

IMPACT STATEMENT

Legislation title: Amend City Comprehensive Financial Management Policy 2.04 (Resolution)
Contact name: Brendan Finn
Contact phone: 503-823-4151
Presenter name: Claudio Campuzano

Purpose of proposed legislation and background information:

This amendment to City Comprehensive Financial Management Policy 2.04 seeks to resolve cases when bureaus have been unable to manage emergencies with their existing budgets. In the past, most of the excess balance detailed in policy 2.04 has been used in unanticipated situations. As such, this amendment would help to limit the use of excess balance in the current year to emergencies that cannot be funded with existing bureau resources.

Financial and budgetary impacts:

The amendment would ensure and encourage long term budgetary sustainability. The set aside funds will be used for five-year balancing, mitigating overhead revenue shortfalls in future years, paying down debt and emergencies in the current fiscal year. Additional language states that the use of excess balance or budgeted General Fund will require the Commissioner-in-Charge to certify in the budget request that realignment of the existing budget is not possible. This will be needed to be included in a separate amendment and not be included in the filed supplemental ordinance.

Community impacts and community involvement:

This amendment would ensure that taxpayer dollars are being used more efficiently to deliver higher-quality services to constituents.

Community input was not taken for this resolution.

100% Renewable Goal:

N/A

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

Impact Statement for Requested Council Action

EXHIBIT A

FIN-2.04 - Budget

BUDGET

Binding City Policy

BCP-FIN-2.04

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.
- 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.

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.
- Include provisions for amending the budget during the year in order to comply with State of Oregon budgetary statutes and to address unanticipated needs or emergencies.

The CBO shall coordinate the process for budget adjustments requiring Council approval.

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 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 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 maintenance or replacement. See [FIN 2.03](#) Financial Planning – Capital Asset Management. Funds that had been reserved to pay for General Fund encumbrances but are not needed for this purpose shall also be added to [this 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, or ~~other~~ [unanticipated needs or emergencies in the current fiscal year](#).

[Use of excess balance or budgeted General Fund contingency shall require the Commissioner-in-Charge to certify in the budget request that realignment of the bureau's existing budget is not possible. Any such use shall be included only through a separate amendment and not be included in the filed supplemental ordinance.](#)

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 or 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 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 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. **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.

City-issued Grants

The City may authorize grants for municipal purposes. Only the City Council can 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 special 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 be issued after a competitive application process, unless Council waives the policy in the grant ordinance.

The City shall avoid issuing grants to assist agencies in meeting ongoing service delivery needs. 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 Accounting Division, 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 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.

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, 2018.

RESOLUTION No.

Amend City Comprehensive Financial Management Policy 2.04 (Resolution; amend FIN-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) and the affiliated National Advisory Council on State and Local Budgeting, 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, 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, Portland Policy Document 2.04 (FIN 2.04) relating to budget addresses the prescribed uses of excess General Fund balance, a portion of which is to be used for a capital set aside and the remainder to be used for five-year balancing, mitigating overhead revenue shortfalls in future years due to the true-up process, paying down existing debt, or other unanticipated needs or emergencies, and

WHEREAS, in recent years, most of the excess balance described in FIN 2.04 has been used for non-emergency unanticipated needs, and

WHEREAS, the excess balance determination occurs early enough in the fiscal year such that bureaus should be able to address most unanticipated needs and emergencies within existing budgets, making internal adjustments as necessary to remain within existing appropriation, and

WHEREAS, to the degree that bureaus prove unable to manage emergencies within existing budget, the Spring Supplemental Budget serves as an appropriate alternative for requesting new resources, and

WHEREAS, an amendment to FIN 2.04 limiting the use of excess balance in the current year to emergencies that cannot be funded with existing bureau resources would better support the City's goal of long-term goals of financial sustainability and fiscal resiliency, and

WHEREAS, financial policy should require that Council introduce a separate amendment when a draw on current year General Fund resources is requested in order to increase the transparency of that request, and

WHEREAS, Special Appropriations are currently granted on a one-time basis to a number of organizations either directly through the budget process or through a competitive process coordinated by the Grants Division of the Office of Management & Finance (OMF), and

WHEREAS, FIN 2.04 states "The City shall avoid issuing grants to assist agencies in meeting ongoing service delivery needs," and

WHEREAS, the Grants Division of OMF should apply rules to applicants for one-time Special Appropriations grants that operationalize this policy and make the limitation transparent to applicants.

NOW THEREFORE BE IT RESOLVED that existing City Comprehensive Financial Management Policy 2.04, as shown in Exhibit A, is hereby amended and adopted as binding City policy, and

BE IT FURTHER RESOLVED that the Grants Division in OMF will disqualify from consideration for a one-time Special Appropriation grant any organization that has received Special Appropriations funding in the prior two years, and

BE IT FURTHER RESOLVED that the Grants Division in OMF shall ensure, through the approved Special Appropriation application procedure, that no grantee receives a grant amount greater than 35% of the grantee's operating budget.

Adopted by the Council:

Commissioner Dan Saltzman
Prepared by: Claudio Campuzano
Date Prepared: May 5, 2018

Mary Hull Caballero
Auditor of the City of Portland
By

Deputy

Agenda No.
RESOLUTION NO.

Title

Amend City Comprehensive Financial Management Policy 2.04 (Resolution); *amend
FIN-2.04*

INTRODUCED BY Commissioner/Auditor: Commissioner Dan Saltzman	CLERK USE: DATE FILED <u>MAY 08 2018</u>
COMMISSIONER APPROVAL	Mary Hull Caballero Auditor of the City of Portland
Mayor—Finance & Administration – Wheeler	By: <u><i>Susan Lassman</i></u> Deputy
Position 1/Utilities - Fritz	
Position 2/Works - Fish	
Position 3/Affairs - Saltzman <i>Don</i>	
Position 4/Safety - Eudaly	
BUREAU APPROVAL	ACTION TAKEN:
Bureau: Bureau Head:	MAY 16 2018 CONTINUED TO MAY 23 2018 <i>11am Time Certain</i>
Prepared by: Claudio Campuzano Date Prepared: May 5, 2018	MAY 23 2018 REFERRED TO COMMISSIONER OF PUBLIC AFFAIRS
Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/>	
Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input checked="" type="checkbox"/> No	
City Auditor Office Approval: required for Code Ordinances	
City Attorney Approval: required for contract, code, easement, franchise, charter, Comp Plan	
Council Meeting Date May 16, 2018	

AGENDA
TIME CERTAIN <input type="checkbox"/> Start time: _____
Total amount of time needed: _____ (for presentation, testimony and discussion)
CONSENT <input type="checkbox"/>
REGULAR <input checked="" type="checkbox"/> Total amount of time needed: <u>15 min</u> (for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz	
2. Fish	2. Fish	
3. Saltzman	3. Saltzman	
4. Eudaly	4. Eudaly	
Wheeler	Wheeler	