

## IMPACT STATEMENT

**Legislation title:** Adopt revised Comprehensive Financial Management Policies; Financial Planning, Operations and Maintenance, and Budget to address the City's financial planning and annual budget processes (Resolution; amend FIN 2.03, 2.03.02 and 2.04)

**Contact name:** Jennifer Cooperman, CFO

**Contact phone:** 503-823-6851

**Presenter name:** Jennifer Cooperman, CFO

**Purpose of proposed legislation and background information:**

This legislation adopts two (2) revised Comprehensive Financial Management Policies (CFMP) and one (1) related procedure that address the City's financial planning process and the annual budget process.

Revisions to *FIN 2.03 Financial Planning* and *FIN 2.03.02 Operations and Maintenance* (procedure) provide improved direction regarding long-term financial planning, capital asset management and reserving, and a framework for developing funding plans and funding mechanisms to support the City's asset management and infrastructure investment.

Revisions to *FIN 2.04 Budget* provide improved direction regarding amendments to the budget during the year, expand the operating policies underlying the City's budget process, and set certain limitations on City-issued competitive grants.

These CFMP revisions are intended to improve the City's financial planning and financial management.

These policies were vetted during a citywide review and comment process.

**Financial and budgetary impacts:**

There are no anticipated financial or budgetary impacts to the City as a result of this legislation.

**Community impacts and community involvement:**

No community involvement was included in the development of this Council item because these policies were developed to reflect Council direction regarding internal financial management.

### Budgetary Impact Worksheet

**Does this action change appropriations?**

☐ **YES:** Please complete the information below.

☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

# What's Changed and Why

## Comprehensive Financial Management Policies (CFMP)

Significant changes are **bolded**. Reorganization and grammatical changes are *not* listed.

FIN 2.03 Financial Planning	What's New	Why
Policy	<b>Added reference to long-term financial plans as part of City's financial planning process.</b>	<b>Best practice. Improved planning and financial management.</b>
Planning Principles	Added that all financial plans are to address asset management needs and use asset management best practices <b>for capital assets and equipment.</b>	Encourage responsible stewardship of City assets. Address intergenerational equity.
Five-Year Financial Plans	<b>Added this new section with specific guidance as to content of 5-year plans, including asset management costs.</b>	<b>Improve City's planning and financial management.</b>
Long-Term Financial Plans	<b>Added this new section with specific guidance as to content of long-term financial plans.</b>	<b>Improve City's planning and financial management.</b>
Capital Asset Management	Added principles of asset management and link asset management to long-term plans, <b>including reserves.</b>	Improve City's planning and financial management.
Funding	<b>Added this new section that requires bureaus with capital assets or equipment to develop a funding plan.</b>	<b>Improve City's planning and financial management.</b>
	<b>Added that 50% of one-time GF discretionary revenue in 5-year forecast shall be allocated to projects relating to emergency preparedness, parks and recreation, and transportation.</b>	<b>Request from Commissioner Fritz to codify Resolution 37107</b>
	<b>Added that 50% of capital set aside shall be allocated to projects relating to emergency preparedness, parks and recreation, and transportation.</b>	<b>Request from Commissioner Fritz to codify Resolution 37107</b>
	<b>Consolidated capital set-aside process into annual budget process (from BMP and annual budget process).</b>	<b>Pooling funds will allow larger funding allocations, and will consolidate substantive decisions into annual budget process.</b>
Definitions	Added this <b>new section</b> to clarify and standardize terminology.	Ensure consistency within CFMP framework of interlinked policies.

# What's Changed and Why

## Comprehensive Financial Management Policies (CFMP)

<b>FIN 2.03.02 Operations and Maintenance Costs (procedure)</b>	<b>What's New</b>	<b>Why</b>
<b>Throughout the procedure</b>	Added references to lifecycle replacement.	Improve City's planning and financial management.
	Added references to equipment.	Improve City's planning and financial management.



# What's Changed and Why

## Comprehensive Financial Management Policies (CFMP)

<b>FIN 2.04 Budget</b>	<b>What's New</b>	<b>Why</b>
<b>Policy</b>	Added link to FIN 2.03 Financial Planning	CFMP are a framework of interlinked policies.
<b>Budget Monitoring</b>	Added potential data requests at program level.	Supports CBO's new budget framework.
	<b>Changed "unanticipated" to "urgent and unforeseen."</b>	<b>Clarification. Reflects current practice.</b>
	Added budget adjustment process for Special Appropriations (SA).	Current practice since SA moved to Grants in FY17.
	Added BRFS for review/reporting on City's financial operations/results.	Reflects current practice.
	Changed "infrastructure" to "capital assets".	Consistency with CFMP / Accounting Admin Rules (AAR)
	Added link to FIN 6.11 Capital Assets	CFMP / AAR are a framework of interlinked policies.
	Change "should" to "shall" for uses for additions to GF contingency.	Shall makes this mandatory.
	Added "in the current fiscal year."	Reflects current practice.
	<b>Added process to request appropriation for additional resources that come available after current year budget is adopted.</b>	<b>Clarification.</b>
	<b>Added process to request allocation of GF and non-GF contingency during BMP.</b>	<b>Clarification.</b>
<b>Operating Policies</b>	<b>Added that one-time funds can be used for citywide liabilities not included in City's 5-year forecast.</b>	<b>Additional funding alternative for legacy liabilities.</b>
	<b>Added that financial commitments (e.g., Commissioner-in-Charge or Bureau Director decision or litigation) exceeding \$500,000, after current-year budget is approved, require prior Council notification and approval.</b>	<b>Improve City's planning and financial management.</b>
	<b>Added that bureaus shall absorb labor agreement costs that exceed inflation. Employee and/or service reductions are to be included in FIS of labor agreement ordinance.</b>	<b>Control City's labor costs</b>
	<b>Added that bureaus shall determine internal service costs with all internal service providers.</b>	<b>Improve City's planning and financial management.</b>

# What's Changed and Why

## Comprehensive Financial Management Policies (CFMP)

<b>Current Appropriation Level</b>	Added that CBO may adjust CAL to align with Mayoral or Council budget guidance.	Reflects current practice.
<b>City-issued Grants</b>	Change "should" to "shall" for the competitive application process.	Shall makes this mandatory.
	<b>Added two consecutive fiscal-year limit on competitive grants.</b>	<b>Request from Commissioner Saltzman</b>
	<b>Added \$100,000 limit on any single competitive grant.</b>	<b>Request from Commissioner Fritz</b>
	<b>Added grantee operating budget limit for competitive grants.</b>	<b>Request from Commissioner Saltzman</b>

## **FIN 2.03 Financial Planning**

### **Policy**

The City shall plan for the types and levels of investment necessary to ensure the sustained and equitable delivery of public services to the residents, businesses, visitors and customers of the City. To ensure capacity to deliver services through all types of economic cycles, the City shall prepare short- and long-term financial plans to guide City Council in adopting the City budget. See FIN-2.04 - Budget.

### **Planning Principles**

Financial planning and budgeting shall be based on the following principles:

- Revenue estimates shall be prepared conservatively to minimize the possibility that economic fluctuations could jeopardize ongoing service delivery during the planning period.
- Expenditure estimates shall anticipate needs that are reasonably predictable during the planning period, including asset management needs for capital assets and equipment.
- Bureau financial plans shall rely on a common set of basic economic assumptions that shall be established, updated, and distributed by the City Budget Office (CBO). The Bureau of Revenue and Financial Services (BRFS) in the Office of Management and Finance (OMF) shall produce interest rate forecasts and debt service forecasts that are included in the common set of basic economic assumptions. BRFS shall advise bureaus on how standards for credit rating and debt service coverage are established and maintained.
- Bureau financial plans shall identify other assumptions used in their preparation and potential risks if actual outcomes differ from assumed outcomes. Examples of risks include, asset management funding gaps; legislation and legal rulings that affect City liability, pension systems or health benefit plans; and regional economic trends that affect City revenues.
- Bureau financial plans shall address asset management needs to support responsible stewardship of the City-owned assets.
- Bureau financial plans shall encourage the use of asset management best practices that consider, to the greatest extent feasible, intergenerational equity in distributing the costs of providing public services, so future generations of Portlanders are not forced to pay more than their share of the asset management lifecycle cost burden.

### **Five-Year Financial Plans**

Annually, each bureau and fund identified in FIN 2.03.01 shall prepare a five-year financial plan. Bureaus shall forecast and monitor their own revenues and expenditures over the five-year planning period and shall coordinate with the CBO on the presentation of regular status reports

on revenues and expenditures. The CBO, with input from BRFS and the asset-owning bureaus, shall constantly evaluate and seek to improve its financial planning methodology and tools to provide timely and accurate information to Bureaus.

Five-year financial plans shall:

- Follow guidance provided by the CBO related to their content, presentation, standard assumptions and submittal process.
- Be based on current service levels and funding sources noting anticipated changes over the planning period.
- Include reasonable cost assumptions for asset management needs over the planning period.
- Clearly call out anticipated changes to service levels and funding not yet approved by City Council.
- Quantify any funding gaps between projected revenues and expenses to meet current or future anticipated service levels.
- Include strategies to address significant funding gaps, including gaps between the need to maintain or modernize capital assets and equipment and the funds available for such improvements. Strategies may include requests for additional resources, proposed fee increases, service level reductions, divestment, or other strategies.
- Be delivered to Council each year as part of the bureau's Requested Budget. The Requested Budget shall align with the financial plan, and it is the expectation of Council that requests for additional resources should seek to address identified funding gaps.

The CBO shall retain fiscal oversight responsibility for the General Fund and shall publish regular status reports on General Fund revenues and expenditures.

### **Long-Term Financial Plans**

Annually, each bureau and fund identified in FIN 2.03.01 shall prepare a long-term financial plan to identify potential financial liabilities, obligations and revenues that are not included in their five-year financial plan.

Long-term financial plans shall:

- Follow guidance provided by the Chief Financial Officer (CFO) related to their content, presentation, assumptions and submittal process.
- Include a description, anticipated timing, cost, potential funding source and confidence level for each liability or obligation.
- Include a description, anticipated timing, amount, source and confidence level for each revenue item.
- Be delivered to the CFO as part of the City's annual budget process.

## **Capital Asset Management**

The City's financial plans shall include investments necessary to manage existing and future capital assets and equipment at levels that:

- Protect the quality, reliability, equity and adequacy of service.
- Minimize future maintenance and replacement costs.
- Minimize risk to human health and safety.
- Minimize environmental, social and economic risks.
- Comply with applicable laws and regulations.

To do this, bureaus with capital assets and equipment shall use best practices in asset management to:

- Maintain an inventory of capital asset and equipment in their purview with best information available on asset condition and expected lifespan.
- Forecast asset management needs and associated costs across the expected lifecycle of its capital assets and equipment.
- Use these data to inform the development of the bureau's financial plan and five-year Capital Improvement Plan, with the required level of capital asset and equipment maintenance and replacement reserves, and articulating funding gaps and their impacts.
- Provide infrastructure at the lowest lifecycle cost which meets service requirements.

## **Capital Improvement Plans**

Each bureau that owns or manages capital assets or equipment shall develop and maintain a Capital Improvement Plan (CIP) that identifies the individual capital acquisitions, projects or procurements necessary to meet planned levels of service. The CIP shall span a minimum of five years and provide a description, location, timing, cost and funding source for each project, which will constitute a key component of their bureau's financial plan.

At the time a new capital asset or equipment is planned in the CIP or requested through the Requested Budget, bureaus shall estimate the full operations and maintenance (O&M), major maintenance, and lifecycle replacements costs for that asset, see FIN 2.03.02 Operations and Maintenance Costs. A funding plan for the O&M, major maintenance, and lifecycle replacement costs shall be included as part of the Adopted Budget.

During the fiscal year, each bureau with a CIP shall provide narrative explanations for capital program variances.

Annually, the CBO shall prepare a five-year Citywide Capital Improvement Plan (Citywide CIP) that aggregates each bureau's capital replacement, additions, and major maintenance needs. The Citywide CIP shall include estimated project costs and net changes in operating costs and shall identify funding sources.

Annually, the City shall adopt a Capital Budget that shall include estimated resources and capital expenditures based on the first year of the current Citywide CIP. All borrowing plans shall be developed in consultation with BRFS and in conformance with the City's debt management policies, see FIN-2.12 - Debt Management Policy.

## **Funding**

Bureaus that manage capital assets or equipment shall develop a funding plan and appropriate funding mechanisms to sufficiently fund asset management activities on an ongoing and/or periodic basis.

If anticipated revenues are insufficient to meet asset management needs, bureaus shall:

- Prioritize preventive asset management activities that reduce current costs or will offset greater costs in the future to restore or replace deteriorated assets, or that are required to meet desired levels of service, or to comply with laws and regulations.
- Prioritize asset management of existing capital assets and equipment over the acquisition of new assets, unless the anticipated revenues are restricted and cannot be used for operations or maintenance activities, or the acquisition would address equitable provision of services.
- Identify any anticipated funding gaps and prepare a strategy to address them, which may include changes to levels of service, use of alternative service approaches, or the pursuit of additional resources.

The City shall dedicate the following portions of General Fund discretionary revenue towards the management of capital assets to address currently unfunded needs:

- At least fifty-percent (50%) of one-time General Fund discretionary revenue identified in the five-year financial forecast shall be allocated to infrastructure maintenance or replacement in the Adopted Budget process. This funding shall be allocated for projects relating to emergency preparedness, parks and recreation, and transportation.
- At least fifty-percent (50%) of General Fund discretionary revenue that exceeds budgeted beginning balance (adjusted for the difference in encumbrance carryovers and Council-authorized carryovers from the prior fiscal year) will be set aside during the Fall budget monitoring process for allocation to infrastructure maintenance or replacement in the

subsequent budget process. This funding shall be allocated for projects relating to emergency preparedness, parks and recreation, and transportation.

## **Annual Reporting**

The City shall prepare the following annual reports on its overall financial condition and the status of its capital assets and equipment:

- Citywide Financial Condition Report. BRFS, in consultation with the CBO, shall prepare an annual Citywide financial assessment report that shall include a comprehensive overview of the City's financial condition and the City's long-term financial plan.
- Citywide Asset Management Report. The CBO, with the assistance of bureaus that own capital assets and equipment (see [FIN 2.03.03 Citywide Asset Managers Group](#)), shall prepare an annual report on the status of the City's capital assets and equipment, based on asset management best practices (see Capital Asset Management, above). The report shall provide a Citywide perspective and shall include all City-owned assets and equipment. The report shall include, at a minimum:
  - an accounting of the number, condition, and replacement value of existing assets and equipment.
  - an accounting of those assets and equipment which are currently in poor condition.
  - an estimate of the annual funding needed to keep an asset or equipment from further deterioration.
  - an assessment of current service levels.
  - an estimate of the annual funding gap over current service levels needed to bring assets and equipment up to a sustainable level of service.

The report shall be delivered to Council during the annual budget discussions to inform investment and service level discussions during budget adoption.

## **Definitions**

"Capital Asset" as defined in [FIN 6.11 Capital Assets](#).

"Equipment" as defined in [FIN 6.11 Capital Assets](#).

"Asset Management" means the continuous cycle of asset inventory, condition, and performance assessment that aims to ensure cost-effective provision of a desired level of service and oversight of the long-term health, i.e. physical and financial viability, of capital assets and equipment. Asset management includes acquisition, planning, design, construction, maintenance, monitoring, operation, rehabilitation, remediation, replacement, and disposition of assets, while considering the triple constraint of risk, service level and cost.



“Level of Service” means a defined standard against which the quality and quantity of service can be measured.

“Operations” means the ongoing activities that allow the use of an asset for its intended function.

“Maintenance” means activities that keep an asset operating as designed or prevent it from deteriorating prematurely, excluding rehabilitation or renewal which may extend asset life. Maintenance can be planned or unplanned.

“Rehabilitation” or “Renewal” means maintenance performed on an asset to restore it to its original level of service or capacity and achieve its useful life, which may result in an extension of the asset’s service life.

### **Responsibility**

The City Budget Office and the Chief Financial Officer shall coordinate the presentation of the City’s financial plans. The CBO shall develop and issue the list of bureaus and funds that are required to submit capital improvement plans, define the required elements for the plans, and determine the membership of the Citywide Asset Managers Group. The CFO shall define the required elements for the long-term financial plans. Bureau directors shall be responsible for the development and submission of bureaus’ five-year and long-term financial plans. The Bureau of Revenue and Financial Services shall be responsible for providing interest rate and debt service forecasts and for working in consultation with City bureaus on debt service issues.



## FIN 2.03.02 Operations and Maintenance Costs

These procedures are intended to ensure that:

- A funding plan is in place for the maintenance and lifecycle replacement of new capital assets and equipment.
- Bureaus that require additional resources – particularly General Fund - for the maintenance and lifecycle replacement of new capital assets and equipment have a degree of certainty during the planning stage that such resources will be allocated when assets come into service
- City Council is aware of the cumulative out-year maintenance and lifecycle replacement cost impact of capital plans during the budget process
- City Council, to the greatest degree possible, prospectively approves increases to General Fund appropriation levels in the context of the budget process
- Costs funded with additional General Fund are high-confidence figures

### Project Planning

Bureaus will include O&M and out-year maintenance and lifecycle replacement estimates for each project or program in the Capital Improvement Plan and Financial Plan submitted with the Requested Budget. In instances where a funding source for capital improvements has been budgeted but has not been allocated to specific projects, a low confidence ~~O&M~~ estimate should still be included based on the availability of funding.

Bureaus that will request that all or a portion of the ~~O&M~~ costs identified in the CIP be funded with additional General Fund appropriations ~~should~~ shall include a year-by-year estimate of those costs in the five-year financial plan submitted as part of the Requested Budget.

### General Fund Requests

During budget development, bureaus should ~~include~~ request new General Fund for:

- Any projects that are anticipated to be contracted in the upcoming year for which new General Fund resources are expected for operations
- Any projects that were contracted in the current or prior year which were not anticipated during that year's budget process
- Any projects that were completed in the current or prior year which were not included per the previous two bullets

Requests should include a one-time reduction for each project to reflect the estimated in-service date. In some cases, this will be a full year. In some cases, an additional offset will be required during the following year's budget process to account for longer project timelines.

During the budget process, the final amount and funding source will be determined by City Council.

### **Budget Monitoring Processes**

During budget monitoring processes, bureaus that have received General Fund allocations for operations, ~~and~~ maintenance, and lifecycle replacement will identify projects that have gone into service and adjust one- time offsets appropriately.

### **Contract Ordinance**

Bureaus will include the most up-to-date cost estimate for operations and maintenance in construction or acquisitions ordinances and indicate whether that amount has been included in a budget process or will be requested as part of the following budget process.

### **Responsibility**

City Budget Office

### **History**

Adopted by City Council August 2014

Revised XXXX

# FIN-2.04 - Budget

## BUDGET

*Binding City Policy*

BCP-FIN-2.04

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### Policy

The City shall develop and implement a budget process that shall:

- Make prudent use of public resources.
- Include financial forecast information to ensure that the City is planning adequately for current and future needs. See FIN 2.03 Financial Planning.
- Involve community members, elected officials, employees, and other key stakeholders.
- Provide performance measurement data to assist in assessing program effectiveness.
- Comply with City Charter, City Code, State of Oregon Local Budget Law, and with guidance that has been issued by the City on Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP).

The Mayor shall develop and present a proposed City budget to the Council for consideration and adoption. The Mayor's Proposed Budget shall identify major financial and service issues, identify funding requirements and sources of funds, provide supplemental information on programs and service areas, include budget and performance details for all City bureaus, and relate recommendations to the City's vision and goals.

The City Budget Office (CBO) shall issue guidelines and rules for the preparation and review of the bureau budget requests to the Mayor, including an annual budget process and calendar. The process and calendar shall support community participation and Council deliberations. These shall be published in the CBO budget section of the City website.

### Budget Monitoring

The CBO shall maintain a system for financial monitoring and control of the City's budget during the fiscal year. This monitoring system shall:

- Provide the Council with information on revenues, expenditures, and performance at ~~both~~ the bureau and fund level.
- At the discretion of the CBO analyst or as requested by Council, provide the Council with information on revenues, expenditures, and performance at the program level.
- Include provisions for amending the budget during the year in order to comply with State of Oregon budgetary statutes and to address urgent and unforeseen ~~unanticipated~~ needs or emergencies.

The CBO shall coordinate the process for budget adjustments requiring Council approval. Grants Management in the Bureau of Revenue and Financial Services shall coordinate the process for budget adjustments for grants awarded outside the budget and BMP process.

The CBO shall periodically publish General Fund financial status reports on the revenues and expenditures to date, and the estimated year-end balance. The CBO, in consultation with the Bureau of Revenue and Financial Services, shall also review City financial operations, report to Council on financial results, and recommend financial management actions necessary to meet the adopted budget's financial planning goals.

For the ~~fall~~ Fall budget monitoring process, General Fund discretionary revenue that exceeds budgeted beginning balance (adjusted) shall be added to the General Fund contingency as a set aside, except for funds allocated to ~~infrastructure capital asset maintenance or replacement~~. See FIN 2.03 Financial Planning ~~FIN 2.03 Financial Planning~~ — Capital Asset Management ~~and FIN 6.11 Capital Assets~~. Funds that had been reserved to pay for General Fund encumbrances but are not needed for this purpose shall also be added to this General Fund contingency set aside. ~~General Fund contingency~~. These set aside funds ~~should~~ shall be used for five-year balancing, mitigating overhead revenue shortfalls in future years due to the true-up process, paying down existing debt as advised by ~~OMF's Public Finance and Treasury~~ the Bureau of Revenue and Financial Services, or ~~other unanticipated~~ urgent and unforeseen needs or emergencies in the current fiscal year.

If, after the current year budget is adopted, bureaus become aware of additional available resources in non-General Fund funds, additional appropriation may be requested during the Fall or Spring budget monitoring process. However, changes that have an ongoing impact on ratepayers should be requested and considered as part of the annual budget process and approval of rate changes.

Bureaus may request to reallocate non-General Fund contingency resources during the budget monitoring processes. However, bureaus are expected to provide documentation and analysis which:

- Demonstrates bureau efforts to reprioritize funding within existing appropriations;
- Includes an assessment as to why an internal realignment of funding is not possible or recommended;
- Evaluates equity impacts, both for City staff and on community outcomes;
- Describes how the request impacts bureau-level financial plans, including rates and fees, and supports bureau-level strategic plan(s); and
- Discusses whether remaining contingency is sufficient to address future, urgent and unforeseen needs during the fiscal year.

Bureaus with non-General Fund resources may request General Fund contingency as part of the budget monitoring processes in accordance with aforementioned appropriation guidelines. Additionally, these bureaus are expected to provide documentation and analysis which:

- Demonstrates bureau efforts to reprioritize funding within existing appropriations;
- Includes an assessment as to why an internal realignment of funding is not possible or recommended;
- Evaluates equity impacts, both for City staff and on community outcomes; and
- Identifies how the budget request ranks relative to the bureau's highest priorities.



## Review of Council Actions

The CBO shall review ordinances and significant administrative decisions submitted for Council actions. The objective of these reviews shall be to ensure compliance with the City's budget direction, identify financial and service issues, and identify impacts on businesses for the Council. The CBO shall establish and issue procedures and forms to submit fiscal impact statements for proposed Council actions.

## Operating Policies

1. **Balanced Budget.** Each City fund budget must identify ongoing resources that match expected ongoing requirements. One-time cash transfers and non-recurring ending balances may either be applied to contingencies or used to fund one-time expenditures; they shall not be used to fund ongoing programs, except as provided in section 2 below. Each year the CBO shall provide Council with the amount of discretionary revenue that is estimated to be non-recurring for the General Fund.
2. **One-time Funds.** One-time funds are resources that should be used for one-time programs and projects with a defined end date, bridge funding, or to address citywide liabilities that are not included in the City's five-year forecaster as bridge funding. Future year funding may not be committed in excess of the one-time funds projected to be available in a fund's five-year forecast.
3. **General Fund Discretionary Revenues.** Unless otherwise stated explicitly by the Council, the City shall not dedicate discretionary revenues for specific purposes in the General Fund. This shall preserve the ability of the Council to determine the best use of available revenues to meet changing service requirements.
4. **Surplus Revenue.** The City shall budget only the amount of revenue that is needed to fund projected expenditures within the fiscal year. Anticipated resources not needed to fund fiscal year spending or urgent and unforeseen contingencies shall be budgeted as unappropriated balance or reserves.
5. **Fund Balances.** The City shall budget loans and transfers when possible and as appropriate to cover negative fund and/or cash balances at year end. See FIN 2.09 Cash Management. The City shall not increase accruals or non-cash enhancements to revenues as a means to affect fund balances at fiscal year-end. Governmental and non-governmental fund balances shall be

classified appropriately for reporting purposes in accordance with GASB-required classification categories.

**6. Efficiency and Effectiveness.** The City shall optimize the efficiency and effectiveness of its services to reduce costs and improve service quality. The City shall coordinate its service delivery with other applicable public and private service providers.

7. Binding Financial Commitments Including Litigation. If, after the current year budget is adopted, there is any Commissioner-in-Charge or Bureau Director decision or any litigation that binds the City to a financial commitment of \$500,000 or greater, the matter cannot be resolved without prior Council discussion. Council members should be informed of the impending issue as soon as the Commissioner-in-Charge and Bureau Director are aware of the potential commitment.

8. Labor Costs. When the City reaches any new labor agreement, impacted bureaus shall identify any employee and/or service reductions necessary to fund costs beyond inflationary adjustments. These reductions shall be included in the fiscal impact statement accompanying the ordinance that is submitted for Council ratification of the agreement. Bureaus may ask for additional resources to offset any additional costs in a subsequent annual budget process.

9. Internal Services Costs. When budgeting for programs and service areas, bureaus shall contact the City's internal service providers to mutually determine all related internal service costs.

7910. Contingencies. The City shall budget a contingency account for each operating fund adequate to address reasonable but unforeseen requirements within the fiscal year.

#### **Current Appropriation Level**

The CBO shall calculate a Current Appropriation Level (CAL) amount for every General Fund appropriation each year. The calculation shall be for the following fiscal year and shall be completed and distributed to prepare budget requests for the coming fiscal year.

The CAL calculation shall be based on the current Adopted Budget's ongoing discretionary and overhead funding plus adjustments to include any inflation factors, and Council-adopted ordinances directing the CBO to revise a bureau's CAL allocation.

Under constraint budgeting, the CBO may adjust bureau CAL in accordance with Mayoral or Council budget guidance.

### **City-issued Grants**

The City may authorize grants for municipal purposes. Only the City Council ~~can~~ may authorize grants of any dollar amount. The Council awards grants by ordinance unless it has delegated the authority to issue specific grants to a City elected official or bureau. Grants are authorized in bureau budgets or ~~s~~Special ~~a~~Appropriations. Grants are a type of contract subject to different legal rules: Contracts are typically used to purchase goods and services to directly benefit City operations, while grants are issued for the purpose of supporting or stimulating a program or activity of the recipient. Grants ~~should~~ shall be issued after a competitive application process, unless Council waives the policy in the grant ordinance. No grantee shall receive a competitive grant from the Special Appropriations Grant Fund if that organization has received Special Appropriation funding in through the competitive grant process in the prior two fiscal years. No competitive grant from the Special Appropriations Grant Fund shall exceed \$100,000.

The City shall avoid issuing grants to assist agencies in meeting ongoing service delivery needs. No Special Appropriations grantee shall receive a grant amount from the competitive grant pool greater than 35% of the grantee's operating budget, except when the grantee has no paid staff. Each granting bureau or office shall designate a project manager to work with the City Attorney's Office to prepare grant agreements for approval. The City may audit financial records or performance data to ensure funds are spent in accordance with the purpose of the grant.

Grant agreements between the City and public agencies shall be issued as intergovernmental agreements.

### **Fund Management**

City bureaus shall strive to minimize the number of funds. New funds shall be established and classified in collaboration with the City Budget Office and ~~OMF~~ the Accounting Division of the Bureau of Revenue and Financial Services, and in accordance with GASB requirements. Creation of new funds



or elimination of existing funds shall be done by Council ordinance. The CBO shall conduct an annual review to assess if each fund is needed.

Each fund in the City shall have a statement of purpose, adopted by ordinance of the City Council, that contains several required elements. See [FIN 2.04.01](#) Fund Statement of Purpose Requirements.

Annually bureaus ~~should~~ shall report to the City Controller any change in the purpose of an established fund that would warrant reclassifying the fund per GASB.

#### **Responsibility**

The CBO shall coordinate the overall preparation and administration of the City's budget. See [FIN 2.04.02](#) Budget Process Steps. As an independent assessment of the quality of the City's budget presentation, the City shall annually seek to obtain the award for distinguished budget presentation from the Government Finance Officers Association.

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#### **HISTORY**

Resolution No. 35005, adopted by City Council June 17, 1992.

Replaced by Ordinance No. 181829, passed by City Council May 14, 2008 and effective July 1, 2008.

Amended by Resolution No. 37086, adopted by City Council August 6, 2014.

Amended by Resolution No. XXXXX, adopted by City Council xxx, x, 2019.

## **RESOLUTION No.**

Adopt revised Comprehensive Financial Management Policies; Financial Planning, Operations and Maintenance, and Budget to address the City's financial planning and annual budget processes (Resolution; amend FIN 2.03, 2.03.02 and 2.04)

WHEREAS, formal financial policies are a highly recommended component of government financial management and are endorsed by the Government Finance Officers Association (GFOA), the affiliated National Advisory Council on State and Local Budgeting, and the GFOA Distinguished Budget Presentation Awards program; and

WHEREAS, key objectives for the City's comprehensive financial management policies are to guide decision making, support long-term planning, maintain assets and infrastructure, minimize financial risk, ensure internal controls, optimize the effectiveness of service delivery, institute balanced revenue strategies, maintain financial stability, promote sound financial management, maintain credit ratings, ensure the legal use of resources, and promote collaboration; and

WHEREAS, these financial policies were last updated in 2014, and national government finance best practices recommend a frequent review and adoption of municipal financial policies; and

WHEREAS, FIN 2.03 Financial Planning and FIN 2.03.02 Operations and Maintenance have been updated to reflect City Council direction regarding the need for long-term financial planning beyond the City's five-year financial forecast; to use asset management best practices for capital assets and equipment, including reserving and funding plans; to dedicate certain portions of General Fund discretionary revenues to infrastructure maintenance or replacement projects related to emergency preparedness, parks and recreation, and transportation; and

WHEREAS, FIN 2.04 Budget has been updated to clarify the processes for requesting appropriation and contingency; to expand the allowable use of one-time funds; to require prior notification to and approval from Council for certain binding financial commitments and litigation; to require that bureaus absorb labor agreement costs that exceed inflation; to require that bureaus budget internal service costs in collaboration with internal service providers; to establish certain limits on City-issued competitive grants; and

WHEREAS, FIN 2.03, FIN 2.03.02, and FIN 2.04 have been reviewed and commented upon by City budget managers, City financial and accounting staff, and the City Budget Office, and

NOW, THEREFORE, BE IT RESOLVED, revised Comprehensive Financial Management Policies FIN 2.03 Financial Planning, FIN 2.03.02 Operations and Maintenance, and FIN 2.04 Budget, as shown in Exhibit A, are adopted as binding City policy.

Adopted by the Council:

Mayor Ted Wheeler

Prepared by: Jennifer Cooperman, CFO

Date Prepared: February 11, 2019

**Mary Hull Caballero**

Auditor of the City of Portland

By

Deputy

Agenda No. 229 291

Item Type: Resolution

No. 37419Council Meeting Date: March 13, 2019

✓/14

This document was substituted  
with a revised version.  
See final document:

Title: Adopt revised Comprehensive Financial Management Policies; Financial Planning, Operations and Maintenance, and Budget to address the City's financial planning and annual budget processes (Resolution; amend FIN 2.03, 2.03.02 and 2.04)

## AGENDA TYPE

☐ CONSENT☒ REGULAR☐ TIME CERTAIN

Start Time:

Item of

Total amount of time needed for presentation, testimony and discussion (Regular and Time Certain): 15 Minutes

INTRODUCED BY: Mayor Wheeler

## COMMISSIONER / AUDITOR APPROVAL

Mayor - Finance &amp; Administration - Wheeler

Position 1/ Utilities - Fritz

Position 2/ Works - Fish

Position 3/ Affairs - Hardesty

Position 4/ Safety - Eudaly

City Auditor - Hull Caballero

MP

## BUREAU APPROVALS

Bureau: OMF/CAO

OMF/CAO: Tom Rinehart

Digitally signed by Tom Rinehart  
Date: 2019.02.12 12:46:02 -08'00'

Bureau Approval: Jennifer Cooperman

Digitally signed by Jennifer  
Cooperman  
Date: 2019.02.11 15:37:41 -08'00'

Prepared By: Jennifer Cooperman

Date Prepared: February 11, 2019

1) Is a completed Impact Statement attached? Yes ☒2) Does the item amend the budget? Yes ☐ No ☒  
If yes, **Budget Office** Approval3) Is the item a Code ordinance? Yes ☐ No ☒  
If yes, **Auditor Office** Approval4) Is this item a contract, code, easement, franchise, comp plan or  
Charter? Yes ☐ No ☒  
If yes, **Attorney Office** Approval5a) Is item a Portland Policy Document or Administrative Rule? Yes ☒ No ☐5b) If yes, is the City Policy/Admin Rule directive in the ordinance  
or resolution? Yes ☒

## ACTION TAKEN:

MAR 13 2019 CONTINUED TO APR 03 2019 9:30 AM

CLERK USE: DATE FILED MAR 05 2019Mary Hull Caballero  
Auditor of the City of PortlandBy: 

Deputy

## FOUR-FIFTHS AGENDA

1. Fritz

2. Fish

3. Hardesty

4. Eudaly

Wheeler

## COMMISSIONERS VOTED AS FOLLOWS:

YEAS NAYS

1. Fritz

2. Fish

3. Hardesty

4. Eudaly

Wheeler