absent:

Staff Present:

Keith Stahley, City Manager
Dan Atchison, City Attorney
Josh Eggleston, Chief Financial Officer
Alicia Blalock, Assistant Director
Allen Dannen, P.E., City Engineer
Kali Leinenbach, Budget Manager
Jenny Mattecheck, CPA, Chief Accountant
Anja Hill, Treasury Supervisor
Jeremy Morgan, Accounting Supervisor (joined at 4:04 PM)
James Wharton-Hess, Senior Fiscal Analyst
Kelli Blechschmidt, Management Analyst II
Shengnan Thomas, Administrative Analyst I

Guest Present:

1. CALL TO ORDER: 4:02 PM / Quorum

2. APPROVAL OF COMMITTEE MINUTES

a. January 19, 2024

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

Aye: Unanimous
Nay: None
Abstentions: None

3. PUBLIC COMMENT

a. None

4. ACTION ITEMS

a. Capital Improvement Program Policy Update

Proposed updates to the City's CIP policy to be forwarded to City Council for adoption.

Questions or comments by: Members Gwyn and Varney

Responses by: Josh Eggleston, Chief Financial Officer; Allen Dannen, P.E., City Engineer

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

Aye: Unanimous
Nay: None
Abstentions: None

b. Utility Fund, Transportation Fund, and Streetlight Fund Policy

Update of the Utility Fund Balance policy and the creation of new Transportation Services Fund and Streetlight Fund policies to be forwarded to City Council.

Questions or comments by: Members Varney, Nordyke, and Nishioka

Responses by: Josh Eggleston, Chief Financial Officer; Alicia Blalock, Assistant Director of Public Works.

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

Aye: Unanimous
Nay: None
Abstentions: None

5. MANAGEMENT UPDATE / INFORMATION ITEMS

a. Quarterly Investment Report (FY 2023-24 2nd quarter)

Questions or comments by: Chair Gonzalez

Responses by: Josh Eggleston, Chief Financial Officer

6. CONTINUED BUSINESS

- a. None

7. New Business

- a. Willamette Valley Communication Center (WVCC) and Airport Fund Policies next month

8. ADJOURNMENT: 4:32 PM

The next meeting is scheduled for Monday, March 18, 2024 at 4:00 PM.

DRAFT

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:

Fund financial policies for the Willamette Valley Communications Center (WVCC) Fund
and Radio Communications (City Services) Fund

SUMMARY:

A fund financial policy helps ensure stability by guiding the maintenance of reserves to handle unexpected expenses and revenue fluctuations. It establishes clear rules for holding operating and capital reserves, and ensuring transparency in fund usage. Financial policies promote fiscal discipline, facilitate long-term planning, and strengthen the overall financial health of each fund. Fund balance policies are a best practice from the Government Finance Officers Association (GFOA).

ISSUE:

Shall the Finance Committee recommend to City Council adoption of the attached fund balance / reserve policies for the Willamette Valley Communications Center (WVCC) Fund and Radio Communications (City Services) Fund and establishing reserve requirements?

RECOMMENDATION:

Recommend to City Council adoption of the attached fund balance / reserve policies for the Willamette Valley Communications Center (WVCC) Fund and Radio Communications (City Services) Fund establishing reserve requirements.

FACTS AND FINDINGS:

There are two policies for consideration by the Finance Committee:

1. Willamette Valley Communications Center (WVCC) Fund – New financial policy (attachment 1)
2. Radio Communications (City Services) Fund – New financial policy (attachment 2)

BACKGROUND:

As with all operating funds, sound financial management practices include establishing the appropriate level of reserves / fund balances for the following reasons:

1. Plan for contingencies. There will always be unforeseen emergent issues potential or revenue shortfalls.
2. Maintain cash flow. The irregular cash flows of the Funds may cause negative balances during the fiscal year without adequate reserves in the beginning fund balance for each fund.
3. Stabilize services. Reserves can provide resources to support services during periods of increased expenditures or slow revenue growth.

Attachments:

1. Draft Willamette Valley Communications Center (WVCC) Fund Financial Policy
2. Draft Radio Communications (City Services) Fund Financial Policy

COUNCIL POLICY NO. C-XX

TITLE: FUND BALANCE / RESERVE POLICY FOR
WILLAMETTE VALLEY COMMUNICATIONS CENTER
FUND

POLICY: See attachment.

REFERENCE: **03/18/2024** Finance Committee Report (Agenda Item No. 4.a.)

TITLE: FUND BALANCE/RESERVE POLICY FOR THE
WILLAMETTE VALLEY COMMUNICATIONS CENTER
(WVCC) FUND

POLICY: PURPOSE

Sound financial management practices include establishing designated and undesignated fund balances sufficient to provide resources for events and service needs unanticipated during budget development, such as a cash flow need during a fiscal year; providing a source of funds to sustain services during a temporary slowing in revenue and/or a source of bridge funding to allow transition to sustainable service levels; and providing a source of funds for other unexpected events that cause a need for additional expenditures. The purpose of this policy is to establish the components and uses of the Fund Balance for the Willamette Valley Communications Center Fund.

SCOPE

This policy applies to the Willamette Valley Communications Center Fund.

DEFINITIONS

Willamette Valley Communications Center Fund – An enterprise fund established for managing the regional 9-1-1 call answering and dispatch center services provided by the City.

Fund Balance –The sum of the Operating Reserve, Contingency Account, and the Unappropriated Ending Fund Balance in the Willamette Valley Communications Center Fund. In the Annual Comprehensive Financial Report, the Fund Balance is included in the schedule titled “Statement of Revenues, Expenditures and Changes in Fund Balance.”

Contingency Account – A budgetary account used to appropriate resources that can be used to address events or service needs that were unanticipated during budget development. With City Council adoption of a transfer resolution, funds are transferred from the Contingency Account to an operating program.

Operating Reserve – A reserve established to provide resources, beyond those available in the Contingency Account, to allow the continuation of services for a finite period until additional resources are identified or a transition to a sustainable service level is completed.

RELATED FINANCIAL POLICIES

- Stable Financial Environment – City Council Policy C-8
- Balanced Budget – City Council Policy C-8

POLICY STATEMENT

City Manager's recommended budget shall contain a Fund Balance comprised of an Operating Reserve and Contingency Account, as follows:

- The Operating Reserve shall be a minimum of 11% of the recommended Personal Services category of the FY budget.
- The Contingency Account shall be an amount not to exceed 10% of all budgeted expenditures in the WVCC Fund.

The Operating Reserve and the Contingency Account can be used in the following circumstances:

1. The Operating Reserve can be used by the City Manager to balance the WVCC Fund budget, in the event revenues may be insufficient to meet the expenditures necessary to maintain current services. In addition, the Operating Reserve can be used to provide resources through a supplemental budget to sustain services in a current fiscal year, if an unforeseen event occurs, and the Contingency Account is insufficient to cover operational needs. Utilization of the Operating Reserve shall be within the context of a financial plan designed to bring services to a sustainable level through additional financial resources, service reductions, or a combination of both.
2. The Contingency Account can be used only to meet expenditure requirements resulting from events or service needs not anticipated during the development of the budget. The expenditure of funds in the Contingency Account is subject to the prior authorization by the City Council through the adoption of a transfer resolution.

REFERENCE: XX/XX/XXX Finance Committee Report (Agenda Item No. X.x)

COUNCIL POLICY NO. C-XX

TITLE: FUND BALANCE / RESERVE POLICY FOR RADIO
COMMUNICATIONS FUND

POLICY: See attachment.

REFERENCE: 03/18/2024 Finance Committee Report (Agenda Item No. 4.a.)

TITLE: FUND BALANCE/RESERVE POLICY FOR THE RADIO COMMUNICATIONS FUND

POLICY: PURPOSE

Sound financial management practices include establishing designated and undesignated fund balances sufficient to provide resources for events and service needs unanticipated during budget development, such as a cash flow need during a fiscal year; providing a source of funds to sustain services during a temporary slowing in revenue and/or a source of bridge funding to allow transition to sustainable service levels; and providing a source of funds for other unexpected events that cause a need for additional expenditures. The purpose of this policy is to establish the components and uses of the Fund Balance for the Radio Communications Fund.

SCOPE

This policy applies to the Radio Communications (City Services) Fund.

DEFINITIONS

Radio Communications (City Services) Fund – An enterprise fund established for managing the operation and maintenance of the City’s radio communication and infrastructure.

Contingency Account – A budgetary account used to appropriate resources that can be used to address events or service needs that were unanticipated during budget development. With City Council adoption of a transfer resolution, funds are transferred from the Contingency Account to an operating program.

Fund Balance –The sum of the Rate Stabilization Reserve, and the Unappropriated Ending Fund Balance in the Radio Communications (City Services) Fund. In the Annual Comprehensive Financial Report, the Fund Balance is included in the schedule titled “Statement of Revenues, Expenditures and Changes in Fund Balance.”

Rate Stabilization Reserve - A reserve established to provide resources, in the event of loss of revenue or significant unanticipated expenditure items which will impact the upcoming fiscal year. This reserve allows the continuation of services for a finite period until additional resources are identified or a transition to a sustainable service level is completed.

RELATED FINANCIAL POLICIES

- Stable Financial Environment – City Council Policy C-8
- Balanced Budget – City Council Policy C-8

POLICY STATEMENT

City Manager's recommended budget shall contain a Fund Balance comprised of the Rate Stabilization Reserve as follows:

- Minimum Operating Reserve equal to two months of total expenditures based on the recommended FY budget.
- Revenue loss reserve equal to 25% of all outside agency revenue budgeted in recommended FY budget.
- Contingency Account for unanticipated significant system expense required to maintain continuous operation, not to exceed \$500,000.

The Rate Stabilization Reserve can be used in the following circumstances:

1. The Rate Stabilization Reserve can be used by the City Manager to balance the budget, in the event revenues may be insufficient to meet the expenditures necessary to maintain current services. In addition, the Rate Stabilization Reserve can be used to provide resources through a supplemental budget to sustain services in a current fiscal year, if an unforeseen event occurs. Utilization of the Rate Stabilization Reserve shall be within the context of a financial plan designed to bring services to a sustainable level through additional financial resources, service reductions, or a combination of both. The Rate Stabilization Reserve may be used in lieu of rate increases.

REFERENCE: XX/XX/XXX Finance Committee Report (Agenda Item No. X.x)



ARPA/SLFRF Financial Review & Closeout Reporting

For Committee Meeting of:

Salem City Council and Salem Urban Renewal Agency Finance
Committee

Monday, March 18, 2024



Agenda

- Program Overview
 - Background
 - Eligible Uses
- City of Salem's 2021 Strategic Vision for ARPA
- City of Salem ARPA Funding and Cost Actuals
 - Funds Received
 - Funded Projects
 - Revenue Replacement
 - Closeout Reporting
- Questions

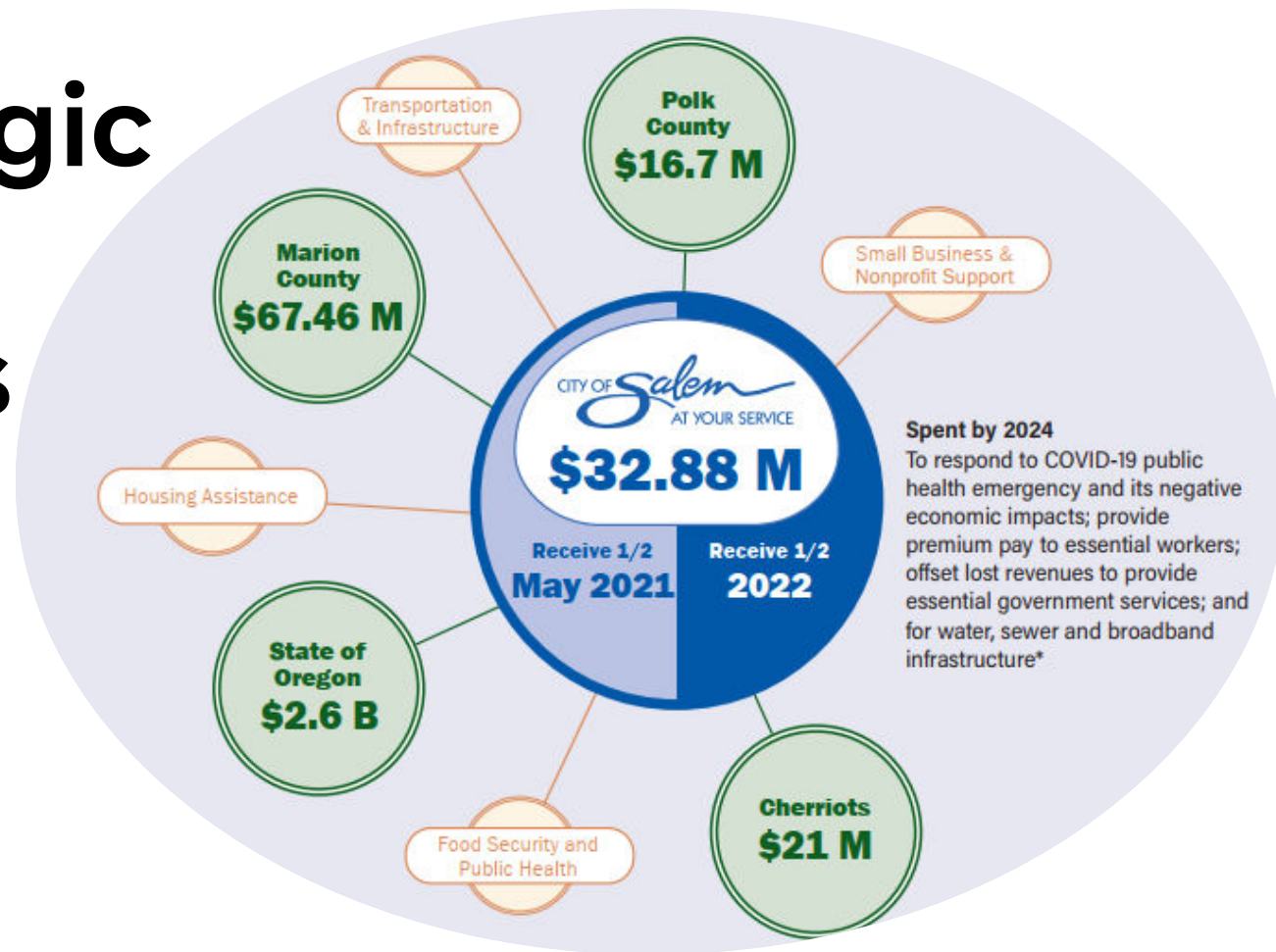
Program Overview - *Background*

- 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.
- 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.

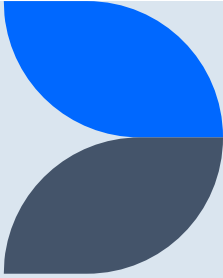
Program Overview – Eligible Uses

- Covered period for eligible expenditures is March 3, 2021 – December 31, 2024
- Recipients cannot use the funds for the following:
 - Deposits to pension accounts
 - Reductions in taxes or to delay a tax increase
 - Non-Federal match funding for other Federal programs/grants
- Four main categories for eligible expenditures:
 1. COVID-19 or a negative economic impact
 2. Premium pay for eligible workers
 3. For government services to the extent of the loss of revenue
 4. Investments in water, sewer and broadband infrastructure

2021 Strategic Vision for ARPA Funds



City of Salem ARPA Funding Received



Direct allocation to the City from the federal government

Tranche 1 - Received May 2021	17,063,958
Tranche 1 - Received June 2022	17,063,958
Total	<u>34,127,916</u>

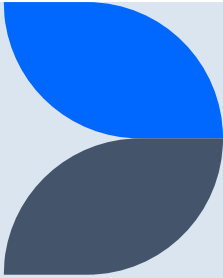
Indirect allocation to the City from Marion County*

Grant awarded May 2022, funding received August 2022	<u>3,000,000</u>
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**Originally allocated to County from the federal government*

Total ARPA funding received by the City	<u>37,127,916</u>
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City of Salem ARPA Funded Projects



Project Type	Direct Allocation	Marion County Subaward	Total Funds
Sheltering Projects	4,714,517	-	4,714,517
Hotel Acquisition Loan	500,000	-	500,000
Navigation Center	2,700,958	3,000,000	5,700,958
Affordable Housing	2,163,000	-	2,163,000
Revenue Replacement	24,049,442	-	24,049,442
Total Funded Costs	34,127,916	3,000,000	37,127,916

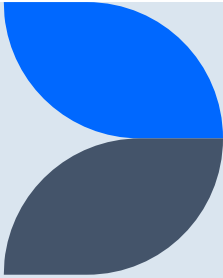
City of Salem ARPA Funded Projects

Subaward Recipient & Projects	ARPA Funds Awarded
Center for Hope and Safety	\$ 230,000
Renovation of Mosaic Shelter for Women	230,000
Church at the Park	\$ 4,060,445
CCS Site Sheltering Program Managed Camp Site	1,761,057
Micro-Shelter Village Site Preparation (1280 Center St.)	367,231
PDX Rd Sheltering Project	1,056,967
Windows to the West Safe Park Program	175,190
CCS Site Sheltering Program (3749 Portland Rd.)	700,000
Mid-Willamette Valley Community Action Agency	\$ 614,305
Hotel Acquisition - Temporary Sheltering Location	500,000
Hotel Extension - Temporary Sheltering Location	114,305
United Way of the Mid-Willamette Valley	\$ 300,000
United Way Safe Sleep Expansion	300,000
Grand Total	\$ 5,204,750

Other ARPA Funded Projects	ARPA Funded Expenditures
Sheltering - CCS Site Sheltering Program	\$ 9,766
Internal Labor (Project Management)	9,766
Navigation Center	\$ 5,700,958
Building Acquisition	2,700,958
Construction Costs	2,959,441
Internal Labor (Project Management & Engineering)	40,559
Affordable Housing	\$ 2,163,000
West Salem Land Acquisition	2,163,000
Grand Total	\$ 7,873,724

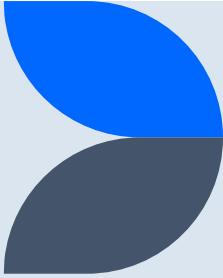
* The total amount of project costs from the tables presented on this slide ties to the total of all projects from the previous slide, less the Revenue Replacement amount.

City of Salem ARPA Revenue Replacement



- Each calendar year, the City calculates the estimated revenue loss due to the COVID-19 pandemic as part of the APRA reporting due to the Dept. of Treasury.
- A counterfactual revenue amount is calculated by taking the actual revenues of the last full fiscal year prior to the pandemic (FY 2019) and multiplying that by the estimated growth rate of the City, which is then annualized for the number of periods since the last full fiscal year prior to the pandemic.
- The growth rate is calculated by taking the average annual general revenue growth over 3 years prior to the pandemic.
- The calculated counterfactual revenue is then compared to the actual revenues of that calendar year and the difference is eligible to be claimed as revenue replacement funding, assuming actual revenue is less than the calculated counterfactual revenue.

City of Salem ARPA Revenue Replacement



- The City's estimated revenue loss by calendar year is as follows:

2020: \$11,837,064
2021: \$11,753,251
2022: \$15,378,584
2023: \$7,693,214
Total: \$46,662,113

- The City's claimed a total of \$24,049,442 in revenue replacement funding as the remaining ARPA funding was used to support the ARPA projects previously discussed. The allocation of the revenue loss funds is as follows:

<u>Revenue Replacement Allocation</u>			
Fund	Tranche 1	Tranche 2	Total
General Fund	5,873,460	10,232,712	16,106,172
Transportation Fund	1,152,060	464,930	1,616,990
Downtown Parking Fund	237,040	253,510	490,550
Cultural/Tourism Fund	1,548,520	1,637,570	3,186,090
Utility Fund	-	2,572,910	2,572,910
Parking Leashold Fund	-	76,730	76,730
	8,811,080	15,238,362	24,049,442

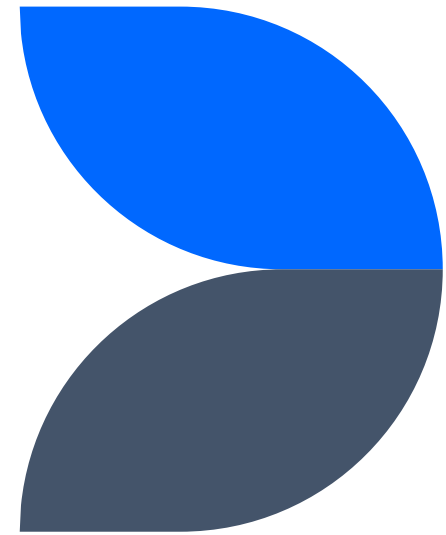
Closeout Reporting Requirements

- The City of Salem Finance Department will complete the final project expenditures report due to the Department of Treasury no later than April 30, 2024.
- As the City has spent all allocated ARPA funds, the City's Finance Department will also complete the closeout reporting at the same time the final project expenditures report.
- The Finance Department is also responsible for submitting subrecipient reporting to Marion County for the pass-through funds the County awarded to the City. All final reporting requirements for Marion County will also be completed in April 2024.



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Questions?





Thank you

Jennifer Mattechuck, CPA
Chief Accountant

