

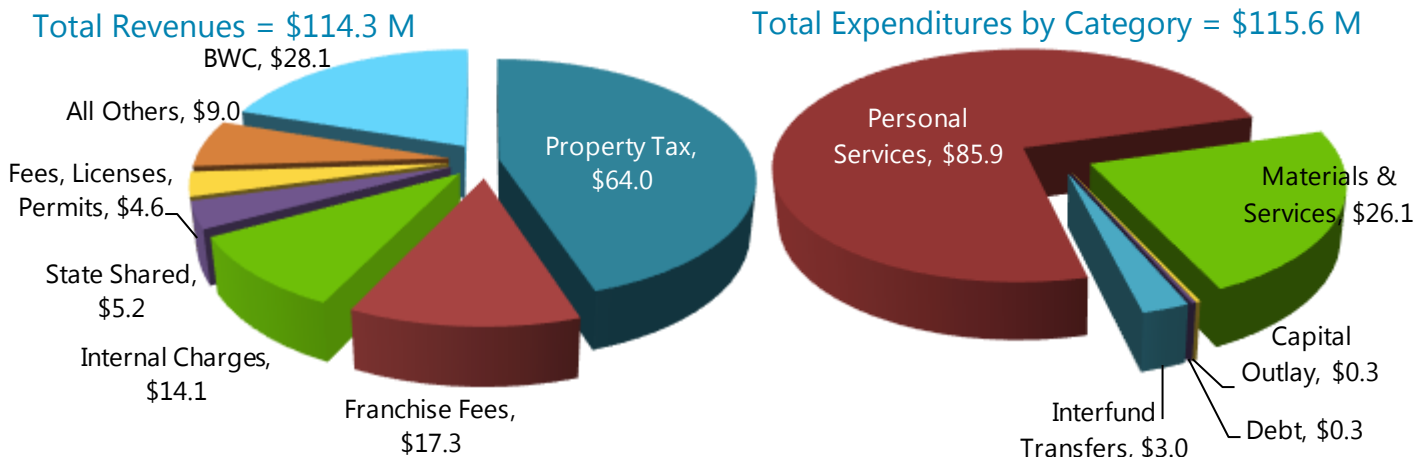
CITY OF SALEM FINANCIAL SUMMARY

YEAR END / FY 2017

This financial summary provides FY 2017 year-end results. Notable occurrences are identified, described, and graphically illustrated through budget-to-actual and actual-to-actual comparisons. In addition, many comparisons extend to multiple fiscal years to augment context for FY 2017 activity.

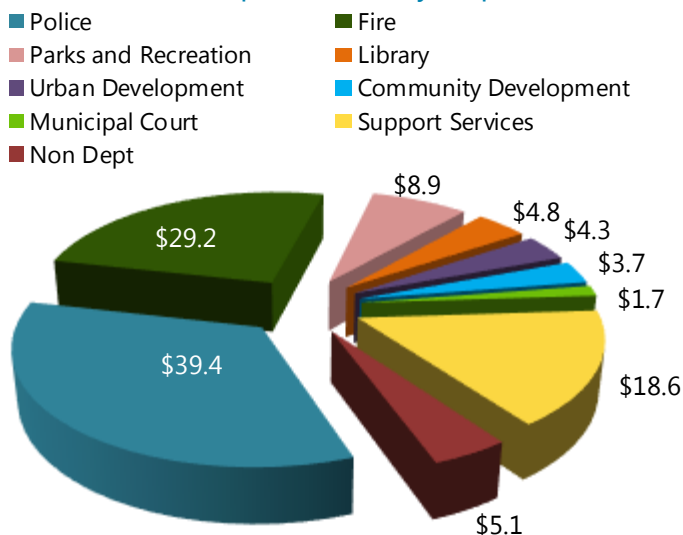
Financial Snapshot by Fund Type

General Fund Resources and Expenditures—Year End FY 2017 M (in millions)



Total Resources (including working capital) = \$142.4 M

General Fund Expenditures By Department



The City's **General Fund** maintains the services of fire emergency response, municipal court, parks maintenance, police, multi-generational recreation programs, long range and current planning, code enforcement, social services program aid, Salem Public Library, and the support services that benefit all City departments and funds. During FY 2017 revenues realized in the fund equaled \$114.3 million, an increase over the prior year of 4.8 percent. At year end, expenditures equaled \$115.6 million, representing a 9.2 percent increase over FY 2016. To offset the imbalance of expenditures over revenues, approximately \$1.3 million of working capital was used. This represents the most significant use of working capital to balance actual year-end expenditures in the General Fund since FY 2007. Note: FY 2016 comparisons exclude short-term loans to the Urban Renewal Agency.

Fund Quick Reference

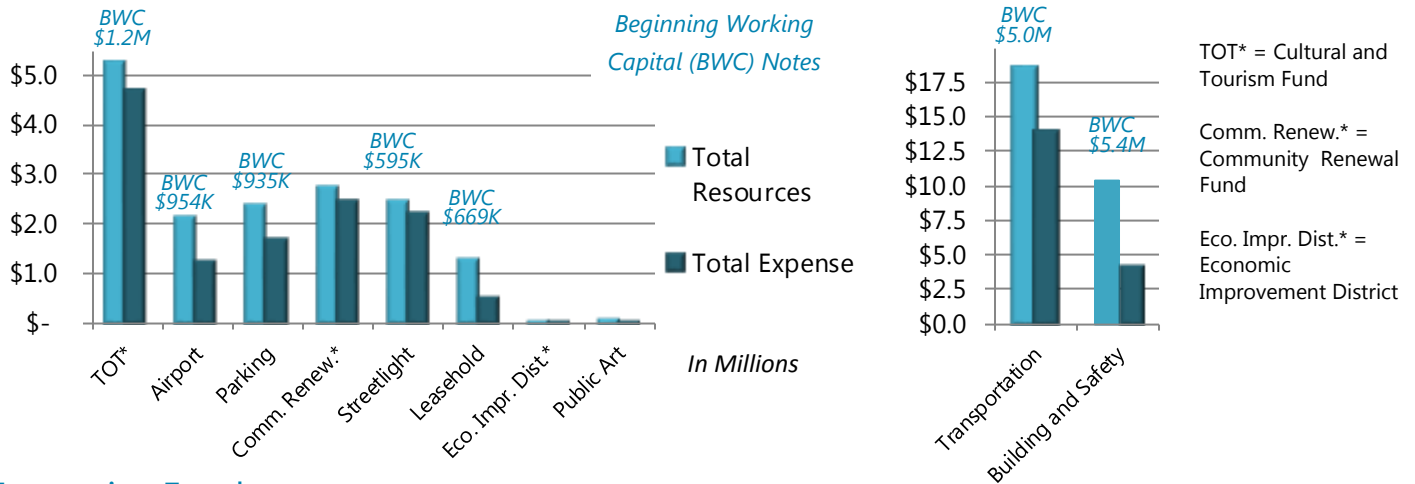
The "ticker" at the bottom of each page provides a quick view of resources and expenditures through FY 2017 year end. Each fund display includes an "EWC," which represents the ending working capital as of the period ending June 30, 2017. The color of each EWC represents its status

as compared to the beginning of the fiscal year. **Green** signifies working capital that has grown or remained constant, while **blue** is used to signify working capital that has decreased.

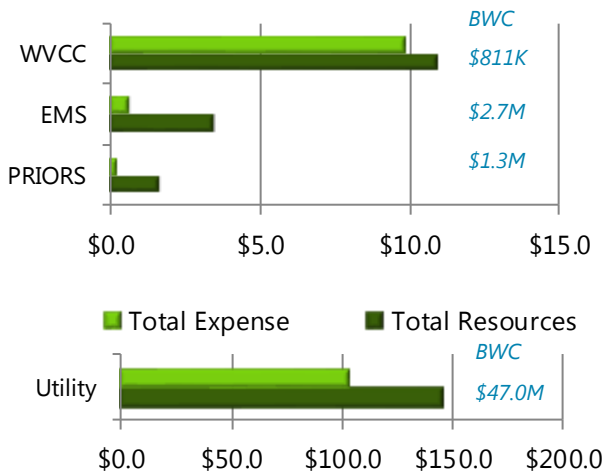
	General Fund - YE	Transportation Fund - YE	Streetlight Fund - YE
Resources	\$142,388,518	\$ 18,474,852	\$ 2,442,119
Expenses	115,567,261	13,826,292	2,210,995
EWC	\$ 26,821,257	\$ 4,648,560	\$ 231,124

Financial Snapshot by Fund Type, continued

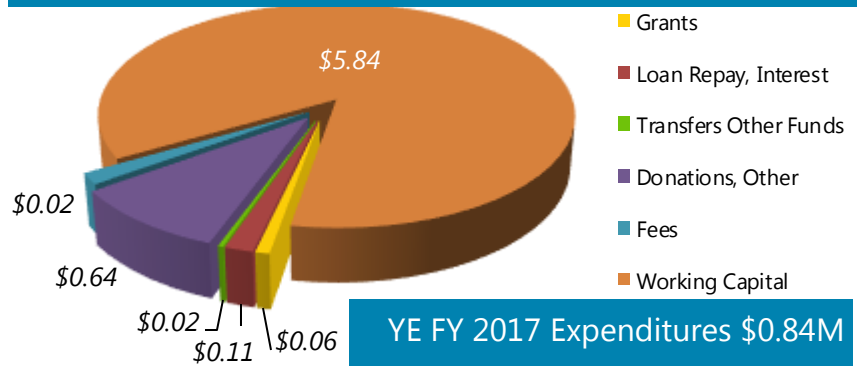
Special Revenue Funds—Year End FY 2017



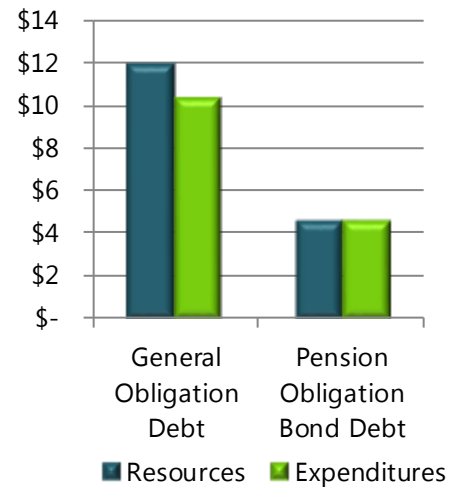
Enterprise Funds Year End FY 2017 (in millions)



Trust Funds—Year End FY 2017 Resources \$6.8M



Debt Service—Year End FY 2017



Enterprise Funds are used for services provided to / for the public on a user charge basis. In the case of the WVCC Fund and PRIORS Fund, the users are other agencies accessing 9-1-1 or police records services. The EMS Fund supports the provision of third-party ambulance services in our community.

Debt Service Funds for the City of Salem use a voter-approved property tax levy to repay bond indebtedness for improvements to city streets and bridges, as well as construction of new and rehabilitation of existing fire stations and purchase of large fire rolling stock. The Pension Obligation Bond allows the City to pay down its future liability in the public retirement system. City departments include this debt service as part of annual budgets.

Fund Quick Reference

	Airport Fund - YE	Comm. Renewal Fund - YE	Parking Fund - YE	EID Fund - YE
Resources	\$ 2,138,413	\$ 2,728,613	\$ 2,370,325	\$ 33,276
Expenses	1,217,111	2,444,464	1,701,655	33,276
EWC	\$ 921,302	\$ 284,149	\$ 668,670	\$ -

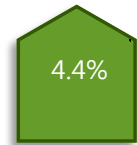
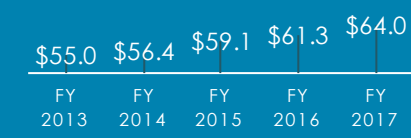
General Fund Revenues —Year End FY 2017 and History (in millions)

Resource Type

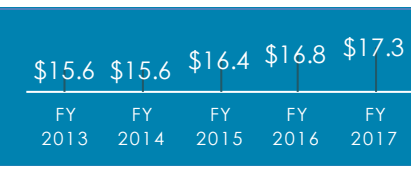
5 Year Trend, FY 2013-FY 2017

Actual to Budget Year over Year

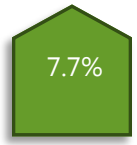
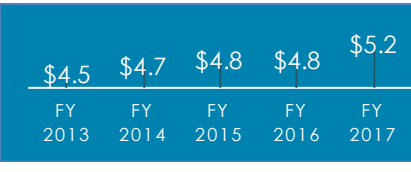
Property Tax—In FY 2017, this revenue source continued to achieve the 3% statutory increase as well as gains from growth. The year-over-year increase was \$2.7 million or 4.4%.



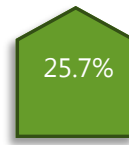
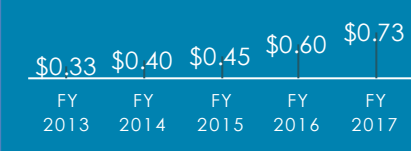
Franchise Fees—Rate increases for refuse hauler fees, ongoing growth in cable TV proceeds, a \$105,000 one-time telecomm payment, and gains in utility receipts added more than \$510,000 or 3.1% year-over-year for City franchises.



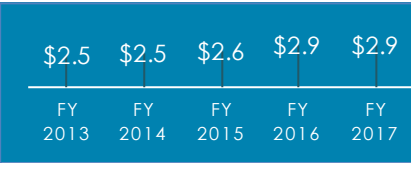
State Shared Revenues—Alcohol-related shared revenues increased by about \$339,400 or 8.9% in FY 2017. For the category of shared revenues, which also includes cigarette and 9-1-1 taxes, the year-over-year change was 7.7%.



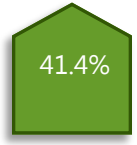
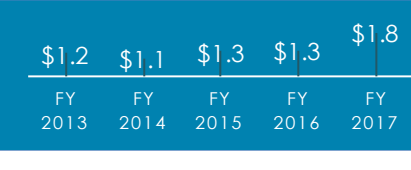
Planning-Related Fees—As a percentage, year-over-year growth in planning-related fees remains noteworthy at 21.8%. The dollar amount realized from the increase is approximately \$130,890.



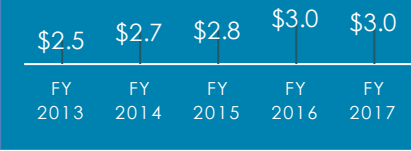
Other Fees—User charges for fire protection, code enforcement, lien searches, Center 50+, parks reservations, Salem Public Library, and ambulance service provide increased receipts of \$37,887 or 1.3% more than FY 2016.



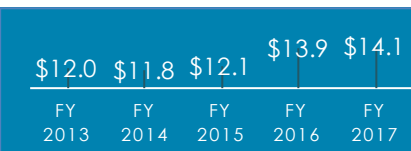
Rents—a full legislative session and completion of the new parking kiosk and meter installation in the Capitol Mall area delivered more than \$529,580 additional revenue in this category for FY 2017.



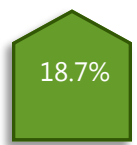
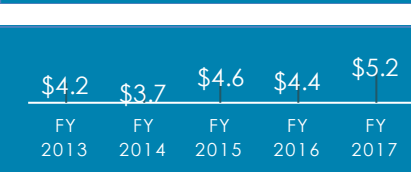
Fines—All components of this category—parking, and court fines—experienced some level of year-over-year decrease resulting in an overall decline of 2% or \$59,883.



Internal Charges—Less-than-anticipated revenues are offset with savings from vacant positions. A lower vacancy rate would have generated additional internal reimbursement revenues.



Other Agencies, Grants, All Other Revenue—Year-over-year gains resulting from Homeland Security grant funds, marijuana sales tax receipts, and City proceeds from the sale of state-owned property in the Mill Creek Urban Renewal Area.



Fund Quick Reference	Cultural/Tourism Fund - YE	Public Art Fund - YE	Leasehold Fund - YE	Building/Safety Fund - YE
	Resources \$ 5,239,163	Resources \$ 62,873	Resources \$ 1,263,425	Resources \$ 10,321,063
	Expenses 4,693,648	Expenses 19,462	Expenses 515,345	Expenses 4,164,564
	EWC \$ 545,515	EWC \$ 43,412	EWC \$ 748,080	EWC \$ 6,156,499

General Fund by Department

Expenditures FY 2017 Year End	Actual to Budget	Year over Year
Community Development—\$3.66M Personal Services, \$3.30M Materials / Services, \$0.33M Capital Outlay, \$0.02M Interfund Transfers, \$5,000	97.0%	6.4%
Fire—\$29.21M Personal Services, \$23.70M Materials / Services, \$5.44M Capital Outlay, \$0.07M	97.7%	13.8%
Library—\$4.79M Personal Services, \$3.78M Materials / Services, \$0.98M Capital Outlay, \$0.03M	97.0%	9.4%
Municipal Court—\$1.71M Personal Services, \$1.25M Materials / Services, \$0.45M	90.0%	-1.9%
Parks and Recreation—\$8.90M Personal Services, \$4.73M Materials / Services, \$3.56M Capital Outlay, \$0.05M Interfund Transfers, \$0.56	98.9%	16.0%
Police—\$39.37M Personal Services, \$31.26M Materials / Services, \$7.85M Capital Outlay, \$0.06M Interfund Transfers, \$0.20M	98.1%	8.3%
Urban Development—\$4.27M Personal Services, \$2.81M Materials / Services, \$1.33M Interfund Transfers, \$0.14M	84.0%	7.2%
Info Technology—\$6.77M Personal Services, \$5.50M Materials / Services, \$1.22M Capital Outlay, \$0.05	97.9%	10.3%
Support, Non-Dept—\$16.89M Personal Services, \$9.57M Materials / Services, \$4.96M Debt Service, \$0.28M Interfund Transfers, \$2.08M Short-term URA loans removed from comparison	89.1%	2.4%

Serving the Community

A primary focuses of the [Police Department](#) this past year has been the recruitment and training of new officers. Once hired, the recruits go through an intensive training program that can take up to a year to complete. This has been a significant undertaking involving the Police Department's Personnel and Training Unit, field training officers and the Human Resources Department. The Police Department currently has an unprecedented 23 recruits in various stages of training, with half scheduled to solo in the next three months. Crime rates have been increasing in the city, as well as across the nation, and these officers will be critical in the department's response to reducing crime while continuing to keep Salem safe.

As part of its "business retention and recruitment" goal, the [Urban Development Department](#) responded to 46 inquiries from site selectors with information about locating businesses in Salem and the region. During the year, three companies in Marion County claimed the Enterprise Zone benefit for business expansion totaling \$5.7 million in private investment and 58 new jobs.

In FY 2017, the [Salem Fire Department](#) was awarded the Emergency Management Performance Grant (EMPG) through the Federal Emergency Management Agency for the eighth consecutive year. The EMPG provides reimbursement to the department for eligible expenses related to emergency management. The award for the fiscal year totaled \$120,585. Since the initial award of the EMPG, the department has been reimbursed for over \$750,000 to support the Emergency Management program.

A mid-year reorganization brought the [Police Department's](#) Downtown Enforcement and Mental Health teams under the same command allowing the department to leverage existing resources and partnerships with outside agencies in the fight against homelessness. While homelessness continues to be an issue, the Downtown Enforcement team has partnered with Salem Housing to find housing for more than 20 homeless individuals. A sergeant, who was added to the Mental Health Response team, has built partnerships with Salem Health, the Marion and Polk Service Integration Teams, and Homes for Heroes to provide services to veterans and others in needs.

Fund Quick Refer-

	General Debt Fund - YE	Capital Improve. Fund - YE	Extra Capacity Fund - YE	Dev. District Fund - YE
Resources	\$ 18,175,731	Resources \$ 70,423,753	Resources \$ 23,734,885	Resources \$ 2,363,448
Expenses	17,591,289	Expenses 35,034,504	Expenses 4,373,143	Expenses 294,882
EWC	\$ 584,442	EWC \$ 35,389,250	EWC \$ 19,361,742	EWC \$ 2,068,565

Resources for Other Funds—Year End FY 2017 and History (in millions)

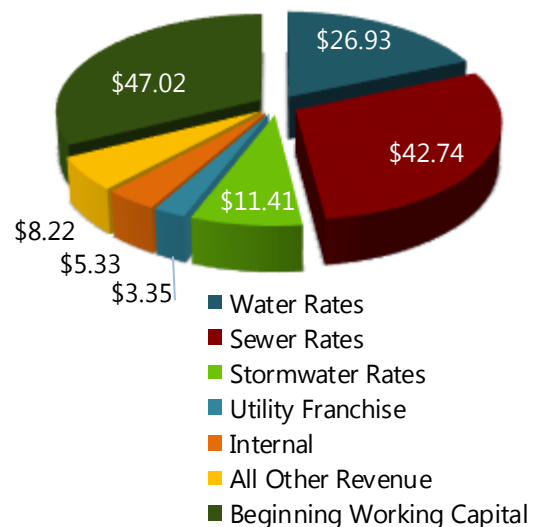
Serving the Community

The *City Attorney's Office*, in conjunction with Human Resources / Risk Management, resolved 17 claims filed in court against the City over the past year. Those claims sought a combined total of approximately \$16 million in alleged damages. In many of the cases, the plaintiff, if successful would have been eligible to recover attorney fees, which are in addition to the alleged damages.

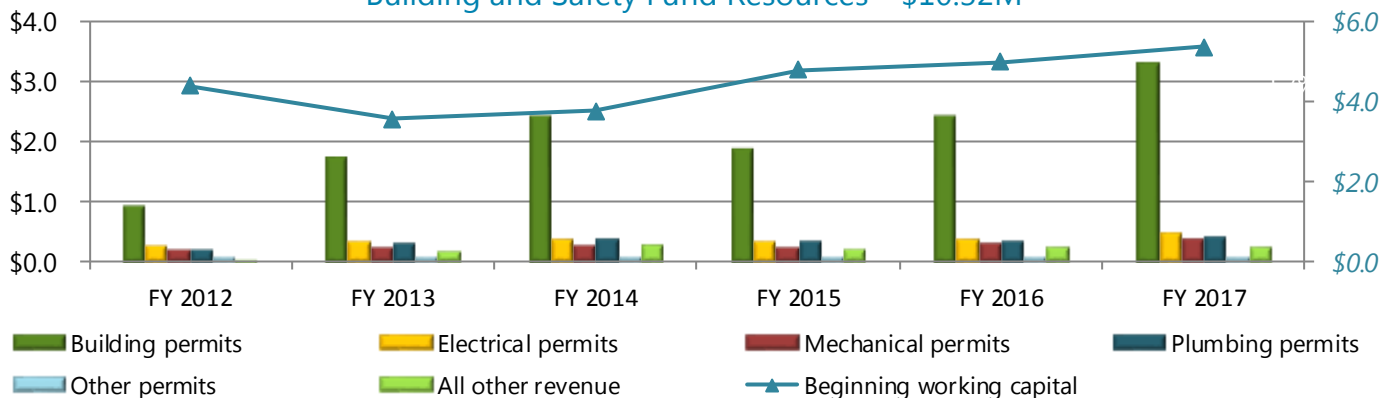
Six of the cases were settled resulting in total payment to claimants in the amount of \$336,837. The City prevailed at trial in three cases, and eight more cases were dismissed, resulting in no liability for the City. Based on the combined amount sought, through the work of the civil litigator and risk manager, the City avoided potential liability exceeding \$15.5 million over the past year.

In addition, the civil litigator concluded seven civil forfeitures recovering more than \$660,000, and resolved two claims by the City, resulting in recovery of \$36,324.

Utility Fund Resources—\$145.02M



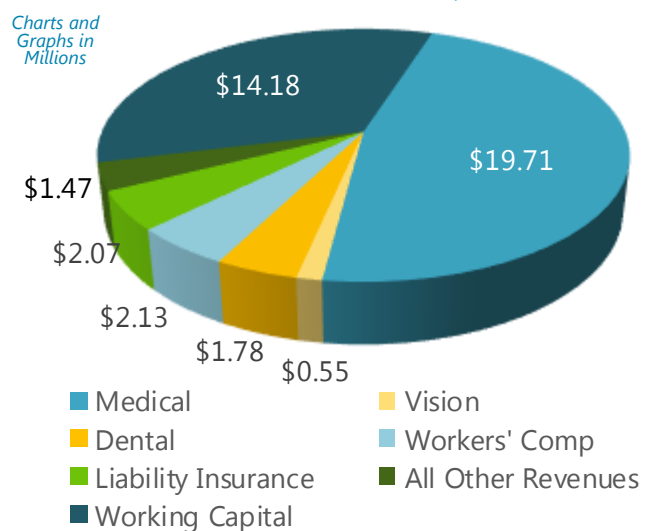
Building and Safety Fund Resources—\$10.32M



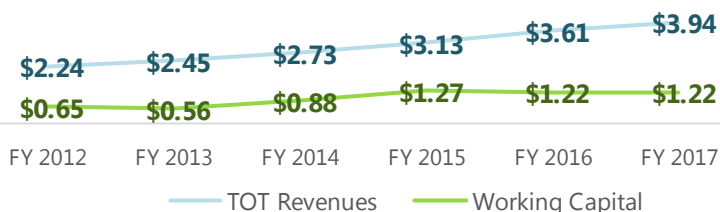
Transportation Services Fund—Revenue from Gas Tax



Self Insurance Fund FY 2017—\$41.89M



TOT* Fund—Comparing the Tax and Working Capital



*TOT Fund = Cultural and Tourism Fund

Fund Quick Reference

	Utility Fund - YE	Emergency Svcs. Fund - YE	WVCC Fund - YE	PRIORS Fund - YE
Resources	\$145,020,127	\$ 3,526,233	\$ 10,918,306	\$ 1,692,129
Expenses	102,127,274	685,467	9,889,532	260,572
EWC	\$ 42,892,853	\$ 2,840,766	\$ 1,028,775	\$ 1,431,557

Other City Funds—Expenditures Year End FY 2017

Expenditures FY 2017 Year End	Actual to Budget	Year over Year (YOY)	Expenditures FY 2017 Year End	Actual to Budget	Year over Year (YOY)
Airport—\$1.22M Personal Services, \$0.39M Materials / Services, \$0.79M Capital Outlay / Debt Svc, \$0.04M	62.5%	27.8%	Building and Safety—\$4.16M Personal Services, \$2.34M Materials / Services, \$1.02M Interfund Transfers, \$0.8M	85.8%	22.2%
Capital Improve.—\$35.03M Materials / Services, \$34.02M Capital Outlay, \$0.97M Interfund Transfers, \$0.04M	39.5%	19.5%	City Services—\$10.30M Personal Services, \$2.55M Materials / Services, \$5.82M Capital Outlay, \$0.13M Interfund Transfers, \$1.80M	81.2%	21.6%
Comm. Renewal*—\$2.44M Materials / Services, \$2.35M Debt Service, \$0.97M YOY change = FY 2016 debt payment	58.4%	-39.3%	Development Dist—\$0.29M Materials / Services, \$0.29M YOY change = expenses increasing by \$149,000	12.6%	102%
Downtown Parking—\$1.70M Materials / Services, \$1.08M Interfund Transfers, \$0.62M YOY change = capital reserve transfer	78.0%	54.2%	Eco Improv Dist*—\$0.03M Materials / Services, \$0.03M Economic Improvement District Fund is fully expended as of year-end.	90.6%	-50.8%
Emergency Services—\$0.69M Personal Services, \$0.39M Materials / Services, \$0.29M	87.4%	-4.9%	Equip Replacement—\$2.96M Materials / Services, \$9,679 Capital Outlay, \$2.95M	59.9%	104%
Extra Cap. Facilities*—\$4.37M Materials / Services, \$2.56M Capital Outlay, \$1.77M Interfund Transfers—\$0.04M *Extra Capacity Facilities, SDCs	18.5%	-41.6%	Leasehold—\$0.52M Materials / Services, \$0.32M Interfund Transfers, \$0.20M	38.8%	-24.8%
PRIORS*—\$0.26M Materials / Services, \$0.26M *Police Regional Records System	15.7%	74.4%	Self Insurance—\$25.69M Personal Services, \$0.73M Materials / Services, \$24.95M	64.4%	2.0%
Streetlight—\$2.21M Materials / Services, \$1.38M Interfund Transfers, \$0.83M YOY change = capital project and repayment to Transportation transfers	92.6%	56.4%	Transportation Svcs—\$13.83M Personal Services, \$5.03M Materials / Services, \$7.25M Capital Outlay \$0.44M Interfund Transfers, \$1.10M	82.5%	15.9%
TOT*—\$4.69M Materials / Services, \$2.17M Interfund Transfers, \$2.52M *Cultural and Tourism	93.6%	28.8%	Trust—\$0.84M Materials / Svcs, Cap. Outlay, \$0.74M Interfund Transfers, \$0.10M YOY change = expense for a developer pass-through in FY 2016	25.6%	-77.7%
Utility—\$102.13M Personal Services, \$29.94M Materials / Services, \$32.06M Capital Outlay \$0.68M Debt Service, \$25.78M Interfund Transfers, \$13.67M	90.4%	19.9%	WVCC—\$9.89M Personal Services, \$8.32M Materials / Services, \$1.57M	92.3%	1.8%

About Other City Funds

In the Other City Funds data on pages 5 and 6, downward pointing arrows and negative percentages in the *Year-over-Year* change column reflect, in some cases, a plan for the fund to lower expenses and it coincides with the budget. The Emergency Medical Services and Trust funds are examples. For a number of the smaller funds a year-over-year increase or decrease is not a lot of money, but due to the size of the fund it is a big percentage. As an example, the Leasehold Fund had expenses of \$684,948 in FY 2016 versus \$515,345 in FY 2017, creating a change of -24.8 percent. The same thing happens to the positive—with a 102 percent increase year-over-year, the Development District Fund expended about \$149,000 more in FY 2017.

One City fund remains with a “watch list” status. The Willamette Valley Communications Center Fund, which supports the provision of 9-1-1 services, will continue to be closely monitored to determine the effectiveness of corrective actions that have been implemented.

The Economic Improvement District Fund is fully expended and closed as of June 30, 2017. Reporting on prior year activity will continue to be included in the City’s budget for two years.

SERVING THE COMMUNITY—Public Works / Construction Projects

Patterson Street NW Waterline Improvements. Over 1,100 feet of new 8-inch ductile iron water main was installed to replace undersized and deteriorated water lines in the vicinity of Patterson Street NW. The project also installed new fire hydrants and water services in the area.

Construction Waste Processing and Transfer Facility. Construction was completed and the facility became fully operational in May. The new facility dewateres street sweepings, excavation debris, and other leafy and soil debris associated with operating public stormwater facilities. It also provides features for receiving septic tank waste from private companies, as well as a location for the City to store and recycle construction materials.

Willow Lake WPCF Cogeneration Facility Upgrade.

Design began on a new power facility which utilizes methane gas generated from the City’s wastewater treatment process. Portland General Electric provide \$3 million based on the potential energy savings that may be realized from this project. Construction of the facility is scheduled to begin in fall 2018. Willow Lake Wastewater Pollution Control Facility is located on approximately 45 acres in northwest Keizer. The facility treats all wastewater from Salem, Keizer, and the Turner areas.

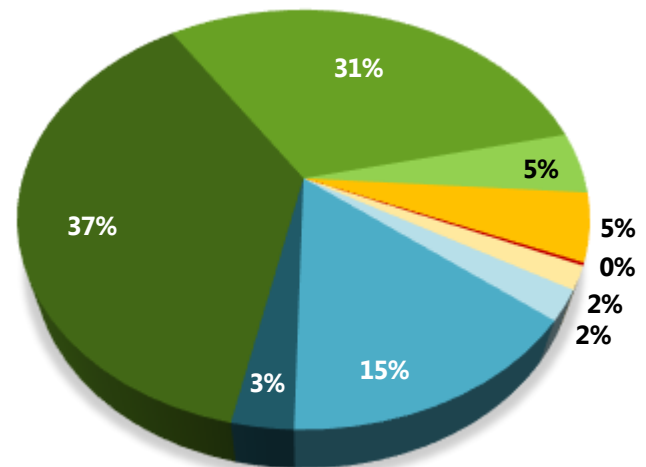
Kuebler Boulevard SE and Mill Creek Drive SE Traffic Signal Improvements.

Construction was completed on a new traffic signal to serve new businesses and increased traffic at the Mill Creek Corporate Center.

Streetlight Conversion Project.

Construction continued on the replacement of existing high pressure sodium luminaires with new light emitting diode (LED) luminaires. LED streetlights use approximately 50 percent less energy, last four times longer, and improve reliability over the previous HPS fixtures. Over 8,000 streetlights will be replaced with this project.

FY 2017 Year End Capital Construction Expenditures—\$39.70M



- Airport, \$2.06M
- Info Tech, \$0.71M
- Parks, \$5.87M
- Transportation, \$14.88M
- Streetlight, \$1.88M
- Historic Facilities, \$0.92M
- Misc Projects, \$0.62M
- Public Safety, \$1.16M
- Utility, \$12.13M

Fund Quick Reference

	City Services Fund - YE	Self Insurance Fund - YE	Equip. Reserve Fund - YE	Trust Fund - YE
Resources	\$ 16,380,789	\$ 41,889,479	\$ 9,692,086	\$ 6,783,596
Expenses	10,301,210	25,687,914	2,958,932	839,748
EWC	\$ 6,079,579	\$ 16,201,565	\$ 6,733,154	\$ 5,943,847