

**COUNCIL POLICY NO. C-8**

**TITLE:** BUDGET AND REVENUE POLICIES

**POLICY:** See attachment.

**REFERENCE:** Finance Committee Report dated 8/4/2008, Agenda Item No. 4.2 (b)

**CITY OF SALEM  
BUDGET AND REVENUE POLICIES**

**OPERATING BUDGET POLICIES**

**I. Stable Financial Environment**

The City will strive to provide the stable financial environment necessary to sustain municipal services over time. Financial forecasts will be used to assess the long-term ability of City revenue to sustain services. The City will seek to diversify revenue sources to take advantage of economic upturns and cushion against times of slower growth. Prudent reserves will be established and maintained as a resource to sustain services during periods of imbalance in the City budget.

**II. Long-Term Financial Plan**

Each year, staff shall develop a Long-Term Financial Plan that forecasts operating and capital expenditures and revenue for the next three to five years. The Long-Term Financial Plan will be updated prior to the start of the annual budget process. As part of the budget message, the City Manager will advise the City Council of potential long-term positive and adverse trends along with an analysis. The initial priority for the Long-Term Financial Plan is the General Fund but the intent is to address all operating funds of the City.

**III. Balanced Budget**

The City will adopt a structurally balanced budget where operating revenues are equal to, or exceed, operating expenditures for all funds. In the event a structurally balanced budget is not attainable, and the cause of the imbalance is expected to last for no more than one year, the planned use of reserves and/or other one-time revenue to balance the budget is permitted. In the event a budget shortfall is expected to continue beyond one year, the use of reserves and/or other one-time revenue must be part of a corresponding strategic financial plan developed to return the budget to a structural balance through revenue increases and/or expenditure decreases.

The City Manager will include in the letter transmitting the City Manager's Recommended Budget a concise description of how the recommended budget is balanced. If the structural balance changes between the Recommended and Adopted Budgets, the City Manager will clearly delineate the changes and the impact on the structural balance of the Adopted Budget.

## **REVENUE POLICIES**

### **I. User Fees**

The City will seek to recover the cost of service provision through fees whenever users receive specific benefits. The City Council will establish cost recovery policies which consider the relative public/private benefits received and/or the desirability of providing service access for specialized populations. These policies will determine the percent of full service costs to be recovered through fees. When setting or revising fees, the method for fee calculation will be described along with a justification for any deviation from adopted policies.

The level of cost recovery will be routinely adjusted to ensure that rates are current, equitable and competitive and cover that percentage of the total cost deemed appropriate by the City Council. The Finance Division shall maintain a Master Fee Schedule that includes the cost recovery policy and date of most recent fee adjustment.

### **II. Use of One-Time Resources**

One-time resources such as proceeds from asset sales, debt refinancing, one-time grants, revenue spikes, budget savings and similar nonrecurring revenue may be used for establishing and rebuilding reserves, early retirement of debt, capital expenditures and other nonrecurring expenditures. Such resources should not be used for current or new ongoing operating expenses except as included in a strategic financial plan as part of a strategy to achieve a structurally balanced budget.

### **III. Grants**

City staff will seek out, apply for and effectively administer federal, state and other grants that address the City's priorities and policy objectives and provide a positive benefit to the City. Before any grant is pursued, staff shall provide an analysis that identifies the immediate and long-term costs and benefits to the City.