

A G E N D A



Joint Meeting of the City of Salem Budget Committee and the Salem Urban Renewal Agency Budget Committee

DATE: Wednesday, May 13, 2020
TIME: 6:00 PM
CHAIRPERSON: Paul Tigan

STAFF LIAISON:
Josh Eggleston, Budget Officer
503•588•6130
jeggleston@cityofsalem.net
Kali Leinenbach, Senior Fiscal Analyst
503•588•6231
kleinenbach@cityofsalem.net

PLACE: Virtual Online Meeting

ADDITIONS AGENDA

2. PUBLIC TESTIMONY

- b. Correspondence from E.M. Easterly regarding SDCs
- c. Correspondence from Michelle Cordova regarding TOT funds
- d. Correspondence from John Olbrantz regarding TOT funds
- e. Correspondence from Matt Hale regarding fiscal stewardship
- f. Correspondence from Sandra Burnett regarding Salem cultural facilities
- g. Correspondence from E.M. Easterly regarding the CIP
- h. Correspondence from Ross Sutherland regarding TOT funds
- i. Correspondence from Yvonne Putze regarding TOT funds
- j. Correspondence from E.M. Easterly regarding SDCs

4. ACTION ITEMS

- a. Errata 3 – Liability Insurance
- b. Errata 4 – Airport Fund
- c. Errata 5 – Capital Projects and Capital Improvement Plan

5. INFORMATION ITEMS

- g. Staff Report- Public Safety Program Realignment
- h. Responses to Budget Committee Questions

775 Fir Gardens St. NW ♦ Salem, OR 97304

emeasterly@comcast.net ♦ 503-363-6221

May 8, 2020

Mr. Daniel Atchison, City Attorney
City of Salem
555 Liberty St. SE
Salem, OR 97301-3513

Dear Mr. Atchison;

Thank you for providing the administration's response to my written testimony and request to the FY 2020-2021 Salem budget committee. Your summary of the 309 list application regarding System Development Charge fees and eligible projects is appreciated. Your reference to the yet to be adopted 2019 Stormwater Master Plan which will replace the September 2000 Stormwater Master Plan when adopted by Council is illuminating. Illuminating because your arguments based upon the non-adopted policies of a "draft" Stormwater Master Plan are legally irrelevant. You cite ORS 223.307 which stipulates the following:

"(4) Any capital improvement being funded wholly or in part with system development charge revenues must be included in the plan and list adopted by a local government pursuant to ORS 223.309 (Preparation of plan for capital improvements financed by system development charges)."

I support those SDC obligations, but I do not accept the yet to be adopted draft and financially more flexible 2019 Salem Stormwater Master Plan until it is adopted by Council. Accordingly, Council decisions relating the expenditure of SDC funds must conform to the 2000 Salem Stormwater Master Plan. There is no five-percent small conveyance improvement allowance in the current Stormwater Master Plan.

Thank you also, Mr. Atchison, for citing SRC 41.130. The prescribed behavior is clear. The code requires:

"The Finance Officer or the Finance Officer's designee shall establish and keep such accounts as may be necessary showing the total SDC revenues collected for water, wastewater, transportation, parks and recreation, drainage and flood control and the projects that are funded by SDC revenues, and shall provide an annual accounting, to be completed by January 1 of each year, showing amounts collected, projects funded by, and the extent to which each project was funded with SDC revenues during the previous fiscal year. "

The FY 2018-2019 CAFR does not offer evidence in support of SRC 41.130. You state that "Extra Capacity Facilities Fund ... requires separate accounts within the fund for each type of SDC." I fully agree, but those separate accounts are not disclosed in the 2019 CAFR.

Previously I challenged the City's failure to properly address the budgetary accounting of the five Systems Development Charges¹ (SDC) funds adopted by the City of Salem. That omission is further compounded by the past financial report (2019) which contains few references to the five SDC funds²

¹ (A) Water supply, treatment and distribution. (B) Wastewater collection, transmission, treatment and disposal.
(C) Drainage and flood control; [Salem: Stormwater] (D) Transportation; or
(E) Parks and recreation.

²The current Salem budgeting process anticipates SDC revenue individually for the five funds but then fails to identify fund beginning /ending balances or expenditures for each of the five funds.

in the Salem Consolidated Annual Financial Report (CAFR).

The initial SDC CAFR reference is offered below

“Capital improvement financing strategy – The Capital Improvement Program (CIP) plans for the acquisition or construction of capital improvements. The CIP is updated annually by staff and is made available for review and comment to neighborhood associations and through public hearings prior to Council adoption. This ongoing process identifies the capital needs of the community, the funding sources to pay for those needs, and schedules improvements according to the City's ability to pay. The primary result of the CIP is the identification and tracking of infrastructure needs, which consist of utility system, street, park, airport, and other needs such as municipal facilities and equipment. In addition to bonded debt and loans, other funding sources such as utility revenue and systems development charges (SDC's) also pay for capital improvements within the City.”

Page 3 2019 Salem CAFR

There is one further CAFR reference to SDC funds.

Extra Capacity Facilities

This fund accounts for street expansion, and parks development and expansion. Financing is provided primarily from systems development charges levied against developing properties.

Page 111 2019 Salem CAFR

The CAFR description above cites just two SDC fund accounts – streets and parks. There is no reference to the three other Salem SDC funds – water, sewer or stormwater. More importantly, the CAFR states the funds are funded “... from systems development charges levied against developing properties.” That is, each SDC account in the language of the CAFR is a fund and, therefore, in the FY 2020-2021 budget shall comply with ORS 294.358.

I must acknowledge that the use of the term “fund”³ confused me. It was only after I recognized that the CAFR not only discusses individual funds but also the aggregation of “fund of funds” that the inadequacy of the SDC funds reporting in the CAFR and budget documents became apparent.

SDC funds appear to be, first, the five individual SDC funds not fully disclosed in the CAFR, second, the agglomeration of the SDC funds and other funds, e.g. impervious surface stormwater fees, in the “Extra Capacity Facilities” fund and third, the aggregation of the “Extra Capacity Facilities” fund and the “Capital Improvements” fund in the “Utility” fund which summarizes the City of Salem's capital assets and liabilities.

Fortunately, the CAFR acknowledgment on the next page defines the special character of SDC funds. The SDC funds, though not individually acknowledged or identified as required by SRC 41.130, are apparently subsumed under the restricted Extra Capacity Facilities fund as stipulated by SRC 41.130. See Net position next page.

³ **What is a fund?** A fund is a fiscal and accounting entity with self-balancing accounts set aside to carry on a specific activity or to meet certain objectives in accordance with a specific regulation. The requirements and resources of a fund must always balance.

Depending on the size and complexity of your local government and the services it provides, your district may also have a number of special funds. The most common reason for establishing a special fund is to account for a revenue source whose use is limited to a particular kind of expenditure. Examples include: debt service funds, construction funds, reserve funds, street funds, water funds, and sewer funds.

L. Net position

The government-wide and proprietary fund statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets reflects the portion of net position invested in capital assets less any outstanding balances of related debt, plus related deferred outflows. The related debt is the debt less any unspent proceeds.

Restricted net position represents liquid assets that have third party (statutory, bond covenant, or grantor) limitations on their use. The City typically uses restricted assets first, as appropriate, but reserves the right to defer the use thereof to a future project or acquisition. The following table presents the calculation of net position and components thereof.

Calculation of Net Position

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Restricted:			
Capital projects			
Capital improvements	85,516,255	37,671,221	123,187,476
Extra capacity facilities	14,396,520	-	14,396,520

Page 89 2019 Salem CAFR

In effect, the 2019 CAFR appears to have accounted for millions of City of Salem SDC funded revenues and expenditures by consolidating them under “Extra Capacity Facilities” without ever showing each of the separate SDC fund Beginning / Ending balances, Revenues and/or Expenditures as stipulated by ORS 294.358.

These individual SDC funds are relevant because each fund revenue is allocated to a specific project list under current system development charge master plans. Whether the SDC fund expenditures are accurately directed to the adopted City of Salem SDC 309 project lists is difficult to trace. As the Net position above explains: “[The City] reserves the right to defer the use thereof to a future project or acquisition.” Does such a position mean SDC funds not utilized for a 309 listed project can subsequently be legally used for an unlisted or underfunded future project even though all projects eligible for SDC funding on a 309 list have not been completed?

It is misleading for Salem to state SRC funds are restricted but then lump them into the fund of funds, “Extra capacity facilities”, without indicating that each of the SDC funds have specific restrictions defined by ORS Chapter 223 and the five SDC master plans. For example, is the City of Salem permitted to use Park SDC fees to fund an identified 309 listed street expansion or transportation project?

I ask that this past aggregation of SDC funds⁴ be amplified in the 2019-2020 CAFR. Fiscal

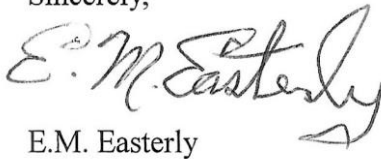
⁴**Special revenue fund** Special revenue funds should be set up for dedicated local option tax levies, specific purpose grants and **other revenues when required by statute**, charter provision, or the terms of a grant. The number of such funds depends upon the activities of the local government and how it is funded. Page 19 Local Budgeting Manual
https://www.oregon.gov/dor/forms/FormsPubs/local-budgeting-manual_504-420.pdf

There is nothing in the language offered above to suggest that Salem System Development Charge fees, i.e., a “Special revenue fund” are exempted under the provisions of ORS Chapter 223 from the full budgetary review and scrutiny detailed in the provisions of ORS Chapter 294, including “Fund balance”. eme

transparency obliges the CAFR to report revenues, expenditures, and changes in fund balances for the individual SDC funds with the same precision that the CAFR offers, for example, for the Airport fund and/or the Building & Safety fund. Yes, SDC accounts may be subsumed under Extra Capacity Facilities fund, just the Building & Safety fund as an element of the General Fund.

Again. I request that the 2020 CAFR address the less than transparent reporting of SDC funds just as I previously requested that the FY 2001 Budget Committee appropriately prepare individual SDC fund budget pages.

Sincerely,

A handwritten signature in cursive script, reading "E.M. Easterly". The signature is written in dark ink and is positioned to the left of the printed name.

E.M. Easterly

Copy: Mr. Steve Powers, Salem City Manager

Mr. Robert Barron, Salem Chief Financial Officer

Mr. Josh Eggleston, Salem Budget Officer

Salem FY 2020-2021 Budget Committee via Josh Eggleston

Ms. Katherine R. Wilson, Auditor
GROVE, MUELLER & SWANK, P.C.



WILLAMETTE HERITAGE CENTER

To: City of Salem Budget Committee

Date: May 8, 2020

From: Michelle Cordova, Executive Director
Willamette Heritage Center

Re: Transient Occupancy Tax Funds

I would like to reiterate to the City of Salem Budget Committee the importance of the Transient Occupancy Tax (TOT) Funds. As one of the ten Facility Operator recipients of this fund, I can testify first-hand on the importance and significance this fund has on our overall operating budget.

The Willamette Heritage Center (WHC) connects generations by preserving and interpreting Mid-Willamette Valley history. The fourteen historic structures on our 5 ½ acres in downtown Salem house permanent and changing exhibits, a research library and archive, a textile learning center, and rentable event spaces. Our campus is also home to retail shops, art galleries, cooperative artist studios, and offices for our partner organizations.

In general, museums and other cultural sites play an essential role in enriching our lives, providing forums for learning, and support as well as a variety of services to our communities. Museums preserve and protect objects and help the public better understand and appreciate cultural diversity. But beyond this cultural impact, the museum sector is also essential to the national economy – generating GDP, creating jobs, and contributing taxes. Hundreds of thousands of people work in the industry, designing displays, educating visitors, conducting research, and preserving history throughout all states and territories in the US. Wages paid to museum employees, and those employed in the supply chain, fund consumer spending (the induced effects), for example in retail and leisure establishments. This delivers additional economic benefit to the US economy¹.

In addition, a strong community is made up of people who share a common bond. Our cultural organizations in Salem do exactly that. I would like the City of Salem to recognize that and remember the ten Facility Operators who benefit quarterly from the TOT funds as you consider the city's budget.

Thank you for your service to our community. Please contact me if you have further questions or require more information on the "culturals" of our community and the inspiration we provide to Salem and surrounding community on a daily basis.

Sincerely,

Michelle Cordova

¹ <https://www.oregon.gov/oprd/OH/Documents/MuseumsAsEconomicEnginesFullReport2017.pdf>



Street Address:
700 State Street
Mailing Address:
900 State Street, Salem, OR 97301

museum-art@willamette.edu
willamette.edu/arts/hfma
503-370-6855 Office
503-375-5458 Fax

May 8, 2020

Dear Mayor Bennett and Salem City Council members:

Good evening. My name is John Olbrantz, and I am The Maribeth Collins Director of the Hallie Ford Museum of Art at Willamette University. My institution, the Hallie Ford Museum of Art, is located in Ward 1; I live in Ward 8; and our faculty, staff, students, and 600+ members live in all eight wards of Salem.

I am writing to you to seek your support of the major cultural facilities in Salem through your ongoing support of the Transient Occupancy Tax (TOT) budget during these challenging and difficult times. Individually and collectively, the ten major cultural facilities that receive TOT grants—Bush House, Historic Deepwood, the Elsinore Theatre, Gilbert House, the Hallie Ford Museum of Art, the Salem Art Association, the Salem Carousel, the Salem Multicultural Center, the Willamette Art Center, and the Willamette Heritage Center—have a major impact on the quality of life in Salem as well as on cultural tourism.

For the past twenty-two years, the Hallie Ford Museum of Art has enhanced the quality of life in Salem through its encyclopedic permanent collection of Western and non-Western art; through a dazzling array of world-class exhibitions of historical as well as contemporary art; and through a wide range of lectures, films, gallery talks, and performances that have featured some of the foremost scholars and artists in the United States. In fact, Salem residents would have to travel to Portland, Seattle, San Francisco, or beyond to be able to have the kinds of visual arts experiences that we offer.

Moreover, for the past two decades, we have served as an important tourist attraction and cultural destination in Salem and the mid-Willamette Valley, bringing new visitors and dollars into Salem and enhancing the quality of life here. Based on attendance figures and information gathered at our front desk, it is estimated that the Hallie Ford Museum of Art has a direct economic impact on Salem of at least \$500,000 per year, and when you add the significant economic impact that our parent organization Willamette University has on the city and region, that figure rises to the millions.

But the Hallie Ford Museum of Art is not alone; each of the nine other cultural facilities have had a significant impact on the quality of life and on cultural tourism in Salem and have repeatedly demonstrated their individual and collective ability to enrich and transform lives.

Unfortunately, the coronavirus pandemic that has spread like wildfire throughout the world in recent months has destroyed lives and devastated businesses and cultural institutions. Cultural facilities face enormous deficits or have gone bankrupt; cultural workers have lost their jobs or been furloughed; schedules have been altered; lives have been turned upside down; lectures and performances have been cancelled; revenue from admissions and memberships have been lost; and important fundraising events have been postponed or cancelled. For nearly twenty years, TOT funds have been critical in sustaining the cultural infrastructure of Salem and assuring that Salem continues to be a great place to live, work, visit, and stay, and now more than ever, we need your support.

The National Endowment for the Arts has an eloquent motto that history has proven to be true: "A great nation deserves great art." Well, I would add to that motto: "A great nation and a great city deserve great art." Salem is a great city, and your support of TOT during these challenging and difficult times will assure that Salem continues to have strong and vibrant cultural institutions now and far into the future.

With respect and best wishes from Willamette, I remain

Sincerely yours,

A handwritten signature in cursive script, reading "John Olbrantz". The signature is written in dark ink and is positioned below the "Sincerely yours," text.

John Olbrantz
The Maribeth Collins Director

JO/jas

From: [Hale, Matthew](#)
To: [budgetoffice](#)
Cc: [Jackie Leung](#)
Subject: Fiscal Year 2021 Budget Written Testimony for 5/13/20 Meeting
Date: Monday, May 11, 2020 9:28:09 PM

5/11/2020

I ask that city leaders make responsible city budget decisions while all of us continue to be affected by the COVID-19 pandemic.

The news media states that Oregon unemployment may reach 20% in the near future, and that almost 400,000 Oregonians are suddenly out of work due to the pandemic.

Over the past few days, the Mayor of Portland has proposed a 5.5% decrease in the city budget, and has already announced wage freezes and furloughs for approx. 1,700 non-union city employees. At the same time, he is actively negotiating with unions representing the rest of the city employees for comparable wage freezes and furloughs to alleviate possible layoffs.

Our Governor just asked all state agencies to update their budgets starting July 1st with up to 17% reductions in spending. A legislative special session will likely meet in the near future to reduce state agency budgets based on the May 20th revenue forecast.

I ask that our City leadership take immediate and appropriate action to update the Proposed Fiscal Year 2021 City of Salem Budget, and make the difficult choices now so that our city does not need to layoff employees or reduce essential services at a later date when city revenue declines due to the COVID-19 pandemic.

Now is not the time to seek unsustainable spending increases and employee hiring on the magnitude of a 8.9 percent increase in salaries and wages in the General Fund, hiring over 43 new employees across city government, and agreeing to wage and cost of living increases with both union and non-union employees.

Now is the time for city leaders to lead, make difficult and responsible decisions, and be good stewards of our city financial resources for all of us.

Sincerely,

Matt Hale
Ward 4



May 11, 2020

TO: Budget Committee Members
FROM: Sandra Burnett, Executive Director
SUBJECT: Budget Support for Salem's Cultural Facilities

The advent of Covid-19 has impacted us all and caused the shutdown of regular activities including large events. This has had catastrophic consequences for Salem's cultural facilities that rely on their events for a large part of their annual budgets. For Salem Art Association the revenue generated from the Salem Art Fair & Festival is what keeps our doors open as a community and tourist destination in Salem. The cancellation of Art Fair this year had an immediate effect - it closed our doors at least until December (i.e. for the rest of the 2020 budget year), laid off staff members, reduced the hours of other staff and slashed almost every budget line across the board.

In the meantime we have applied for various forms of relief programs and grants just to reach the current drastically reduced budget that we are now on. But we don't know yet how that is going to work out and day by day we are just holding on as best we can.

This is echoed across all Salem's Cultural Facilities, and the question we are facing is where will we be at the end of this health crisis? How much of Salem cultural infrastructure is going to even survive these times. The ten existing cultural sites have been nurtured over the last century by successive community effects and the baton passed on year after year, decade after decade. This shut-down could cut across all that effort and may lead to permanent closures. Funding is urgently needed just to keep these cultural nonprofits together, albeit it at a bare-bones level, until the end of this crisis.

In summary I ask that the Budget Committee consider some lifeline support. We do understand the city's own financial challenges, but we respectfully request that due consideration is given to the cultural facilities which are the backbone of Salem's cultural life.

With respect,

S. Burnett

Sandra Burnett
Executive Director

From: [E. Easterly](#)
To: [Josh Eggleston](#)
Subject: FY 2021 Budget Marine Drive Description
Date: Tuesday, May 12, 2020 2:11:38 PM
Attachments: [image.png](#)

To: FY 2021 Salem Budget Committee
jeggleston@cityofsalem.net

Via:

From: E.M. Easterly

Date: May 13, 2020

During the May 6th Budget Meeting member McCoid asked Director Fernandez why Marine Drive was no longer in the CIP budget. The Director explained that Marine Drive is budgeted in the FY 2021 document.

That document offers the following information:

FY 2021 Carryover Projects

Street Improvements

12.	Marine Drive NW Initiation (Glen Creek Road NW to Cameo Drive NW)	711503	FY 2021	West Salem Ward 1	\$ 3,536,000
-----	---	--------	---------	-------------------	--------------

Page 204

I consider the above description a misstatement of Council intent and request that the description be revised to read:

Marine Drive NW Initiation (Cameo Drive NW to Riverbend Road NW)

Failing to adopt this revision can only exasperate the differences between staff and council policy intent.

From: [Ross Sutherland](#)
To: [budgetoffice](#)
Subject: 5-13-2020 Public Testimony Letter
Date: Tuesday, May 12, 2020 4:58:41 PM
Attachments: [image002.png](#)
[City of Salem Budget Committee.docx](#)

Dear Paul Tigan and the City of Salem Budget Committee:

Please accept the attached letter for the Public Testimony portion of the Budget Committee meeting on May 13, 2020.

I encourage your support of Salem's cultural-heritage sites, through the Transient Occupancy Tax (TOT) Facility Operating Grant Program administered by the Cultural and Tourism Promotion Advisory Board.

On behalf of the Bush House Museum, and the Salem residents and visitors we serve, thank you for all your work on the City of Salem budget. This Committee's work is even more challenging in light of the financial realities brought on by the COVID-19 health crisis.

Best Wishes,

Ross

Ross Sutherland

Bush House Museum Director
600 Mission St. SE | Salem, OR 97302 | 503-363-4714
he | him | his

The Bush House Museum enhances community engagement with our shared history, by exploring and interpreting Salem's Bush Family and Bush's Pasture Park, the cultural diversity of Salem history, and the development of early Oregon.

Bush House Museum is supported in part by a grant of Transient Occupancy Tax funds from the City of Salem.

The Arts & History Immersion Program field trips, 2019-2020, are made possible through the generous support of the Autzen Foundation; the Bush House Museum Endowment; RE/MAX Integrity Foundation, Salem Office; Reser Family Foundation; the Salem Art Association; and the William S. Walton Charitable Trust!



As an EarthWISE certified business, we ask that you please consider our environment before printing this e-mail.

May 12, 2020

Paul Tigan, City of Salem Budget Committee Chairperson
555 Liberty Street SE, Room 230
Salem, Oregon 97301



Dear Paul Tigan and the City of Salem Budget Committee:

On behalf of the Bush House Museum, and the Salem residents and visitors we serve, thank you for all your work on the City of Salem budget. This Committee's work is even more challenging in light of the financial realities brought on by the COVID-19 health crisis.

I am writing to encourage your support of Salem's cultural-heritage sites, through the Transient Occupancy Tax (TOT) Facility Operating Grant Program administered by the Cultural and Tourism Promotion Advisory Board. Here are some of the ways the Bush House Museum, in collaboration with other cultural-heritage sites, uses TOT Grant Funds to help make Salem a "Welcoming and Livable Community". (PBB)

Supports a long-term vision for future growth and development with the community.

The Museum is enhancing interpretation of the community's culturally diverse history onsite and online.

Addresses homelessness, poverty and other human service needs by leveraging resources and partnerships.

Explore Your Community Tours provides free tours for Salem-area social service participants, including: Marion County Parole & Probation, Salem for All, the Oregon State Hospital and Salem for Refugees.

Creates and maintains parks, trails and open public spaces to offer activities that connect, benefit and reflect our community.

The museum complex, located on the ancestral lands of the Kalapuya Tribe, now Bush's Pasture Park, also includes the Bush Conservatory (1882), a root house and the original Reverend David Leslie barn, now the Salem Art Association's Bush Barn Art Center.

Supports the arts, historically significant buildings and sites, and community events.

Salem's Bush House Museum, was the home of pioneer entrepreneur and political influencer Asahel Bush (1824-1913) and his family, from 1878 to 1953. Asahel Bush was founding editor of the *Oregon Statesman* newspaper, 1851-1863, and co-founder of Salem's Ladd & Bush Bank in 1868.

Enhances multi-generational community enrichment and meaningful volunteer and neighborhood engagement.

Annual events such as Family Exploration Day and the Holiday Open Museums, in collaboration with Deepwood Museum & Gardens, serve a wide range of families. Interns and volunteers, from university students to retirees, are vital to the Museum's operation.

Cordially,

Ross Sutherland

Ross Sutherland, Director



TO: Mayor and City Council
FROM: Yvonne Putze, Executive Director, Friends of Deepwood
DATE: 5/12/2020
RE: TOT Funds

The City of Salem is greatly enriched by the assets of cultural attractions which not only enhance quality of life for the local community, but attract people from throughout the region, other states and international visitors. The value of these destinations has been recognized by the City in many ways including the ongoing T.O.T. funding allocations to the 10 Facility Operators. The Friends of Deepwood (Deepwood Museum & Gardens) is proud to be a City of Salem facility and constantly seek ways we can help strengthen our market by enhancing our appeal through programming.

As with most attractions and businesses across the country and here locally to say this time has been devastating to the Friends of Deepwood would be an understatement. No amount of planning could prepare for the impact. While we are thankful that since the early days of the formation of the Friends of Deepwood (1974) the organization has been quite responsible and dedicated to creating emergency funds for an unforeseen time, but now we are realizing how quickly those funds could be depleted. We are watching all expenses and minimizing expenses where we can as we transition to operating programming on a virtual basis.

Over the past two months the small lean staff of the Friends of Deepwood have focused on projects that time typically cannot be found for, especially since the staff decreased in recent years to keep our expenses under control. We have been working on virtual programming, collection management, database records and managing the many questions from wedding couples and others with rentals which have had to be postponed or at risk of postponement. Thankfully, the gardens of Deepwood Museum & Gardens have been allowed to remain open with our usual free public access. Empty/closed grounds would cause an enhanced concern that people would increasingly try to camp on the grounds or do vandalism to the precious historic property. Plus, having the grounds open has given those nearby a place that is not congested to safely and with social distancing experience the beauty and healing that the gardens and nature trails provide.

Let me assure you, we are seeking every source of funding possible from PPP to grants that come available. While most of the emergency grants are extremely competitive and generally quite limited in funding we are determined to just keep trying. Nonetheless, this has hit during the time of year when we generally have the greatest tour revenue, critical rental revenue, heavy schedule of teas, lucrative

spring plant sale and many other events that were forced to be cancelled or indefinitely postponed. These are times of such worry and unknown when you are trying to move forward an organization that has been built up by the loving care of volunteers and donors, as well as past staff working tirelessly to save for a rainy day not knowing it would seemingly be a monsoon. Nonetheless, we are determined and will continue to find ways to bring the programs, beauty and rich history of Deepwood to this community and visitors from afar.

I am sympathetic to the immense challenge that the City of Salem management and elected officials are facing as you look at the budget shortfalls. However, I am writing today to ask you to continue to fund the TOT Facility Operators like the Friends of Deepwood, as we continue to care for the properties and develop new ways of providing programming. I am greatly concerned for the well-being of each of these organizations that mean so much to our community and trust you will recognize how critical continued TOT funding is to each of these major attractions who have had nearly all other known sources of revenue taken from our operating budgets.

Thank you for your ongoing commitment to the City of Salem. I look forward to seeing you at Deepwood Museum & Gardens in the months to come.

To: 2020-2021 Salem Budget Committee Via Josh Eggleston, Salem Budget Officer
From: E.M. Easterly Date: May 13, 2020

Mr. Atchison's written testimony to the Salem Budget Committee quoted below offers responses to three statements from my earlier submission and request to the Budget Committee. In summary, his responses appear to be based upon a flawed application of the Salem Stormwater Master Plan and an incomplete reading of SRC 41.130.

1) Use of SDC capital funds to design a non-SDC project needs to be explained.

"Use of SDC capital funds to design a non-SDC project needs to be explained. The testimony is incorrect that the City has used SDC capital funds for a "non-SDC project." As set forth in ORS 223.307, in order to use SDC revenue for a capital improvement, the improvement (or project) must be included in the applicable "plan," and included in the list of eligible projects required under ORS 223.309 (known as the "309 list"). In this case, the projects that utilized FY19 and FY20 Stormwater SDC revenues were all included within the 5 percent allowance for small projects in the City's stormwater master plan {Interesting claim. The 2019-20 nor the proposed 2020-2021 budget document offer no line item identifying a "5 percent allowance for small projects" nor does that budget document identify a single West Bank basin 309 list project.} and in the City's Stormwater Methodology and 309 list. Mr. Easterly appears to be asserting that all SDC funded projects must be included in the Capital Improvement Plan (CIP). That is incorrect. {I am not. Since the 2019-20 budget document shows no 309 listed project expenditures and I am asserting that stormwater SDC funds must be budgeted for and expended on 309 list projects, I again invite Mr. Atchison to explain why that FY 2019-2020 document budgeted monies (6%) for design and the FY2021 Stormwater budget also budgets 4% of available resources for design purposes.} ORS 223.309 identifies a variety of plans, including a master plan, that fulfill that requirement." {I agree; I believe the City of Salem uses the Master Plan process.}

2) Aggregation of SDC expenditure and revenue estimates into a single fund, the Extra Capacity Facilities Fund (Fund 260) – Request that FY 2021 budget separate out each SDC type into separate funds.

"SRC 41.130 creates the Extra Capacity Facilities Fund and requires all SDC revenue of every type to be deposited into the fund. It also requires separate accounts within the fund for each type of SDC. ORS 294.358 does not require the level of detail sought by the request. {I disagree, and am prepared to offer documentation supporting this point of view.} The City utilizes a fund-cost center accounting structure the segregates each SDC type into a separate cost center. For budgeting purposes, the Extra Capacity Facilities Fund budget is adopted at the Fund level that includes all cost centers. {Yes, it does; I have no problem with this aggregation just as I have no problem with the General Fund aggregation followed by more unit-based details, e.g. Community Development and Building and Safety funds.} As required by Oregon budget law the fund display contains the proposed budget, one prior year budget, and two years of actuals." {The Salem version of this methodology ignores half of the SDC budgeting process. The revenue side of the Extra Capacity Facilities budget identifies the five separate SDC accounts budgeted receipts but then fails to offer expenditure budgets or beginning/ending balances for the same five SDC accounts. These contrasting budget information entries are shown on the next page. My request to the budget officer and the budget committee is that the expenditure side of SDC budgeting match the revenue portion of the SDC budget. The proposed 2020-2021 budget does that for Community Development and Building & Safety.}

3) Claim that use of stormwater SDCs for purchase of property at 298 Taybin Road violated ORS 223.307.

“As discussed above, ORS 223.307 requires any capital project that is funded with SDCs be included in the applicable plan and included in the City’s 309 list. In this case, the acquisition was included within the 5 percent allowance for small projects as described in the Stormwater Master Plan, page 4-5, and included within the 5 percent allowance for small projects in the City’s Stormwater Methodology Report and 309 list, Section 2, page 14, and on Table 3, page 15.” {I dispute and challenge this explanation offered by Mr. Atchison. The Stormwater Master Plan he cites is only an unadopted draft.}

Stormwater Budget Revenue Entry

City of Salem Budget System Development Charges (SDCs) Fund FY 2021

SDCs Fund Resources

Account	Description	Budget FY 2018	Actual FY 2018	Budget FY 2019	Actual FY 2019	Budget FY 2020	Mgr Rec FY 2021
32235	SDC STORMWATER IMPROVEMENT	250,000	481,133	250,000	604,009	250,000	500,000

Page 351

Stormwater Budget Expenditure Entry

2020-2021

Resources	Allocation
	\$2,051,540
Administration	\$225,000 11%
Design	\$77,370 4%
Reimbursement	\$126,910 6%
Not Allocated	\$1,622,260 79%

Pgs 211/212

There is no “one prior year budget, and two years of actuals” included in the Salem Stormwater SDC expenditure budget entry from budget pages 211-12.

Again, I ask that Salem Budget Officer and the Salem 2020-2021 Budget Committee modify SDC budget information so that Stormwater SDC expenditures do show “one prior year budget, and two years of actuals”.

TO: Budget Committee
FROM: Steve Powers, City Manager
SUBJECT: Errata Sheet 3 – Liability Insurance
ISSUE:

To inform the Budget Committee about errors and corrections, or updated information regarding the Proposed FY 2021 City of Salem Budget

RECOMMENDATION:

1. Accept a correction to the Building and Safety Fund budget 185-25500000-53211 Liability Insurance decrease of \$107,300
2. Accept a correction to the General Fund Planning Division budget 101-25202500-53211 Liability Insurance increase of \$107,300

SUMMARY AND BACKGROUND:

Errata sheets are used in the budget process to identify and correct errors to the proposed budget or provide updated information. Small errors in formatting, spelling, and grammar may not be included in an errata sheet, but instead will be corrected prior to publication of the adopted budget. When an error or updated information has a budgetary impact or could affect comprehension, an errata sheet is prepared.

FACTS AND FINDINGS:

Liability Insurance Correction

The City is self insured for liability insurance and allocates the cost of the liability program to departments. The costs are allocated based on a formula that takes several factors into account, one of which is the actual claims costs. One claim was mistakenly allocated to the Building and Safety Division / Fund instead of the Planning Division. A correction is required to appropriately allocate the expenditure budget for the upcoming year.

Josh Eggleston
Budget Officer

TO: Budget Committee

FROM: Steve Powers, City Manager

SUBJECT: Errata Sheet 4 – Airport Fund

ISSUE:

To inform the Budget Committee about errors and corrections, or updated information regarding the Proposed FY 2021 City of Salem Budget.

RECOMMENDATION:

1. Accept a change to the Airport Fund, Transfers category, to increase funding by \$300,000.
2. Accept a change to the Airport Fund, Contingencies category, to reduce funding by \$300,000.
3. Add the *Taxiway C Resurfacing Design* project to the Airport Capital Improvements and the Capital Improvement Plan for \$300,000.

SUMMARY AND BACKGROUND:

Errata sheets are used in the budget process to identify and correct errors to the proposed budget or provide updated information. Small errors in formatting, spelling, and grammar may not be included in an errata sheet, but instead will be corrected prior to publication of the adopted budget. When an error or updated information has a budgetary impact or could affect comprehension, an errata sheet is prepared.

FACTS AND FINDINGS:

The City was recently notified by the Federal Aviation Administration (FAA) it was eligible to receive up to \$3.5 million in federal funding under the CARES Act. The funds are available to use for construction projects located at Salem Municipal Airport (Airport). No local match is required for these funds.

In order to access CARES Act funds, the City first must complete a design for the project and prepare cost estimates. Costs will be reimbursed once the design has been approved by the FAA.

Staff proposes to use the available funds for rehabilitation of Taxiway “C”, the primary taxiway that runs north/south along the west side of the airport, providing access to the

runways from nearly all locally-based aircraft as well as all transient aircraft utilizing the visitor parking areas.

Approving the staff recommendation allows Airport operating funds to be transferred to the Construction Fund, where design and construction costs will be charged and tracked. Staff will request budget authority for the construction phase of the project in FY 2022.

For the Budget Committee Meeting of: May 13, 2020
Agenda Item Number: 4.c.

TO: Budget Committee

FROM: Steve Powers, City Manager

SUBJECT: Errata Sheet 5 – Capital Projects and Capital Improvement Plan

ISSUE:

To inform the Budget Committee about errors and corrections, or updated information regarding the Proposed FY 2021 City of Salem Budget.

RECOMMENDATION:

1. Remove project 534 from page 13 of the Capital Improvement Plan.
2. Update the description for project 12 on page 204 from “Marine Drive NW Initiation (Glen Creek Road NW to Cameo Drive NW)” to “Marine Drive NW Initiation (5th Avenue NW to Riverbend Rd NW)”

SUMMARY AND BACKGROUND:

Errata sheets are used in the budget process to identify and correct errors to the proposed budget or provide updated information. Small errors in formatting, spelling, and grammar may not be included in an errata sheet, but instead will be corrected prior to publication of the adopted budget. When an error or updated information has a budgetary impact or could affect comprehension, an errata sheet is prepared.

FACTS AND FINDINGS:

The project *Riverfront Park Electrical Improvements* was removed from the FY 2021 Budget during budget development as the Cultural / Tourism Fund revenues were reduced due to the COVID-19 pandemic. An alternate funding source is being identified and the project will be planned for a future year.

The updated description for the Marine Drive NW Initiation provides more clarity for the project scope.

For the Budget Committee Meeting of: May 13, 2020
Agenda Item No.: 5.g.

TO: Budget Committee Members
FROM: Steve Powers, City Manager
SUBJECT: Safe Community Program Realignments

ISSUE:

During the May 6, 2020 meeting, the Budget Committee requested information regarding the Safe Community Result Area Program costs and differences between FY 2020 and FY 2021.

RECOMMENDATION:

Information only.

SUMMARY AND BACKGROUND:

Since publication of the FY2020 adopted budget, departments had the opportunity to review and update their programs and costing methodology to better reflect their activities using the Priority Based Budgeting process. During that time, some of the departments in the Safe Community result area elected to realign some of their programs and made some changes in how certain costs were assigned to those programs, which resulted in the restatement of the program budgets.

An example of these program realignments is shown below for the Police Department's programs as depicted on pages 109 and 110 of the FY2021 Proposed Budget document. Most of the changes that occurred between the FY 2020 budget adoption and the proposed FY 2021 budget are a result of Police Department programs "collapsing" or, in other words, being included into a new or previously existing program. As an example, Program Realignment A saw the collapsing of Arson Investigations, Auto Theft Investigations, Burglary Investigations, Fraud Investigations, and Pawn Related Investigations into the new program entitled Property Crime Investigations.

In the follow table, there are six Police program realignments listed whose total year-over-year net budgeted expenditure increase is less than 1%.

FY 2021 POLICE DEPARTMENT PROGRAM REALIGNMENTS

FY 2020 Program	Amount	FY 2021 Program	Amount	\$ Var	% Var
Realignment A					
Arson Investigations	108,220				
Auto Theft Investigations	257,320				
Burglary Investigations	564,230				
Fraud Investigations	636,220				
Pawn Related Investigations	184,540				
total	\$ 1,750,530	Property Crime Investigations	1,851,340		
		total	\$ 1,851,340	\$ 100,810	5.8%
Realignment B					
Crime Prevention	130,950				
Public Relations	421,380				
total	\$ 552,330	Public Relations & Crime Prevention	519,460		
		total	\$ 519,460	\$ (32,870)	-6.0%
Realignment C					
Drug Inv.- Street to mid-level	1,408,710				
Neighborhood Livability Inv.	480,920				
total	\$ 1,889,630	Street Crimes Unit	1,904,050		
		total	\$ 1,904,050	\$ 14,420	0.8%
Realignment D					
Hazardous Device Team	52,480				
Mobile Response Team	48,360				
Special Weapons and Tactics	153,110				
Tactical Negotiations Team	13,130				
total	\$ 267,080	Special Teams	225,620		
		total	\$ 225,620	\$ (41,460)	-15.5%
Realignment E					
Homicide, Robbery and Assault Inv	1,077,020				
Polygrapher	121,420				
Sex Offense Inv (Child, Adult)	1,116,460				
total	\$ 2,314,900	Person Crime Investigations	2,432,480		
		total	\$ 2,432,480	\$ 117,580	5.1%
Realignment F					
Gang Enforcement	587,350				
Police Reception and Customer Service	774,860				
Patrol ¹	24,336,370	Police Reception and Customer Service	2,140,590		
total	\$ 25,698,580	Patrol	23,679,460		
		total	\$ 25,820,050	\$ 121,470	0.5%
Realignment					
Grand total	\$ 32,473,050	Grand total	\$ 32,753,000	\$ 279,950	0.9%

¹ During FY 2020, Police Records was included as part of Patrol. During the Priority Based Budgeting process, it was determined the program should be placed as part of the Police Reception and Customer Service program because of the services Police Records staff provide. This moved approximately \$1.3M in expenses from Patrol in FY 2020 to the Police Reception and Customer Service program. Additionally, the Gang Enforcement Program was collapsed into the Patrol program along with its associated expense.

OTHER QUESTIONS:

Two additional questions were received about two Police programs that had a noticeable increase for reasons other than program realignment.

1. Behavioral Health Team – The FY2021 increase in the Behavioral Health Team budget is for the addition of a third officer to the team. This position is funded through an intergovernmental agreement with Marion County.
2. Computer Forensics Lab – The Computer Forensics Lab program was created during FY2020. The budget shown was for a partial year. The FY2021 budget is for a full year.

Responses to Budget Committee Questions

General Questions

1. *Will the Budget Committee be reconvened to address the impacts of COVID-19 on the FY 2021 Budget?*

The Budget Committee will be updated on the City's forecast, including the COVID-19 impacts, when the committee meets in January 2021 for the presentation for the City's annual five-year forecast. If it becomes clear through the City's monthly budget monitoring that a fund or revenue source will be impacted significantly and necessitate a change to service levels, City staff will consult with the City Council and the applicable advisory board. The Budget Office will continue to provide quarterly financial reports to the Budget Committee and include the known COVID-19 impacts.

2. *How has Transient Occupancy Tax (TOT) been impacted by the COVID-19 pandemic?*

The FY 2021 Proposed Budget includes a 10% reduction to anticipated TOT revenues. The most recent completed month actuals (March TOT paid in April) was reduced by approximately 40% year-over-year and 30% from March to April. This March activity includes a partial month of social distancing being encouraged by the Governor and one week of the stay-at-home order. Travel Salem, the City's Direct Marketing Organization (DMO), is anticipating a 52% decreased overall for FY 2021. The City will continue to monitor TOT revenues and advise City Council of recommended changes to expenditures as the impacts become clear.

3. *Can staff provide more information on how Urban Renewal Agency dollars are being used to address homelessness in the City in the last five years? Also, what plans were these expenditures based on?*

The Urban Renewal Agency has used funds in two of our seven Urban Renewal Areas to address homelessness and affordable housing. An urban renewal plan has to identify such uses as eligible plan projects for us to be able to expend funds for these purposes.

In the North Gateway Urban Renewal Area (NGURA), we have helped the Salem Housing Authority acquire and renovate a property for affordable housing that will have a preference for homeless individuals. This project includes \$300,000 in URA funds allocated in FY 2020. The NGURA also contributed \$849,000 to the construction of the Cornerstone Apartments on Portland Road, and \$650,000 for frontage improvements to Portland Road to support that development.

The Agency has also funded projects in the Riverfront-Downtown Urban Renewal Area (RDURA) to address homelessness. The acquisition of the current UGM site was not to address homelessness. The block where the UGM is currently located was identified in 2016 by the DAB as a possible opportunity purchase along with several other locations within the URA. All of the sites they identified were explored by staff and property owners were contacted. Either other deals were in play or the owners were not interested in selling. The UGM block was the only area where there were willing sellers. The Agency entered into purchase agreements with both the UGM and Saffron Plumbing Supply. At that time, other property owners on the block were not interested in selling but we remain open to discussion with them. These purchases are being made to facilitate future redevelopment, not to support homeless services.

Responses to Budget Committee Questions

Within the RDURA, the Agency has provided a grant to ARCHES to assist with renovation of space for a future sobering center (\$1,100,000) which was identified in the City's strategic plan as a high priority. The Agency has also provided UGM with a grant (\$749,000) for construction of their new shelter. This grant helped secure additional financing to construct the shelter on land they already owned within the RDURA, and is helping to expedite their relocation from their current location in the downtown core.

A grant program (\$375,000) was established following the Downtown Homeless Solutions Task force (Strategic Grant Program) to help property owners within the RDURA address the impacts of homelessness by funding improvements like security cameras, fencing, gates, lighting, and so on. The FY 2020 budget for the RDURA includes \$2,500,000 to implement recommendations from the Downtown Homeless Solutions Task Force such as providing showers, laundry facilities, restrooms, etc. These funds have not yet been expended. Lastly, the Proposed FY 2021 Budget includes \$4,150,000 for property acquisition and renovation for a navigation center. This is the item that is currently subject to confidential executive session real estate discussions.

The Navigation Center as contemplated would have a low-barrier shelter. However, this won't be large enough to meet community-wide need and at some point there will be need for additional shelter capacity in other parts of the city.

Downtown Cleaning is funded through the Downtown Parking District and the parking tax. This operation is to keep downtown clean and inviting and existed prior to recent increases in homeless-related issues. Urban renewal cannot be used to fund these services.

4. *Is the City seeing any unpaid or partially paid utility bills, including the streetlight fee and operations fee, due to the economic decline caused by Covid-19? If utility revenues come in significantly below FY 2021 projections, how will that be addressed through budget monitoring during FY 2021?*

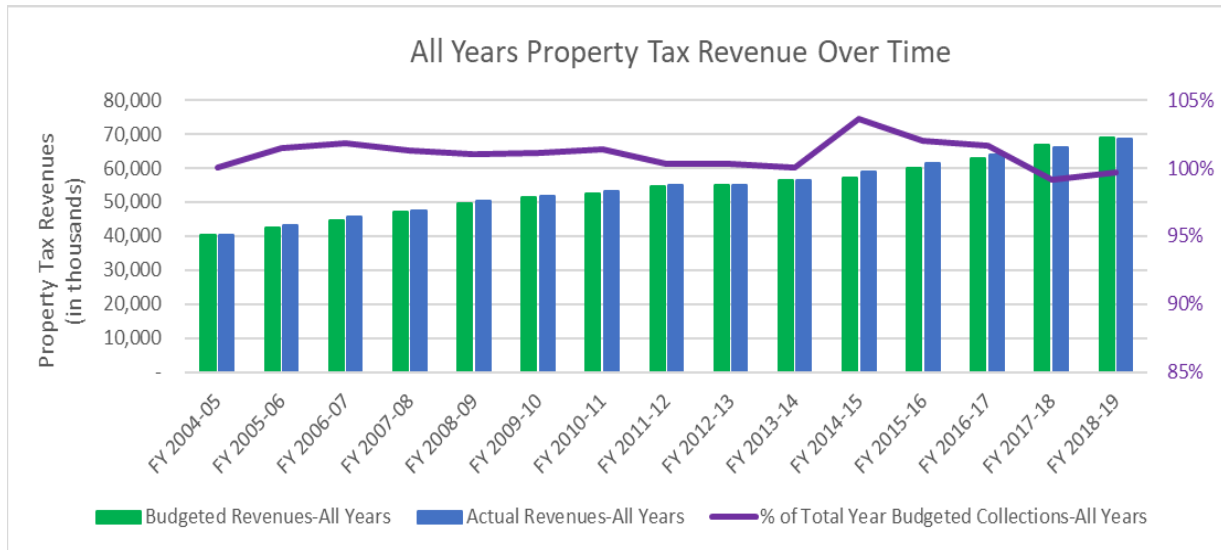
The City's Utility continues to receive the vast majority of the amounts billed to accounts. The following amounts are estimated to be delayed from FY 2020 until FY 2021:

- Streetlight Fee – Approximately \$40,970
- Operations Fee – Approximately \$116,950
- Franchise Fee – Approximately \$36,380
- Utility charges (water, wastewater, stormwater) – Approximately \$533,340

These delayed payments are still considered owed to the City and payment is anticipated when normal billing operations resume. The City continues to monitor revenues and doesn't not expect service impacts with the current level of delayed payments.

5. *What happened to property tax and other revenues during the recession and does the City anticipate any impacts to property taxes due to the COVID-19 pandemic?*

Responses to Budget Committee Questions



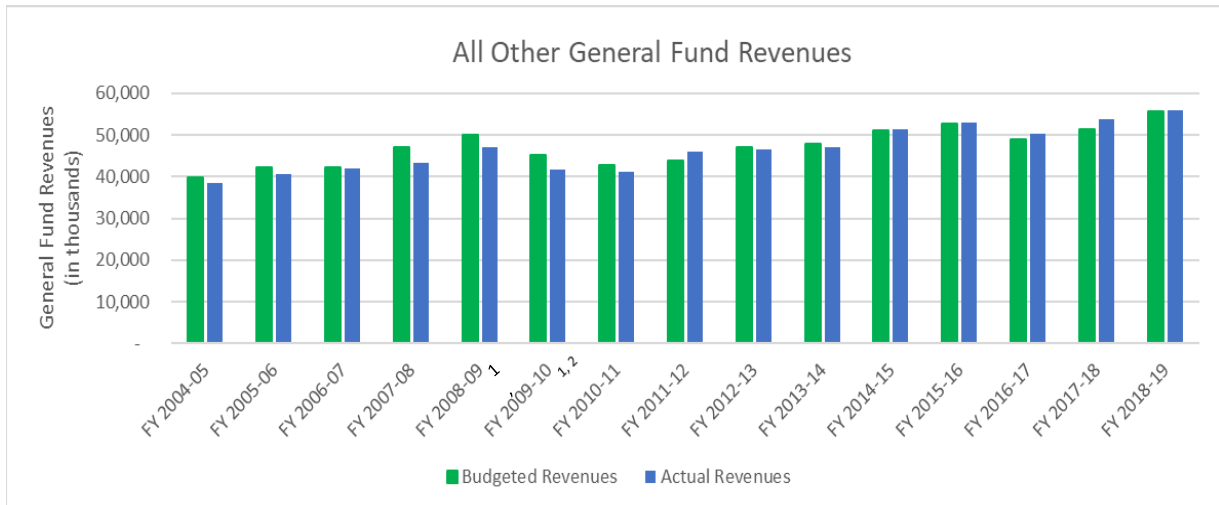
Budget Office staff reviewed property tax collections from FY 2005 through FY 2019 to evaluate how the 2008 recession impacted property tax revenues for the City. Above is a depiction of current year property taxes where budgeted revenues are displayed in green, actual receipts in blue and a trendline of the percentage of budgeted revenues received by the end of the fiscal year in purple. Noticeably, there is very little impact to current year property taxes due to recession. The lowest dip in collections came several years after the initial hit of the recession in 2011-2012. That year, the City still received 99.08% of budgeted current year property tax revenues. This chart also displays the accuracy of City estimates for property tax revenues compared to what comes in over the course of a year.

The City maintains positive relationships with both Polk and Marion County assessor's offices and works with them throughout the year on property tax related questions, issues and data. Due to the unknowns of COVID, the Budget Office reached out to both assessors offices with questions about impacts to property tax revenues as a result of COVID. Both offices indicated that there is little evidence to support there will be an impact to property tax payments due to COVID or to housing assessments for this next fiscal year. Since assessments are done by January, values for property taxes collected in FY 2021 will be based on pre-COVID values. Additionally, most property taxes are collected as part of mortgage payments, which is one of the first bills most people pay even in tight financial markets.

Currently, the City is not projecting a decrease in next year's property tax revenues as a result of COVID. This is based on conversations with the counties, historic revenue trends during the 2008 financial crisis and the timing of appraisals.

The Budget Office staff have reviewed General Fund revenues besides property taxes as well in order to get a more detailed picture of the impact the recession had on the City in the years following the recession.

Responses to Budget Committee Questions



In the two years immediately following the recession, there was approximately a \$6M loss to the General Fund from resources beside property tax. Of the top three other General Fund resources besides property taxes (franchise fees, state shared revenues and permits/fees) the loss was \$1.6M, or 26.67%. Permits and fees made up \$1M of this loss. ^{1 2}

6. ***Has the City considered transitioning the City's Fleet to electric vehicles?***

The City is continuing to look at ways to reduce the greenhouse gases emitted by our fleet. The majority of the vehicles in the City fleet do not have an electric alternative (i.e. dump trucks, fire engines, police cars). The City does not have the infrastructure necessary to support electric vehicle charging. The only charging stations at the Civic Center are located at the Library and are currently closed as part of the Library renovation. Charging stations are not available at the Public Works Campus. As the Library is retrofitted and the new Shops Operations Building is built, charging stations will be considered as part of their design and construction. As City replaces light duty vehicles, consideration is being given hybrid and / or electric vehicles.

Capital Improvement Plan

1. ***Project No. 534 - Is this related to the Rotary amphitheater - see also 1074, meaning maybe it is not but is rather related to one of my favorite projects - the stream and hanging bridge!?***

Project: Riverfront Electrical Improvements

This project is not directly related to the Riverfront Park Amphitheater project. This project is intended to improve electrical components in Riverfront Park. It has been removed from the budget due to anticipated reductions in TOT funding. The project will be added back into the CIP when

¹ One time sale of asset inflated the revenue by approximately \$1M in FY 2009

² Organizational changes in 2009, 2010 resulted in a \$3.6M dollar loss to the General Fund along with a matching change in expenditures. One example was the change of ambulance service provided by the City to Flack and another being the move from Parks Operations from General Fund into Transportation Fund.

Responses to Budget Committee Questions

funding becomes available in the future. The electrical improvements for Riverfront Park Amphitheater are included in Project No. 1076 that is funded with Parks System Development Charges. Conceptual design for the Pringle Creek Trail enhancements is included in Project No. 1043.

2. *Project No. 0231 Will this involve any disruption to the home owners?*

Project: Water Main Replacement from Fairmount Reservoir north to Mission Street

This project will replace an old water main constructed in 1936 with a new, larger water main that will increase capacity. The old water main will be abandoned under the homes and a new route will be taken to avoid homeowner impacts. Water service will only be disrupted when individual water services are switched over to the new pipe. These disruptions are consistent with all water main replacement projects.

3. *Project No. 0443 Wondering if this is necessary? I have ridden my bike over that bridge a few times and find it quaint. Does anticipated traffic, either volume or weight really call for replacement?*

Project: Geren Island Access Bridge Repairs

The Geren Island access bridge provides the only access to the Geren Island Water Treatment Facility. The bridge is aging and there are structural concerns with the pilings, pile caps, and concrete columns. The bridge is also susceptible to scour damage and an emergency repair was required in 2019. The bridge must accommodate deliveries, contractors, and other heavier vehicles.

4. *Project No, 0792 Is 0443 by any chance related to this project (more traffic on bridge?) It looks like no, as the bridge improvements are planned for after the ozone treatment construction and other Geren Island improvements.*

Project: Ozone Treatment Facility

We do expect more traffic over this bridge during construction of the Ozone Treatment Facility as well as after construction is complete. The bridge provides the only access to the Geren Island Water Treatment Facility and it is critical that treatment products such as liquid oxygen, chlorine, soda ash, and fluoride be delivered to the plant at all times.