

Updated Fund Statements of Purpose

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# Recreational Marijuana Tax Fund

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**Managing Bureau:** Office of Management & Finance, Bureau of Revenue & Financial Services

**Statement of Purpose:** The purpose of the Fund is to receive gross revenues received from the Recreational Marijuana Tax, to provide funding for the purposes identified in Section 6.07.145 of this Code and costs related to the administration of the tax. Except for those established purposes, in no case shall revenues be transferred from the Recreational Marijuana Tax Fund to the City's General Fund, or any other fund, for any other purpose.

**Sources of Revenue:** The Recreational Marijuana Tax receives revenues from a three percent tax on recreational marijuana sales in the City of Portland.

**Contingency Requirements:** Per Financial Policy 2.04, contingency funds should be used to address reasonable but unforeseen requirements within the fiscal year. There are no minimum or maximum contingency requirements for the fund. The Bureau of Revenue & Financial Services will budget contingency for the entirety of the legal fund in order to mitigate against the impacts of shortfalls in forecast revenue.

**Reserve Requirements:** There are no reserve requirements for this fund.

**Disposition of Funds:** If the tax is sunset at a future date, all funds will be disbursed for the purposes identified in Section 6.07.145 of this Code and costs related to the administration of the tax.

Responsibilities of the Bureau of Revenue & Financial Services are as follows:

- Forecast revenues and communicate forecast updates to the City Budget Office and to bureaus that are funding activities with recreational marijuana tax revenues
- Manage all budgetary and financial activity within the Recreational Marijuana Tax parent fund (i.e., 227000)
- Establish and manage budgeted contingency for the legal fund
- Establish a unique bureau-specific sub-fund within Recreational Marijuana Tax legal fund in SAP for every bureau that is funding activities with recreational marijuana tax revenues
- Execute Interagency Letter of Agreement with each bureau that is funding activities with recreational marijuana tax revenues, detailing roles and responsibilities of each party, including but not limited to the following processes:
  - The allocation of program/bureau spending reductions due to less than estimated revenues

Responsibilities of bureaus that are funding activities with recreational marijuana tax revenues are as follows:

- Budget and record activities funded with recreational marijuana tax revenues within bureau-specific sub-fund (e.g., 227001)
- Make mid-year budget adjustments as necessary in response to revenue shortfalls
- Establish and maintain financial controls to ensure only eligible activities are recorded within bureau-specific sub-fund. Eligible activities are defined in PCC 6.07.145
- Take prompt corrective action to resolve issues concerning ineligible activity posted to bureau-specific sub-fund

# Recreational Marijuana Tax Fund

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- Execute Interagency Letter of Agreement with Bureau of Revenue & Financial Services, detailing roles and responsibilities of each party

# PPA Health Insurance Fund

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**Managing Bureau:** Office of Management and Finance, Bureau of Human Resources

**Statement of Purpose:** The PPA Health Insurance Fund provides funding for programs and services related to healthcare and other supportive benefits offered to members of the Portland Police Association and eligible participants (i.e. dependents, retirees, and Cobra participants).

**Sources of Revenue:** Revenue sources for the fund include premiums collected from the Police Bureau for their employees and premiums collected from retirees. Other sources include premiums collected from employees, administrative and other fees, and interest income.

**Contingency Requirements:** Per Financial Policy 2.04, contingency funds should be used to address reasonable but unforeseen requirements within the fiscal year. There are no minimum or maximum contingency requirements for the fund.

**Reserve Requirements:** The fund maintains two reserve components.

- 1) The first component to the reserve is a restricted reserve covering the Incurred But Not Paid (IBNP) requirements. This component of the reserve is in accordance with standard industry practice and guidelines, and includes all liability components incurred but not yet paid. The recommended IBNP reserve is actuarially determined by the City's Health Fund Consultant.
- 2) In addition to the IBNP reserve, an additional Risk Based Capital reserve (RBC) has been set aside pursuant to National Association of Insurance Commissioners (NAIC) requirements. The four major components of RBC are: underwriting risk (insufficient premiums relative to expense), asset risk (default, reinsurance failure), credit risk (stop loss recoveries, fully insured medical, dental and vision premiums, ASO fees and prescription rebates), and business risk (expense overruns). Appropriate stop loss coverage will be maintained to manage large claims, and the City pays premium to its third party administrator for the coverage.
  - RBC policy sets appropriate limits regarding the use of any unallocated reserve dollars and sets a point at which recovery of fund balance needs to accrue. The Benefit Actuary sets the targets. For the PPA Fund any reserve surplus above 125% of RBC can be used as subsidy (buy-down) on future rate increases. Conversely, the policy also recommends targeting any reserve deficit below 75% of the RBC as the threshold by which the plan actuary would calculate a surcharge into future rate increases building up the RBC reserve to a fully funded level. **Disposition of Funds:** In the event the fund is closed, all remaining resources shall revert to the Health Operating Fund within a subaccount identified for PPA healthcare.

# Public Election Fund

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**Managing Bureau:** Office of Neighborhood Involvement

**Statement of Purpose:** The Public Election Fund provides financing of election campaigns of certified candidates for nomination or election to City Office, and the payment of administrative, enforcement, and other expenses necessary to carry out the functions and duties of Chapter 2.16.020 of City Code.

**Sources of Revenue:** Primary revenue sources for the fund include cash transfers from the General Fund, donations from the public, civil penalties, and interest earnings.

**Contingency Requirements:** Per Financial Policy 2.04, contingency funds should be used to address reasonable but unforeseen requirements within the fiscal year. There are no minimum or maximum contingency requirements for the Public Election Fund.

**Reserve Requirements:** There are no reserve requirements for this fund.

**Disposition of Funds:** In the event the fund is closed, all remaining resources shall revert to the General Fund.