

# Public Election Fund

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**Managing Bureau:** Office of ~~Management & Finance~~~~Neighborhood Involvement~~. This fund is part of the Special Appropriations budget managed by OMF, while the Director of the Office of Open and Accountable Elections is the manager of the program with oversight by the Commissioner-in-Charge.

**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.

# Cannabis Licensing Special Revenue Fund

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**Managing Bureau:** Office of Neighborhood Involvement

**Statement of Purpose:** The Cannabis Licensing Special Revenue Fund contains the resources and expenditures for the City of Portland's Cannabis Licensing program. If unforeseen changes in revenue occur in any given fiscal year, the fund's resources will provide for the continuous operations of the program.

**Sources of Revenue:** Revenue sources for the fund are application, licensing, and violation fees submitted by cannabis businesses for the purposes of meeting provisions of meeting Portland City Code 14B.130.

**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 Cannabis Licensing Special Revenue 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 first be allocated to program and personnel costs of the Cannabis Licensing Program, and any other remaining funds reverted to the General Fund.

# BFRES Facilities GO Bond Construction Fund

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**Managing Bureau:** Office of Management & Finance, ~~Bureau of Internal Business Services~~ [Office of the Chief Administrative Officer](#)

**Statement of Purpose:** The purpose of the Bureau of Fire, Rescue, and Emergency Services (BFES) General Obligation (GO) fund is to account for revenues and expenses associated with this General Obligation Emergency Facilities bond program. On November 3, 1998, the citizens of Portland authorized the sale of \$53.8 million in general obligation bonds to finance improvements to the City's emergency facilities, including: Seismic upgrades to allow firefighters to effectively respond to an earthquake in the metropolitan area; Relocation and construction of new facilities to meet the goal of a four-minute response time to emergency calls; Renovation of facilities to be consistent with the evolving mission of Portland Fire & Rescue; Response to Americans with Disabilities Act accessibility requirements; Changes to fire stations for female firefighter accommodations; Response to some emergency facilities approaching the end of their useful lives.

**Sources of Revenue:** The fund's primary source of revenues are the proceeds from the sale of General Obligation Emergency Facilities bonds approved by the voters on November 3, 1998. The fund has also received proceeds from the sale of land and buildings replaced by new stations or not needed.

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

**Disposition of Funds:** In the event the fund is closed, all remaining resources will be transferred to the Bonded Debt Interest and Sinking Fund to pay debt service on the bonds sold for the program.

# Public Safety GO Bond Fund

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**Managing Bureau:** Office of Management & Finance, ~~Bureau of Internal Business Services~~ Office of the Chief Administrative Officer

**Statement of Purpose:** On November 2, 2010, the citizens of Portland authorized the sale of \$72.4 million in general obligation bonds to finance a program to improve the City's public safety infrastructure, including: replacement of fire apparatus; construction of a fire station; construction of an emergency coordination center; and replacement of the City's 800 MHz radio system. The Public Safety General Obligation (GO) Bond Fund was approved by Council in December 2010 to account for this program.

**Sources of Revenue:** The fund's primary source of revenue are proceeds from the sale of General Obligation Public Safety bonds approved by the voters on November 2, 2010. Additionally, the fund received cash from the Technology Services Fund to pay for costs of the 800 MHz radio system replacement project that are not permitted to be funded with tax-exempt general obligation bonds.

**Contingency:** 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 Safety GO Bond Fund.

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

**Disposition of Funds:** Any bond proceeds left in this fund after completion of the General Obligation Public Safety bond program will be transferred to the Bonded Debt Interest and Sinking Fund to pay debt service on the bonds sold for the program. Any cash, other than bond proceeds, left in this fund after completion of the General Obligation Public Safety bond program will be transferred to Technology Services Fund.

# Facilities Services Operating Fund

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**Managing Bureau:** Office of Management and Finance, ~~Bureau of Internal Business Services~~  
Office of the Chief Administrative Officer

**Statement of Purpose:** The Facilities Services Operating Fund accounts for all of the facilities-related programs and capital projects managed by the Office of Management and Finance. Services include building operations and maintenance, interior space remodels and reconfigurations, janitorial services, and property and capital project management. Debt issuance is also a resource for capital projects, with the resulting principal and interest obligations generally being incorporated into the rental rates.

**Sources of Revenue:** The fund's primary sources of revenue are service reimbursements from City bureaus for space rental and other services, cash transfers for costs related to City Hall, and revenues from tenants occupying City-owned space. The fund also receives revenues for outside agencies and other organizations for services provided, interest income on its fund balance, and proceeds from debt sales.

**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 operating reserve size requirement is 5% to 10% of the fund's fixed cost annual operating budget. The Operating Reserve has two purposes, to fund one-time, emergency, or unanticipated expenditure requirements, and to maintain current service levels in the event of unanticipated revenue reductions within a fiscal year. There is no applicable alternative mean of meeting required reserves. Authorized uses include funding one-time, emergency, or unanticipated expenditure requirements and maintaining current service levels in the event of unanticipated revenue reductions within a fiscal year. The reserve can only be used after it is determined that the operating budget cannot fund the expenditure, or cannot be updated for a revenue reduction, and the bureau director and Chief Administrative Officer have approved the use.

The capital reserve size requirement is 0.5% to 1% of the replacement values of the facilities the fund owns. The Capital Reserve backstops the fund's major maintenance accounts and are used for the following purposes: To fund one-time, emergency, or unanticipated expenditure requirements that cannot be covered by the major maintenance budget, to maintain major maintenance project funding levels in the event of unanticipated revenue reductions within a fiscal year that cannot be covered by the major maintenance budget to fund investment opportunities that will allow the City to take advantage of emerging technologies or other business opportunities that will increase service levels and/or reduce costs. There is no applicable alternative mean of meeting required reserves. Authorized uses include funding one-time, emergency, or unanticipated expenditure requirements that cannot be covered by the major maintenance budget, maintaining major maintenance project funding levels in the event of unanticipated revenue reductions within a fiscal year that cannot be covered by the major maintenance account, funding investment opportunities that will allow the City to take advantage of emerging technologies or other business opportunities that will increase

# Facilities Services Operating Fund

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service levels and/or reduce costs. The reserve can only be used after it is determined that a building's major maintenance account cannot fund the expenditure, or cannot be updated for a revenue reduction, and the bureau director and Chief Administrative Officer have approved the use.

Major maintenance reserves are based on actual collections from major maintenance rates less actual expenses for projects. The reserve funds major maintenance projects for facilities the fund owns. There is no required reserve level. Major maintenance projects are identified by Facilities Services. The appropriation for these projects is approved by the Council as part of the budget process. Each year the reserve receives money from major maintenance rate revenues.

If a fund's reserves are lower than the target levels, the fund will use income from higher-than budgeted collections or lower-than-budgeted expenditures to come up to the required reserve. Rates can be set at levels higher than actual costs in order to replenish reserves, as long as overall costs to customers stay within the level of inflation and rates remain competitive with outside vendors. Additionally, a fund's manager has the option of going to Council and, through a decision package, requesting a rate increase over the level of targeted inflation to replenish reserves.

**Disposition of Funds:** In the event the fund is closed, all remaining resources would be returned to City bureau customers based on prior year levels of services received. Any residual amounts posted to the fund after closure would revert to the General Fund.

**Method for periodically testing the cost-effectiveness of pre-funding capital replacement versus leasing or lease purchasing for capital goods:** When the need to acquire a capital good arises several factors contribute to the financing mechanism used for acquiring the goods. These include the fund has in place replacement programs for capital equipment so the fund has cash available for the replacement purchase when the equipment is at the end of its useful, the fund has cash reserves that can be used to cash finance purchases, the City's cost of borrowing is lower than the private sector, the relative size and term of the need compared to the capital outlay required. For example, the fund leases small amounts of office space because to purchase/construct a building would not be cost effective, the existence of opportunities to leverage resources by partnering with other organizations.

**Equipment replacement policies:** Policies are documented in Chapter 4.05 and 4.09 of the Office of Management & Finance's policies and procedures.

**Method of accounting for equipment reserves and purchases for each bureau:** The fund maintains subsidiary ledgers to account for each building's (or in the case of Police facilities, groups of buildings) major maintenance account. These are updated annually as part of the fund's year end fund balance analysis. Purchases are tracked in the City's financial system.

**Policy and procedure for protecting capital reserves from being used for operating purposes:** Policies are documented in Chapter 4 of the Office of Management & Finance's policies and procedures.

# Facilities Services Operating Fund

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**Method for testing the cost-effectiveness of providing services internally:** When the need for a service is identified, the manager decides on directing City staff to perform the services or contracting out the work depending on a number of factors including:

- Union agreements
- Costs/value
- When the work needs to be done
- Time required to deliver the service
- Capacity of staff
- Expertise of staff
- Availability of equipment required to provide service
- Any extreme risk associated with the work
- The existence of warranties
- Any requirements from the funding source

# CityFleet Operating Fund

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**Managing Bureau:** Office of Management and Finance, ~~Bureau of Internal Business Services~~Office of the Chief Administrative Officer

**Statement of Purpose:** The CityFleet Operating Fund accounts for the revenues and expenditures associated with CityFleet's operations. CityFleet's programs include Vehicle & Equipment Acquisitions, Maintenance Operations, Fueling Stations, Parts Management, Automotive Body Repairs, Motor Pool, Rental Programs, Sustainability Program and Metal Fabrication. CityFleet also provides fleet policies and procedures related to fleet operations, and has established Intergovernmental Agreements to provide a regional approach for professional fleet services and sustainability goals.

**Sources of Revenue:** The fund's primary revenues are interagency revenue from City bureaus for services provided. The fund also receives revenues for outside agencies and other organizations for services provided. The fund earns interest income on its fund balance and receives revenue from the sale of vehicles and equipment sold at auction. Occasionally the fund has debt sales and receives the proceeds from these sales.

**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 operating reserve requirement is 5% to 10% of the fund's fixed cost annual operating budget. The Operating Reserve has two purposes, to fund one-time, emergency, or unanticipated expenditure requirements, and to maintain current service levels in the event of unanticipated revenue reductions within a fiscal year. Authorized uses include, funding one-time, emergency, or unanticipated expenditure requirements, and maintaining current service levels in the event of unanticipated revenue reductions within a fiscal year. The reserve can be used only after it is determined that the operating budget cannot fund the expenditure, or cannot be updated for a revenue reduction, and the bureau director and Chief Administrative Officer have approved the use.

The capital reserve backstops the fund's major maintenance accounts and are used for the following purposes, to fund one-time, emergency, or unanticipated expenditure requirements that cannot be covered by the major maintenance budget, to maintain major maintenance project funding levels in the event of unanticipated revenue reductions within a fiscal year that cannot be covered by the major maintenance budget, to fund investment opportunities that will allow the City to take advantage of emerging technologies or other business opportunities that will increase service levels and/or reduce costs. Authorized uses include, funding one-time, emergency, or unanticipated expenditure requirements that cannot be covered by the major maintenance budget, maintaining major maintenance project funding levels in the event of unanticipated revenue reductions within a fiscal year that cannot be covered by the major maintenance account, funding investment opportunities that will allow the City to take advantage of emerging technologies or other business opportunities that will increase service levels and/or reduce costs. There is no size requirement. The



# CityFleet Operating Fund

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reserve can only be used after it is determined that a building's major maintenance account cannot fund the expenditure, or cannot be updated for a revenue reduction, and the bureau director and Chief Administrative Officer have approved the use.

The equipment replacement reserve level is based on actual collections from equipment replacement rates less actual expenses for purchases. The reserve funds the replacement of equipment the fund owns and assigns to bureaus. There is no required reserve level. Equipment to replace are identified by CityFleet. The appropriation for these replacements is approved by the Council as part of the budget process. Each year the reserve receives money from equipment replacement rate revenues.

If a fund's reserves are lower than the target levels, the fund will use income from higher-than budgeted collections or lower-than-budgeted expenditures to come up to the required reserve. Rates can be set at levels higher than actual costs in order to replenish reserves, as long as overall costs to customers stay within the level of inflation and rates remain competitive with outside vendors. Additionally a fund's manager has the option of going to Council and – through a decision package - requesting a rate increase over the level of targeted inflation to replenish reserves.

**Disposition of Funds:** In the event the fund is closed, all remaining resources would be returned to City bureau customers based on prior year levels of services received. Any residual amounts posted to the fund after closure would revert to the General Fund.

**Method for periodically testing the cost-effectiveness of pre-funding capital replacement versus leasing or lease purchasing for capital goods:** When the need to acquire a capital good arises several factors contribute to the financing mechanism used for acquiring the goods. These include, the fund has replacement programs for capital equipment so the fund has cash available for the replacement purchase when the equipment is at the end of its useful, the fund has cash reserves that can be used to cash finance purchases, the City's cost of borrowing is lower than the private sector, the relative size and term of the need compared to the capital outlay required. For example, the fund leases specialty vehicles and equipment when the need is for a short period of time.

**Equipment replacement policies:** Policies are documented in Chapter 4.05 and 4.09 of the Office of Management & Finance's policies and procedures.

**Method of accounting for equipment reserves and purchases for each bureau:** The fund maintains subsidiary ledgers to account for each bureaus equipment replacement account. These are updated annually as part of the fund's year end fund balance analysis. Purchases are tracked in the City's financial system.

**Policy and procedure for protecting capital reserves from being used for operating purposes:** Policies are documented in Chapter 4 of the Office of Management & Finance's policies and procedures.

# CityFleet Operating Fund

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**Method for testing the cost-effectiveness of providing services internally:** When the need for a service is identified, the manager decides on directing City staff to perform the services or contracting out the work depending on a number of factors including:

- Union agreements
- Costs/value
- When the work needs to be done
- Time required to deliver the service
- Capacity of staff
- Expertise of staff
- Availability of equipment required to provide service
- Any extreme risk associated with the work
- The existence of warranties
- Any requirements from the funding source

# Printing & Distribution Services Operating Fund

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**Managing Bureau:** Office of Management and Finance, ~~Bureau of Internal Business Services~~Bureau of Technology Services

**Statement of Purpose:** The Printing & Distribution Services Operating Fund was established to account for Printing & Distribution Division revenues and expenditures. The division provides support services to all City bureaus, Multnomah County, Portland-area State of Oregon departments, and other local governmental agencies. Services include: traditional printing and binding, digital printing and pre-press services, variable data printing, microfilming, reprographics and blueprints, the purchase and maintenance of copy machines, Citywide paper procurement and management, United States Postal Service mail processing, inserting, addressing, and delivering mail and supplies. The main source of revenue is reimbursement from other City bureaus and outside agencies for services provided.

**Sources of Revenue:** The fund's primary revenues are interagency revenue from City bureaus for services provided. The fund also receives revenues for outside agencies and other organizations for services provided. The fund earns interest income on its fund balance.

**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 operating reserve size requirement is 5% to 10% of the fund's fixed cost annual operating budget. The Operating Reserve has two purposes, to fund one-time, emergency, or unanticipated expenditure requirements, and to maintain current service levels in the event of unanticipated revenue reductions within a fiscal year. Authorized uses include, Funding one-time, emergency, or unanticipated expenditure requirements, and maintaining current service levels in the event of unanticipated revenue reductions within a fiscal year. The reserve can only be used after it is determined that the operating budget cannot fund the expenditure, or cannot be updated for a revenue reduction, and the bureau director and Chief Administrative Officer have approved the use. If a fund's reserves are lower than the target levels, the fund will use income from higher-than budgeted collections or lower-than-budgeted expenditures to come up to the required reserve. Rates can be set at levels higher than actual costs in order to replenish reserves, as long as overall costs to customers stay within the level of inflation and rates remain competitive with outside vendors. Additionally a fund's manager has the option of going to Council and – through a decision package - requesting a rate increase over the level of targeted inflation to replenish reserves.

The capital reserve size requirement level is 10% of the replacement values of the production equipment the fund owns. The capital reserve is to replace production equipment that has become obsolete, or has high maintenance costs before it has achieved its useful life. The authorized use of the fund is for funding the replacement of equipment that has become obsolete, or has high maintenance costs before it has achieved its useful life. The identification of production equipment to be replace triggers use of this fund. The appropriation for these replacements is approved by the Council as part of the budget process. The replenishment policy of this reserve is that each time a

# Printing & Distribution Services Operating Fund

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piece of production equipment is used in providing a service to a customer the charge to the customer includes a cost component for the replacement of the equipment used in providing the service.

The equipment replacement reserve is based on actual collections from copier replacement rates less actual expenses for purchases. The purpose of the equipment replacement reserve is to fund the replacement of copiers the fund owns and assigns to bureaus. There is no required reserve level. The trigger for using the equipment replacement reserve is that copiers to be replace are identified by Printing & Distribution. The appropriation for these replacements is approved by the Council as part of the budget process. The equipment replacement reserve requirement is that each year the reserve receives money from copier replacement rate revenues.

**Disposition of Funds:** In the event the fund is closed, all remaining resources would be returned to City bureau customers based on prior year levels of services received. Any residual amounts posted to the fund after closure would revert to the General Fund.

**Method for periodically testing the cost-effectiveness of pre-funding capital replacement versus leasing or lease purchasing for capital goods:** When the need to acquire a capital good arises several factors contribute to the financing mechanism used for acquiring the goods. These include, the fund has in place replacement programs for capital equipment so the fund has cash available for the replacement purchase when the equipment is at the end of its useful, the fund has cash reserves that can be used to cash finance purchases, the City's cost of borrowing is lower than the private sector, the relative size and term of the need compared to the capital outlay required. For example, the fund leases specialty vehicles and equipment when the need is for a short period of time.

**Equipment replacement policies:** Policies are documented in Chapter 4.05 and 4.09 of the Office of Management & Finance's policies and procedures.

**Method of accounting for equipment reserves and purchases for each bureau:** The fund maintains reserves for all equipment by device for all bureaus. These are updated annually as part of the fund's year end fund balance analysis. Purchases are tracked in the City's financial system.

**Policy and procedure for protecting capital reserves from being used for operating purposes:** Policies are documented in Chapter 4 of the Office of Management & Finance's policies and procedures.

**Method for testing the cost-effectiveness of providing services internally:** When the need for a service is identified, the manager decides on directing City staff to perform the services or contracting out the work depending on a number of factors including:

- Union agreements
- Costs/value

# Printing & Distribution Services Operating Fund

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- When the work needs to be done
- Time required to deliver the service
- Capacity of staff
- Expertise of staff
- Availability of equipment required to provide service
- Any extreme risk associated with the work
- The existence of warranties
- Any requirements from the funding source

# Insurance and Claims Operating Fund

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**Managing Bureau:** Office of Management and Finance, ~~Bureau of Internal Business Services~~ Bureau of Revenue and Financial Services

**Statement of Purpose:** The Insurance and Claims Operating Fund provides for tort, general liability, and fleet liability claims administration; management of the liability self-insurance program; management of the City's commercial insurance portfolio; and Citywide leadership in loss prevention. Fund expenditures are primarily for claims-related payments. Projected claims are based on an independent actuarial study, which includes a projection for the current fiscal year and for the next five years. The actuarial reserve requirement for the fund is based on the actuarial study, which recommends a range for the reserve levels needed to cover outstanding incurred liabilities. The range is produced by calculating reserves at various confidence levels (i.e. the probability that actual losses will not exceed the reserve level). Reserves are stated at a discounted level, which takes into account the interest the fund earns on the fund balance. The Insurance and Claims Operating Fund's reserves are forecasted at a discounted confidence level of 80%. Interagency revenues are projected on a five-year basis so that, by year five, the fund will achieve the required claims reserve amount forecast by the actuarial consultant for year five. This five-year smoothing of interagency rates is designed to mitigate large fluctuations in rates from year to year. The City is authorized by the State of Oregon per ORS 806.130 to have a self-insurance program for auto liability.

**Sources of Revenue:** The fund's primary source of revenue is service reimbursements from City bureaus.

**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 operating reserve size requirement is 5% to 10% of the fund's fixed cost annual administration operating budget. The operating reserves purpose is to fund one-time, emergency, or unanticipated administrative expenditure requirements. Authorized uses include funding one-time, emergency, or unanticipated administrative expenditure requirements. The reserve can only be used after it is determined that the operating budget cannot fund the expenditure and the bureau director and Chief Administrative Officer have approved the use. If a fund's reserves are lower than the target levels, the fund will use income from higher-than budgeted collections or lower-than-budgeted expenditures to come up to the required reserve.

The actuarial reserve size requirement is the amount specified by the fund's annual actuarial study at the 80% confidence level. The actuarial reserve exists so that the City's self-insurance program for liability is actuarially sound. Authorized uses include, claims payments and claims defense. The reserve is used when claims payments or claims defense costs are incurred and the fund has no other resources available. If a fund's reserves are lower than the levels specified by the annual actuarial study at the 80% confidence level, the fund will increase rates so that at the end of the five year forecast period the Actuarial Reserve will be replenished.

# Insurance and Claims Operating Fund

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There is no policy amount for the rate stabilization reserve. The rate stabilization reserve is the amount of money in the fund in excess of the actuarial reserve requirement. The drawdown of this rate stabilization reserve over five years is a part of the fund's rate setting process. This five-year smoothing of interagency rates is designed to mitigate large fluctuations in rates from year to year. Authorized uses include gradually offsetting rates over a five year period as the reserve is drawn down to zero. There is no trigger for use. The rate stabilization reserve is factored into each year's update to the fund's five year plan for rates. The reserve does not have to be replenished.

**Disposition of Funds:** In the event the fund is closed, all remaining resources would be returned to City bureau customers based on prior year levels of services received. Any residual amounts posted to the fund after closure would revert to the General Fund.

**Method for periodically testing the cost-effectiveness of pre-funding capital replacement versus leasing or lease purchasing for capital goods:** Not applicable.

**Equipment Replacement policies:** Policies are documented in Chapter 4.05 and 4.09 of the Office of Management & Finance's policies and procedures.

**Method of accounting for equipment reserves and purchases for each bureau:** Not applicable.

**Policy and procedure for protecting capital reserves from being used for operating purposes:** Policies are documented in Chapter 4 of the Office of Management & Finance's policies and procedures.

**Method for testing the cost-effectiveness of providing services internally:** When the need for a service is identified, the manager decides on directing City staff to perform the services or contracting out the work depending on a number of factors including:

- Union agreements
- Costs
- When the work needs to be done
- Time required to deliver the service
- Capacity of staff
- Expertise of staff
- Availability of equipment required to provide service

# Workers' Compensation Self Insurance Operating Fund

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**Managing Bureau:** Office of Management and Finance, ~~Bureau of Internal Business Services~~ Bureau of Revenue and Financial Services

**Statement of Purpose:** The Workers' Compensation Self Insurance Operating Fund supports the City's self-insured workers' compensation program, including claims administration, Citywide loss prevention and employee safety services required by Oregon OSHA for self-insured entities, and occupational health activities aimed at minimizing occupational injury and illness from work-related infectious diseases. Fund expenditures are primarily for claims-related payments. Projected claims are based on an independent actuarial study, which includes a projection for the current fiscal year and for the next five years. The reserve requirement is also derived from the actuarial study, which recommends a range of reserve levels needed to cover outstanding incurred liabilities. The range of estimates is produced by calculating reserves at various confidence levels (i.e., the probability that actual losses will not exceed the reserve level). Reserves are stated at a discounted level which takes into account the interest the fund earns on the fund balance. The fund's reserves are currently forecasted at a discounted confidence level of 75%. Interagency revenues are projected on a five-year basis so that, by year five, the fund will arrive at the required claims reserve forecasted for the fifth year by the actuary. This five-year smoothing of interagency rates is designed to mitigate large fluctuations in rates from year to year. The City is authorized by the State of Oregon ORS 656.407 and OAR 436-050-0185 to have a self-insurance program for workers compensation. The State of Oregon requires the City's Workers' Compensation program be in a separate fund. There are numerous State of Oregon statutes that the fund operates under.

**Sources of Revenue:** The fund's primary source of revenue is service reimbursements from City bureaus.

**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 operating reserve size requirement is 5% to 10% of the fund's fixed cost annual administration operating budget. The Operating Reserves purpose is to fund one-time, emergency, or unanticipated administrative expenditure requirements. Authorized uses include funding one-time, emergency, or unanticipated administrative expenditure requirements. The reserve can only be used after it is determined that the operating budget cannot fund the expenditure and the bureau director and Chief Administrative Officer have approved the use. If a fund's reserves are lower than the target levels, the fund will use income from higher-than budgeted collections or lower-than-budgeted expenditures to come up to the required reserve.

The actuarial reserve size requirement is the amount specified by the fund's annual actuarial study at the 75% confidence level. The Actuarial Reserve exists so that the City's self-insurance program for workers' compensation is actuarially sound. Authorized uses include, claims payments and claims defense. The reserve is used what claims payments or claims defense costs are incurred and the fund has no other resources available. If a fund's reserves are lower than the levels specified by the annual actuarial study at the 75% confidence level, the fund will increase rates so that at the end of the five year forecast period the Actuarial Reserve will be replenished.



# Workers' Compensation Self Insurance Operating Fund

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There is no policy amount for the rate stabilization reserve. The Rate Stabilization Reserve is the amount of money in the fund in excess of the actuarial reserve requirement. The drawdown of this Rate Stabilization Reserve over five years is a part of the fund's rate setting process. This five-year smoothing of interagency rates is designed to mitigate large fluctuations in rates from year to year. Authorized uses include gradually offsetting rates over a five year period as the reserve is drawn down to zero. There is no trigger for use. The Rate Stabilization Reserve is factored into each year's update to the fund's five year plan for rates. The reserve does not have to be replenished.

**Disposition of Funds:** In the event the fund is closed, all remaining resources would be returned to City bureau customers based on prior year levels of services received. Any residual amounts posted to the fund after closure would revert to the General Fund.

**Method for periodically testing the cost-effectiveness of pre-funding capital replacement versus leasing or lease purchasing for capital goods:** Not applicable.

**Equipment Replacement policies:** Policies are documented in Chapter 4.05 and 4.09 of the Office of Management & Finance's policies and procedures.

**Method of accounting for equipment reserves and purchases for each bureau:** Not applicable.

**Policy and procedure for protecting capital reserves from being used for operating purposes:** Policies are documented in Chapter 4 of the Office of Management & Finance's policies and procedures.

**Method for testing the cost-effectiveness of providing services internally:** When the need for a service is identified, the manager decides on directing City staff to perform the services or contracting out the work depending on a number of factors including:

- Union agreements
- Costs
- When the work needs to be done
- Time required to deliver the service
- Capacity of staff
- Expertise of staff
- Availability of equipment required to provide service