

FIN-2.04 - Budget

Policy

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

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

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

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

Budget Monitoring

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

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

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

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

For the Fall budget monitoring process, General Fund discretionary revenue that exceeds budgeted beginning balance (adjusted) will be added to the General Fund contingency as a set aside, except for funds allocated to capital asset maintenance or replacement. See FIN 2.03 Financial Planning and FIN 6.11 Capital Assets. Funds that had been reserved to pay for General Fund encumbrances but are not needed for this purpose will also be added to this General Fund contingency set aside. These set aside funds will 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 the Bureau of Revenue and Financial Services, or other urgent and unforeseen needs or emergencies in the current fiscal year.

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

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

- Demonstrates bureau efforts to reprioritize funding within existing appropriations;
- Includes an assessment as to why an internal realignment of funding is not possible or recommended;
- Evaluates equity impacts, both for City staff and on community outcomes;
- Describes how the request impacts bureau-level financial plans, including rates and fees, and supports bureau-level strategic plan(s); and
- Discusses whether remaining contingency is sufficient to address future, urgent and unforeseen needs during the fiscal year.
- Bureaus with non-General Fund resources may request General Fund contingency as part of the budget monitoring processes in accordance with aforementioned appropriation guidelines. Additionally, these bureaus are expected to provide documentation and analysis which:
 - Demonstrates bureau efforts to reprioritize funding within existing appropriations;
 - Includes an assessment as to why an internal realignment of funding is not possible or recommended;
 - Evaluates equity impacts, both for City staff and on community outcomes; and
 - Identifies how the budget request ranks relative to the bureau's highest priorities.

Review of Council Actions

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

Operating Policies

1. **Balanced Budget.** Each City fund budget must identify ongoing resources that match expected ongoing requirements. One-time cash transfers and non-recurring

ending balances may either be applied to contingencies or used to fund one-time expenditures; they will not be used to fund ongoing programs, except as provided in section 2 below. Each year the CBO 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 resources that should be used for one-time programs and projects with a defined end date, bridge funding, or to address citywide liabilities that are not included in the City's five-year forecast. Future year funding may not be committed in excess of the one-time funds projected to be available in a fund's five-year forecast.

3. **General Fund Discretionary Revenues.** Unless otherwise stated explicitly by the Council, the City will not dedicate discretionary revenues for specific purposes in the General Fund. This will preserve the ability of the Council to determine the best use of available revenues to meet changing service requirements.

4. **Surplus Revenue.** The City 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 urgent and unforeseen contingencies will be budgeted as unappropriated balance or reserves.

5. **Fund Balances.** The City will 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 will 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 will be classified appropriately for reporting purposes in accordance with GASB-required classification categories.

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

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

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

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

Current Appropriation Level

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

The CAL calculation will be based on the current Adopted Budget's ongoing discretionary and overhead funding plus adjustments to include any inflation factors, and Council-adopted ordinances directing the CBO to revise a bureau's CAL allocation. The CAL calculation will also include assumptions for the upcoming fiscal year regarding increased costs in personnel expenses related to non-represented employee merit awards, labor bargaining and agreements, changes in benefit costs and/or methodologies, and/or legal mandates. Assumptions should be made following consultation with the City Attorney's Office and the Bureau of Human Resources and consider the City's overall financial outlook.

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

~~City issued Grants~~

~~The City may authorize grants for municipal purposes. Only the City Council may authorize grants of any dollar amount. The Council awards grants by ordinance unless it has delegated the authority to issue specific grants to a City elected official or bureau. Grants are authorized in bureau budgets or 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 will be issued after a competitive application process, unless Council waives the policy in the grant ordinance. No grantee will receive a competitive grant from the Special Appropriations Grant Fund if that organization has received Special Appropriation funding through the competitive grant process in the prior two fiscal years. No competitive grant from the Special Appropriations Grant Fund will exceed \$100,000.~~

~~The City will avoid issuing grants to assist agencies in meeting ongoing service delivery needs. No Special Appropriations grantee will receive a grant amount from the competitive grant pool greater than 35% of the grantee's operating budget, except when the grantee has no paid staff. Each granting bureau or office 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 will be issued as intergovernmental agreements.~~

Fund Management

City bureaus will strive to minimize the number of funds. New funds will be established and classified in collaboration with the City Budget Office and the Accounting Division of the Bureau of Revenue and Financial Services, and in accordance with GASB requirements. Creation of new funds or elimination of existing funds will be done by Council ordinance. The CBO will conduct an annual review to assess if each fund is needed.

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

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

Responsibility

The CBO 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 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.

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

Amended by Resolution No. 37419, adopted by City Council April 3, 2019.

Amended by Ordinance No. 191050, adopted by City Council October 26, 2022.