



## FOR IMMEDIATE RELEASE

November 8, 2023

### City Manager Keith Stahley's Statement on Salem's Fiscal Challenges

Like many cities in Oregon, the City of Salem has been facing challenges in funding valued and essential services in our community. Salem is one of many Oregon cities projecting a deficit in their General Fund because expenditures are increasing at a faster rate than revenues each year and demand for services in our growing community is increasing. [Learn more about Oregon cities' financial challenges.](#)

Salem's General Fund provides for City services such as police, fire, library, parks and recreation, neighborhood services, code enforcement, municipal court, and support service departments that provide a citywide benefit. Property tax, the primary General Fund revenue source, as budgeted in FY 2024, only covers 77% of budgeted Police and Fire department expenses and only 46% of all budgeted General Fund expenses.

On June 26, 2023, the City Council adopted the FY 2024 budget, which covers the period from July 1, 2023 through June 30, 2024. In Fiscal Year 24, the City balanced its General Fund budget to meet State law, by estimate a \$9.42 million use of the fund balance (or savings at end of each fiscal year). Using fund balance in this way is not sustainable. With the current projections by FY26, beginning July 1, 2025, the City's General Fund Balance will be depleted.

There are only two levers to fix the structural imbalance - reduce expenses or increase revenues. At Work Sessions [February 21](#), [April 5](#), [May 15](#), [September 18](#), and [October 25](#), Salem's City Council has considered options to continue services in the General Fund. Options include proposals for service reductions in the current year through fiscal year 2028.

[Learn more about Salem's financial challenges and try to balance the budget.](#)

#### **Next Steps**

- On January 10, the City's 18-member Budget Committee will consider the five-year forecast of available revenues and costs to provide services.
- As early as February 12, the City Council will consider adopting a mid-fiscal year amendment to the FY 2024 Budget that decreases to expenses to conserve the City's General Fund balance.
- Staff will recommend, a task force be created in January 2024 to consider options to raise revenues for General Fund services.

- In April and May 2024, the Budget Committee will consider the FY 2025 Budget. This Budget will include further reductions to City services. Without additional funding, among other reductions, Salem’s micro-shelter village communities will close and other sheltering services will be reduced, hours at the Salem Public Library will likely be reduced, and operational support for Salem’s parks will be reduced.

**Why do local governments need a balance in the General Fund each July, at the beginning of every fiscal year?**

Maintaining a fund balance is especially important in Oregon, where property taxes, representing the majority of Salem’s General Fund Revenue, aren’t received until November. The fund balance is used to pay expenses, the majority of which is payroll, for the months of for July, August, September, and October before receiving property tax revenues. An appropriate fund balance also helps maintain the City’s credit rating - which reduces the borrowing costs for taxpayers when the City issues General Obligation (GO) bonds.

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