EXHIBIT A

FIN 2.02 – FIN 2.10

FIN 2.02 Comprehensive Financial Management Policies Overview
Binding City Policy
BCP-FIN 2.02

Policy
The City of Portland is accountable to the community for the use of public dollars. Municipal resources ~~will~~ must be used wisely to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. Financial management policies serve as the blueprint to achieve the fiscal stability required to meet the City's goals and objectives.

City Goals and Objectives
The City's goals and objectives provide the foundation for the City's financial management policies. These policies will be developed, implemented, and maintained to enable management to ensure that the City is financially able to meet its immediate and long-term service objectives.

In addition, the City as an institution has multiple partners, including community members, taxpayers, businesses, employees, and other government agencies. As a major institutional, economic, and service force in the region, it is important that the City promotes strong relationships with its partners by adopting clear and comprehensive financial policies.

Financial Policy Objectives
The objectives for comprehensive financial management policies are to:

- Guide City Council and City management policy decisions that have significant fiscal impact.
- Support planning for long-term needs and organizational sustainability.
- Maintain financial stability and sufficient financial capacity for present and future needs.
- Maintain and protect City assets and infrastructure.
- Develop, communicate, and implement appropriate internal controls to ensure accountability and minimize risk.
- Ensure the legal use of financial resources through an effective system of internal controls.
- Set forth operating principles that minimize the financial risk in providing City services.
- Optimize the efficiency and effectiveness of services to reduce costs and improve service quality.
- Employ balanced and fair revenue policies that provide adequate funding for desired programs.
- ~~Maintain financial stability and sufficient financial capacity for present and future needs.~~

- Promote sound financial management by providing accurate and timely information on the City's financial condition.
- Maintain and enhance the City's credit ratings and prevent default on any municipal financial obligations.
- ~~Ensure the legal use of financial resources through an effective system of internal controls.~~
- Promote cooperation and coordination within the City, with other governments, with the community, and with the private sector in the financing and delivery of services.

Affiliated Agencies
A number of agencies have been created through City Charter, Council action, intergovernmental agreements, and state and federal laws. These agencies are affiliated with the City and should be managed with the same financial standards as City ~~agencies~~ bureaus. To protect the City's fiscal status and avoid an adverse effect on the City, affiliated agencies will be accountable for financial compliance and reporting standards as described in the City's financial management policies. The City may audit financial records or performance data to ensure funds are spent in accordance with Council directions and policies. Affiliated agencies include, but are not limited to, agencies created by City Charter or Council action, agencies with leadership appointed by the City Council, entities identified as component units of the City, and agencies that receive a majority of funds from the City.

Related Financial Policies
The City has adopted other financial policies that guide City operations. ~~These are recognized as elements of the City's comprehensive financial management policies. They include ENB 1.01 Urban Services Policy, ENB 1.02 Urban Services Program, ENB 6.02 Local Improvement District Financing Policy, and the Transportation Fund Policy as adopted by Resolution 34423.~~ These binding City policies are included in the Portland Policy Documents.

Responsibility
~~The Chief Administrative Officer will issue, oversee and administer the City's comprehensive financial management policies. The Chief Financial Officer will review, develop and implement these policies. Individual division managers within the Bureau of Financial Services will develop and implement guidelines and procedures consistent with these policies. The Chief Financial Officer will oversee the process to review and update these policies every two years and will issue definitions. See Financial Policies Definitions.~~

The Chief Financial Officer and the City Budget Director shall be responsible for administering these policies. The City Budget Director, the Chief Financial Officer, and individual division managers within the Bureau of Revenue and Financial Services shall develop and implement guidelines and procedures consistent with these policies.

The Chief Financial Officer and the City Budget Director shall be responsible for reviewing and updating these policies, related procedures, and definitions no less than every four years. More frequent review and update of individual financial policies shall occur as specified in the individual policies or on an as-needed basis. The goal of the review and update process is to ensure the City's compliance with all applicable laws and regulations and to implement best practices in the financial disciplines.

City bureau directors and budget managers ~~will~~ shall ensure that their organizations comply with these policies and procedures, and ~~will~~ shall issue bureau-specific procedures, as needed, that are consistent with these policies. Bureau-specific policies may be more restrictive than the related Citywide policies, but may not be less restrictive.

City Council, City bureau directors and budget managers may request clarification to the CFMP policies and procedures, and/or request new or revised CFMP policies and procedures. The CBO and OMF shall consider such requests and provide a response to the requesting bureau in a timely manner.

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.

FIN 2.03 Financial Planning
Binding City Policy
BCP-FIN-2.03

Policy
The City of Portland shall ~~will~~ prepare short- and long-range financial plans to guide City Council in adopting the City budget and to assist Council in ensuring the delivery of needed services through all types of economic cycles. ~~The plans will help Council and the community evaluate the impact of financial needs of all programs within the regional and local economic conditions. The plans will also assist in coordinating funding needs among enterprise, special revenue and General Fund functions and needs.~~

Financial planning and budgeting shall ~~will~~ be based on the following principles:
- Revenue estimates shall ~~will~~ be prepared on a conservative basis to minimize the possibility that economic fluctuations could jeopardize ongoing service delivery during the fiscal year.
- Expenditure estimates shall ~~will~~ anticipate needs that are reasonably predictable.
- Forecasts shall ~~will~~ rely on a common set of basic economic assumptions that shall ~~will~~ be established, updated, and distributed by the City Budget Office ~~Financial Planning Division of the OMF Bureau of Financial Services~~. The forecasts shall ~~will~~ also identify other assumptions used in their preparation and associated risks. Examples of risks can include inflation rates, legislation and legal rulings that affect City liability, pension systems or health benefit plans, as well as regional economic trends that affect City revenues. OMF Public Finance and Treasury shall produce interest rate forecasts and debt service forecasts that are part of the common set of economic assumptions for Citywide use. The City Budget Office, with input from OMF Public Finance and Treasury, shall ~~will~~ constantly test both its financial planning methodology and use of planning tools in order to provide timely and accurate information that is widely disseminated throughout the City.

Financial Plans and Forecasts
- The Bureau of Revenue and Financial Services, in consultation with the City Budget Office, ~~Financial Planning Division~~ shall ~~will~~ prepare an annual City financial assessment report. This report shall ~~will~~ include a comprehensive overview of the City's financial condition.
- Five-year financial plans shall ~~will~~ be prepared annually for the City bureaus and funds outlined in FIN 2.03.01.~~General Fund, General Fund bureaus, major enterprise funds, special revenue funds and internal service funds. See list of bureaus and funds required to prepare plans.~~ Plans shall ~~will~~ be based on current service levels and funding sources, as well as anticipated changes to service levels and funding. If appropriate, the plans shall ~~will~~ identify additional resources needed to continue current service levels or identified service adjustments.
- ~~General Fund~~ All City bureaus shall ~~will~~ forecast and monitor their own revenues and expenditures. The ~~Financial Planning Division~~ City Budget Office shall ~~will~~ assist bureaus in developing appropriate systems to monitor budgets and identify any impact on rates or operating reserves. OMF Public Finance and Treasury shall advise

bureaus on how standards for credit rating and debt service coverage are established and maintained. The City Budget Office shall ~~will~~ retain fiscal oversight responsibility for the General Fund, and shall ~~will~~ publish regular General Fund status reports on revenues and expenditures. All other funds shall coordinate with the City Budget Office on the presentation of regular status reports on revenues and expenditures.

- ~~Enterprise and special revenue fund forecasts will identify any impact on rates. The forecasts will discuss how standards for debt service coverage and operating reserves are established and maintained. Bureaus that manage enterprise, special revenue and internal service funds will prepare and coordinate with the Financial Planning Division on the presentation of regular status reports on revenues and expenditures. Fiduciary fund forecasts will identify the impact on tax rates.~~

Capital Improvement Plans

- Each bureau that has ~~major~~ capital projects ~~assets~~ shall ~~will~~ develop and maintain five-year capital improvement plans (CIPs).
- During the fiscal year, each bureau with a CIP shall provide narrative explanations for capital program variances.
- The City shall ~~will~~ annually prepare a five-year Citywide ~~five-year~~ Capital Improvement Plan that includes prioritized bureau needs for capital replacement, additions, and major maintenance. The plan shall ~~will~~ include estimated project costs and net changes in operating costs, and shall ~~will~~ identify funding sources.
- The City shall ~~will~~ annually adopt a Capital Budget that shall ~~will~~ include estimated resources and capital expenditures based on the first year of the current Citywide Capital Improvement Plan. All borrowing plans shall be in conformance with the City's debt management policies. See FIN 2.12 Debt Management Policy.

CIP Operations and Maintenance

- The City shall ~~will~~ preserve its current ~~physical~~ assets and plan in an orderly manner for future capital investments, including the operating and maintenance costs associated with new or additional capital improvements or major equipment.
- The City shall ~~will~~ identify ~~and include~~ full costs of future maintenance needs and operating costs of new capital improvements and equipment prior to funding as part of the Capital Budget. An approved funding plan for the operations and maintenance costs shall be included as part of the Adopted Budget.
- In general, all assets shall ~~will~~ be maintained at a level that protects capital investment and minimizes future maintenance and replacement costs. A high priority should be placed on maintenance where deferring maintenance will result in greater costs to restore or replace deteriorated City assets ~~neglected facilities~~.
- Each bureau with major capital assets shall ~~will~~ maintain accurate information on the condition and lifespan of its major assets to assist in long-term planning. Each bureau with major capital assets shall ~~will~~ develop replacement cost data for major assets to assist in City asset management and investment decisions.
- Maintenance and operations of major capital assets should be given priority over acquisition of new assets, unless an analysis indicates a net benefit or the funding source to acquire or develop a new asset cannot be used for operations and

maintenance.

- ~~Factors that reduce operating and maintenance costs, such as upgrades, remodels and/or technological advances, will be considered when reviewing operation and maintenance requests.~~ Priority may be given to projects that do not require operation and maintenance adjustments or that reduce those costs.
- The budget shall ~~will~~ provide sufficient funding for adequate operations, maintenance, scheduled replacement, and enhancements of capital assets and equipment. Whenever bureaus identify that there is a significant gap ~~discrepancy~~ between the need to maintain or modernize capital assets and equipment ~~City infrastructure or facilities~~ and the funds available for such improvements, the ~~fund manager~~ bureau director shall ~~will~~ present a strategy for meeting these needs to the City Budget Director ~~Financial Planning Division~~ and the Commissioner in Charge.
- ~~Bureaus will identify operating and maintenance costs at the time a capital project or asset is planned or requested.~~
- Bureaus shall submit an estimated operations and maintenance (O&M) costs schedule at the time a capital project or asset is planned or requested. See FIN 2.03.02 Operations and Maintenance Costs.
- ~~City bureaus will work with the Portland Development Commission (PDC) to identify operating and maintenance requirements of projects funded in part or whole by PDC. General Fund bureaus with projects funded by PDC will receive a discretionary revenue increase to fund ongoing operating and maintenance costs when applicable.~~

Capital Asset Management

- The City shall ~~will~~ annually prepare a Citywide Capital Asset Management Report for Council consideration. The report shall ~~will~~ be delivered to Council ~~prior to~~ during the annual budget discussions.
- The ~~Planning~~ Bureau of Planning and Sustainability shall ~~will~~ convene a ~~Capital~~ Citywide Asset Managers Group to assist in the preparation of the report. See list of bureaus in FIN 2.03.03 Citywide Asset Managers Group. The report shall ~~will~~ provide a ~~"City as a whole"~~ Citywide perspective and shall ~~will~~ include all physical assets for those bureaus preparing ~~Capital Improvement Plans~~ capital improvement plans. It shall ~~will~~ provide an accounting of the number, condition, and replacement value of existing capital assets, and an assessment of current service levels and cost of unmet needs. The report shall ~~will~~ also identify the amount of funding needed on an annual basis to keep an asset from deteriorating, the annual funding gap over current service levels needed to bring assets up to a sustainable level of maintenance, and those assets which are currently in poor condition.
- City Council shall ~~will~~ address the funding needs identified in the report when ~~considering~~ discussing and adopting the budget.
- At least 25 percent of General Fund discretionary revenue that exceeds budgeted beginning balance (adjusted) shall ~~will~~ be allocated to infrastructure maintenance or replacement in the fall budget monitoring process. The percentage calculation shall ~~will~~ be based on any discretionary funds in excess of the budgeted beginning balance, adjusted for the difference in encumbrances carried over from the prior year~~.~~ ~~Infrastructure maintenance projects to be considered for funding will be projects~~

~~requested but not funded in the prior year's budget and projects that are underway but still require funding.~~

Responsibility

~~The Financial Planning Division of the OMF Bureau of Financial Services will coordinate the presentation of the City's financial plans; bureau directors will prepare bureau plans. The Financial Planning Division will develop and issue the list of bureaus and funds required to submit financial and capital improvement plans, define the required elements for the plans and determine the membership of the Asset Managers Group.~~

The City Budget Office (CBO) 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 five-year financial and capital improvement plans, define the required elements for the plans, and determine the membership of the Citywide Asset Managers Group. Bureau directors shall be responsible for the development and submission of bureaus' plans. OMF Public Finance and Treasury shall be responsible for providing interest rate and debt service forecasts and for working in consultation with City bureaus on debt service issues.

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.

FIN 2.04 Budget
Binding City Policy
BCP-FIN-2.04

Policy

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

- 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, ~~and~~ 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~~will~~ develop and present a proposed City budget to the Council for consideration and adoption. The Mayor's ~~proposed budget~~ Proposed Budget shall~~will~~ 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 ~~organizations~~ bureaus, and relate recommendations to the City's vision and goals.

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

Budget Monitoring
The ~~Financial Planning Division~~ CBO shall~~will~~ maintain a system for financial monitoring and control of the City's budget during the fiscal year. This monitoring system shall:~~will~~ ~~provide the Council with information on revenue, expenditures and performance at both the bureau and fund level. The system will 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 Financial Planning Division will coordinate the process for budget adjustments requiring Council approval.~~

- 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 ~~Financial Planning Division~~ CBO shall~~will~~ periodically publish General Fund financial status reports on the revenues and expenditures to date, and the estimated year-end balance. ~~At least three times a year, the Financial Planning Division~~ The CBO shall~~will~~ also review ~~all~~ 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~~will~~ 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~~will~~ also be added to ~~the~~ General Fund contingency. These funds should 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. ~~These funds will be included as a resource in the annual budget process for the upcoming fiscal year~~.

Review of Council Actions

The ~~Financial Planning Division~~ CBO shall~~will~~ review ordinances and significant administrative decisions submitted for Council actions. The objective of these reviews shall~~will~~ be to ensure compliance with the City's budget direction, ~~and to~~ identify financial and service issues, and identify impacts on businesses for the Council. The ~~Financial Planning Division~~ CBO shall~~will~~ establish and issue procedures and forms to submit fiscal impact statements for proposed Council actions. ~~The fiscal impact statement will be available on the Auditor's Office web page in the Council filing documents section.~~

Operating Policies

1. **Balanced Budget.** ~~In each fund, resources shall be equal to or exceed requirements.~~ Each City fund budget must identify ongoing resources that ~~at least~~ match expected ongoing requirements. One-time cash transfers and non-recurring ending balances may either be applied to ~~reserves~~ contingencies or used to fund one-time expenditures; they shall~~will~~ not be used to fund ongoing programs, except as provided in section 2 below. Each year the ~~Financial Planning Division~~ CBO shall~~will~~ 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 General Fund resources designed to be used for projects and purchases that can be accomplished within the fiscal year. One-time funds may be used for ongoing expenditures for one year to prepare a plan for ongoing funding, or for two years under an adopted financial plan, to transition to ongoing funding or reduced services. One-time funds may also be used for a two-year~~

~~pilot program, including related limited term positions; the program must establish and report on performance measures each year and, if needed, develop a long-term funding plan. One-time funds may be committed for up to three years for a capital project or a significant planning effort that has a finite duration of three years or less. Such a funding commitment shall be noted in the Mayor's Proposed Budget. Out-year Future year funding may not be committed in excess of the one-time funds projected to be available in the five-year General Fund forecast.~~

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~~will~~ not dedicate discretionary revenues for specific purposes in the General Fund. This shall~~will~~ preserve the ability of the Council to determine the best use of available revenues to meet changing service requirements.
4. **Surplus Revenue ~~and Fund Balances~~.** ~~From time to time additional revenue (grants or surplus beginning fund balances) will be available to bureaus or funds.~~ The City shall~~will~~ 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. ~~The City will not increase accruals and non-cash enhancements to revenues as a means to influence fund balances at year-end.~~
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~~will~~ optimize the efficiency and effectiveness of its services to reduce costs and improve service quality. The City shall~~will~~ coordinate its service delivery with other applicable public and private service providers.
7. ~~**Self-supporting/Full Cost Recovery Basis.** City operations will be run on a self-supporting basis where doing so will increase efficiency in service delivery or recover the cost of providing the service by a user fee or charge.~~
8. **Contingencies.** The City shall~~will~~ budget a contingency account for each operating fund adequate to address reasonable but unforeseen requirements within the fiscal year.

Current Appropriation Level

The ~~Financial Planning Division~~ CBO shall~~will~~ calculate a Current Appropriation Level (CAL) amount for ~~each~~ every General Fund ~~bureau~~ appropriation each year. The calculation shall~~will~~ be for the following fiscal year and shall~~will~~ be completed and distributed ~~to all General Fund bureaus~~ in time ~~for the bureaus to use their CAL allocation~~ to prepare ~~their~~ budget requests for the coming fiscal year.

The CAL calculation shall~~will~~ be based on the current Adopted Budget's ~~prior year's~~ ongoing discretionary and overhead funding ~~level from discretionary money in the General Fund and General Fund overhead, where applicable.~~ plus adjustments ~~will be made~~ to include any inflation factors~~,~~ ~~changes due to Council-adopted policy, Council-approved contracts~~ and Council-adopted ordinances directing ~~OMF~~ 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 ~~may~~ be issued after a competitive application process, unless Council waives the policy in the grant ordinance ~~but they do not require a competitive solicitation process. See Grants Administration.~~

The City shall~~will~~ avoid issuing grants to assist agencies in meeting ongoing service delivery needs. Each granting bureau or office shall~~will~~ 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. ~~A review and report by the Financial Planning Division CBO will be required prior to Council action.~~ The ~~Financial Planning Division~~ CBO shall~~will~~ conduct an annual review to assess if each fund is needed.

Each fund in the City shall~~will~~ have a statement of purpose, adopted by ordinance of the City Council, that contains several required elements~~; internal service funds have additional 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.

~~**Funds That Receive General Fund Support**~~

~~For funds that receive General Fund support in addition to fees and charges or other~~

~~dedicated revenues, a rationale for the General Fund support will be included, along with a means for determining the annual level of that support or conditions under which the support should be eliminated.~~

~~Enterprise Funds~~
~~For enterprise funds, the required level of debt service coverage for the fund and a description of the relationship between operating and construction funds will be included.~~

Responsibility
The ~~Financial Planning Division of the OMF Bureau of Financial Services~~ CBO shall~~will~~ 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~~will~~ 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.

FIN 2.05 Financial Reporting
Binding City Policy
BCP-FIN-2.05

Policy
~~The City shall maintain a system of financial monitoring, control and reporting for all operations, funds and agencies to provide effective means of ensuring that overall City goals and objectives will be met and to assure the City's citizens, partners and investors that the City is well managed and fiscally sound.~~

The City shall maintain clear, accurate, and understandable financial reporting that provides accountability and transparency for all components of the City's financial affairs and ensures compliance with applicable statutory and other regulatory requirements. The City's financial reports must meet requirements established by applicable governmental regulatory oversight organizations.

The City shall also maintain a system of financial monitoring, internal controls, and reporting for all operations, funds, and agencies to provide an effective means of ensuring that overall City goals and objectives are met, as well as to provide Portland's citizens, residents, businesses, contractors, partners, and investors with accurate and timely financial information that communicates the City of Portland's economic condition and financial status.

Accounting Practices
The City shall establish and maintain Citywide accounting practices that conform to Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Financial Reporting
~~The City will maintain its accounting records and report on its financial condition and results of operations in accordance with state and federal law and regulations, Generally Accepted Accounting Principles (GAAP) and standards established by the Governmental Accounting Standard Board (GASB). Budget reporting will be in accordance with Oregon Local Budget Law.~~

- ~~A qualified independent firm of certified public accountants will perform an annual financial and compliance audit of the City's financial statements. The firm's opinions will be presented in the City's Comprehensive Annual Financial Report (CAFR), in the single audit report as required by the Single Audit Act of 1984 and in the independent auditor's Report on Compliance and on Internal Control over Financial Reporting.~~
- ~~The CAFR will be designed to communicate with citizens about the financial affairs of the City.~~
- ~~As an additional independent assessment of the quality of the City's financial reporting, the City annually will seek to obtain the certificate of achievement for excellence in financial reporting from the Government Finance Officers Association.~~
- ~~The City will minimize the number of funds. The funds will be categorized by~~

~~standard GAAP functional classifications but also may be referred to by City of Portland fund types. The City will list current funds and their related GAAP functional classification as well as their City fund type in the Comprehensive Annual Financial Report.~~

Comprehensive Annual Financial Report

The City shall prepare a Comprehensive Annual Financial Report (CAFR) each year which must be prepared in accordance with GAAP, GASB, state and federal laws and regulations including Oregon Local Budget Law. The report must also meet the requirements of the Governmental Finance Officers' Association's Certificate of Achievement of Excellence in Financial Reporting. The City shall strive to present financial reports following best practices.

Annual Financial Audit

The City Auditor shall contract with a qualified firm of independent certified public accountants to perform an annual financial and compliance audit of the City's financial statements. The firm's opinions must be presented in the City's CAFR and the Single Audit Report.

Other City Financial Reports

In order to ensure transparency and consistency Citywide, all other financial reports issued by the City should use the best available data as the basis for reporting, which in most cases should be consistent with audited information as presented in the CAFR. City financial reports should identify the source of the data.

Availability of Reports to the Public

The City's CAFR, annual financial audit, and other financial reports will be made available for public inspection and, to the extent practicable, be posted on the City's web site.

Responsibility

The Accounting Division of the OMF Bureau of Revenue and Financial Services shall implement this policy and report to the Chief Financial Officer on compliance issues. The Accounting Division ~~will~~ shall also develop and maintain Accounting Administrative Rules, which are published in the Portland Policy Documents.

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.

EXHIBIT A

FIN 2.06 Revenue
Binding City Policy
BCP-FIN-2.06

Policy

The City shall~~will~~ maximize and diversify its revenue base to raise sufficient revenue to support essential City services and to maintain services during periods of declining economic activity. City services providing private benefits should be paid for by fees and charges as much as possible to maximize flexibility in the use of City general revenue sources to meet the cost for services of broader public benefit. The City's overall revenue structure shall~~will~~ be designed to recapture some of the financial benefits resulting from City economic and community development investments. Revenue collection efforts that produce positive net income for City service delivery shall~~will~~ be the highest budget priority.

~~Bureaus that primarily or exclusively operate with non-General Fund revenue will minimize reliance on General Fund support for discrete programs that are not supported with fees.~~

~~**Cost Recovery**~~

~~Charges for services that benefit specific users should recover full costs, including all direct and indirect costs. General Fund overhead, loss of interest and depreciation on capital plant and equipment. Bureau overhead rates and General Fund overhead allocations will be established annually by the Office of Management and Finance.~~

~~The City may subsidize the services funded primarily by user fees based on other City objectives such as remaining competitive within the region. However, all such services will be presumed to be 100 percent cost reimbursable unless the Chief Administrative Officer Budget Director makes a specific exception.~~

Additional Resources
The City shall~~will~~ obtain and use ~~and obtain~~ resources according to the following principles:

1. The City shall~~will~~ use as efficiently as possible the resources that it already collects.
2. The City shall~~will~~ collect as efficiently as possible the resources to which it is already entitled.
3. The City shall~~will~~ seek new resources, consistent with its financial policies and City goals.
4. The City shall~~will~~ strive to keep a total revenue mix that encourages growth and keeps Portland competitive in the metropolitan area.
5. The City shall~~will~~ enforce its authority to collect revenue due the City, including litigation if necessary.

Grants

The City shall~~will~~ avoid using one-time grant revenues to meet ongoing service delivery needs. Prior to a grant application submittal, or acceptance if an application is not required, all grants shall~~will~~ be reviewed by the ~~Financial Planning Division of the OMF Bureau of Financial Services~~ OMF Grants Unit-to ensure compliance with state, federal, and City regulations. The City shall~~will~~ budget expenditures for grant-funded programs only after receipt of the grant award or letter of commitment or approval from the Grants Unit.~~and only~~ The budget shall only include appropriation for the amount of the grant award to be expended within the fiscal year.

Unfunded Mandates

The City shall~~will~~ oppose state or federal actions that mandate expenditures that the Council considers unnecessary and are unfunded. The City shall~~will~~ pursue intergovernmental funding to support the incremental cost of such mandates.

~~Bureau-generated Revenues~~ Cost Recovery

City services that benefit a specific user and whose quantity, quality, and/or number of units may be specified should be paid for by fees and charges. All bureaus charging fees are required to complete fee studies based upon cost-of-service principles. These studies are to be updated at a minimum of every ~~two~~ three years and provided to City Council and the ~~Financial Planning Division~~ City Budget Office in the ~~requested budget~~ Requested Budget-submission. Bureaus that provide water, sewer, storm water, and solid waste services shall~~will~~ update their fee studies in their annual rate ordinances.

The fee studies and structures shall~~will~~ take into account:

- The degree to which a service provides a general benefit in addition to the private benefit provided to a specific business, property, or individual.
- The economic impact of new or expanded fees, especially in comparison with other governments within the metropolitan area. Business service activities that recover costs through rates and interagency agreements will periodically compare the cost of their fees and rates with other comparable agencies and/or businesses, and report these findings to their customers.
- The true or comprehensive cost of providing a service, including the cost of fee collection, ~~and~~ administration, and other indirect costs. Bureau indirect rates will be established annually by the City Budget Office.
- The impact of imposing or increasing fees on economically at-risk populations and on businesses.
- The overall achievement of City goals. The City may subsidize the services funded primarily by user fees based on other City objectives.

All fee revenues are dedicated to the bureau that generates them.

EXHIBIT A

Revenue Projections, Surpluses and Shortfalls

- ~~Revenue Projections.~~ Bureaus shall conservatively ~~estimate~~ forecast revenue.
- ~~Revenue Surpluses.~~ Bureaus shall retain all excess bureau-generated revenue. Revenues collected in excess of program expenditures ~~Surpluses above the budgeted revenue estimate~~ shall~~will~~ be available to the bureau for appropriation through the budget monitoring process. Additional appropriations shall be used for activities that support the function or program generating the additional fees. Bureau-generated revenue shall be defined as licenses and permits, fines, fees, intergovernmental, and specific program revenues (miscellaneous sales). They shall exclude all interagency and General Fund discretionary or overhead resources.
- ~~Revenue Shortfalls.~~ Overall bureau revenue shortfall requiring additional discretionary General Fund resources shall~~will~~ result in a bureau current appropriation level reduction. The reduction shall be equal to discretionary resources above budget amounts and shall~~will~~ be made in the following fiscal year and only for that fiscal year. In the event of a current fiscal year projected total revenue shortfall, the bureau is required to document other offsetting revenues or reduce its budgeted expenses within the regular budget monitoring process. See FIN 2.04 Budget. ~~Additional General Fund discretionary appropriation will not be transferred to cover revenue shortfalls without Council authorization.~~

Responsibilities

The ~~Financial Planning Division of the OMF Bureau of Financial Services~~ CBO shall~~will~~ oversee compliance of this policy with the participation of all revenue-producing bureaus and shall~~will~~ issue roles and responsibilities for the bureaus. See FIN 2.06.01 ~~r~~Roles and R~~r~~esponsibilities for R~~r~~evenue.

HISTORY

Resolution No. 35005 and Resolution No. 35006, 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 Ordinance No. 182377, passed by City Council November 26, 2008 and effective December 26, 2008.

FIN 2.07 Reserve Funds
Binding City Policy
BCP-FIN-2.07

Policy

Reserve funds shall~~will~~ be established and maintained to ensure the continued delivery of City services to address emergencies, address ~~a~~ temporary revenue or cash shortfalls, or provide stability during economic cycles. Reserve funds shall contain amounts that have a specific non-routine purpose and may contain amounts that are set aside for temporary routine shortfalls. ~~Sufficient reserve funds will be managed to provide adequate cash flow, stabilize the City's interest rates, and provide continuity in service delivery.~~

Reserve funds that formally set aside amounts for use in emergency situations or revenue shortfalls are considered "stabilization arrangements" under Government Accounting Standards Board (GASB) guidance. Stabilization arrangements can only be expended when certain specific non-routine circumstances exist. Per GASB, the portion of ending fund balance in reserve funds dedicated to stabilization arrangements should be treated as "restricted" or "committed".

Amounts set aside in reserve funds to provide temporary coverage in the event of a cash or revenue shortfall, or a negative fund balance at fiscal year-end, are considered routine in nature, and may be treated as "committed" or "assigned" segments of ending fund balance. The City shall maintain adequate cash reserves in each fund to maintain a positive cash position and ending fund balance ~~at any time during a fiscal year and~~ at year end.

General Reserve Fund

The City shall~~will~~ maintain a General Reserve Fund to:

- Insulate General Fund programs and current service levels from large and unanticipated one-time expenditure requirements, a revenue reduction due to a change in state or federal legislation, adverse litigation, or any similar unforeseen action.
- Temporarily insulate General Fund programs and current service levels from slower revenue growth that typically occurs during an economic recession.

The level of the General Reserve Fund shall be at least 10 percent of ~~the~~ General Fund discretionary and overhead resources ~~revenues~~ less beginning fund balance. ~~any short-term borrowing receipts, intrafund and grant revenues.~~

There are two required components of ~~parts to~~ the General Reserve Fund: the emergency reserve and the countercyclical reserve.

General Reserve Fund: Emergency Reserve

The Council reserves one half of the required General Reserve Fund as an emergency reserve. The emergency reserve is available to address one-time emergencies and unanticipated expenditure requirements or to offset unanticipated revenue fluctuations occurring within a fiscal year. The Council may withdraw funds from the emergency reserve when the Council has declared an emergency by ordinance and after the General Fund's budgeted contingency is exhausted. The emergency reserve shall~~will~~ be accessed only when emergency expenditures or an unexpected revenue reduction would result in a negative General Fund ending fund balance.

The Council shall~~will~~ begin to restore emergency reserves used under this policy within 24 months after their first use and shall include a timeline for full reimbursement in the ordinance declaring the emergency.

General Reserve Fund: Countercyclical Reserve
The second half of the required General Reserve Fund is designated as a countercyclical reserve. The Council may use this to transition ~~either maintain current General Fund services and programs or transition~~ expenditure growth to match slower revenue growth during an economic recession ~~the first 18 to 24 months of a recession~~.

The countercyclical reserve is designated for use as "bridge funding" necessary to offset slower revenue growth during a recession. For purposes of the policy, slower revenue growth triggers the Council's assessment of use of this reserve when year-over-year basic revenue growth falls to below ~~3~~ three percent for two consecutive quarters or the financial forecast estimates that basic revenue growth shall~~will~~ be below ~~3~~ three percent for the next fiscal year. Basic revenue is defined as the sum of General Fund property tax, business license tax, utility license/franchise fees, cigarette and liquor taxes, transient lodging taxes and interest income.

In addition, one or more of the following conditions must occur in conjunction with slower basic revenue growth:

1. Local housing prices have fallen by more than 10% at any time in the prior 24 months.
2. The year-over-year change in the unemployment rate for the City of Portland has risen by more than two percentage points at any time in the prior 12 months.
3. Year-over-year growth in metro area employment has fallen by at least 2% at any time in the last 12 months.
4. ~~The Portland Metropolitan Area (PMSA) unemployment rate is reported above 6.5 percent for two consecutive quarters, or the financial forecast estimates PMSA unemployment will average in excess of 6.5 percent for the next fiscal year.~~
5. ~~The property tax delinquency rate exceeds 8 percent.~~
6. ~~Business license tax year-to-year revenue growth falls below 5.5 percent for two consecutive quarters or the financial forecast estimates business license tax revenue growth at less than 5.5 percent for the next fiscal year.~~

The Council shall~~will~~ begin to restore countercyclical reserves used under this policy within 24 months after their first use, and shall include a timeline for full reimbursement via ordinance.

Authorized Uses of the General Reserve Fund
Prior to the use of General Reserve Fund resources for either emergency or countercyclical purposes, the ~~Financial Planning Division of the OMF Bureau of Financial Services~~ City Budget Office shall~~will~~ prepare and distribute a report to Council addressing the requirements for use of the reserve and the amount of funds requested. The report shall be presented to the Council prior to the meeting at which the Council makes a decision on use of General Reserve Fund resources.

Unauthorized Uses of the General Reserve Fund
Revenue shortfalls associated with bureau service reimbursement income, contract income or cost recovery revenues may not be offset by a transfer of resources from the General Reserve Fund. The General Reserve Fund is not intended to be used to fund labor contract settlements.

Transportation Reserve Fund
The Portland Bureau of Transportation shall maintain a Transportation Reserve Fund. There are two stabilization agreement components to the Transportation Reserve Fund: the emergency reserve and the countercyclical reserve.

Transportation Reserve Fund: Emergency Reserve
The transportation reserve policy sets this reserve amount at five percent of the Portland Bureau of Transportation's Adopted Budget gas tax and on-street parking revenues. Fund emergency reserve amounts are used to fund major one-time unexpected requirements, such as those related to a structural failure or road emergency associated with a natural disaster or event.

Transportation Reserve Fund: Countercyclical Reserve
The transportation reserve policy sets the countercyclical reserve amount at five percent of the Portland Bureau of Transportation's Adopted Budget gas tax and on-street parking revenues. Countercyclical reserves are used to maintain current service level programs or buffer the impact of major revenue interruptions, such as those caused by an economic recession.

When the Transportation Reserve Fund drops below the levels called for by policy, the Portland Bureau of Transportation shall transfer funding annually to the Transportation Reserve Fund until the policy requirements are met.

Fire & Police Disability & Retirement Reserve Fund
The Fire & Police Disability & Retirement Reserve Fund was established by City Charter and is to be maintained in the amount of $750,000. It is for use only in the event the Fire & Police Disability & Retirement Fund becomes depleted to the extent that current obligations cannot be met.

Debt Reserve Funds

EXHIBIT A

In conformance with FIN 2.12 Debt Management, debt reserve funds may be established to comply with legally required bond covenants, or may be voluntarily established to support timely repayment of debt obligations.

Responsibility

The ~~Financial Planning Division of the OMF Bureau of Financial Services~~ City Budget Office shall~~will~~ manage and monitor the General Reserve Fund:~~,~~ all other reserve funds shall be managed and monitored by the managing bureau as identified in the Adopted Budget.

The City Budget Office ~~and~~ shall~~will~~ report on the current and projected level of all ~~the~~ reserve funds during each budget process.

History

No. 34722, adopted by City Council May 3, 1990. Replaced by Ordinance No. 181829, passed by City Council May 14, 2008 and effective July 1, 2008.

EXHIBIT A

FIN 2.08 Cost Allocation
Binding City Policy
BCP-FIN-2.08

Policy
The City shall~~will~~ establish and maintain a consistent methodology for allocating the costs of the City's central service functions and activities that benefit or are used by several City bureaus~~organizations~~. The goal is to provide stable, predictable, and equitable costs and rates to organizations that pay for these services.

The two primary methods used to allocate central services costs to City organizations are the General Fund Overhead (GFOH) model and interagency agreements. ~~Business service activities that recover costs through rates and interagency agreements will periodically compare the cost of their fees and rates with other comparable agencies and/or businesses, and report these findings to their customers in their fee study.~~

General Fund Overhead (GFOH)
Costs shall~~will~~ be allocated for general central support services or activities budgeted in the General Fund. See FIN 2.08.01 General Fund Overhead Model list of services and activities.

~~Bureaus and operations that are budgeted in the General Fund do not pay General Fund Overhead.~~ The amount to be recovered through the GFOH model shall include all costs of the bureau or activity less all internal and external revenue. See FIN 2.08.02 cost allocation criteria and metrics.

The ~~Financial Planning Division of the OMF Bureau of Financial Services~~ City Budget Office shall~~will~~ provide each paying agency with its projected GFOH costs in a timely manner so the costs can be included in each agency's budget request.

The ~~Financial Planning Division~~ City Budget Office shall~~will~~ establish and staff a General Fund Overhead Advisory Committee to assist ~~Financial Planning~~ the CBO in the management of the GFOH system. See FIN 2.08.03 General Fund Overhead Advisory Committee list of bureau committee members. ~~Financial Planning~~ The CBO shall~~will annually~~ review ~~the updated~~ any updates to the GFOH model with the Committee to ensure that it meets the goal of providing a stable, predictable, and equitable allocation of GFOH costs.

Every five years, ~~Financial Planning~~ the CBO shall~~will~~ conduct a comprehensive review of the GFOH model to identify any needed changes. The results of this review and any recommendations shall~~will~~ be provided to the Council.

The ~~budget will include~~ CBO shall publish a table showing the City's GFOH metrics and the share each fund is paying.

Interagency Agreements (IAs)

EXHIBIT A

~~Costs for services or activities provided to customers that can be defined on a per unit basis based on actual consumption will be allocated through rates.~~ Interagency service agreements are agreements between bureaus for the exchange of goods or services for payment. Designated business service activities shall~~will~~ recover their costs by charging rates. The system of interagency agreements involves budgeting, billing, and service description components.

Those bureaus recovering such costs through the use of rates shall do so through the use of interagency agreements between the providing bureau and the receiving bureau. The amount to be recovered by those bureaus through rates shall include all direct and indirect costs ~~(bureau overhead rates)~~ of providing the service. ~~the bureau less any external revenue~~ IAs are considered as part of the budget process and may only be adjusted by ordinance. See FIN 2.08.04 Interagency Agreements.

Responsibility
The City Budget Director is authorized to develop and issue procedures with input from Council, bureaus, and other appropriate stakeholders in order to implement the General Fund Overhead Model.

The City Budget Director, in consultation with the Chief Administrative Officer, is authorized to develop and issue procedures with input from Council, bureaus, and other appropriate stakeholders in order to implement the cost allocation policies related to interagency agreements.

History
Resolution No. 35089, adopted by City Council December 16, 1992.
Replaced by Ordinance No. 181829, passed by City Council May 14, 2008 and effective July 1, 2008.

FIN 2.09 Cash Management
Binding City Policy
BCP-FIN-2.09

Policy
The City ~~will~~ shall manage its cash assets to ~~ensure accurate records, reduce the chance of loss or theft and allow the City to maximize interest income~~ preserve principal, provide ample liquidity to meet the City's daily cash requirements, and generate a fair return. OMF's Bureau of Revenue and Financial Services Public Finance and Treasury Division ~~will~~ shall ensure the accurate and timely accounting, investment, and security of all cash assets~~, and will develop, maintain and constantly seek to improve cash management systems~~.

Cash Balances
The City shall maintain adequate cash balances in each fund to maintain a non-negative cash position at the end of the fiscal year. Each bureau shall be responsible for monitoring all funds within the purview of its budget to ensure that cash positions remain non-negative at year-end. See FIN 2.09.01.

Banking and Cash Deposits
~~All cash received by City agencies will be deposited to Treasury accounts in accordance with Accounting Administrative Rules.~~
City bureaus shall deposit all cash received to qualified depositories for public funds and collateralized, as prescribed by Oregon Revised Statutes.

Only the City Treasurer is authorized to establish bank accounts for the City.

Responsibility
The Public Finance and Treasury Division and the Accounting Division of the Bureau of Revenue and Financial Services ~~will~~ shall assist bureaus in complying with this policy.

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

37086

EXHIBIT A

FIN-2.10 - Electronic Payment Processing Services
Binding City Policy
BCP-FIN-2.10

Policy
~~The City will ensure that its banking services, systems and procedures, including electronic payment processing, are easy for the public to use, provide a cost-effective service and maintain security for transactions.~~

The City shall ensure its electronic payment processing services, systems, and procedures are easy to use, cost effective, and secure.

The OMF Bureau of Revenue and Financial Services' Public Finance and Treasury Division ~~will~~ shall ~~establish~~ contract for and maintain all City banking-related services, including those related to payment card and automated clearinghouse (ACH) processing. ~~or ACH (automated clearinghouse) processing.~~ Payment cards refer to credit and debit cards. Electronic payment processing refers to the use of credit, debit, ~~or~~ and ACH methods of payment.

Bureaus that provide electronic payment processing options ~~will~~ shall be responsible for all direct and indirect costs associated with providing the service.

Bureaus interested in ~~using payment cards~~ offering electronic payment processing as a payment option for City services ~~will~~ must submit a written request for approval to ~~the Treasury Division,~~ their bureau's Technology Business Consultant and ~~will~~ must agree to comply with all standards and policies related to ~~payment card~~ electronic payment processing. Prior to submitting ~~approval of the~~ requests, bureaus ~~will~~ shall consider the financial and operational impacts of providing this service. ~~perform a cost/benefit analysis that assesses the financial and operational impacts of providing this service and assesses alternatives to credit/debit card use.~~ See FIN 2.10.01 ~~Cost/Benefit Analysis~~ Guidelines for Electronic Payment Processing Services.

Bureaus ~~will~~ shall use the City's e-Commerce platform (also known as the City's payment processing gateway or PPG) for all electronic payment ~~card~~ processing services. See FIN 2.10.02 Technical Requirements for Electronic Payment Processing Services. Exceptions to this requirement must be approved by the City Treasurer to ensure all electronic payment processing solutions meet all financial and depository requirements. ~~The Chief Technology Officer will review requests for exceptions to this requirement based on the financial and/or technical requirements presented in the cost/benefit analysis.~~

To protect cardholder data and to ensure the best merchant pricing, bureaus shall use best practices for accepting and processing payment cards. See FIN 2.10.03 Best Practices for Processing Payment Card Transactions.

Public Finance and Treasury ~~will~~ shall confer with the Accounting Division and Bureau of Technology Services prior to approving bureaus' requests.

Security Standard

All electronic payment ~~processing~~ services must be processed in a City-approved secure environment. The Payment Card Industry - Data Security Standard (PCI-DSS) shall be the City's standard for processing electronic payments in a secure environment. This PCI-DSS standard addresses ~~environment includes~~ the physical, network, and software environment for ~~the~~ payment card services. Bureaus that use City-approved external software for electronic payment processing services ~~will~~ shall use only software that is Payment Application-Data Security Standard (PA-DSS) compliant. PA-DSS is a set of software security standards related to PCI-DSS which ~~and~~ applies to software vendors and others who develop payment applications that store, process, or transmit cardholder data as a part of authorization or settlement. The Bureau of Technology Services has determined that a PCI-DSS compliant environment meets the U.S. Department of Treasury recommendation to process ACH payments with sound, risk-based security controls in all ACH systems.

Bureaus, and their approved agents ~~third-parties~~, that accept payment cards as a method of payment for services ~~will~~ shall maintain compliance ~~comply~~ with all current and applicable ~~Payment Card Industry - Data Security Standard (~~PCI-DSS~~)~~ requirements as established by the PCI Security Standards Council (or its successor). ~~Any~~ All designated agents, such as ~~a~~ third-party payment card processors acting on behalf of a City bureau, must provide proof of PCI-DSS compliance~~/certification evidenced and~~ as validated by a Qualified Security Assessor (QSA) and an Approved Scan Vendor (ASV) that is registered and certified by the PCI Security Standards Council. See FIN 2.10.02 Technical Analysis Requirements.

Third-party processors and/or agents acting on behalf of City bureaus in the collection of funds are required to deposit in a timely manner all collected funds directly to a City owned and collateralized bank account. See FIN 6.10 Cash.

Responsibility

~~The Chief Administrative Officer is authorized to develop and issue policies and procedures with input from Council, bureaus and other appropriate stakeholders in order to implement the electronic payment processing policy. The City Treasurer will provide guidance and direction to bureaus to prepare the cost/benefit analysis for electronic payment card processing. The Chief Technology Officer will provide guidance and direction to bureaus in the technical requirements and security policies.~~

The Public Finance and Treasury Division and the Bureau of Technology Services shall together assist bureaus in complying with this policy.

History

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

EXHIBIT B

FIN-2.12 - Debt Management
DEBT MANAGEMENT
Binding City Policy
BCP-FIN-2.12

Policy
The City's Debt Management Policy sets forth the responsibilities and authorities of the City, the City Debt Manager, the Chief Financial Officer and the Chief Administrative Officer (CAO) in managing the City's debt program. See full text of the Debt Management Policy.

Responsibility
The City Debt Manager ~~will~~ shall be responsible for the implementation of this policy. Any amendments to this policy must be approved by the City Council after seeking the advice of the CAO or designee and the City Debt Manager.

HISTORY
Resolution No. 35451, adopted by City Council October 4, 1995.
Replaced by Ordinance No. 181829, passed by City Council May 14, 2008 and effective July 1, 2008.

City of Portland, Oregon--Debt Management Policy~~ies~~

I. GENERAL PROVISIONS ~~COMPREHENSIVE CAPITAL PLANNING AND FINANCING SYSTEM~~

A. Purpose of Debt Management Policy. This Debt Management Policy provides a general framework under which the City plans for and manages the use of debt financing. This Debt Management Policy should be considered within the broader scope of the City's Comprehensive Financial Policies and other City rules and regulations. In addition to adhering to this Debt Management Policy, all City financings will be conducted and maintained in compliance with applicable Federal law, Oregon Revised Statutes, City Code and other regulatory requirements.

B. Capital Financing Proposals. Bureau Directors shall be responsible for ensuring that any capital financing proposal involving a pledge of the City's credit through the sale of securities, execution of loans or capital leases, or making of guarantees or agreements directly or indirectly pledging or lending of the City's credit shall be referred to the Debt Manager. The Debt Manager shall be responsible for analyzing the proposal, responding to the proposal, and recommending the action to be taken.

C. Debt Planning and Administration. The Debt Manager shall be responsible for administering the City's debt programs, including monitoring ongoing compliance with the City's Debt Management Policy.

It shall be the responsibility of the Debt Manager to coordinate the timing, process, and sale of City debt required in support of the City's Capital Improvement Plan ("CIP"). The Debt Manager shall make recommendations to the City Council as necessary in order to accomplish City financing objectives.

Bureaus (defined for purposes of this Debt Management Policy as any City bureau, agency, project or program that utilizes debt financing) are responsible for coordinating with the Debt Manager in connection with any planned or active debt financing to ensure compliance with the City's Debt Management Policy.

D. Investor Communication. The Debt Manager shall be the City's centralized point of contact for questions from current or prospective bondholders, bond rating agencies and credit analysts regarding City bond issues, bond disclosure and this Debt Management Policy.

E. Periodic Review of Debt Management Policy. At least annually, the Debt Manager shall perform a thorough review of the City's Debt Management Policy and recommend updates for City Council approval, if appropriate. The Debt Management Policy may be updated at any time, subject to City Council approval.

F. Comprehensive Capital Planning and Financing Approach. The City shall utilize an integrated approach to capital planning and financing ~~in preparing~~ and shall prepare a multi-year ~~Capital Improvement Plan~~ CIP for City Council consideration and adoption. Individual bureaus and agencies shall develop multi-year capital plans. Coordination and ~~preparation of~~ integration of these individual capital plans into the ~~Citywide Capital Improvement Plan (the "CIP")~~ shall reside with the ~~Office of Management and Finance~~ City Budget Office; however, the Debt Manager shall be included in the CIP process for issues related to debt financing. The CIP shall be for the ~~ensuing~~ following five fiscal years and shall be updated at least annually as part of the City budget process. The CIP shall contain a comprehensive description of the sources of funds, including current revenue requirements; identify the timing of project expenditures and their impact on future operating and capital budgets; and evaluate the impact of the projects on the amount and timing of bonds to be issued, debt service requirements, outstanding debt, and debt burden. In developing the CIP, ~~an assessment shall be undertaken~~ the City Budget Office shall coordinate with the Debt Manager to determine whether the planned financings conform with policy targets related to (1) the magnitude and composition of the City's indebtedness, and (2) the fiscal resources of the City to support such indebtedness ~~over the next five years~~ during the five-year CIP horizon and through the final maturity of the proposed debt. Affordability impacts of the CIP shall be evaluated in consultation with the various ~~City~~ Bureaus.

Most recent date of Amendment: 2014

G. Debt Authorization for Capital Projects. The City shall authorize use of long-term debt only to fund capital projects and related capitalizable expenditures; long-term debt shall not be authorized to fund short-term operational obligations. No City debt ~~issued for the purpose of finding capital projects~~ shall be ~~authorized by City Council~~ issued to fund capital projects unless such capital project has been included in the CIP ~~or until the Council has modified the CIP~~ and authorized by City Council. Including in the CIP may occur as part of an action related to budget approval or budget adjustment. Such ~~modification~~ approval shall occur only after ~~the~~ City Council has received a report of the impact of the contemplated borrowing on the ~~existing~~ CIP and/or budget and recommendations ~~as to the financing arrangements~~ from the ~~Bureau of Financial Services~~ Debt Manager and the City Budget Office regarding the ability of the financing payments to be supported by existing or new revenues.

~~B~~H. Pay-As-You-Go Funding of Capital Outlays. When feasible, the ~~The~~ City shall ~~strive to~~ make contributions from ~~its own~~ current ~~revenues~~ resources or from outside funding sources~~,~~ (such as state or federal grants)~~,~~ to each capital project or program. The target contribution shall be equal to at least 5% of ~~its~~ the total capital cost of a project or program.

~~C~~I. Maintenance, Replacement and Renewal. Consistent with its philosophy of keeping its capital facilities and infrastructure systems in good repair and to maximize the capital stock's useful life, the City will strive to set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic renewal and replacement ~~and renewal~~.

J. **Investment of Tax-Exempt Bond Proceeds.** The City Treasurer, in consultation with the Debt Manager, shall be responsible for investing unspent tax-exempt bond proceeds in accordance with legal requirements and City Investment Policy.

~~**D.** **Debt Authorization.** No City debt issued for the purpose of funding capital projects shall be authorized by the City Council unless it has been included in the CIP or until the Council has modified the CIP. Such modification shall occur only after the Council has received a report of the impact of the contemplated borrowing on the existing CIP and recommendations as to the financing arrangements from the Bureau of Financial Services.~~

~~**E.** **Debt Planning.** It shall be the responsibility of the Debt Manager to coordinate the timing, process, and sale of City debt required in support of the CIP. The Debt Manager shall make recommendations to the City Council as necessary in order to accomplish City financing objectives.~~

II. LIMITATIONS ON CITY INDEBTEDNESS

A. **Target Limitations on Non-Self-Supporting Unlimited Tax General Obligation Indebtedness.** The City shall, as a matter of policy, ~~conduct~~ manage its finances so that the amount of direct, non-self-supporting, unlimited tax general obligation ("UTGO") debt outstanding at any time that is subject to approval by the voters ~~(excluding long-term, non-self-supporting leases)~~ does not exceed 0.75% of ~~the City's~~ citywide taxable real market value. This limitation shall not apply to self-supporting UTGO debt, if any, or indebtedness as described in Section II.H. below.

B. **Target Limitations on Non-Self-Supporting Limited Tax Indebtedness.** The City shall, as a matter of policy, manage its finances so that the amount of direct, non-self-supporting, limited tax indebtedness and full faith and credit capital lease ~~purchase~~ obligations outstanding at any time that are not subject to approval by the voters does not exceed 1.0% of ~~the City's~~ citywide taxable real market value. Furthermore, the City shall strive to limit the annual debt service requirements on these obligations to an amount not greater than 7% of annual General Fund revenues. For purposes of this calculation, General Fund revenues include all revenues actually allocated to the General Fund with the exception of general obligation bond levies, the Fire and Police Disability and Retirement Fund levy and General Fund beginning balance.

These limitations apply to debt obligations issued with a ~~specific~~ security pledge of the City's General Fund, ~~obligations secured by a pledge~~ or of the City's full faith and credit, ~~and obligations that are secured by~~ or of legally available general funds~~,~~ and which are not self-supporting, or debt obligations which are paid for from General Fund monies. Also included within this limitation are any other loan agreements entered into directly by the City or secured indirectly by a pledge of the City's General Fund as described in Section II.E below. These limitations shall not apply to indebtedness as described in II.~~G~~H. below.

C. **Target Limitations on Self-Supporting Limited Tax Indebtedness.** The City shall, as a matter of policy, manage its finances so that the amount of direct, self-supporting, limited tax indebtedness outstanding at any time that is not subject to approval by the voters does not exceed 1.0% of ~~the City's~~ citywide taxable real market value.

This limitation applies to debt obligations that are paid from non-General Fund resources but issued with a ~~specific~~ security pledge of the City's General Fund, ~~obligations secured by a pledge~~ or of the City's full faith and credit, ~~and obligations that are secured by~~ or of legally available general funds. It shall be the responsibility of the Debt Manager and the Director of the Bureau of Revenue and Financial Services to determine whether such General Fund-secured obligations are classified as self-supporting. Such determination shall be made based upon factors including, but not limited to, length of history of the payment revenue source, level of debt service coverage, availability of reserves for payment of debt, revenue volatility and classification of such debt by bond rating agencies. ~~These~~ This limitations shall not apply to indebtedness as described in Section II.~~G~~H. below.

D. **Target Limitations on ~~Lease-Purchase Financing of~~ Capital Leases for Equipment and Furnishings.** The City may enter into ~~short-term lease-purchase obligations~~ capital leases to finance the acquisition of capital equipment and furnishings with estimated useful lives of less than ten years. Outstanding ~~lease-purchase~~ capital lease obligations issued to finance capital equipment and furnishings shall not exceed 0.125% of ~~the City's~~ citywide taxable real market value. Repayment of these ~~lease-purchase~~ capital lease obligations shall occur over a period not to exceed the estimated useful life of the underlying asset ~~or in any case no longer than five years from the issue date of such obligations. The Debt Manager of the Office of Management and Finance shall be responsible for developing procedures for use by City Bureaus interested in participating in the lease-purchase program, and for setting repayment terms and amortization schedules, in consultation with participating Bureaus~~. Bureaus are responsible for coordinating with the Debt Manager prior to execution of capital lease obligations.

E. **Limitations on General Fund Loan Guarantees and Credit Support.** As part of the City's financing activities, General Fund resources may be used to provide credit support or loan guarantees for public or private developments that meet high-priority City needs and which comply with State constitutional restrictions on lending of credit. Before such General Fund commitments are made, project managers, in conjunction with the Debt Manager and the Director of the Bureau of Revenue and Financial Services shall determine that the goals and objectives of the project justify such support, and specify limitations on the maximum amount of General Fund resources available to a project. ~~specific policy goals and objectives that determine the nature and type of projects qualifying for such support, and specific limitations to be placed on the maximum amount of General Fund resources pledged to such projects shall be developed. The Office of Management and Finance shall be responsible for coordinating the development of such policies and goals, which shall not~~ No General Fund guarantee or credit support shall take effect until approved by ~~the~~ City Council. General Fund loan guarantees shall also be subject to the ~~overall~~ applicable debt limitations set forth in Section II.~~B~~C above.

Recognizing the limited capacity of the City's General Fund to support both ongoing operating programs and secure long-term debt obligations, use of the General Fund to secure such obligations must first be approved by the Debt Manager and the Director of the Bureau of Revenue and Financial Services. Key factors that will be considered in determining whether or not the General Fund should ~~be used to secure a particular debt obligation~~ serve as a loan guarantee or credit support will include the following:

1. Demonstration of underlying ~~self-support~~ project revenues sufficient to adequately support debt service requirements, thus limiting potential General Fund financial exposure.

2. Legal pledges of additional non-General Fund revenues or repayment sources (i.e. "double-barrel" security).

~~2~~3. Use of General Fund support as a transition to a fully stand-alone credit structure, where interim use of General Fund credit support reduces borrowing costs and provides a credit history for new or hard-to-establish credits.

~~3~~4. General Fund support is determined by the City Council to be in the City's overall best interest.

F. Limitations on Non-General Fund Loan Guarantees and Credit Support. The City may, from time-to-time, use non-General Fund resources to provide loan guarantees or credit support for projects that meet high-priority City needs. Such commitments shall be made in consultation with the Debt Manager and only after consideration of the impacts of such guarantees on existing debt and financial obligations and after assuring that the guarantee does not conflict with existing bond covenants. Prior to approval by City Council, such guarantees or credit support are subject to the approval of the Debt Manager and the Director of the Bureau of Revenue and Financial Services, and the Bureau Director responsible for the resources that are being contributed. Revenues pledged directly to debt repayment and revenues allocated toward self-supporting General Fund debt are considered separately from this Section II.F.

~~F~~G. Target Limitations on the Issuance of Revenue-Secured Debt Obligations. The City ~~shall~~ may finance a portion of the capital needs of its revenue producing ~~enterprise~~ activities through the issuance of revenue-secured debt obligations. Prior to issuing revenue-secured debt obligations, ~~City~~ Bureaus, in consultation with the Debt Manager, will develop financial plans and projections showing the feasibility of the planned financing, required rates and charges needed to support the planned financing, and the impact of the planned financing on ratepayers, property owners, ~~City~~ Bureaus, ~~and~~ or other affected parties. The amount of revenue-secured debt obligations issued by a ~~City~~ Bureau will be limited by the feasibility of the overall financing plan including consideration of debt service coverage, revenue volatility, fund balances, debt reserves and future capital needs as determined by the Debt Manager.

Revenue-secured debt obligations must first be reviewed and approved by the Debt Manager and the Director of the Bureau of Revenue and Financial Services in consultation with the involved bureaus before being issued.

~~G~~H. **Pension Obligation Debt.** The City may elect to fund accrued pension liabilities through the issuance of pension obligation bonds rather than funding such obligations on a pay-as-you-go basis. The principal amount of outstanding pension obligations and the debt service on such obligations shall be excluded from calculations of outstanding debt under Section II (A) (B) and (C) of this ~~debt policy~~ Debt Management Policy.

III. STRUCTURE AND TERM OF CITY INDEBTEDNESS

A. **Rapidity of Debt Repayment.** Generally, borrowings by the City should be of a duration that does not exceed the expected economic life of the improvement that it finances and where feasible should be shorter than the ~~projected~~ expected economic life of the assets being financed. Moreover, to the extent possible, the City should design the repayment of debt so as to recapture rapidly its credit capacity for future use. The City shall strive to repay the principal amount of its long-term general obligation debt (both voter and non-voter approved) ~~according to the following schedule~~ on an issue-by-issue basis as follows: at least 20% in five years and 40% in ten years. Revenue bonds should strive for the same repayment period, but may also consider the underlying security, overall capital program needs, debt service coverage and other structuring considerations. The City may choose to structure debt repayment so as to wraparound existing obligations or to achieve other financial planning goals. Such alternative structures shall be subject to the approval of the Debt Manager and Director of the Bureau of Revenue and Financial Services, in consultation with the involved Bureaus, before being recommended to ~~the~~ City Council.

B. **Optional Redemption.** City debt issues shall include provisions for optional redemption prior to maturity when it is cost-effective and in the City's best interests to do so. The City may issue debt without optional redemption provisions in order to achieve debt structuring goals or cost savings or when the term of the debt issue is such that an optional redemption provision is deemed unnecessary. Determination of redemption features shall be made by the Debt Manager.

C. **Use of Capitalized Interest.** The City shall use capitalized interest debt structures only in limited circumstances. Subject to review and approval of the Debt Manager and the Director of the Bureau of Revenue and Financial Services, the City may choose to utilize capitalized interest when it matches a specific repayment cash flow and is in support of a project that is deemed by City Council to be of sufficient importance to allow use of capitalized interest.

~~B~~D. **Use of Variable-Rate Securities.** When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. The decision to issue such securities must be reviewed and approved by the Debt Manager and the Director of the Bureau of Revenue and Financial Services, in consultation with the City Treasurer, before City Council is requested to approve their issuance. Prior to issuing variable rate debt, Bureaus shall, in conjunction with the Debt Manager, develop a plan to address interest rate risk associated with these instruments.

~~**C. Pledge of Restricted Funds to Secure Debt.** The City has the power to make an irrevocable pledge of a security interest in an account created exclusively for the security of holders of City obligations. Before such funds are used to secure a prospective financing, policies regarding the use of such restricted funds shall be developed by the affected Bureau and the Debt Manager, subject to approval by the Director of the Bureau of Financial Services, to ensure that the use of such funds to secure bonds does not violate restrictions on such funds and that underlying program commitments can be maintained in addition to meeting debt service obligations on debt secured by the restricted funds. These policies shall be presented as recommendations to the City Council prior to or at the time issuance of the secured debt is to be authorized.~~

E. **Commitment of Non-Restricted Funds.** Upon recommendation from the Debt Manager and the Director of the Bureau of Revenue and Financial Services, the City may choose to identify non-restricted funds for the purpose of maintaining an internal debt reserve. Unless legally prohibited, and after consultation with the Debt Manager, funds in an internal, non-restricted debt reserve may be utilized for purposes unrelated to debt upon direction of City Council.

~~D~~F. **Use of Subordinate Lien Obligations.** Creation of a subordinate lien financing structure, if appropriate, shall be based on the overall financing needs of a particular bureau, expected credit ratings, relative cost of a subordinate lien structure, and impacts on the City as determined by the Debt Manager and the Director of the Bureau of Revenue and Financial Services, in consultation with the involved Bureau. ~~The results of this review~~ Expectations regarding subordination shall be presented ~~in the form of recommendations~~ to City Council for consideration prior to or at the time such bonds are being authorized.

G. **Issuance of Tax-Advantaged Debt.** The City may choose to issue taxable bonds that are eligible to receive a direct interest subsidy or that facilitate a tax credit from the federal government. The decision to issue such debt shall be based upon an analysis indicating that the post-subsidy interest cost would be lower than the interest cost of a comparable tax-exempt borrowing. The decision shall also take into account any additional risks or administrative costs associated with issuing such bonds. Tax-advantaged debt shall be subject to the same policies and conditions as tax-exempt debt, unless otherwise legally allowable, and subject to approval by the Debt Manager.

H. **Issuance of Federally Taxable Debt.** The City may issue debt that is not eligible for any federal tax exemption or other benefit for projects that do not meet federal requirements for tax-exempt or tax-advantaged debt. Decisions to issue federally taxable debt will be made by the Debt Manager after appropriate due diligence regarding project qualifications, financing costs, and other considerations of the City's Debt Management Policy. The City may also issue federally taxable debt for reasons of maintaining financing flexibility or cost efficiency if it is determined by the Debt Manager to be in the City's best interest to do so.

IV. SHORT-TERM DEBT AND INTERIM FINANCING

A. **Lines and Letters of Credit.** Where their use is ~~judged~~ determined by the Debt Manager to be prudent and advantageous to the City, ~~the City has the power~~ City Council may authorize the Debt Manager to enter into agreements with commercial banks or other financial entities for purposes of acquiring lines or letters of credit that shall provide the City with access to credit under terms and conditions as specified in such agreements. Before entering into any such agreements, takeout financing or intended amortization for such lines or letters of credit must be planned for and determined to be feasible by the Debt Manager. ~~Any agreements with financial institutions for the acquisition of lines or letters of credit shall be approved by the City Council.~~ Lines or letters of credit will be procured in conformance with Section VIII.C. Lines and letters of credit entered into by the City shall be in support of projects contained in the approved CIP as described in Section 1.F.

B. **Bond Anticipation Notes.** Where their use is ~~judged~~ determined by the Debt Manager to be prudent and advantageous to the City, and subject to authorization and approval by City Council, the City may choose to issue Bond Anticipation Notes as a source of interim construction financing. Before issuing such notes, takeout financing for such notes must be planned for and determined to be feasible by the Debt Manager. Bond Anticipation Notes may be sold in either a competitive or negotiated sale~~, subject to authorization and approval by the City Council~~.

C. **Tax and Revenue Anticipation Notes.** Where their use is ~~judged~~ determined by the Debt Manager to be prudent and advantageous to the City, and subject to authorization and approval by City Council, the City may choose to issue Tax and Revenue Anticipation Notes to fund internal working capital cashflow needs. Before issuing such notes, cashflow projections will be prepared by the appropriate ~~City~~ Bureaus and ~~reviewed~~ determined to be feasible by the Debt Manager. Tax and Revenue Anticipation Notes may be sold in either a competitive or negotiated sale~~, subject to authorization and approval by the City Council~~.

D. **Commercial Paper.** The City may choose to issue tax-exempt or taxable commercial paper as a source of interim construction financing for projects contained in the City's approved CIP only after the Debt Manager, in consultation with the City Treasurer, determines that such a financing represents the least cost interim financing option for the

City. Furthermore, commercial paper shall not be issued for City capital programs unless ~~it~~ such program is of sufficient economic size as determined by the Debt Manager. A report recommending the issuance of commercial paper must first be approved by the Director of the Bureau of Revenue and Financial Services before recommendations are made to City Council authorizing the establishment of such a program.

V. IMPROVEMENT DISTRICT AND ASSESSMENT CONTRACT FINANCING

A. **Financing Policies.** The policies guiding the City's improvement district and assessment contract financing program shall be guided by City Council Resolution No. 34847, as amended.

B. **Interest Rates on Local Improvement District Assessment Contracts.** The interest rate on local improvement district assessment contracts funded from the proceeds of assessment bonds shall be equal to the effective interest rate paid on the bonds sold to finance such contracts, plus an additional percentage "bump rate" sufficient to cover administrative costs, cash flow requirements and reserve requirements. The bump rate shall be adjusted periodically based upon the historical improvement assessment ~~bond collection~~ contract payment history and consultation among the Auditor's Office, the Debt Manager, and the City Treasurer. The bump rate charged on assessment contracts with governmental bodies and other public entities may be lower than that of private property owners due to a lower risk of payment default.

C. **Interim Assessment Contract Interest Rates.** The interim assessment contract interest rate is the interest rate set on contracts that precede the sale of assessment bonds. This rate shall be set at a level deemed reasonable and prudent by the Debt Manager and the Auditor's Office to insure that funds collected through assessment contract payments are sufficient to meet that portion of future debt service requirements on improvement assessment bonds attributable to such contracts.

D. **Commitment to Self-Supporting Improvement District Financings.** Consistent with the concept of ~~Improvement District~~ improvement district and ~~Assessment Contract~~ assessment contract financing, all of the City's improvement assessment indebtedness shall be self-supporting. Prior to the issuance of improvement assessment bonds, the Auditor's Office shall review projected cash flows which incorporate scheduled assessment contract payments, and projections of prepayments, delinquencies, and non-payments with the Debt Manager to ensure that the proposed bonds meet the City's self-supporting requirement. At least annually, the Debt Manager shall review the adequacy of amounts in the Reserve Subfund of the Bancroft Bond Interest and Sinking Fund to ensure the continued self-sufficiency of the improvement district and assessment contract program.

E. **Exception to Limits on Debt Structure.** Improvement district and assessment contract financings shall typically be structured in a manner aligned with the structure and prepayment provisions of the assessment contracts that provide repayment revenues for the financing. Therefore, improvement district and assessment contract financings may be structured outside the principal repayment targets identified in Section III.A.

VI. URBAN RENEWAL FINANCING

A. **Financing Policies.** Recognizing the uncertainty created by Oregon's property tax system, assessed value growth, and Oregon's initiative environment, the City will adopt a conservative approach ~~to~~ under these policies when issuing urban renewal bonds, notes and interim financing. The Debt Manager, in consultation with the Portland Development Commission, shall develop ~~policies and~~ planning standards to guide capital project planning and financing in urban renewal ~~districts~~ areas ("URAs"). Capital project planning may reflect collaboration between PDC and Bureaus who receive capital or financial resources through PDC.

B. **Commitment to Self-Supporting Tax Increment Financings.** The City shall strive to maintain its tax increment obligations as self-supporting indebtedness. Prior to the issuance of tax increment bonds or interim financing, the Debt Manager, in consultation with the Portland Development Commission, shall review historical and reasonably projected tax increment collections to ensure that the proposed bonds or interim financing will meet the City's self-supporting requirement. No long-term debt shall be issued until the district has a five-year history of tax increment collections which demonstrate that the debt can be supported.

C. **Limitation on Short-Term Indebtedness.** The City shall limit the outstanding short-term indebtedness incurred on behalf of an ~~urban renewal area (~~URA~~)~~ to an amount that, when converted to long-term debt using ~~reasonable~~ borrowing assumptions that are reasonable and in conformance with this Debt Management Policy, is fully self-supporting either from existing available tax increment revenues or from future available tax increment revenues that have ~~been~~ reasonably been projected by the Debt Manager to be sufficient to fully support the outstanding short-term debt. Available tax increment revenues shall mean those tax increment revenues remaining after the payment of any outstanding long-term bonded indebtedness of the URA.

D. In projecting future tax increment revenues, the Debt Manager may:

1. Determine current borrowing capacity by projecting tax increment revenues for a five-year period. Projections will include analysis of historical assessed value and tax increment revenue collections, will use reasonable assumptions regarding assessed value growth and will account for legal constraints that may limit future assessed value growth. Short-term indebtedness may be incurred in amounts which are projected to be fully self-supporting by the projected available tax increment revenues available in the fifth year of the forecast.

2. Consider the value of an existing development agreement or similar contractual obligation that provides the City with reasonable assurance that the timing and

assessed value of new taxable, non-abated development will be sufficient to support indebtedness in excess of that which can be paid from existing available tax increment revenues. The extent to which the Debt Manager will support additional indebtedness will be based on the particular nature of the contractual obligations of the private developers; speculative development shall not be included.

Exceptions to these limitations may be approved by a specific action of the City Council. If City Council deems a project to be sufficiently important to allow borrowing in a URA in amounts in excess of the limits contained in this section, it may do so by acknowledging that tax increment revenues are not reasonably projected to be sufficient to support the indebtedness and the City's General Fund may be at an increased risk for the ultimate repayment of the indebtedness. In this circumstance, the Debt Manager may further recommend that a loss reserve be included as a contingent expenditure in the General Fund Financial Forecast. Any amounts included as contingent General Fund expenditures for this purpose shall be included in calculations of debt limitations set forth in Section II.B. above.

E. **Debt Service Coverage Standards Based on Type of Urban Renewal District.** Because each type of urban renewal district carries ~~different levels of risk~~ a different risk profile, the ~~City~~ Debt Manager shall adopt appropriate debt service coverage planning standards for each type of district, including Option 3 districts, ~~"window" districts~~ standard rate plans (approved between December 6, 1996 and October 6, 2001), reduced rate plans, and other types of districts as may be created through the Oregon legislative process. These standards may consider the availability of the urban renewal Special Levy (for Option 3 districts), non-tax increment sources of debt repayment, diversity of property ownership, mix of property types, impacts of revenue sharing to overlapping taxing jurisdictions or other credit factors as determined by the Debt Manager.

VII. CONDUIT FINANCINGS

The City may sponsor conduit financings for those activities (i.e., economic development, housing, health facilities, etc.) that have a general public purpose and are consistent with the City's overall service and policy objectives as determined by the Portland Development Commission, Portland Housing Bureau or other appropriate bureaus. All conduit financings must insulate the City completely from any direct credit risk or exposure and must first be approved by the Debt Manager and the Director of the Bureau of Revenue and Financial Services before being submitted to City Council for authorization ~~and implementation~~. The obligated borrower shall be responsible for paying all bond sale costs associated with the financing, including any debt management fee imposed by the City. The obligated borrower shall also be responsible for funding of any debt reserve requirement, if applicable.

Conduit financings shall either:

1. Carry a rating not lower than "A3" or "A-"by Moody's Investors Service and/or Standard & Poor's Corporation, respectively. Exceptions to this requirement may

only be made by the Debt Manager and the Director of the Bureau of Revenue and Financial Services.

2. Be sold via a private sale only to 'accredited investors" ~~pursuant to City Code Section 5.72.080~~ as defined in 15 United States Code Section 77b (15).

The obligated borrower in a conduit financing shall be responsible for complying with all arbitrage rebate requirements associated with the bonds and shall, prior to the closing of the bonds, enter into a contract for rebate services with a firm recognized as having expertise in performing arbitrage rebate calculations for tax-exempt or tax-advantaged bonds.

Conduit financings are additional subject to review and administration as described in City Code Chapter 5.72.

~~VIII. FINANCING PROPOSALS~~

~~Any capital financing proposal made to a City Bureau, Agency, or Commission involving a pledge or other extension of the City's credit through the sale of securities, execution of loans or leases, or making of guarantees or otherwise involving directly or indirectly the lending or pledging of the City's credit shall be referred to the Debt Manager, who in a timely manner shall be responsible for analyzing the proposal, responding to the proposal, and recommending to the Director of the Bureau of Financial Services the required action to be taken.~~

~~IX~~VIII. SELECTION OF FINANCE CONSULTANTS AND SERVICE PROVIDERS

The City's Debt Manager shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the City's debt program. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices. The solicitation and selection process for such services will comply with City Code requirements for such services, including procurement requirements for Professional, Technical, and Expert Services if appropriate.

A. **Bond Counsel.** As part of its responsibility to oversee and coordinate the marketing of all City indebtedness, the City Attorney, ~~with advice of~~ upon consultation with the Debt Manager ~~and a committee representing City Bureaus, Agencies, and Commissions with capital financing needs~~, shall make recommendations to the City Council regarding the selection of one or more Bond Counsel firms to be ~~employed~~ engaged and the duration of the ~~employment~~ engagement. Bond Counsel may be selected for an individual financing, for a series of financings or for a specified period of time. The City Council shall make such selection, taking into consideration these recommendations.

B. **Underwriters.** The Debt Manager shall solicit proposals for underwriting services for all long-term debt issued in a negotiated or private placement sale mode. The solicitation process shall include formation of a review committee selected by the Debt Manager to evaluate written proposals and, if deemed necessary, conduct oral interviews. ~~In addition, the proposal solicitation and selection process for negotiated sales as developed by the Debt Manager and amended from time to time, shall also be followed.~~ The selection of underwriters may be for an individual or series of financings or for a specified period of time ~~period~~. The ~~Council~~ Debt Manager, in consultation with the Director of the Bureau of Revenue and Financial Services shall make such selections taking into consideration the recommendations of the review committee.

C. **Commercial Banks.** The Debt Manager, in consultation with the City Treasurer, may solicit proposals from commercial banks to provide lines of credit, letters of credit, direct loans and direct bank placements as needed. Selection of such providers will be based upon the proposed financial terms deemed most advantageous to the City, including but not limited to, lowest cost.

~~C~~D. **Financial Advisor.** The Debt Manager, ~~with advice of a committee representing City Bureaus, Agencies, and Commissions with capital financing needs~~ upon consultation of a review committee including issuing Bureau staff as appropriate or otherwise required, shall make recommendations to the City Council regarding the selection of financial advisors to be ~~employed~~ engaged and the duration of such ~~employment~~ engagement. The time period for ~~employment~~ engagement may relate to an individual or a series of financings, or for a specified period of time. The City Council shall make such selections taking into consideration the recommendations of the review committee. Only independent financial advisors (defined as firms that are not engaged in the buying and selling of municipal securities) shall be retained by the City unless the Debt Manager determines that, due to the specialized nature of a proposed financing, the City will be better represented by a non-independent financial advisor. A financial advisor under contract with the City will not be eligible to serve as an underwriter for City bond issues during the term of the contract and for the successive two years. Any firm acting as financial advisor to the City regarding debt issuance must be a registered Municipal Advisor (as defined by the Municipal Securities Rulemaking Board) and must remain in compliance with all securities regulations.

~~**D.** **Paying Agent.** The Debt Manager, in consultation with the City Treasurer, shall solicit periodically for paying agent services from qualified commercial and trustee banks. The cost of providing such services shall be used by the Debt Manager, along with other qualitative measurements, in selecting a Paying Agent.~~

E. **Other Service Providers.** The Debt Manager, in consultation with the City Treasurer, shall periodically solicit for providers of other services necessary to carry out the debt issuance activities of the City (paying agents, escrow agents, verification agents, feasibility consultants, rebate consultants, trustees, etc.). The Debt Manager in selecting such additional service providers shall evaluate the cost and perceived quality of service of the proposed service provider.

IX. METHOD OF SALE

A. Presumption of Competitive Sale. The City, as a matter of policy, shall issue its long-term debt obligations through a competitive sale unless the Debt Manager determines that such a sale method ~~will not~~ is unlikely to produce the best results ~~for~~ or is otherwise not in the best interests of the City. In such instances ~~where the City~~, or when the Debt Manger deems the bids received through a competitive sale process as unsatisfactory or does not receive bids, ~~it~~ the City may~~, at the election of the City Council,~~ enter into negotiation with an underwriter (or syndicate of underwriters) for sale of the securities.

B. Negotiated Sale. When determined appropriate by the Debt Manager ~~and approved by the Director of the Bureau of Financial Services~~, the City may elect to sell its debt obligations through a negotiated sale. Such determination may be made on an issue by issue basis, for a series of issues, or for part or all of a specific financing program. Selection of the underwriting team shall be made pursuant to selection procedures set forth in ~~these Debt Policies~~ this Debt Management Policy, consistent with City Code, and as may be adjusted by the Debt Manager. It is the City's policy that negotiated sale underwriters receive fair and reasonable compensation for actual expenses incurred as part of the bond transaction, but underwriters will not be compensated for travel expenses unless such travel is specifically requested by the City.

The Debt Manager will be responsible for monitoring pricing results to confirm that bond price behavior after the pricing date is consistent with reasonable market expectations.

C. Private Placement. When determined appropriate by the Debt Manager and approved by the Director of the Bureau of Revenue and Financial Services, the City may elect to sell its debt obligations through a direct bank loan, private placement or limited public offering. Selection of a placement agent shall be made pursuant to selection procedures developed by the Debt Manager, consistent with Section VIII.C of this Debt Management Policy and with City Code, as applicable.

~~**D. Use of Technology in Bond Sale Process.** The City shall encourage the use of electronic bidding systems, electronic dissemination of disclosure information and other technological methods whenever the use of such technology is expected to reduce sale costs and enhance market participation in City financings.~~

X~~I~~. REFUNDING OF CITY INDEBTEDNESS

A. Monitoring of Refunding Opportunities. The Debt Manager shall be responsible for monitoring the interest rates and optional redemption provisions of the City's outstanding debt in order to identify potential current or advance refunding opportunities.

~~A~~**B. Debt Service Savings--Advance Refundings.** The City may issue advance refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible~~,~~ and prudent, and when net present value savings equals or exceeds 5 percent, calculated in accordance with Oregon Administrative Rules on Advance Refundings. In addition, issuance of advance refunding bonds that generate at least 3 percent, but less than 5 percent, net present value debt service savings may be allowed with the approval of the Debt Manager ~~and~~, in consultation with the Director of the Bureau of Revenue and Financial Services. Such approval, if given, shall be based upon an opportunity cost analysis of the net present value savings benefits of executing the advance refunding versus waiting for a possible future decline in interest rates or possible increase in the available escrow account yield.

~~B~~C. **Debt Service Savings--Current Refundings.** The City may issue current refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible~~,~~ and prudent, and when net present value savings equal or exceed $100,000.

~~C~~D. **Restructuring of Debt.** The City may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management. Savings requirements for current or advance refundings undertaken to restructure debt may be waived by the Debt Manager and the Director of the Bureau of Revenue and Financial Services upon a finding that such a restructuring is in the City's overall best financial interests.

~~D~~E. **Open Market Purchase of City Securities.** The City may choose to defease its outstanding indebtedness through purchases of its securities on the open market when market conditions make such an option financially feasible. The Debt Manager and the City Treasurer shall be responsible for developing procedures for executing open market purchases and the savings objectives to be achieved by undertaking such actions.

XI~~I~~. USE OF CREDIT ENHANCEMENT

The City ~~shall~~ may use credit enhancement (letters of credit, bond insurance, surety bonds, etc.) when such credit enhancement proves cost-effective or is otherwise beneficial to a financing transaction. Selection of credit enhancement providers shall be subject to a competitive bid process developed by the Debt Manager. Credit enhancement may be used to improve or establish a credit rating on a City debt obligation even if such credit enhancement is not cost effective if, in the opinion of the Debt Manager, the use of such credit enhancement ~~meets~~ otherwise facilitates the City's debt financing goals and objectives.

XII~~I~~. CREDIT RATINGS

A. **Rating Agency Relationships.** The Debt Manager shall be responsible for maintaining relationships with the rating agencies that currently assign ratings to the City's various debt obligations. This effort shall include providing periodic updates on the City's general financial condition along with coordinating meetings and presentations in conjunction with a new debt issuance.

B. **Use of Rating Agencies.** The Debt Manager shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

C. **Minimum Long-Term Rating Requirements.** The City's minimum rating requirement for its direct, long-term, debt obligations is a rating not lower than "A3" by Moody's Investors Service or "A-" by Standard & Poor's Corporation. If ~~such~~ a debt obligation cannot meet this requirement based on its underlying credit strength, then credit enhancement shall be sought to ensure that the minimum rating is achieved. If credit enhancement is unavailable or is determined by the Debt Manager to be ~~uneconomic~~ disadvantageous to the City, then the obligations may be issued without a rating, however, bonds that are rated below A3/A- shall be sold via a private sale only to "accredited investors" as described in City Code Section 5.72.080, unless such requirement is waived by the Debt Manager and the Director of the Bureau of Revenue and Financial Services.

~~A lower rating standard may be accepted for indirect or conduit obligations, subject to the approval of the Debt Manager and the Director of the Bureau of Financial Services.~~

~~XIV~~XIII. REBATE ~~REPORTING AND COVENANT~~ COMPLIANCE AND OTHER POST-ISSUANCE RESPONSIBILITIES

The Debt ~~Management Group~~ Manager shall establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the City's outstanding tax-exempt or tax-advantaged debt issues.

It shall be the primary responsibility of debt-issuing Bureaus to ensure that appropriate accounting records of tax-exempt and tax-advantaged bond expenditures are maintained for a period ~~that~~ of time that allows the City to comply with its arbitrage rebate requirements. The Debt ~~Management Group~~ Manager shall advise Bureaus on appropriate record-retention timeframes based upon current legal requirements and industry best practices. Bureaus are further responsible to promptly notify the ~~Management Group~~ Manager of any ~~issues~~ concerns surrounding the appropriate use of tax-exempt and tax-advantaged bond proceeds or facilities financed with tax-exempt or tax-advantaged bonds. In particular, it is the responsibility of the debt-issuing Bureau to notify the Debt Manager of any planned or potential sale of or change in use of assets financed with tax-exempt or tax-advantaged bonds, so long as the bonds are currently outstanding.

Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored by the appropriate debt-issuing Bureau and the Debt Manager to ensure that all covenants are complied with. Debt-issuing Bureaus will be responsible for providing relevant data and information to the Debt Manager to assure ongoing compliance.

XIV. ~~ONGOING~~ DISCLOSURE

A. **Primary Market Disclosure.** The Debt Manager shall be responsible for establishing a process for the review, approval and publication of official primary market disclosure information, including review by debt-issuing Bureau staff and the City Council as appropriate. Such process shall be periodically reviewed to ensure that the City is complying with legal requirements and following accepted best practices with respect to primary market disclosure.

B. **Continuing Disclosure.** The Debt Manager shall be responsible for preparing and providing ~~ongoing~~ required continuing disclosure information to ~~established national information repositories and for~~ the Electronic Municipal Market Access ("EMMA") or any such successor organization designed to assist issuers in maintaining compliance with disclosure standards promulgated by state and national regulatory bodies. The Debt Manager shall be responsible for establishing and maintaining a process to guide continuing disclosure actions and responsibilities. Additionally, the Debt Manager may determine that is in the City's best interest to prepare and provide information beyond the minimum continuing disclosure requirements, and may prepare and provide such information from time-to-time.

XVI~~I~~. DERIVATIVE PRODUCTS

The City may ~~in the future~~ choose to enter into contracts and financing agreements involving interest rate swaps~~, floating/fixed rate auction or reset securities,~~ or other forms of debt bearing synthetically determined interest rates as authorized under Oregon statutes. The use of such products shall conform to the City's Interest Rate Exchange Agreement Policy.

~~XVII. OTHER POLICIES AND REQUIREMENTS~~

~~A. **Annual Audit of City.** The annual audit of the City shall describe in detail all funds and fund balances established as part of any direct debt financing of the City. The audit may also contain a report detailing any material or rate covenants contained in any direct offering of the City and whether or not such covenants have been satisfied.~~

FIN 2.15 Pension Funding Policy
Binding City Policy
BCP-FIN 2.15

Policy
It is the City's policy to provide retirement benefits for its employees once they meet specified qualifications. The City currently participates in two retirement plans: the State of Oregon Public Employees Retirement System (PERS) and the Fire and Police Disability and Retirement Trust (FPDR), which is administered by the City. The purpose of this policy is to establish minimum standards for the proper funding of its pension obligations.

State of Oregon PERS
The City of Portland is an employer-participant in the State of Oregon PERS as established in ORS 238.600. Actuarial valuations of PERS are performed for the Public Employees Retirement Board (PERB) to evaluate PERS' assets and liabilities and indicate its current and prospective financial condition. The PERB determines employer-participant contribution rates, which are then used to calculate each employer-participant's annual required contribution. It is the City's policy to make contributions at no less than the rate established by PERB and required by ORS 238.225.

FPDR Funds
The City maintains the FPDR Fund and the FPDR Reserve Fund as established by City Charter, Chapter 5 for sworn employees of the City's Fire and Police Bureaus who were first sworn before January 1, 2007. Sworn police and fire employees first sworn on or after January 1, 2007 are members of the Public Employees Retirement System of the State of Oregon and subject to Oregon PERS regulations and requirements for police and fire employees. Actuarial valuations and levy adequacy analyses of FPDR are performed at least every two years for the FPDR Board of Trustees (Board). In addition, the Board advises City Council of the annual funding requirements and requests that the amount be levied. It is the City's policy to establish rates annually for the special FPDR property tax levy sufficient to provide the amounts necessary to meet the estimates provided by the FPDR Board.

To the extent that FPDR Plan funding is less than the required payment of benefits in a particular year, advances may be made to the Plan from the FPDR Reserve Fund and repaid from the special property tax levy in the succeeding year. In the event the special property tax levy is insufficient to pay benefits due to tax levy rate limitations, it is the City's policy to fund the difference from the FPDR Reserve Fund.

It is the City's policy that the FPDR Board and the Fund Administrator manage the FPDR Plan in a manner such that the dedicated levy shall remain sufficient to fully cover annual Plan expenses. In the event the dedicated levy is not fully sufficient for a period of time, it is the City's policy to arrange sufficient resources for the FPDR Fund, which the FPDR Fund shall then repay from future levies, to fully cover Plan expenses.

Responsibility

EXHIBIT C

The Accounting Division of the Office of Management and Finance (OMF), in conjunction with OMF's Public Finance and Treasury Division, the City Budget Office, and the Bureau of Fire and Police Disability and Retirement, is responsible for implementing this policy.

History

FIN 2.16 Non-exchange Financial Transactions
Binding City Policy
BCP-FIN 2.16

Policy
It is the policy of the City of Portland that bureaus can enter into non-exchange financial guarantee arrangements only when such actions are in compliance with limitations prescribed by FIN 2.12 Debt Management and when such actions have been reviewed and approved by the Chief Financial Officer, City Budget Director, City Attorney, and authorized by formal City Council action.

Bureaus shall consult with and obtain the approval of the Chief Financial Officer, City Budget Director and City Attorney prior to negotiating terms for any non-exchange financial guarantees. Bureaus shall evaluate the likelihood that the City will be required to make a payment on a guarantee made by the City. The bureau shall annually perform an evaluation of the likelihood of such a transaction to ensure the appropriate and accurate accounting and financial reporting by the City of all non-exchange financial guarantees.

Explanation of Non-Exchange Financial Transactions
Governments may extend financial guarantees for the obligations of another government, a not-for-profit entity, a private entity, or an individual without receiving equal or approximately equal value in exchange, to the extent not otherwise limited by law. These arrangements are considered non-exchange financial transactions or guarantees. The City of Portland may be either the guarantor or obligor in these transactions.

Guarantor
As part of a non-exchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements.

The Governmental Accounting Standards Board (GASB) requires a government that extends a non-exchange financial guarantee to recognize the guarantee as a liability when it is more likely than not that the government will be required to make a payment on the guarantee. GASB defines "more likely than not" as being greater than a fifty percent chance. If it is determined the City is acting as a guarantor and meets the GASB requirements, it may be necessary to record a liability and expense, and/or to include a note to the financial statements.

Obligor
GASB requires the government that has issued an obligation guaranteed by another

entity in a non-exchange financial transaction to report the obligation until legally released as an obligor. In the instance where the City is in the obligor position of an arrangement that has been guaranteed, the City may need to recognize revenue to the extent of the guarantee.

Responsibility

Bureaus are responsible for ensuring appropriate review, approval, accounting, financial reporting, and disclosure when they extend or receive non-exchange financial guarantees on behalf of the City.

Bureaus shall provide audit materials to the Accounting Division at each fiscal year-end in support of any recording and reporting requirements.

The Accounting Division and the Public Finance and Treasury Division of the Office of Management and Finance shall implement this policy, provide technical assistance to the bureaus, and report on compliance issues no less than annually to the Chief Financial Officer.

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FIN 2.03.01 Five-Y~~y~~ear F~~f~~inancial P~~p~~lans B~~b~~ureaus and F~~f~~unds

The bureaus and funds required to prepare five-year financial plans annually are:
General Fund:

- ~~Attorney's Office.~~
- ~~Auditor's Office.~~
- Portland Fire & Rescue~~.~~
- Office of Management & Finance ~~OMF, including General Reserve Fund.~~
- Office of Neighborhood Involvement~~.~~
- Portland Bureau of Emergency Management
- Portland Housing Bureau ~~Housing and Community Development.~~
- ~~Office of Sustainable Development.~~
- Portland Parks ~~and~~& Recreation~~.~~
- Bureau of Planning & Sustainability~~.~~
- Portland Police Bureau~~.~~

Enterprise, special revenue, and fiduciary funds:

- Children's Investment Fund
- Community Solar Fund
- Development Services Fund~~.~~
- Emergency Communication Fund~~.~~
- Fire ~~and~~ & Police Disability ~~and~~ & Retirement Fund~~.~~
- Golf Fund~~.~~
- ~~Health Insurance Fund.~~
- Hydroelectric Power Operating Fund
- Parking Facilities Fund~~.~~
- Police Special Revenue Fund
- Portland International Raceway Fund~~.~~
- ~~Portland Police Association Health Insurance Fund.~~
- Sewer System Operating Fund~~.~~
- Solid Waste Management Fund~~.~~
- Spectator Facilities Operating Fund~~.~~
- Transportation Operating Fund~~.~~
- Water Fund~~.~~

Internal service funds:

- CityFleet Operating Fund~~.~~
- EBS Services Fund
- Facilities Services Operating Fund~~.~~
- Health Insurance Operating Fund
- Insurance and Claims Operating Fund~~.~~
- Printing ~~and~~& Distribution Services Operating Fund~~.~~
- Technology Services Fund~~.~~
- Workers' Compensation Self Insurance Operating Fund~~.~~

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FIN 2.03.02 Operations and Maintenance Costs

These procedures are intended to ensure that:

- A funding plan is in place for the maintenance of new assets
- Bureaus that require additional resources – particularly General Fund - for the maintenance of new assets 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 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 estimates for each project or program in the Capital Improvement 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 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 a decision package for 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 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

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construction or acquisitions ordinances and whether that amount has been included in a budget process or will be requested as part of the following budget process.

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FIN 2.03.03 ~~Capital~~ Citywide Asset Managers Group

The bureaus that ~~will~~ comprise the ~~Capital~~ Citywide Asset Managers Group shall~~will~~ include, but are~~is~~ not limited to:

- ~~Environmental Services.~~
- ~~Housing and Community Development.~~
- ~~OMF.~~
- ~~Parks and Recreation.~~
- ~~Planning.~~
- ~~Portland Development Commission.~~
- ~~Transportation.~~
- ~~Water.~~
- Bureau of Environmental Services
- Bureau of Planning & Sustainability
- Portland Bureau of Transportation
- Portland Housing Bureau
- Office of Management & Finance
- Portland Parks & Recreation
- Portland Development Commission
- Portland Water Bureau

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FIN 2.04.01 Fund S~~s~~tatement of P~~p~~urpose R~~r~~equirements

Each fund in the City shall~~will~~ have a Statement of Purpose, adopted by ordinance of the City Council, that includes:

1. Purpose(s) of the fund.
2. Source(s) of significant revenues to the fund.
3. ~~A method of establishing annual contributions to the fund, if any.~~
4. The bureau responsible for managing the fund.
5. ~~Size and use of contingency, if any. Contingency levels will be based on the uncertainties associated with the purposes of the fund.~~
6. Size~~,~~ and purpose ~~and alternative means~~ of ~~meeting~~ required contingencies and/or reserves, if any. Required ~~reserve levels~~ contingencies and/or reserves shall~~will~~ be based on ~~long-term~~ operating needs of the fund~~ and prudent management requirements~~, bond covenants, or other legal requirements. Fund ~~reserve~~ balances should be sufficient to keep the fund from going into a negative balance ~~at any time during the fiscal year and~~ at year-end.
7. Plans for the disposition of funds if the fund is closed.

Internal service funds ~~will maintain financial policies for their unique operations. Their statement of purpose~~ will also include the following information, as appropriate:

1. For purchase of capital items, a method for periodically testing the cost-effectiveness of pre-funding capital replacement versus leasing or lease purchasing. Each fund statement will indicate which levels of purchases are suitable for either direct cash payment or financing.
2. Equipment replacement policies and reserves for equipment and major maintenance, where appropriate.
3. A method of clearly accounting for equipment reserves and purchases for each bureau.
4. A policy and procedure for protecting capital reserves from being used for operating purposes.
5. A method for periodically testing the cost-effectiveness of providing services internally versus contracting out or directly purchasing all or part of the services provided by the fund. For insurance-related funds, this will mean a method for periodically testing the cost-effectiveness of self-insurance versus the purchase of all or part of the City's insurance needs, as well as internal or contracted claims and loss-control services.

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FIN 2.04.02 Budget P~~p~~rocess S~~s~~teps

The City's budget process shall~~will~~ include the following phases, which apply to all City bureaus. ~~and the Portland Development Commission, except where noted:~~

1. Issue the budget preparation guidelines and schedule. ~~The Portland Development Commission schedule may differ from the overall City schedule.~~ The process schedule shall~~will~~ provide for participation of the City's budget advisory committees, public testimony and participation, and Council deliberations.
2. ~~Present five-year financial forecasts for the General Fund and other major City funds to Council.~~
3. ~~Present five-year capital improvement plans to Council.~~
4. ~~Present the Citywide Capital Asset Management Report to Council.~~
5. Present bureau budget requests, five-year financial plans, and five-year capital improvement plans in a manner consistent with budget directives.
6. Issue City Budget Office reviews based upon independent analysis that summarizes each budget request and provides recommendations based upon adopted financial policies, budget guidance, and best practices. ~~in order to identify any issues for Council consideration.~~
7. Develop the Proposed Budget as required by ~~ORS~~ Oregon Revised Statutes for presentation to the Council sitting as the budget committee.
8. Schedule Council budget hearings for the purpose of receiving public testimony and reaching final decisions necessary to balance the City's budget.
9. Adopt utility rates and charges for water, sewer/stormwater, and solid waste.
10. Submit the approved budget to the Multnomah County Tax Supervising and Conservation Commission for review.
11. Adopt the budget in accordance with Council directives, local budget law, and certification from the Tax Supervising and Conservation Commission. ~~This does not apply to the Portland Development Commission; the PDC budget is adopted by the PDC Board of Commissioners.~~

The City's involvement as the Portland Development Commission's (PDC) budget committee includes the following phases as required by Oregon Revised Statutes.

1. Receive the Proposed Budget as developed by PDC for presentation to the budget committee.
2. Schedule budget committee hearing for the purpose of receiving public testimony and reaching final decisions on the Approved Budget.
3. Approve the budget and levy taxes for urban renewal collections.

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FIN 2.06.01 Roles and Responsibilities for Revenue

It is the responsibility of each bureau to achieve budgeted revenues. Each bureau that produces revenues shall~~will~~:

- Prepare annual revenue estimates as part of the annual budget request. ~~These estimates should be developed after completion of a cost-of-service study.~~ Annual review of fee schedules should include necessary adjustments to address cost of service study results~~ cover inflation~~.
- Monitor actual revenue receipts throughout the fiscal year and report on status within the regular budget monitoring process.
- ~~Adjust budgets as necessary in response to total revenue shortfalls and surpluses occurring during the fiscal year. These adjustments will occur in conjunction with the regular budget monitoring process.~~

The ~~Financial Planning Division~~ City Budget Office shall~~will~~:

- Review bureau rates and revenue estimates as well as monitor the receipt of bureau revenues. Variances between planned and actual revenues shall~~will~~ be reported to Council in the regular budget monitoring process along with recommended actions.
- Review bureau requests for adjustments related to revenue prior to Council action, in accordance with procedures for the Council Calendar or regular budget monitoring process.
- Provide assistance to bureaus to complete fee studies.
- Establish bureau overhead rates and General Fund overhead allocations.
- ~~Review and approve proposed subsidies, reduction and/or waiver for City services funded by user fees.~~

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FIN 2.08.01 General Fund Overhead Model List of Services or Activities

Costs shall~~will~~ be allocated for the following ~~general central services~~ bureaus or programs budgeted in the General Fund:

- Bureau of Planning and Sustainability (Specified Comprehensive Planning activities and 1/2 of District Liaison program)
- City Budget Office
- Council Offices (programs that support City bureaus)
- Office of Equity & Human Rights (programs that support City bureaus)
- Office of Government Relations
- Office of Management & Finance (CAO's Office, Bureau of Internal Business Services, Bureau of Human Resources, and Bureau of Revenue and Financial Services)
- Office of Neighborhood Involvement (Information & Referral and Public Involvement Best Practices)
- Office of the City Attorney
- Office of the City Auditor
- Portland Bureau of Emergency Management
- Portland Fire & Rescue (Emergency Management)
- Special Appropriations (Memberships and Dues)
- ~~City Attorney~~
- ~~Elected officials.~~
- ~~Enterprise Business Solution project.~~
- ~~OMF Accounting, Business Operations, Financial Planning, Human Resources and Purchasing.~~
- ~~Portland Office of Emergency Management.~~
- ~~Specified comprehensive planning activities.~~

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FIN 2.08.02 Cost Allocation Criteria and Metrics

The criteria for determining the costs to be allocated through the ~~GFOH~~ General Fund Overhead Model (GFOH) include:

- If the service provides a benefit to all City bureaus,
- If the service provides an oversight or regulatory function for City bureaus,
- If the service exists within the General Fund,
- If the bureau demand for a service is difficult to predict from one fiscal year to the next, or
- If the costs of a service are difficult to charge to customer bureaus through a rate times unit model.
- ~~If an immediate price signal is not important to moderate demand for a particular service,~~
- ~~If usage is stable or fixed,~~
- ~~If the cost of the service is stable or fixed,~~
- ~~If the dollar amount of the service is minimal, or~~
- ~~If the service or activity is delivered in a transition period in which demand is difficult to predict.~~

The cost allocation system shall include a methodology that provides for the stability, predictability, and equity of charges – in that order of priority. The primary metrics available to be used for allocating costs are the size of a fund's ~~an agency's~~ budget(based on actual expenditures) and the number of positions ~~full-time equivalent employees~~. ~~Transactional metrics may be used in those cases where it is clear that transactions are a measure of the actual costs of the service to be allocated, such as number of contracts processed for purchasing costs.~~

To provide stability to costs allocated through the GFOH model, a three-year rolling average shall~~will~~ be used for the metrics. Following the close of each fiscal year, ~~Financial Planning~~ the City Budget Office shall~~will~~ update the GFOH model based on actual metrics from the prior fiscal year. The updated model shall~~will~~ be the basis for allocating the cost of GFOH services for the subsequent budget year.

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FIN 2.08.03 General Fund Overhead Advisory Committee List of Bureau Members

Members of the General Fund Overhead Advisory Committee shall~~will~~ include, but are not limited to, the financial managers (or designees) from the following bureaus:

- Bureau of Development Services
- Bureau of Environmental Services
- Office of Management & Finance
- Portland Bureau of Transportation
- Portland Fire & Rescue
- Portland Housing Bureau
- Portland Parks & Recreation
- Portland Police Bureau
- Portland Water Bureau

- ~~Development Services.~~
- ~~Environmental Services.~~
- ~~Fire.~~
- ~~Housing and Community Development.~~
- ~~OMF Business Operations Division.~~
- ~~Parks and Recreation.~~
- ~~Police.~~
- ~~Transportation.~~
- ~~Water.~~

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FIN 2.08.04 Interagency A~~a~~greements

Interagency service agreements are agreements between bureaus for the exchange of goods or services for payment.

The system of interagency agreements involves budgeting, billing and service description components:

- The budgeting component includes an interagency agreement document in which the service provider and receiver agree on projected levels of service and costs for the upcoming fiscal year. This estimate is based on rates developed by the provider for the upcoming year and a forecast of the number of units the receiver shall~~will~~ receive. The estimate may be updated throughout the year during the budget monitoring process if service levels change.
- The billing component includes entries into the City's accounting system to debit expenses, credit revenues and transfer cash between bureaus based on actual service provided.
- The service description component is the Service Level Agreement (SLA) document. The SLA describes what customers can expect from the provider, identifies performance measures, describes the service and identifies ways the customer can reduce costs.

Types of interagency agreements
There are two types of interagency agreements:

Services by central service providers. These are:

- CityFleet~~.~~
- Facilities Services~~.~~
- ~~Parking Facilities~~Enterprise Business Solution~~.~~
- Risk Management~~.~~
- Printing and Distribution~~.~~
- Technology Services~~.~~

Bureau-to-bureau interagency agreements. These are agreements between other bureaus for services or materials provided by one bureau to another.

Agreements part of City budget
Expenditures and revenues arising from interagency agreements are a component of bureau and City budgets. Budgeted amounts for revenues and expenditures must balance in the budget. Any adjustment to an IA during the fiscal year must maintain that balance between appropriation units.

~~Required e~~Elements of interagency agreements
A complete IA ~~shall~~ ha~~ve~~s the following elements:

- The IA shall~~will be available to both the provider and receiver, indicating quantities, rates, services and/or allocations. Providers shall furnish additional detail and documentation upon request~~ detail quantities of services the provider estimates shall be provided to the receiver in a fiscal year. These quantities may be inventories of equipment, assigned building space, estimated hours, cost allocations, etc.

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- ~~The IA will state the quantity of goods or services to be provided. The IA will also state the rate for each good and/or service, as applicable. This enables both provider and receiver bureaus to manage services and costs.~~ The IA shall detail the rates that the provider shall charge for each service in the fiscal year.
- ~~The IA will define the service to be provided in quantitative terms.~~ It is preferred that the IA be augmented with a Service Level Agreement (SLA) negotiated between the provider and receiver bureaus. Service Level Agreements may take many forms, but an SLA should specify the quantity and quality of services to be provided. An SLA can vary from a general agreement on all services the provider provides, to the specific requirements of a project detailed in a memo of understanding.

Budgeting and balancing interagency agreements

- The ~~Financial Planning Division (FPD)~~ City Budget Office (CBO) shall~~will~~ accept IAs for inclusion in the budget only if they have been completed according to the above requirements. IAs must balance in all phases of budget development and in mid-year budget adjustments, except for decision packages funded through IAs. IAs can be adjusted mid-year only through an ordinance, preferably through the City's budget monitoring process.
- An ordinance adjusting an IA mid-year must contain complete budgetary and account code information (provider and receiver revenue and expense changes) for ~~OMF~~ the CBO to ensure the IA is balanced.

Changing interagency agreements during the fiscal year

- Either the provider or receiver may initiate a change to an interagency agreement. The bureau initiating the change shall~~will~~ notify the other bureau in writing of the requested change in sufficient time to prepare revised interagency agreement calculations and complete budget monitoring process reports.
- In the case of a mid-year change, proper documentation of the changes must be completed and updated as part of a BuMP or other ordinance. Both provider and receiver bureaus are responsible for revising quantities, services and dollar amounts in the BuMP, and the initiating bureau in the case of a separate ordinance. Both provider and receiver bureaus shall~~will~~ adhere to deadlines as established by ~~Financing Planning~~the CBO.
- The ~~spring budget monitoring report~~ over-expenditure ordinance is the last opportunity for changing IAs.

Rate setting: elements of rates and charges

- Interagency agreement rates and charges are established under the basic principle of full cost recovery to the provider bureau of the costs incurred for services delivered to the receiver bureau. Costs are to include both direct and indirect costs. Indirect costs may include both General Fund and bureau administrative overhead.
- Rates shall~~will~~ be developed based on a cost-of-service study for the service provided. Each service must be identified at a level of activity or detail that allows measurement of unit quantities and costs. If possible, services should be defined so that they are comparable to similar externally provided services.
- Providers may develop rates in any one of several ways including, but not limited to, unit rates, hourly rates, overhead rates, and cost pool allocations. The method chosen shall be consistent with the nature of the service provided.

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Rate setting: cost recovery of direct and indirect costs

There are several approved cost recovery methodologies available to interagency service providers. All such methodologies are intended to achieve full recovery of direct and indirect costs. General definitions and specific applications are as follows:

- Direct costs are specifically tied to the provision of a particular service and normally consist of labor costs and materials and services costs. They may also include debt service costs, equipment and/or capital replacement costs, or major maintenance costs. Direct costs ~~will~~ usually vary with the quantity of units or level of service delivered.

  For example, direct costs are charged for program specific services that directly support activities or programs at the level of service requested by the receiver bureau (e.g., the number of vehicles to be purchased, the number of telephones installed, etc.). Cost recovery is accomplished by charges based on rates and units of services provided.

- Indirect costs are those that neither directly benefit the customer nor are received in the delivery of the service, but are required to support the delivery of services. Indirect costs are generally recovered by allocating a pro-rata share to direct costs.

Rate setting: development cycle

At the beginning of each budget cycle, prior to the development of bureau budgets and in conformance with the budget calendar, providers shall~~will~~ distribute to receiver bureaus estimates of service levels and costs. This includes the following:

- A schedule of rates and charges for services to be provided in the upcoming budget year.
- An estimate of the service quantity that is to be provided in the upcoming budget year based on current year inventories and service levels, as well as any foreseen adjustments. The base budget shall~~will~~ be derived from quantities and services identified at a specified accounting period during the current year. The base budget shall~~will~~ be the starting point, and all quantity and service changes after that point shall~~will~~ be adjustments.
- Providers shall~~will~~ conduct meetings to notify receivers of any major changes in the rate methodology. Providers shall~~will~~ provide details on the methodology of rate development and cost basis of rates; this information shall~~will~~ be the basis of discussions between the provider and receiver to reach agreement on the level of service and associated costs. Rate development by the provider bureaus shall~~will~~ be timed to meet the requirements of the budget calendar.

Budgeted IA amounts should reflect ~~actual~~ the estimated units and services that are anticipated during the ~~budget~~fiscal year. Budgeted IA amounts should not be intentionally deflated or inflated for budget balancing purposes.

Rate setting: application

Regardless of the particular methodology chosen, the objective of the rate setting process is a fair allocation of the provider's direct and applicable indirect costs among all receivers of a service.

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Once established, rates shall~~will~~ be appropriately applied to all receivers of each identified service or activity. ~~Various services or activities provided by a bureau may have different rate methodologies on the same interagency agreement.~~

Billing requirements: documentation of services and billings

Billings for services shall~~will~~ be submitted in a timely manner and shall~~will~~ clearly document the service provided.

- IA billings for fixed services are billed equally for each accounting period without supporting information required beyond the original SLA. IA billings for variable services are based on actual services received and should include references to facilitate obtaining additional information.
- References may be a description of the service provided or work order number. Additional information may ~~from~~ be found on the service provider's website or through view only access to the provider's billing system.

Billing requirements: services billed in fiscal year delivered

Billings and payments for services delivered under interagency agreements shall~~will~~ be effective only in the fiscal year that the services were delivered.

- The Accounting Division shall~~will~~ accept and process only billings that are billed in the same fiscal year for which the services were provided or purchases made.
- The final billing of all internal services must be complete and submitted to the Accounting Division in time to be included in the last Accounting Period of the fiscal year.
- Pre-payment of services is not allowed.
- If a receiver wants to challenge a billed amount, it must be filed and resolved prior to final transactions by the Accounting Division.
- Interagency service billings are allowed for funding future year replacement of receiver's equipment and future year major maintenance projects.

Dispute resolution: types of disputes

In all cases of disputes, parties are encouraged to resolve the dispute between themselves. Disputes are defined as follows:

- Policy disputes: Includes rate methodology, cost allocation methodologies, fixed asset accounting policies, etc.
- Budget disputes: Involves both parties disagreeing on units and services budgeted during a fiscal year.
- Billing disputes: Involves the application of set rates, allocation of costs, calculation and/or timing of billings, etc.
- Service level disputes: Involves service and/or performance expectations and actions included in Service Level Agreements.

Dispute resolution: process

The parties involved in the dispute shall~~will~~ attempt to resolve the dispute in an expeditious and equitable manner. The directors of the agencies involved in the dispute are encouraged to meet and come to a satisfactory resolution. The directors may request the assistance of subject matter experts, including the City Budget Director, the City Controller, or others as needed, to resolve the dispute.

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If the parties cannot resolve a dispute, either the provider or the receiver may raise the dispute for resolution to the respective Commissioner(s) in Charge. The Council shall make a final decision.

~~If the parties cannot resolve a dispute, either the provider or the receiver may request the assistance of the OMF Financial Planning Division Manager.~~

- ~~The request for assistance shall be in writing, stating the nature of the dispute, all the pertinent facts in the dispute and a desired outcome or resolution of the dispute.~~
- ~~Within 10 working days of receipt of the request for assistance, the Financial Planning Manager will interview the parties and suggest ways and means to resolve the dispute. If such action does not result in resolution, the FPD Manager will convene a meeting of both parties and hear the issues of the dispute.~~
- ~~Within five working days of the meeting, the FPD Manager will issue a decision to resolve the dispute. The parties involved in the dispute can appeal this decision to their respective Commissioner(s) in Charge. If appealed, the Commissioner(s) will render a final decision.~~

FIN 2.09.01 Year-End Grants Funds Cash and Fund Balance

Background

The City has centralized grant funds. The expenses tracked in these funds are reimbursement-based expenses. Typically, at the end of a fiscal year the Grants Fund's cash and fund balances are negative due to the delay in reimbursement. At year-end, bureaus are required to cover the negative balance by making loans to the Grants Fund proportionate to their share.

Year-End Grants Fund Loan Process

Budgeting

In early June, the Grants Office runs a cash report for accounting periods 1-11 by fund and business area using tcode FAGLL03, account 100000, funds 217000-217015, 218000-218002 and 219000-219001. After the cash report is complete, expense projections for June are calculated and incorporated into the cash report. The projections are based on average monthly expense incurred by each grant in AP 1-11. Each grant is attributable to a specific bureau. The cash report is submitted to CBO and Technical Accounting prior to the BRASS deadline for the Over Expenditure Ordinance (OEO). CBO works with the Bureau Budget Analyst to complete the BRASS load for the year-end loans. CBO and the Bureau Budget Analysts will communicate the Grants Fund loan information to Bureau Accounting Staff.

Loans will be budgeted in the OEO and, simultaneously, the repayments will be budgeted in the Adopted Budget for the next fiscal year (to the degree that the appropriation doesn't increase the Approved Budget appropriation for the fund by more than 10%). This ensures that authority exists both to make the loan on June 30th, and to repay it the next day, July 1. CBO will work with Bureau Budget Analysts to make sure that the loans are correctly budgeted.

The loans must be authorized in a separate resolution by Council. The resolution must contain the purpose, amount, and terms of the loan. Language in the resolution standardly specifies that the loans will not accrue interest. (Because of the negative cash generated by the bureau, the City pooled cash overall receives less interest. It would be inappropriate to pay bureaus interest on amounts due to the Grants Fund due to a negative cash balance.) CBO will prepare the Grants Fund loan resolution to address these criteria.

Accounting: Year-End Grants Fund Loan Journal Entry

In October, the Grants Office and Technical Accounting will prepare the final cash and fund balance reports based on actual results of the full fiscal year. The cash and fund balance report will be provided to CBO. CBO will work with Bureau Budget Analyst and Accounting Staff to determine the bureau's funding source for their portion of the loans to the Grants Fund. CBO will notify the Grants Office and Technical Accounting of the loan funding source determination.

Technical Accounting will complete a JE recording the loans and a JE recording the loan repayment. The loan JE is always dated June 30 in accounting period 13, and the repayment JE is always dated July 1 of the subsequent fiscal year in accounting period one. These two entries will be entered in SAP at the same time to avoid any interest allocation issues and to avoid the possibility of failing to reverse the loan JE. Technical Accounting park the documents in SAP, and then notify the bureaus and the Grants Office of the document number requiring their review and a note of approval to be placed in the SAP document attachment After the Bureaus review and place an attachment stating approval of the entries, they will notify Technical Accounting that the entries are ready for completion/approval and posting.

Examples of prior year Grants Fund year-end loan calculations and processing are available from the Grants Office.

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FIN 2.10.01 ~~Cost/benefit analysis guidelines~~ Guidelines for Electronic Payment Processing Services

~~Prior to proceeding with electronic payment card options, bureaus will perform and submit a cost/benefit analysis that will provide a financial and operational impact assessment, as well as an alternatives analysis.~~

Prior to requesting approval from the Public Finance and Treasury Division for electronic payment processing, bureaus shall consider the financial and operational impacts of providing electronic payment processing.

This procedure identifies the factors and considerations that are commonly included in a thorough cost/benefit analysis. The elements are offered as guidelines, not requirements. A bureau's analysis does not have to discuss every one of the factors noted below.

The Public Finance and Treasury Division, the Accounting Division, and the Bureau of Technology Services are available to bureaus for consultation on these analyses.

~~Financial impacts assessment:~~

~~The primary components of electronic payment card fees are a discount charge (for example, 10 cents per transaction) and an interchange assessment fee (dependent on risk factors such as how the card is being used – in person, via internet, etc. – and typically a percentage of the transaction amount). Depending on the complexity of the operation, there are costs for required hardware such as payment card terminals or other processing equipment, as well as the cost of dedicated or shared phone lines.~~

~~Operational cost assessment:~~

~~The operational costs are a function of the transaction activity, the average transaction amount and the nature of the transaction. Certain transactions may be eligible for flat transaction fees while others may qualify only for a percentage of the sales charges. The discount charge is assessed by the merchant bank and is typically negotiated with the Treasury Division as part of the contract. The interchange assessment fees are set by Visa/MasterCard and are subject to change at their discretion. All of these charges are assessed monthly and typically offset revenue generated from monthly electronic payment card sales.~~

~~Potential expenditures include:~~

Financial impacts:

- Payment card transaction fees. These fees are netted from payment card sales. Some fees are a flat rate per transaction, while others are a percentage of the transaction dollar amount.
    - Interchange fees are set by the card associations (e.g. VISA or MasterCard) and are paid to the banks that issue the cards. Factors that influence interchange fees are the card type the consumer is using (P-card, corporate card, etc.), the MCC code of the merchant/industry (gas station, retail, government, etc.), and the transaction environment (in-person, online, etc.). Interchange fees represent approximately 95% of the payment card transactions fees.
    - Network authorization fees are set by and are paid to the card associations.
    - Processing fees are established contractually with and are paid to the City's competitively selected merchant processor bank.

~~• Payment card transaction fees~~

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- Equipment rental or acquisition
    - Card swipe terminals
    - Dedicated phone line

- Existing system upgrades, if necessary
- Web site development costs and City's payment processing gateway (PPG) costs for online transactions
- Personnel training for transaction processing, system usage and chargeback

~~• Personnel expenses for increased responsibilities for transaction processing and chargeback processing.~~
~~Potential offsetting revenues include:~~
~~• Payment card cost recovery fees, if applicable.~~
~~• Marginal increases in overall fees and charges generated.~~
~~• Additional revenue attributable to collection certainty.~~
~~• Marginal increases in interest income.~~
Operational impacts ~~assessment~~:
~~Potential operational impacts include:~~
• ~~Personnel impacts due to additional responsibilities for t~~ Transaction processing and chargeback processing and account reconciliation
~~• Personnel impacts due to decreased responsibilities for check processing and return check processing~~
~~• Personnel impacts due to reduced cashiering requirements~~
• ~~Personnel impacts due to e~~ Equipment training
• ~~Bureau p~~ Procedural controls and security measures
• ~~Bureau productivity due to providing more efficient customer service.~~ Staffing and organizational structure

Other considerations:

- Customer service
- Collection rates
- Efficiency in bureau operations

Alternatives analysis:
The cost/benefit analysis should also include an assessment of payment card alternatives such as ~~an~~ automated clearinghouse (ACH) payment and check scanning/conversion.

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FIN 2.10.02 Technical ~~Analysis~~ Requirements for Electronic Payment Processing Services

Bureaus using ~~electronic commerce~~ e-Commerce service applications that process ~~enable receipt of~~ electronic check or payment card transactions, such as Visa or MasterCard, ~~via the web will~~ shall route the electronic receipts approval requests through the City's centralized payment processing gateway (PPG) for approval or disapproval by the City's merchant services provider. PPG is a City-developed electronic payment processing web service and connection mechanism ~~to~~ that routes electronic check and payment card receipts to the City's payment processing provider, with integration to support the reconciliation process~~. These requirements are described in further detail in the City's Technology Services Administrative Rules and other policies.~~ See BTS 3.01 E-Government Services.

Payment Card Industry - Data Security Standard (PCI-DSS) compliance:
Payment card associations and companies such as Visa, MasterCard, and American Express created PCI-DSS, which represents a common set of industry tools and measurements to help ensure the ~~safe~~ secure handling of sensitive payment card information. PCI-DSS compliance requires adequate security controls when storing, processing, and transmitting sensitive cardholder data. Sensitive cardholder data includes the personal account number (cardholder account number) and track information (data on the magnetic strip). Payment card companies, such as Visa and MasterCard, enforce the PCI-DSS standards, set merchant levels, set fees and penalties, and conduct management assessments. City policy is to comply with all aspects of the current PCI-DSS standard. See BTS 2.17 Payment Card Security Standards.

The City's merchant services provider or vendor bank is the ~~"acquirer" and the~~ City's liaison to ~~between the City and~~ the payment card associations. The associations and vendor bank determine the City's PCI merchant level based on volume and scope of processing activity. For purposes of determining merchant levels and the extent of a breach, the City's payment card programs ~~can be~~ are regarded collectively as a single merchant. ~~as independent if it can be demonstrated that they are segregated (i.e., they are not on a common server or use the same gateway, etc.).~~

PCI-DSS primarily addresses security requirements to minimize the possibility of an electronic breach of payment cardholder ~~electronic~~ data~~ and electronic data processing~~. However, voice recordings of payment card data, printed receipts, and paper reports of sensitive cardholder data are also within the scope of PCI-DSS.

If it is determined that a security breach has occurred and cardholder data has been compromised, ~~the~~a cardholder association such as Visa or MasterCard may assess fees and/or fines against the vendor bank and ultimately the City.
All merchants, including the City, are responsible for self-compliance as well as ensuring the compliance of all third-party service providers ~~or~~ and agents acting on their behalf~~ of the City~~. The City's ~~A~~ service providers ~~may be~~ include any agent to which the City provides cardholder data or provides access to cardholder data. Service~~s~~ providers must be validated and registered with the PCI Security Standards Council and must provide evidence to the City of their ongoing compliance with PCI-DSS. The City contracts for an annual PCI-DSS compliance audit and quarterly network scans of all bureaus, technologies, and platforms that process electronic payments.

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FIN 2.10.03 Best practices for Processing Payment Card Transactions

These best practices are for accepting and processing payment card transactions, including refunds and chargebacks. These best practices are designed to protect cardholder data and ensure that bureaus receive the best merchant pricing from card processing networks.

Protecting Cardholder Data

- Never write down customers' payment card numbers, expiration dates or security codes.
- Never photocopy, or imprint, customers' payment cards for later use.

Processing Transactions

- Do not accept expired cards or cards having effective dates after the date of the transaction.
- Swipe customers' cards when possible. Card-swiped transactions transmit the most card information and are significantly less expensive to process than manually-keyed, telephone order, or card-not-present transactions.
- Capture additional card information when possible. The more card information collected, the lower the likelihood of fraud, and, therefore, the lower the charge (interchange) to process the transaction. Capture cardholder billing address, zip code, and the card security code from the back of the card, if available.
- Properly classify and segregate transactions by using separate merchant accounts (MID). Using separate MIDs for retail (card-present-swiped, card-present-not-swiped), mail order/telephone order, and e-commerce (internet) transactions will result in lower interchange. Limited sharing, within card network specified limits, is allowed.
- Do not by-pass prompts with "enter" when using a terminal or other point of sale system. Instead, ask cardholder for the additional information, as prompted. The more information collected, the lower the interchange to process the transaction. When prompted for sales tax information, enter the number zero "0".

Authorization

- Verify cardholder account status with a $0.00 value authorization transaction instead of a $1.00 authorization transaction.
- Limit one authorization for each settled transaction and avoid duplicate processing.
- Refuse to process a transaction when receiving a "declined" code during authorization. Do not force settlement of any transactions without a valid authorization.
- Voice authorizations do not capture the information necessary for lower interchange rates. Data may still need to be manually keyed into the card swipe terminal.
- Make sure an imprint appears on a manual transaction receipt or that the relevant transaction information appears on the terminal-generated transaction receipt.
- Call Customer Service for additional authorization if you are still suspicious of the cardholder, card, or transaction after receiving an approval code.

Daily Settlement

- Void authorizations within outstanding batches if they are not going to be settled.
- Settle batches every 24 hours after getting initial authorization for purchases or deposits.

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- Settle batches by 7:00 PM to assure timely interbank transfer of receipts to the City's depository bank.

Recording Receipts

- Record receipts as soon as possible in SAP via system downloads from bureau-specific systems such as TRACS or journal entries supported by daily batch information.

Refunds and Chargebacks

- Post any special policies regarding returns or refunds visibly at the point-of-sale, and, if appropriate, printed on the transaction receipt using letters approximately ¼ inch high and in close proximity to the signature line.
- Include bureau's phone number and a unique order number on each transaction receipt. Customers with easy access to phone and order numbers on their receipt may contact bureau directly rather than disputing a transaction, which may help avoid costly chargeback fees.
- Respond promptly to all retrieval requests to avoid chargebacks. Work directly with cardholders to resolve disputes, avoid costly fees and processing costs, and promote goodwill. Respond to inquiries from Customer Service with as much information as possible about the transaction in question. Note that retrievals may be requested by a cardholder's issuing bank for up to 18 months from the transaction date

Statement Review and Reconciliation

- Promptly review monthly statements for pending changes in terms and processes. Forward statements to the accounting team to record expenses. Call Treasury if not receiving statements or if something looks unusual.
- Work with Public Finance and Treasury to reconcile and clear open cash clearing items regularly.

Account Review and Customer Service

- Contact Public Finance and Treasury at 503-823-3101 to schedule a merchant account analysis to ensure bureau is receiving the best merchant pricing.
- Contact Elavon Customer Service at 800-725-1243.

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~~FIN 2.11 Treasury Holding Accounts Procedures~~

~~FIN 2.11 Application requirements~~

~~Bureaus will provide the following information in the application for a Treasury Holding Account:~~

- ~~Name of account.~~
- ~~Purpose of account.~~
- ~~Source of current and continued funding of account.~~
- ~~Anticipated time of account activity.~~
- ~~Contact persons, to include bureau name, person's name, title, phone number and building/room numbers.~~
- ~~An authorized signature form, approved by the Commissioner in Charge.~~

~~Bureaus will also comply with procedures issued by City Treasury for making withdrawals from Treasury Holding Accounts.~~