

Council Business Meeting

May 23, 2022

Agenda Item	Financial Policy Update	
From	Alison Chan	Interim Finance Director
Contact	alison.chan@ashland.or.us	

SUMMARY

The City of Ashland has a comprehensive set of financial policies to provide guidance to staff and represent the organization to financial markets. It is important to periodically conduct a review to ensure they accurately represent the intent and financial management philosophy of the City Council and the organization. The attached policies are intended to support the City of Ashland in its drive to long-term financial resilience.

POLICIES, PLANS & GOALS SUPPORTED

N/A

PREVIOUS COUNCIL ACTION

N/A

BACKGROUND AND ADDITIONAL INFORMATION

On December 1, 2020 Council adopted the “Financial Management Policies” for the City of Ashland. At the time of adoption, it was discussed how the document should be reviewed and updated periodically. The purpose of today's resolution is to do just that. Review and update.

First item – In the Financial Management Policies is has a section for Investments. I recommend changing the title to Investments and Banking and recommend adding the Resolution of Authorized signatures as Attachment 1.

Second item – In the Investment section I recommend adding a reference to the more detailed Investment Policy that Council adopted January 16th, 2018. The Resolution of the Investment Policy will be an attachment to the Financial Management Policies document. It is Attachment 2.

Third item – In the Financial Management Policies is has a section for Operating Budgetary Policies. I recommend changing the title to Budgetary Policies. It is recommended that ground rules for the Budget Committee be added. They are added to page 2 of the policy as the 3rd bullet in Budgetary Policies section. It is also recommended to add the Citizens' Budget Committee Training & Reference Guide as Attachment 3.

Fourth item – In the Financial Management Policies is has a section for Fund Balance Policy. I recommend changing the title to Fund Balance and Reserve Fund Policies and recommend adding the Resolution of the Reserve Policy as an attachment to the Financial Management Polices document as Attachment 4.

FISCAL IMPACTS

N/A

STAFF RECOMMENDATION

Staff recommends approval of the resolution.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

I move to adopt the City of Ashland Financial Policies.

REFERENCES & ATTACHMENT

1. Financial Management Policies
2. Attachment 1 – Resolution for authorized signers
3. Attachment 2 – Resolution for Investment Policy
4. Attachment 3 – Training and Reference Guide for Budget Committee
5. Attachment 4 – Resolution for Reserve Fund

Financial Management Policies

The Financial Management Policies apply to fiscal activities of the City of Ashland.

Objectives

The objectives of Ashland's financial policies are as follows:

- To enhance the City Council's decision-making ability by providing accurate information on program and operating costs.
- To employ revenue policies that prevent undue or unbalanced reliance on any one source, distribute the cost of municipal services fairly, and provide adequate funds to operate desired programs.
- To provide and maintain essential public programs, services, facilities, utilities, infrastructure, and capital equipment.
- To protect and enhance the City's credit rating and financial wellbeing.
- To ensure the legal use of all City funds through efficient systems of financial security and internal control.

The City of Ashland does not discriminate in providing services, purchasing goods or services, and in matters of employment.

Investments ~~And Banking~~ AND BANKING

All City funds shall be invested to provide—in order of importance—safety of principal, a sufficient level of liquidity to meet cash flow needs, and the maximum yield possible. One hundred percent of all idle cash will be continuously invested in accordance with State law and recommended government finance industry standards.

The City of Ashland has Banking Policy of authorized signatures, including facsimile signatures for banking services on behalf of the city of Ashland that is a part of this document and is labeled Attachment 12 (one twø).

The City of Ashland has a detailed Investment Policy and that is ~~aparta~~ part of this document and is labeled Attachment 2 4 (twoone).

Accounting

- The City will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles (GAAP) and Oregon Local Budget Law and in compliance with Government Accounting Standards

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Board (GASB) statements. The City will issue a Comprehensive Annual Financial Report (Audit report) each fiscal year. The Comprehensive Annual Financial Report shows fund expenditures and revenues on both a GAAP and budget basis for comparison purposes.

- An independent annual audit will be performed by a certified public accounting firm that will issue an official opinion on the annual financial statements and a management letter as needed or required detailing areas that need improvement.
- Full disclosure will be provided in financial statements and bond representations.
- The accounting systems will be maintained to monitor expenditures and revenues on a monthly basis with thorough analysis and adjustment of the biennium budget as appropriate.
- The accounting system will provide monthly information about cash position and investment performance.
- The City will seek to meet all standards to obtain the Certificate of Achievement for Excellence in financial reporting from the Government Finance Officers Association (GFOA) annually.

Operating Budgetary Policies

- The budget committee will be appointed in conformance with state statutes. The budget committee's chief purpose is to review the city manager's proposed budget and approve a budget and maximum tax levy for City Council consideration. The budget committee may consider and develop recommendations on other financial issues as delegated by the City Council.
- "The Budget Committee Reference Guide" is a part of this document and it is Attachment 3 (three).
- The Citizens' Budget Committee serves an important service with high visibility within our Ashland community, and it contributes to the community's mood, tone of communications and behavior. It is important that all members are aware of their leadership roles and community influence. The following are the ground rules for the meetings:
 - Keep an open mind
 - Be respectful
 - Don't interrupt
 - Stay on topic
 - It is ok to disagree
 - Raise your hand to speak
 - Allow others to speak before speaking again
 - Be prepared
 - Support the relationship to and with the city (fiduciary responsibility)

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- The City will finance all current expenditures with current revenues. The City will avoid budgetary practices that balance current expenditures through the obligation of future resources. Appropriation of fund balance or retained earnings will be solely for the purpose of one-time expenditures such as capital projects.
- The City budget will support City Council goals and priorities and the long-range needs of the community.
- In contrast to the line-item budget that focuses exclusively on items to be purchased (such as supplies and equipment), the City will emphasize the use of goals and programs to:
 - 1) Structure budget choices and information in terms of programs or operating units and their related work activities and impact on constituents and the community,
 - 2) Provide information on what each program or operating unit is committed to accomplish in long-term goals and in short-term objectives, and
 - 3) Measure the degree of achievement of program or operating unit objectives (performance measures).
- The City will include multi-year projections in the budget document of at least three years beyond the biennium.
- To maintain fund integrity, the City will manage each fund as an independent entity in accordance with applicable statutes, generally accepted accounting principles, and government finance industry standards.
- The City will allocate direct and administrative costs to each fund based upon the cost of the other fund providing these services to the recipient fund. The City will recalculate the cost of administrative services regularly to identify the impact of inflation and other cost increases.
- If the City should receive unbudgeted revenues net of corresponding or related expenditures or proceeds from the sale of assets within any governmental fund, the City will transfer not less than 20 percent of the gain to the Reserve Fund, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less than 20 percent to fund capital projects.
- If the City should receive unbudgeted revenues net of corresponding or related expenditures or proceeds from the sale of assets within any enterprise or internal service fund, the City will commit not less than 10 percent of the gain to net earnings, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less than 20 percent to fund capital projects.
- The City will seek to meet all standards for each adopted budget to obtain the

Award for Distinguished Budget Presentation from the Government Finance Officers Association.

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Fund Balance Policy

General Fund

The General Fund accounts for all financial resources not accounted for in other funds. Resources include working capital carryover, taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, miscellaneous revenues, and inter-fund transfers. Expenditures are for Social Services, Economic and Cultural Development, Police Department, Municipal Court Department, Fire and Rescue Department, City Band, Cemeteries, and the Department of Community Development and payments for services provided by other funds. This fund uses the modified accrual method of accounting.

- The General Fund will maintain an unrestricted and undesignated balance no less than 20 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- At such time as the unrestricted and undesignated balance exceeds 50 percent of the average annual expenditures of the prior three years, the City will transfer not less than 20 percent of the overage to the Reserve Fund, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less than 20 percent to fund capital projects.
- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of the average annual operating expenditures over the prior three years.

Parks and Recreation Fund. The Parks General Fund is managed by the Ashland Parks & Recreation Commission per City Charter. Revenues are from property tax revenue transfers from the General Fund, charges for services, and miscellaneous sources. Expenditures are for parks, recreational, and golf course operations.

- The Parks and Recreation Fund will maintain an unrestricted and undesignated balance no less than 20 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness

and to adequately provide for economic uncertainties and cash flow needs.

- At such time as the unrestricted and undesignated balance exceeds 50 percent of the average annual expenditures of the prior three years, the City will transfer not less than 20 percent of the overage to the Reserve Fund, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less than 20 percent to fund capital projects.
- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the Commission will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The Commission will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Special Revenue Funds

Special Revenue funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes. Special Revenue funds account for transactions using the modified accrual method of accounting.

Reserve Fund. This fund is used to set aside funds to protect services and to stabilize the budget, and to meet any costs that may arise in the future from unexpected events. As established by Resolution 2010-18, amended by Resolution 2020-09, and clarified by Resolution 2020-~~26~~. The resolution is a part of this document and is Attachment 4 (four).

Community Development Block Grant Fund. This fund was established in 1994-95. The fund accounts for the Block Grant and related expenditures.

- A fund balance policy is not needed since this fund works on a reimbursement basis and proceeds are restricted by federal guidelines.

Street Fund. Revenues are from the state road tax, grants, franchise fees, charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and surfacing of streets.

- The Street Fund will maintain a committed balance of annual revenue of at least 15 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The System Development Charges for Transportation are included in the Street Fund balance. This portion of the Street Fund balance is restricted and shall not be used in determining the minimum fund balance.

- If at any time the unrestricted and undesignated balance should fall below 15 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a nonrecurring nature. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Airport Fund. Revenues are from airport leases, and fuel sales. Expenditures are for airport operations.

- The Airport Fund will maintain a committed balance of annual revenue of at least 10 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- If at any time the unrestricted and undesignated balance should fall below 10 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- No portion of the Airport fund balance is restricted for specific uses.
- Many of the Airport assets have restrictions placed on them by the Federal Aviation Administration. None of the current revenues are pledged to outside lenders.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Capital Projects Funds

Capital improvement funds are established to account for financial resources that are used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds, Internal Service Funds, Special Assessment Funds and Trust Funds). Capital projects funds use the modified accrual method of accounting.

Capital Improvements Fund. This fund accounts for revenues from grants, unbonded assessment payments, and other sources, and will account for the construction of special local improvements, usually streets, with revenues from short term borrowing and unbonded assessments. Expenditures are for construction, property and equipment acquisition and replacement, improvements and related purposes including facility maintenance, and the repayment of short-term debt

principal and interest incurred in financing improvements. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum or maximum fund balance.

- The System Development Charges (SDCs) for Parks are included in the Capital Improvement fund balance. This portion of the Capital Improvements fund balance is legally restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Parks Capital Improvements Fund. The Parks Capital Projects Fund is managed by the Ashland Parks & Recreation Commission per City Charter. This fund is used to account for resources from grants and inter-fund transfers that are to be expended for major park renovations. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum or maximum fund balance.

Debt Service Funds

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Expenditures and revenues are accounted for using the modified accrual method of accounting. All bond issues and notes are separated in the accounting system.

- All of the monies within the Debt Service fund are restricted for Debt service until the specific debt is repaid in full. ORS prohibits cities from borrowing this money for any other purpose.

Enterprise Funds

Enterprise funds account for the following operations: (a) those that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) those where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds use full accrual basis of accounting for financial statement presentations. However, the enterprise activities use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition, as well as debt principal transactions.

Water Fund. This fund accounts for water operations. Revenues are from sales of water, other charges for services, and miscellaneous sources. Expenditures are for operations, conservation programs, capital construction, and retirement of debt.

- The Water Fund will maintain an unrestricted and undesignated balance of at least 25 percent of the average annual expenditures of the prior three years, in addition to any amounts held to comply with debt covenants or legal requirements. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The Water System Development Charges and reserved debt service fund balances are included in the Water Fund balance. These portions of the Water Fund balance are restricted and shall not be used in determining the minimum fund balance.
- If at any time the unrestricted and undesignated balance should fall below 25 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Wastewater Fund. This fund accounts for wastewater treatment and collection. Revenues are from charges for services and taxes. Expenditures are for operations, capital construction, and retirement of debt.

- The Wastewater Fund will maintain an unrestricted and undesignated balance of at least 25 percent of the average annual expenditures of the prior three years, in addition to any amount required to comply with debt covenants or legal requirements. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- If at any time the unrestricted and undesignated balance should fall below 25 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The Wastewater System Development Charges and reserved debt service fund balances are included in the Wastewater Fund balance. These portions of the Wastewater Fund balance are restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not

less than 3 percent of annual operating expenditures.

Electric Fund. The Electric Fund accounts for the distribution of purchased electricity according to standards set forth by the Federal Energy Regulatory Commission. Revenues are from sale of electricity and other charges for services and intergovernmental revenues. Expenditures are for related operations. Utility operations include wholesale power purchases, operating expenses, energy conservation incentives, capital outlay, retirement of debt, franchise tax, and related purposes.

- The Electric Fund will maintain an unrestricted and undesignated balance of at least 25 percent of the average annual expenditures of the prior three years, in addition to any amount required to comply with debt covenants or legal requirements. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- Debt service reserves are included in the Electric Fund balance. This portion of the Electric Fund balance is restricted and shall not be used in determining the minimum fund balance.
- If at any time the unrestricted and undesignated balance should fall below 25 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Telecommunications Fund. The Telecommunications Fund accounts for the revenues and expenditures of the Ashland Fiber Network.

- The Telecommunications Fund will maintain a minimum balance of 20 percent of the average annual expenditures of the prior three years, in addition to any amount required to comply with debt covenants or legal requirements
- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- Debt service reserves are included in the Telecommunications Fund balance. This portion of the Telecommunications Fund balance is restricted and shall not be used in determining the minimum fund balance.
- The city will budget a contingency appropriation to provide for unanticipated non-recurring expenditure. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Stormwater Fund. Revenues are from charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and construction of storm drains.

- The Stormwater Fund will maintain a committed balance of annual revenue of at least 20 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The System Development Charges for Storm Drains and debt service reserves are included in the Stormwater Fund balance. These portions of the Stormwater Fund balance are restricted and shall not be used in determining the minimum fund balance.
- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a nonrecurring nature. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Internal Service Funds

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis. Internal service funds use full accrual accounting methods for financial statement presentations. However, the internal service funds use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition as well as debt principal transactions.

Central Services Fund. This fund is divided into Administration, Information Technology, Finance, City Recorder, and Public Works Administration/Engineering. Expenditures are for personnel, materials and services and capital outlay for these departments. These functions are supported by charges for services by direct service departments and divisions.

- The Central Services Fund will maintain an unrestricted and undesignated balance of at least 5 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- No portion of the Central Services Fund balance is restricted for specific purposes.

- If at any time the unrestricted and undesignated balance should fall below 5 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.
- As of July 1, 2021, the Central Services Fund will be closed and the respective operations, funding, balances, and activities incorporated into the General Fund. Such revenues and transfers as calculated in the Cost Allocation Plan will be applied accordingly.

Insurance Services Fund. Revenues in this fund are from service charges from other departments, investment income, and insurance retrospective rating adjustments. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

- The Insurance Services Fund will maintain an unrestricted and undesignated balance of 50% of the average annual expenses of the prior five years or \$500,000 whichever is more, This is the minimum needed to maintain the City's insurance programs and provide for uninsured exposures.
- If at any time the unrestricted and undesignated balance should fall below \$500,000, the City will work to restore the balance in no less than two years with not less than one third of the shortfall being restored within each year.
- No portion of the Insurance Services Fund balance is legally restricted for specific uses.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Health Benefits Fund. Revenues in this fund are primarily from service charges from other departments, investment income and interfund loans as needed. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

- The Health Benefits Fund will maintain a minimum balance of 10 percent of the average annual expenses of the prior three years.
- If at any time the unrestricted and undesignated balance should fall below 10 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.

- The Health Benefits Fund balance is legally restricted for the employee health benefits program.

The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Equipment Fund. This fund is used to account for the maintenance and replacement of the City fleet of vehicles and specified equipment. Revenues are from equipment rental and replacement charges. Expenditures are for personnel, materials and services, and capital outlay. This fund is divided into two functions: equipment maintenance and equipment replacement. The purpose of the equipment replacement function is to accumulate adequate funds to replace equipment. This replacement schedule is updated annually.

- The Equipment Fund will maintain a minimum balance calculated to sufficiently fund equipment replacement as determined by use of the replacement value schedule and not less than 20 percent of the average annual operating expenditures of the prior three years.
- If at any time the unrestricted and undesignated balance should fall below the sum of 20 percent of the average annual operating expenditures of the prior three years and 30% of the replacement value of in-service equipment and vehicles, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- No portion of the Equipment fund balance is legally restricted for specific uses. The City rents equipment at rates that include the replacement cost of the specific piece of equipment.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Parks Equipment Fund. This fund is used to account for the maintenance and replacement of the Parks Commission fleet of vehicles and specified equipment and managed by the Ashland Parks and Recreation Commission. Revenues are from equipment rental and replacement charges. Expenditures are for personnel, materials and services, and capital outlay. This fund is divided into two functions: equipment maintenance and equipment replacement. The purpose of the equipment replacement function is to accumulate adequate funds to replace equipment. This replacement schedule is updated annually.

- The Parks Equipment Fund will maintain a minimum balance calculated to sufficiently fund equipment replacement as determined by use of the replacement value schedule and not less than 20 percent of the average annual operating expenditures of the prior three years.

- If at any time the unrestricted and undesignated balance should fall below the sum of 20 percent of the average annual operating expenditures of the prior three years and 30% of the replacement value of in-service equipment and vehicles, the Commission will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- No portion of the Equipment fund balance is legally restricted for specific uses. The Commission rents equipment at rates that include the replacement cost of the specific piece of equipment.
- The Commission will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

Trust and Agency Funds

Trust and agency funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, or governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, (c) pension trust funds, and (d) agency funds.

Cemetery Trust Fund. The Cemetery Trust Fund is a non-expendable trust fund that uses the accrual basis of accounting. Revenues are from interest income and perpetual care service charges on cemetery operations. Expenditures are for the repurchase of plots and transfers of earnings to the cemetery fund for operations.

- No minimum fund balance policy is recommended.

Revenues

- The City will estimate its annual revenues by an objective, analytical process. Because most revenues are sensitive to conditions outside the City's control, estimates will be conservative.
- The City will make every effort to maintain a diversified and stable revenue base to protect its operation from short-term fluctuations in any one revenue source.
- The City will establish charges for enterprise funds that fully support the total cost of the enterprise. Utility rates will be reviewed annually. Rates will be adjusted as needed to account for major changes in consumption and cost increases.
- The City will identify user fees to the direct beneficiaries of City services to recover all of the full cost of providing that service and compare with existing rates. All user fees will be reviewed biannually to ensure that direct and overhead costs are recovered in the percentage approved by City Council.

- To the extent practicable, new development shall pay necessary fees to meet all identified costs associated with that development.
- The City will work aggressively to collect all delinquent accounts receivable. When necessary, collection procedures will include termination of service, submission to collection agencies, foreclosure, and other available legal remedies.

Expenditures

- The City will provide employee compensation that is competitive with comparable public jurisdictions within the relative recruitment area. Estimated wage increases and changes in employee benefits will be included in the proposed budget under Personnel Services.
- The City is committed to maintaining and improving the productivity of its staff by providing a proper working environment, adequate equipment and supplies, and appropriate training and supervision.
- A Social Service appropriation will be included in the proposed General Fund Budget. This appropriation will increase or decrease relative to the overall General Fund revenues.
- An Economic, Cultural Development, Tourism and Sustainability appropriation will be included in the proposed General Fund Budget. This appropriation will increase or decrease relative to the overall Transient Occupancy Tax Revenues.

Purchasing

- The City will purchase materials, supplies, and equipment through a competitive process that provides the best product for the least cost.
- The City will adhere to all State of Oregon and local requirements for purchasing goods and services. The City will also review policies and procedures at least annually for adherence with industry best practices.

Capital

- The City will provide for adequate maintenance of equipment and capital assets. The City will make regular contributions to the Equipment Replacement Fund and the City Facilities budget to ensure that monies will be available as needed to replace City vehicles and facilities.
- Future operating costs associated with new capital improvements will be itemized, projected, and included in the long-term budget forecast.

- The City will determine and use the most appropriate method for financing all new capital projects.
- Special accounts dedicated for capital improvements will be segregated in the accounting system and used only for the intended capital purposes.
- The Capital Improvement Plan (CIP) will encourage a level capital replacement schedule and anticipate future capital needs. The CIP will present identified needed capital projects for a minimum of six years into the future and include known major projects requiring debt obligations to support them for a minimum of fifteen years into the future.

Debts

- The City will not use long-term borrowing to finance current operations.
- Capital projects, financed through bond proceeds, will be financed for a period not to exceed the useful life of the project.
- Whenever possible, enterprise debt will be self-supporting. Regardless of the type of debt issued, the City will establish a one-year reserve for all self-supporting debt.
- The City will seek to maintain level debt service payments over the duration of an issue and consider the level of debt obligations across funding sources when recommending types and amounts of debt instruments.
- The City will keep the final maturity of general obligation bonds at or below 20 years, with the exception of water supply and land acquisition that will be limited to 30 years.
- The City will maintain a debt coverage ratio, i.e. net revenue to debt service of at least 125% for every debt issue.
- The State of Oregon limits non-self-supporting obligation debt to three percent of the real market value of all taxable property within the City boundaries.
- The City will seek to maintain and improve its bond rating to minimize borrowing costs and to ensure its access to credit markets.
- The City will maintain good communications with bond rating agencies about its financial condition.

Risk Management

- The City will provide an active risk management program that reduces human

suffering and protects City assets through loss prevention, insurance, and self-insurance.

- The risk management program will be reviewed at least annually to assure levels of primary and secondary coverage are consistent with City priorities and needs.
- The risk management function will conduct regular meetings of the City Safety Committee, including representatives from each operating department, to review incidents and consider activities or initiatives to reduce the City's loss experience and to enhance safety of City human and physical resources.

1 **RESOLUTION NO. 2022-11**

2 A RESOLUTION AUTHORIZING SIGNATURES, INCLUDING FACSIMILLE
3 SIGNATURES, FOR BANKING SERVICES ON BEHALF OF THE CITY OF ASHLAND
4

5 **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ASHLAND, OREGON,**
6 **RESOLVES AS FOLLOWS:**

7 SECTION 1. In compliance with the adoption of the Council-Manager form of government, the
8 following positions are authorized to sign on behalf of the City, orders for payment or
9 withdrawal of money:

- 10 **City Manager**
- 11 **Deputy City Manager**
- 12 **City Recorder**
- 13 **Finance Director**
- 14 **Human Resource Director**
- 15 **Financial Systems Manager**

16 SECTION 2. All prior authorizations are hereby superseded.

17 SECTION 3. Any designated depository (“Bank”) of the City of Ashland is authorized and
18 directed to honor and pay any checks, drafts, or other orders for payment of money withdrawing
19 funds from any account of the City when bearing or purporting to bear the facsimile signatures of
20 the person listed in Section One of this resolution whether such facsimile signatures are made by
21 stamp, machine, or other mechanical device. The Bank is authorized and directed to honor and
22 to charge the City for such checks, drafts, or other orders for the payment of money, regardless
23 of how or by whom such actual or purported facsimile signatures were made, provided they
24 resemble the facsimile signatures duly certified to and filed with the Bank by the City.

25 SECTION 4. This resolution is effective upon adoption.

26 ADOPTED by the City Council this _____ day of May, 2022.

27 ATTEST:

28 _____
29 Melissa Huhtala, City Recorder
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SIGNED and APPROVED this _____ day of _____, 2022.

Julie Akins, Mayor

Reviewed as to form:

Katrina L. Brown, City Attorney

RESOLUTION NO. 2018-02

**A RESOLUTION AUTHORIZING THE INVESTMENT POLICY OF THE
CITY OF ASHLAND AND REPEALING RESOLUTION NO. 2009-33**

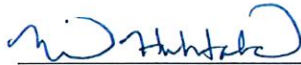
RECITALS:

- A. ORS Chapter 294.035 prohibits local governments from investing money unless the governing body of the local government has authorized the investments.
- B. The Mayor and City Council resolved: The investment of City monies in accordance with the attached policy is authorized.
- C. This resolution superseded Resolution No 2009-33 authorizing the investment of City monies.

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

SECTION 1.

This resolution was duly PASSED and ADOPTED this 16th day of January, 2018, and takes effect upon signing by the Mayor.



Melissa Huhtala, City Recorder

SIGNED and APPROVED this 16th day of January, 2017.



John Stromberg, Mayor

Reviewed as to form:



David H. Lohman, City Attorney

CITY OF ASHLAND, OREGON INVESTMENT POLICY

I. POLICY STATEMENT

It is the policy of the City of Ashland to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

II. SCOPE

This investment policy applies to activities of the City of Ashland regarding investing the financial assets of all funds except for funds held in trust for deferred compensation funds for the employees of the City of Ashland. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Oregon. Other than bond proceeds or other unusual situations, the estimated portfolio size ranges from \$15,000,000 to \$50,000,000.

These funds are accounted for in the City of Ashland's Comprehensive Annual Financial Report and include:

- General Fund
- Reserve Fund
- Special Revenue Funds
- Capital Projects Funds
- Debt Service Funds
- Enterprise Funds
- Internal Service Funds
- Trust & Agency Funds

Funds of the City will be invested in compliance with the provisions of all applicable Oregon Revised Statutes. Investments of any tax-exempt borrowing proceeds and any related Debt Service funds will comply with the arbitrage restrictions in all applicable Internal Revenue Codes.

III. OBJECTIVES AND STRATEGY

The primary objectives, in priority order, of the City of Ashland's investment activities shall be:

1. **Legality.** This Investment Policy will be in conformance with federal laws, state statutes, local ordinances, and internal policies and procedures.
2. **Liquidity.** The City of Ashland's investment portfolio will remain sufficiently liquid to enable the City of Ashland to meet all operating requirements which might be reasonably anticipated.
3. **Diversification.** Diversification of the portfolio will include diversification by maturity and market sector and will include the use of multiple broker/dealers for diversification and market coverage.
4. **Yield.** The City of Ashland's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the City of Ashland's investment risk constraints and the cash flow characteristics of the portfolio. "Market rate of return" may be defined as the average yield of the current three-

month U.S. Treasury bill or any other index that most closely matches the average maturity of the portfolio.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies to ensure maximum cash availability. The City shall maintain a comprehensive cash management program that includes collection of accounts receivable, and the management of banking services.

Large and small financial institutions in the Ashland area are a vital part of our economic, philanthropic, and civic infrastructure, and many bank leaders in this region strive together with government to create a more vibrant community. When financial institutions tailor their decision making, lending policies, and practices to the needs of the local community, they are better positioned to help sustain the local economy and local employment.

IV. STANDARDS OF CARE

1. **Delegation of Authority.** Authority to manage the City of Ashland's investment program is delegated to the Administrative Services Director who is the designated Investment Officer of the City and are responsible for investment decisions and activities, under the review of City Council and City Administrator. The Administrative Services Director is responsible for the day to day administration of the cash management program. In the absence of the Administrative Services Director, the Administrative Services Manager will oversee the day to day cash management program. In both of their absences the Deputy Finance Director will be delegated the authority to day to day cash management.

Management responsibility for the investment program is hereby delegated to the Administrative Services Director, in collaboration with the City Administrator, who shall establish written procedures for the operation of the investment program consistent with this investment policy and subject to review and adoption by City Council. Procedures should include reference to: safekeeping, PSA repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Administrative Services Director and City Council. The Administrative Services Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of the investment program.

2. **Prudence.** The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. These standards states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."
3. **Limitation of Personal Liability.** The Investment Officer acting in accordance with written procedures, the investment policy and in accord with the Prudent Person Rule shall not be held personally liable in the management of the portfolio.
4. **Ethics and Conflict of Interest.** Investment Officer involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment Officer shall disclose any material fiscal interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the

investment portfolio. Investment Officer and their family shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City, Investment Officer shall, always, comply with the State of Oregon, Government Standards and Practices Commission, code of ethics set forth in ORS Chapter 244.

V. AUTHORIZED AND SUITABLE INVESTMENTS.

1. **Authorized Investments.** All investments of the City shall be diversified by type, maturity and issuer. Before any transaction is concluded, to the extent practicable, the Investment Officer shall solicit and document competitive and offers on comparable securities. When not practicable, the reasons should be similarly documented. At all times, the Investment Officer will strive for best execution of all transactions. Additionally, if reasonably unanticipated events cause the portfolio limits to be exceeded, the Investment Officer will take the steps necessary to correct the situation as soon as practicable. Investments may be sold at a loss when the Investment Officer deems that such a decision is prudent.
2. **Suitable Investments.**
 - a. U.S. Treasuries
 - b. Agencies and Instrumentalities of the United States.
 - c. Savings and Demand Accounts (Oregon depositories only)
 - d. Time Certificates of Deposit (Oregon depositories only)
 - f. Banker’s Acceptances (Oregon issued)
 - g. Corporate Debt
 - h. Municipal Debt (States of Oregon, California, Idaho and Washington only)
 - i. Oregon Local Government Investment Pool (LGIP)

The specific permitted securities are defined under Oregon Revised Statutes Chapters 294.035, 294.040, 294.046 and 294.810. (See Addendum A) Collateral requirements are bank deposits, time deposits, certificates of deposit and savings accounts are defined in ORS Chapter 295. (See Addendum B)

VI. INVESTMENT PARAMETERS

1. **Diversification.** The City will diversify the investment portfolio to avoid incurring unreasonable risks, both credit and interest rate risk, inherent in over investing in specific instruments, individual financial institutions or maturities.

Diversification Constraints on Total Holdings:

<u>ISSUER TYPE</u>	<u>% of portfolio</u>
U.S. Treasury Obligations	Up to 100%
U.S. Government Agency Securities and Instrumentalities of Government Sponsored Corp.	Up to 75% and 50% per issuer
Bankers' Acceptances (BA's)	Up to 25% and 15% per issuer
Certificates of Deposit (CD)	Up to 35% and 5% of deposits per institution
Municipal Debt	Up to 35% and 10% per issuer
Corporate Debt (AA, A1, P1)	Up to 25% and 5% per issuer
State of Oregon Investment Pool Securities	ORS Limit 294.810

The Investment Officer will routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and

benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly, but not to exceed percentage as stated.

2. **Investment Maturities.** The City will not directly invest in securities maturing more than three (3) years from the date of purchase.
 - a. The maximum weighted maturity of the total portfolio shall not exceed 2 years. This maximum is established to limit the portfolio to excessive price change exposure.
 - b. Liquidity funds will be held in the State Pool or in money market instruments maturing six months and shorter. The liquidity portfolio shall, at a minimum, represent six-month budgeted outflow.
 - c. Core funds will be the defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 3 years and will be only invested in high quality and liquid securities.

Total Portfolio Maturity Constraints:

Under 30 days	10% minimum
Under 90 days	25% minimum
Under 270 days	50% minimum
Under 1 year	75% minimum
Under 18 months	80% minimum
Under 3 years	100% minimum

Exception to 3-year maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding three (3) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase of a particular issuer or investment type may be exceeded. Securities do not need to be liquidated to realign the portfolio; however, consideration will be given to this matter when future reinvestments occur.

VII. SAFEKEEPING, CUSTODY AND AUTHORIZED DEALERS

1. **Safekeeping and Custody of Securities.** The laws of the state and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by the City, or the City's designated depository.

All safekeeping arrangements shall be designated by the Investment Officer and shall list each specific security, rate, description, maturity, and cusip number (financial market identification). Each safekeeping receipt will clearly state that the security is held for the City or pledged to the City. In addition, repurchase requirements including Master Repurchase Agreements shall be in place prior to any business being conducted.

2. **Authorized Financial Dealers.** The Investment Officer shall maintain a list of all Qualified Depositories for Public Funds per ORS 295.002. An Oregon public official may deposit public funds up to the amount insured by the Federal Deposit Insurance Corporation (FDIC) or the national Credit Union share Insurance Fund (NCUA) in any insured financial institution with a head office or branch in Oregon. Public funds deposits that exceed these

insurance limits, currently set at \$250,000, may only be held in a depository qualified by the Oregon Public Funds Collateralization Program (PFCP).

At the request of the City of Ashland, the firms performing investment services shall provide their most recent financial statements or Consolidated Report of Conditions for review.

All dealers with whom the City transacts business will be provided a copy of this Investment Policy to ensure that they are familiar with the goals and objectives of the investment program.

If the City hires an investment advisor to provide investment management services, the advisor will follow the same procedure as outlined in VII Section 2.

- 3. Competitive Transactions.** The Investment Officer will obtain telephone, faxed or emailed quotes before purchasing or selling an investment. The Investment Officer will select the quote which best satisfies the investment objectives of the investment portfolio within the parameters of this policy. The Investment Officer will maintain a written record of each bidding process including the name and prices offered by each participating financial institution.

The investment advisor must provide documentation of competitive pricing execution on each transaction. The advisor will retain documentation and provide upon request.

VIII. CONTROLS

- 1. Accounting Method.** The City shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the Governmental Accounting Standards Board (GASB); the American Institute of Certified Public Accountants (AICPA); and the Financial Accounting Standards Board (FASB).

Pooling of Funds: Except for cash in certain restricted and special funds, the City will consolidate balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

- 2. Internal Controls.** The City will maintain a structure of internal controls sufficient to assure the safekeeping and security of all investments.

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include reference to safekeeping, wire transfers; banking services contracts, and other investment related activities.

The Investment Officer shall be responsible for all transactions undertaken.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the Council.

- 3. External Controls.** The City of Ashland may enter into contracts with external investment management firms on a non-discretionary basis. These services will apply to the investment of the City's short-term operating funds and capital funds including bond proceeds and bond reserve funds.

If an investment advisor is hired, the advisor will comply with all requirements of this Investment Policy. The investment advisor will provide return comparisons of the portfolio to the benchmark monthly. Exceptions to the Investment Policy must be disclosed and agreed upon in writing by both parties. The Investment Officer remains the person ultimately responsible for the prudent management of the portfolio.

Factors to be considered when hiring an investment advisory firm may include, but are not limited to:

- a. The firm's major business
- b. Ownership and organization of the firm
- c. The background and experience of key members of the firm, including the portfolio manager expected to be responsible for the City's account
- d. The size of the firm's assets base, and the portion of that base which would be made up by the City's portfolio if the firm were hired
- e. Management Fees
- f. Cost Analysis of advisor
- g. Performance of the investment advisory firm, net of all fees, versus the Local Government Investment Pool or other benchmarks over a given period

IX. PERFORMANCE EVALUATION AND REPORTING

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The City's investment strategy is active. Preservation of capital and maintenance of sufficient liquidity will be considered prior to attainment of market return performance. A market benchmark will be determined that is appropriate for longer term investments based on the City's risk and return profile. When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's total rate of return. This would include any outside management and identifiable in-house management.

The Investment Officer shall prepare quarterly compliance summary reports that provide details of the investment portfolio, as well as transaction details for the reporting period. Details shall be sufficient to document conformity with the provisions of the statutes and this investment policy and shall include a listing of individual securities held at the end of the period. All investments owned will be marked-to-market monthly by the City's third-party custodian.

The performance (total return) of the City's portfolio will be measured against the performance of the Local Government Investment Pool (LGIP) and the yield of the 91-day U.S. Treasury Bill.

X. INVESTMENT POLICY ADOPTION BY GOVERNING BODY

This investment policy will be formally adopted by the City Council. The policy shall be reviewed on an annual basis by the Investment Officer and the City Council. Material revisions to this policy will require a review by the Oregon Short Term Fund Board, pursuant to current Oregon Revised Statutes.



CITIZENS'
BUDGET COMMITTEE

**TRAINING &
REFERENCE
GUIDE**

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Governmental Budgeting

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**Legal Questions and Answers From
City Attorney**

4

Definition of Budget Terms

INTRODUCTION

Welcome to the City of Ashland Citizens' Budget Committee!

The Citizens' Budget Committee (CBC) is a critical Committee with a lot of responsibility. The City of Ashland values this important step in the biennium (BN) budget adoption process. The City believes that the CBC should have more input than those explicitly identified in State Law. For reference, the Local Budget Law can be found in Oregon Revised Statutes (ORS) 294.305 through 294.565. The text for these statutes can be found at www.leg.state.us.or. This packet identifies these statutes and how they impact the operation of the CBC.

The CBC is a partner in the long term financial sustainability of the City's financial position. This packet includes a summary of key information to help create a successful budgeting process. The information and process can be confusing at times and it is the desire of the City Council that any uncertainties be communicated with the Budget Officer for clarification.

PROPOSED FORMAL BUDGET COMMITTEE MEETING SCHEDULE

Meeting 1	Budget Message, Review Assumptions, Elect Chair and Vice Chair , Review Proposed Budget
Meeting 2	Deliberations/Approval
Meeting 3	Deliberations/Approval, if needed
Meeting 4	City Council Adoption, Tax Rates, Budget Appropriations

GOVERNMENTAL BUDGETING PRIMER

What is a Budget?

- The budget provides a financial plan for the Biennium
- The budget is a policy document indicating the priorities of the City
- The budget is a legal document making lawful appropriations giving the City the authority to spend public money
- The budget is a public communication tool
- The budget is an internal control document ensuing compliance by an annual outside audit

City Staff Work Calendar

The Budget is not completed during the budget committee process. The Budget is built for several months before presented for deliberations and ultimately adoption.

Fund Accounting

The City uses fund accounting to report on its financial position and the results of its operations. All governmental type funds (such as the General Fund and the Capital Improvements Fund) use the modified accrual basis of accounting. This means revenues are recognized only when they become measurable and available and expenditures are recognized when the fund liability is incurred (when the money is committed to be spent). Proprietary type funds (Sewer, Water, Electric, Etc.) use the full accrual basis of accounting. In this latter case, expenditures are recognized when the fund liability is incurred, but revenues are recognized when they are obligated to the City (which can be before they are actually received).

A formal encumbrance system is utilized that commits funds for later payment and ensures that appropriations cannot be overspent. Re-categorizing money to an encumbrance occurs when a commitment to purchase is made. Encumbrance money may not be spent. Goods and services not received by the fiscal year end result the encumbrance lapsing and rolling over into the next fiscal year.

An established internal control structure is used to protect assets from loss, theft or misuse and to ensure that compliance is maintained with accepted accounting principles. Budgetary control is maintained through quarterly budget review approved by the City Council.

Fund	Major Revenue	Major Expenditures
General Fund	<ul style="list-style-type: none"> • Property Tax • Transient Lodging Tax • Franchise Fees • Charges for Services 	<ul style="list-style-type: none"> • Police • Fire • Community Development
CDBG	<ul style="list-style-type: none"> • Grant Funds 	<ul style="list-style-type: none"> • Community Development Block Grant Program
Reserve Fund	<ul style="list-style-type: none"> • Other Funds Transfer 	<ul style="list-style-type: none"> • Money can be used for specific future needs
Street Fund	<ul style="list-style-type: none"> • Charges for Services • Franchise Fees • Grants 	<ul style="list-style-type: none"> • Streets and Transportation needs
Airport Fund	<ul style="list-style-type: none"> • Grants • Rent 	<ul style="list-style-type: none"> • Airport
Capital Improvement Fund	<ul style="list-style-type: none"> • Food and Beverage Tax (Parks) • System Development Charges • Charges for Services • Grants 	<ul style="list-style-type: none"> • Capital Projects
Debt Service Fund	<ul style="list-style-type: none"> • Property Tax for GO Bonds • Charges for Services • Other Funds/Department Transfer 	<ul style="list-style-type: none"> • Debt Payments
Water Fund	<ul style="list-style-type: none"> • Charges for Services • System Development Charges 	<ul style="list-style-type: none"> • Water Treatment and Delivery
Wastewater	<ul style="list-style-type: none"> • Charges for Services • System Development Charges 	<ul style="list-style-type: none"> • Sewer Treatment
Stormwater	<ul style="list-style-type: none"> • Utility Fee 	<ul style="list-style-type: none"> • Stormwater System

Fund	Major Revenue	Major Expenditures
Electric Fund	<ul style="list-style-type: none"> • Charges for Services 	<ul style="list-style-type: none"> • Electric Service for the Community
Insurance Fund	<ul style="list-style-type: none"> • Other • Funds/Department Transfers 	<ul style="list-style-type: none"> • Insurance Program
Health Benefit Fund	<ul style="list-style-type: none"> • Premiums 	<ul style="list-style-type: none"> • Self-Funded Health Benefit Fund
Equipment Fund	<ul style="list-style-type: none"> • Other • Funds/Departments • Transfer 	<ul style="list-style-type: none"> • Savings for the Replacement of Large Equipment
Cemetery Trust	<ul style="list-style-type: none"> • Charges for Service 	<ul style="list-style-type: none"> • Cemetery
Parks General Fund	<ul style="list-style-type: none"> • Charges for Services • Other General Fund Revenue 	<ul style="list-style-type: none"> • Parks

LEGAL FRAMEWORK

Below is a series of questions and responses prompted by discussions among budget committee members in the first half of 2017 and among members of the Budget Process Ad Hoc Committee in the second half of 2017.

1. What are the purposes of Oregon's Local Budget Law?

Response

- To establish standard procedures for the preparation, presentation, administration and appraisal of budgets of municipal corporations. ORS 294.321 (1).
- To provide for a brief description of the programs of a municipal corporation and the fiscal policy which is to accomplish these programs. ORS 294.321(2).
- To provide for estimation of revenues, expenditures and proposed taxes. ORS 294.321(3).
- To provide specific methods for obtaining public views in the preparation of fiscal policy. ORS 294.321(4).
- To provide for the control of revenues and expenditure for the promotion of efficiency and economy in the expenditure of public funds. ORS 294.321(5).
- To enable the public, taxpayers and investors to be appraised of the financial policies and administration of the municipal corporation in which they are interested. ORS 294.321(6).

2. Which budget-related tasks and powers are assigned to the budget committee?

Responses

- a. Explicit assignments and authority
 - i. Electing a chair and other officers, receiving the budget message, hearing patrons, setting dates for future meetings, and adopting rules of order. *Local Budgeting in Oregon*, p. 10
 - ii. Holding at least one public meeting on the budget presented by the Budget Officer and taking public comments on it. ORS 294.428.
 - iii. Asking questions of staff and requesting additional information the budget committee "requires for the revision and preparation of the budget document." ORS 294.428(3).
 - iv. Compelling the attendance of any City officer or employee at budget committee meetings. *Id.*
 - v. Reducing or increasing estimates of resource and requirements in the budget presented by the Budget Officer. *Local Budgeting Manual*, p. 45.
 - vi. Adding or deleting funding for specific services. *Local Budgeting in Oregon*, p. 11.
 - vii. Approving the budget presented by the Budget Officer, with additions or deletions. *Local Budgeting Manual*, p. 15.
- b. Implicit assignments and authority
 - i. "The budget committee is a local government's fiscal planning advisory committee." *Local Budgeting Manual*, p. 44. It is the "fiscal planning board of a local government." *Local Budgeting in Oregon*, p. 13.
 - ii. Individual budget committee members may ask questions of staff between committee meetings. *Local Budgeting in Oregon*, p. 11.
 - iii. The two-year portion of the Capital Improvements Plan included in the budget document is one of the elements of the budget the budget committee approves and forwards to the Council for consideration and final decision-making.
- c. Explicit or implicit proscriptions

- i. The budget committee may not take any action without an affirmative vote of a majority of the total budget committee membership (a majority of those voting does not suffice). *Local Budgeting in Oregon*, p. 11; OAR 150-294-0450.
- ii. “Generally, the budget committee’s role is not to directly establish or eliminate specific programs or services.” *Local Budgeting in Oregon*, p. 11.
- iii. “Budget committee influence on programs and services is most often exerted at a higher level, when it approves the overall budget and establishes the tax levy.” *Id.*
- iv. “The budget committee does not approve new personnel, employee contracts or salary schedules, nor does it negotiate salary contracts.” *Id.*
- v. “Committee members may not discuss or deliberate on the budget outside of a public meeting.” *Local Budget Manual*, p. 45.
- vi. The budget committee may not “discuss specifics of the ensuing year’s budget at... Informal meetings until the notice requirements of the first budget committee meeting have been satisfied.” *Id.*
- vii. Requests to staff for information beyond that required for revision and preparation of the budget document are inappropriate. ORS 294.428(3). See #6 below.

3. Which budget-related tasks and powers are assigned exclusively to the City Council?

Responses

a. Explicit assignments and authority

- i. Final decision-making on all City policies and the use of City resources. AMC 2.10.090. The Council is the authorized City policy-making body, elected to establish the overall direction and priorities for City government, and is the body solely subject to voter disapproval if unacceptable decisions are made and subject to potential legal action for breach of fiduciary duty.
- ii. Appointing the Budget Officer. ORS 294.331.
- iii. Establishing “standards and budget parameters” to be given to the Budget Officer to serve as “guidelines for budget development.” *Local Budgeting in Oregon*, p. 11.
- iv. Setting meeting agendas:
 1. Set by Budget Officer, who is under the City’s Executive Officer. ORS 294.331.
- v. Adoption of final budget, after public hearing and deliberation on the budget document approved by the budget committee. ORS 294.453-.456.
- vi. Adoption of a supplemental budget in certain circumstances. ORS 294.471-.473.
- vii. Transferring appropriations between funds when authorized by ordinance or making inter-fund loans. ORS 294.463 and .468.

b. Implicit assignments and authority

- i. Any duties or authority not expressly assigned to the budget committee.
- ii. Deciding whether to invite appointed budget committee members to participate in the Council’s budget hearing. *Local Budgeting Manual*, p. 55.
- iii. Deciding whether to reconvene the budget committee in the Off-Season. *Id.* at p. 45.
- iv. Establishing the 6-year Capital Improvement Plan

4. What is the role of the Budget Officer and staff?

Responses

- a. The budget officer, or the person or department designated by charter and acting as budget officer, shall prepare or supervise the preparation of the budget document. The budget officer shall act under the direction of the executive officer of the municipal corporation, or where no executive officer exists, under the direction of the governing body. ORS 294.331.
- b. Preparation of the budget document consistent with the requirements and definitions of ORS 294.333-398.
- c. Submittal of the budget message, which, according to ORS 294.321, must:
 - a. Explain the budget document;
 - b. (Contain a brief description of the proposed financial policies of the municipal corporation for the ensuing year or ensuing budget period;
 - c. Describe in connection with the financial policies of the municipal corporation, the important features of the budget document;
 - d. Set forth the reason for salient changes from the previous year or budget period in appropriation and revenue items;
 - e. Explain the major changes in financial policy; and
 - f. Set forth any change contemplated in the municipal corporation's basis of accounting and explain the reasons for the change and the effect of the change on the operations of the municipal corporation.

5. Do budget committee members have a legally enforceable obligation to act in the best interests of Ashland citizens (fiduciary duty)?

Response No

Points and Authorities

- a. Budget committee members are to *approve* a budget (recommend a budget to the City Council), which the City Council can then *adopt* with or without revisions. It is therefore only the City Council members who make final decisions and who conceivably could be held liable for improper expenditures authorized in an adopted budget.

6. Do individual budget committee members have unlimited authority to compel production of information?

Response No

Points and Authorities

- a. The budget committee may not take any action without an affirmative vote of at least eight members (a majority of those voting does not suffice). *Local Budgeting in Oregon*, p. 11; OAR 150-294-0450.
- b. Information the budget committee "requires for the revision and preparation of the budget document" are appropriate (ORS 294.428(3)), and the public hearing on the budget is to afford "an opportunity to ask questions about and comment on the budget document (ORS 294.426(1)(b)) [Emphasis added]. Questions or comments on topics other than the budget document could be ruled out of order for lack of relevance.
- c. Individual budget committee members may ask questions of staff between committee meetings.
 - i. "It could be very helpful and a courtesy to other budget committee members if inquiries are not restricted to committee meetings. Checking with the administrator and/or budget officer between meetings allows members to explore budget items of interest in greater detail than might be practical during committee meetings. Questioning also assists the administration/budget officer by giving an indication of concerns, making it possible to highlight issues that may be of interest to the entire budget committee." *Local budgeting in Oregon*, P. 11.

7. Must the budget document's estimates of expenditures for personal services include classification, salary and FTE for each position?⁹

Response No

Points and Authorities

- a. "Estimates of expenditures for personnel services must include for each organizational unit or activity the total budgeted cost of all officers and employees and the number of related full-time equivalent positions. Upon request, a municipal corporation shall make available the current salary of each officer and employee, other than persons who receive an hourly wage or who are hired on a part-time basis. For the purpose of preparing a list of salaries, employees of like classification and salary range may be listed by the number of employees, the highest and lowest salaries and the total amount of all salaries, in each salary range." ORS 294.388(5) [Emphasis added].

8. Does Oregon's Local Budget Law assign to the budget committee any duties or powers to take official actions during the 20 to 21 month period between City Council adoption of one biennium's budget and the budget committee's first meeting on the budget document for the ensuing biennium ("Off-Season")?⁹

Response No

Points and Authorities

- a. Oregon statutes ascribe roles to the budget committee solely for the 3 to 4 month period between the budget committee's first meeting on the budget document for the upcoming biennium and City Council adoption of the budget for that biennium ("Budgeting Season"): "Once the budget committee has approved the budget, it has completed all of the duties required of it by Local Budget Law." *Local Budgeting Manual*, p. 46.
- b. Only the Council has statutory authority to take official actions in the Off-Season with respect to the budget (such as, adoption of a supplemental budget, transfers of appropriations, or post-budget-adoption local option taxes) ORS 294.463-.476. The budget committee is not mentioned in these statutory provisions concerning Off-Season official budgetary actions.
- c. "[S]ome local governments have a policy of including the budget committee in other parts of the process, such as adopting a supplemental budget. These are local policy decisions that are up to the discretion of the governing body." *Local Budgeting Manual*, p. 46.
- d. Only the Council has the authority to convene an Off-Season budget committee meeting and determine its purpose: *Local Budgeting Manual* says at page 45, "The budget committee may meet from time to time throughout the year at the governing body's discretion for purposes such as training; "*Local Budgeting in Oregon*, at page 11, says "The budget committee may be reconvened by the governing body at a later date [after budget adoption] in the event the financial conditions in the district change. A meeting for this reason is called at the discretion of the governing body and is not a requirement of the local budget law." (Emphasis added in each excerpt)
- e. *Local Budgeting Manual* addresses Off-Season meeting topics: (1) At page 15, it says, "The budget committee is allowed to meet for training and advisory reviews throughout the year, but the budget may not be deliberated before the first meeting for which notice is published." At page 45, the *Manual* says, "Take care not to discuss specifics of the ensuing year's budget at these informal meetings until the notice requirements of the first budget committee meeting have been satisfied."

9. During Off-Season, may a quorum of the budget committee members meet and discuss budget matters?

Response Yes, as long as the gathering is a properly noticed public meeting convened by the Council and as long as the discussion is not about the specifics of the budget for the ensuing biennium. See #14 below.

Points and Authorities

- a. The Council has exclusive authority to convene an Off-Season budget committee meeting. See #8.b., c. and d. above.
- b. The meeting may not be about the specifics of the budget for the ensuing biennium. See #8.e. above

10. During Off-Season, may the person who chaired the budget committee during the preceding Budgeting Season convene a budget committee meeting?

Response No, because the Council has exclusive authority to convene a budget committee meeting during the Off-Season.

Points and Authorities

Points and Authorities:

- a. The Council has exclusive authority to convene an Off-Season budget committee meeting. See #8.b., c. and d. above.
- b. Because the budget committee has no capacity to take any official action in the Off-Season (see #8.a. and b. above), the chair of the budget committee has no authority to take any official action.
- c. Oregon statutes direct that selection of a budget committee chair is to occur at the first meeting of the budget committee for any particular Budgeting Season, which can only occur when it first receives the budget document for the ensuing biennium. ORS 294.414(9) and 294.426(1)(a). As there is no statutory provision governing Off-Season replacement of a budget committee chair who has resigned or whose term has lapsed during the Off-Season, those statutory provisions suggest that chairmanship of the budget committee for any particular Budget Season terminates once that season is over.
- d. ORS 294.428(1) says, "In addition to the meetings held under ORS 294.426(1) [which prescribes the requirements for meetings held for receiving the budget and providing opportunities for public questions and comments on the budget document], the budget committee may meet from time to time at its discretion." This is in a section titled "Budget Committee Hearings; Approval of the Budget Document." That section addresses only meetings concerning approval of the budget document; it is not a grant of general discretion to the budget committee to convene meetings at any time. If it were a grant of general discretion to convene meetings, there would be no need for the strictures in ORS 294.426 or the statements in the Local Budgeting Manual and Local Budgeting in Oregon that meetings of the budget committee in the Off-Season are at the discretion of the governing body. See #8.c. and d. above.

11. During Budgeting Season, may the appointed budget committee members meet on their own for the purpose of discussing the budget?

Response No

Points and Authorities

- a. "The budget committee members cannot get together in person, by telephone, or email before the advertised meeting to discuss the budget. All budget discussions must be held at public meetings." *Local Budgeting in Oregon*, p. 2.
- b. "Committee members may not discuss or deliberate on the budget outside of a public meeting." *Local Budgeting Manual*, p. 45. "
- c. "A gathering of less than a quorum of the committee, subcommittee, advisory group or other governing body is not a 'meeting' under the Public Meetings Law. However, while a gathering of less than a quorum is not a 'meeting,' members of the governing body should not gather as a group or groups composed of less than a quorum for the purpose of conducting business outside the Public Meetings Law. Such a gathering creates the appearance of impropriety, and runs contrary to the policy of the Public Meetings Law, which supports keeping the public informed of the deliberations of governing bodies." *Oregon Attorney General's Public Meetings Manual*, p. 304.
- d. If those gathering at such a meeting were to constitute a quorum of the budget committee, the meeting would have to be open to the public. ORS 294.428(2). But since the 7 appointed budget committee members would

not constitute a quorum, the only allowable official action at such a gathering would be approval of a motion to adjourn.

12. During Off-Season, may less than a quorum of the budget committee gather on their own for the purpose of discussing budget matters (other than budget specifics for the budget for the ensuing biennium)?

Responses

(1) Yes, if the less-than-a-quorum members of the budget committee constitute a public body (for example, the group is the Council itself or has been appointed by the Council to be a subcommittee or separate advisory group) and the gathering meets public meeting requirements, including public notice; (2) No, if the purpose is to discuss specifics of the budget for the ensuing biennium; but otherwise such gathering of less than a quorum of budget committee members is permissible.

Points and Authorities for Response #2 to Question 12:

- a. While the Oregon Attorney General generally advises against such gatherings (see 11.b. above), the policy of keeping the public informed of the deliberations of governing bodies would not be violated by a gathering of less-than-a-quorum of public body that has no authority or power in the Off-Season to take any official action. Analogy: The Ashland Building Board of Appeals exists to comply with state statute and is activated only when official action is called for. During the time this board is in deactivated status (has no duties to perform), no one could reasonably perceive discussions of less than a quorum of its members as deliberations of a public body.
- b. "Committee members may not discuss or deliberate on the budget outside of a public meeting." *Local Budgeting Manual*, p. 45. It is debatable whether this proscription applies even to Off-Season discussions: Such a discussion among less than a quorum of budget committee members in Off-Season surely would be a protected exercise of the First Amendment freedom of association, unless it strayed into deliberations on specifics of the ensuing biennium's budget document not yet formulated by staff.

13. During either Budget Committee Season or the Off-Season, at meetings of the City Council, are Councilmembers limited as to budget issues that can be discussed? (More pointedly, do the limitations on less-than-a-quorum budget committee members' budget discussions, as described in Questions 9 and 12 above, also apply to the elected budget committee members, that is to Council members?)

Response No

Points and Authorities

- a. "Standards and budget parameters established by the governing body give the budget officer and administrative staff general guidelines for budget development." *Local Budgeting in Oregon*, p. 11. The budget officer needs to know what policy initiatives having fiscal impacts the Council is likely to undertake in the next biennium – which can only be determined after Council discussion of priorities among potential initiatives.
- b. The budget committee has no statutory or Charter-established role in formulation of the budget or in overseeing adherence to it or revisions to it after its initial adoption. See 1.a.–e. above. Councilmembers, in contrast, would be derelict if they did not oversee adherence to the current biennium's budget or if they stopped developing policies and setting priorities until the ensuing biennium's budget has been prepared and submitted.

14. What topics of discussion are appropriate for budget committee discussion during the Off-Season?

Responses

- a. Appropriate topics (per Oregon Department of Revenue)
 - i. Training on the budget committee process, calendar, expectations for committee members, etc.
 - ii. Committee members' preferences for ground rules, rules of order, conduct of meetings, voting/ reaching consensus, fact-finding process, etc.
 - iii. Orientation on the organization and its various departments, programs, staffing, etc., and on the activities or services provided by each.
 - iv. General discussion of vision and goals, spending priorities, or philosophy on how to allocate scarce resources or make trade-off decisions as to which programs get funded and which don't.
 - v. General economic projections by the finance officer of possible changes in resources or requirements expected next year.
 - vi. Any and all discussion of the current year budget or prior year budget, including what, in general, might be done differently next year.
- b. Inappropriate topics (per Oregon Department of Revenue)
 - i. Specific estimates or appropriation amounts associated with any fund or line item, resource or requirements.
 - ii. The question of whether to fund specific programs or expenditures.
 - iii. The question of whether to impose any tax levy, or the amount of any levy.

15. For purposes of having common vocabulary for discussing the role of the budget committee, what would be a clear working definition of "Budget Committee Season"?

Response

"Budget Committee Season" means the period of time when the budget committee has authority under state law to take official action. This period begins at the first meeting of the budget committee, which can only occur when the committee sitting en banc first receives from the Budget Officer the budget document for the ensuing biennium - - typically in April or May of the second year of any biennium - and the date the City Council adopts the final budget for that biennium. Between one Budget Committee Season and the next ("Off-Season"), only the City Council has statutory authority to take official actions with respect to the budget or to convene the budget committee for any purpose.

Points and Authorities

- a. See #8.a, b., and d. above

16. For purposes of having common vocabulary for discussing the role of the budget committee, what would be a clear working definition of "a meeting of the budget committee."

Response

"A Public meeting of the Budget Committee" means a gathering of a quorum of the budget committee membership at which discussion of City budget matters is intended to or is likely to occur.

Points and Authorities

- a. "The Public Meetings Law applies to all meetings of a quorum of a governing body for which a quorum is required in order to make a decision or to deliberate towards a decision on any matter." *Oregon Attorney General's Public Meetings Manual*, p.122.
- b. "The purpose of the meeting triggers the requirements of the law....[A] purpose to deliberate on any matter of official policy or administration may arise [even] during a social gathering and lead to a violation. Members constituting a quorum must avoid any discussions of official business during such a gathering." *Id.*, at 123 (italics in original)

- c. "Even if a meeting is for the sole purpose of gathering information to serve as the basis for a subsequent decision or recommendation by the governing body, the meetings law will apply." 38 Op Atty Gen 1471, 1474 (1977); *Oregonian Publishing Co. v. Board of Parole*, 95 Or. App 501, 506 (1989).
- d. See also Questions 11 and 12 above.

17. For purposes of providing budget committee members relevant information and having commonly understood procedures, what would be a clear protocol for individual budget committee members to utilize in seeking from staff information related to the City Budget?

Responses

- a. Rationale for adopting such a protocol:
 - i. Minimization of misunderstandings.
 - ii. "It could be very helpful and a courtesy to other budget committee members if inquiries are not restricted to committee meetings. Checking with the administrator and/or budget officer between meetings allows members to explore budget items of interest in greater detail than might be practical during committee meetings. Questioning also assists the administration/ budget officer by giving an indication of concerns, making it possible to highlight issues that may be of interest to the entire budget committee." *Local Budgeting in Oregon*, p. 11.
- b. Requests for information during Budget Committee Season:
 - i. Scope of topics: Information required for revision and preparation of the budget document. ORS 294.428(3).
 - ii. Sequence
 - 1. Budget committee member makes written request to Budget Officer/Department Director for information within the scope of topics described in b.i above.
 - 2. Budget Officer/Department Director notifies City Administrator of request.
 - 3. Budget Officer/Department Director and City Administrator preliminarily determine (1) whether scope is appropriate and (2) whether response will require less than 2 hours of staff time.
 - a. If both preliminary determinations are affirmative, Budget Officer/Department Director arranges to have response prepared and delivered to requester and the other budget committee members.
 - b. If either of the two preliminary determinations is negative, City Administrator notifies Chair, asking for a decision on whether to comply with request. Then ...
 - i. If decision can wait until upcoming meeting of Budget Committee, Chair should include it on the agenda for the upcoming meeting and the determination should be made by majority vote of the Budget Committee; or
 - ii. If decision cannot wait until upcoming meeting of Budget Committee, Chair should make the determination on whether to comply with request.

c. Requests for information during Off-Season:

i. Scope of topics:

1. Topics related to fiscal planning, excluding any specifics about the ensuing biennium budget.
2. See #14 above.

ii. Sequence

1. Budget committee member makes written request to City Administrator for information within the scope of topics described in c.i above.
2. City Administrator preliminarily determines (1) whether scope is appropriate and (2) whether, in light of other current priorities, responding to request warrants required staff time.
 - a. If both preliminary determinations are affirmative, City Administrator arranges to have response prepared and delivered to requester and sent to the other budget committee members.
 - b. If either of the two preliminary determinations is negative, City Administrator notifies Mayor, asking for a decision on whether to comply with request. Then ...
 - i. If decision can wait until upcoming meeting of City Council, Mayor should include it on the agenda for the upcoming meeting and the determination should be made by majority vote of the City Council.
 - ii. If decision cannot wait until upcoming meeting of City Council, Mayor should make the determination on whether to comply with request

DEFINITIONS

Accrual basis. Method of accounting recognizing transactions when they occur without regard to cash flow timing [ORS 294.311(1)].

Activity. That portion of the work of an organizational unit relating to a specific function or class of functions, a project or program, a subproject or subprogram, or any convenient division of these [ORS 294.311(2)].

Adopted budget. Financial plan that is the basis for appropriations. Adopted by the governing body (ORS 294.456, re-numbered from 294.435).

Ad valorem tax. A property tax computed as a percentage of the assessed value of taxable property.

Agent. Generally, someone who is authorized to act for the local government, or who can make commitments or sign contracts in the name of the local government. Agency is the fiduciary relationship that arises when one person (a 'principal') manifests assent to another person (an 'agent') that the agent shall act on the principal's behalf and subject to the principal's control, and the agent manifests assent or otherwise consents so to act.

Appropriation. Authorization for spending a specific amount of money for a specific purpose during a fiscal year. It is based on the adopted budget, including supplemental budgets, if any. It is presented in a resolution or ordinance adopted by the governing body [ORS 294.311(3)].

Approved budget. The budget that has been approved by the budget committee. The data from the approved budget is published in the Financial Summary before the budget hearing (ORS 294.428, re-numbered from 294.406).

Assessed value. The value set on real and personal property as a basis for imposing taxes. It is the lesser of the property's maximum assessed value or real market value.

Assessment date. The date on which the value of property is set, January 1 (ORS 308.210, 308.250).

Audit. The annual review and appraisal of a municipal corporation's accounts and fiscal affairs conducted by an accountant under contract or the Secretary of State (ORS 297.425).

Audit report. A report in a form prescribed by the Secretary of State made by an auditor expressing an opinion about the propriety of a local government's financial statements, and compliance with requirements, orders and regulations.

Balanced budget. A budget in which the resources equal the requirements in every fund.

Bequest. A gift by will of personal property; a legacy. Biennial budget. A budget for a 24-month period. Billing rate. The tax rate used to compute ad valorem taxes for each property.

Budget. Written report showing the local government's comprehensive financial plan for one fiscal year. It must include a balanced statement of actual revenues and expenditures during each of the last two years, and estimated revenues and expenditures for the current and upcoming year [ORS 294.311(5)].

Budget committee. Fiscal planning board of a local government, consisting of the governing body plus an equal number of legal voters appointed from the district (ORS 294.414, renumbered from 294.336).

Budget message. Written explanation of the budget and the local government's financial priorities. It is prepared and presented by the executive officer or chairperson of the governing body (ORS 294.403, re-numbered from 294.391).

Budget officer. Person appointed by the governing body to assemble budget material and information and to physically

prepare the proposed budget (ORS 294.331).

Budget period. For local governments on a biennial budget, the 24-month period beginning July 1 and ending June 30 of the second following calendar year. See also “Fiscal year.”

Budget transfers. Amounts moved from one fund to finance activities in another fund. They are shown as expenditures in the originating fund and revenues in the receiving fund.

Capital outlay. Items which generally have a useful life of one or more years, such as machinery, land, furniture, equipment, or buildings [ORS 294.388(4), renumbered from 294.352(4)].

Capital projects fund. A fund used to account for resources, such as bond sale proceeds, to be used for major capital item purchase or construction [OAR 150-294.352(1)].

Cash basis. System of accounting under which revenues are accounted for only when received in cash, and expenditures are accounted for only when paid [ORS 294.311(9)].

Category of limitation. The three categories in which taxes on property are placed before the constitutional limits can be tested—education, general government, excluded from limitation (ORS 310.150).

Consolidated billing tax rate. The combined total of the billing rates for all taxing Districts in a code area. Does not include the billing rate for any urban renewal special levies or non-ad valorem taxes, fees, or other charges.

Constitutional limits. The maximum amount of tax on property that can be collected from an individual property in each category of limitation (Art. XI, sect. 11b, OR Const.).

Debt service fund. A fund established to account for payment of general long-term debt principal and interest [OAR 150-294.352(1)].

Devise. A of real property by will of the donor of real property.

Division of tax. Division of tax refers to the process of, and revenue from, apportioning tax to urban renewal agencies based on the relationship of the excess to frozen value, also known as tax increment revenue.

Double majority. A term that refers to an election where at least 50 percent of the registered voters eligible to vote in the election cast a ballot and more than 50 percent voting approve the question.

Encumbrance. An obligation chargeable to an appropriation and for which part of the appropriation is reserved [ORS 294.311(13)].

Enterprise fund. A fund established to account for operations that are financed and operated in a manner similar to private business enterprises. They are usually self-supporting. Examples of enterprise funds are those for water, gas, and electric utilities, swimming pools, airports, parking garages, transit systems, and ports [OAR 150-294.352(1)-(A)].

Estimate. (v) To arrive at a rough calculation or an opinion formed from imperfect data. (n) The resulting amount.

Excluded from limitation category. The category for taxes used to pay principal and interest on exempt bonded indebtedness [ORS 310.150(3)(D)].

Exempt bonded indebtedness. 1) Bonded indebtedness authorized by a specific provision of the Oregon Constitution, or 2) bonded indebtedness issued as a general obligation on or before November 6, 1990, incurred for capital construction or capital improvements, or 3) bonded indebtedness issued as a general obligation after November 6, 1990, incurred for capital construction or capital improvements with the approval of the electors of the local government. Bonded indebtedness issued to refund or refinance any bonded indebtedness described above is also included [ORS

310.140(7)].

Existing urban renewal plan. An existing urban renewal plan is defined as a plan that existed in December 1996, and, 1) chose an option and, 2) established a maximum amount of indebtedness by July 1998 and has not been amended to increase the land area or maximum indebtedness [ORS 457.010(4)(a)].

Expenditures. Total amount incurred if accounts are kept on an accrual basis; total amount paid if accounts are kept on a cash basis [ORS 294.311(16)].

Fiscal year. A 12-month period to which the annual operating budget applies. The fiscal year is July 1 through June 30 for local governments [ORS 294.311(17)].

Fund. A fiscal and accounting entity with self-balancing accounts to record cash and other financial resources, related liabilities, balances and changes, all segregated for specific, regulated activities and objectives.

Fund balance. The fund equity of government funds.

Fund type. One of nine fund types: General, special revenue, debt service, capital projects, special assessment, enterprise, internal service, trust and agency, and reserve [OAR 150-294.352(1)-(A)].

General fund. A fund used to account for most fiscal activities except for those activities required to be accounted for in another fund [OAR 150-294.352(1)-(A)].

General government category. The category for taxes used to support general government operations other than schools that are not for the purposes of paying exempt bonded indebtedness [ORS 310.150(2)].

Good Faith. The standard for estimating budget resources and requirements. Good faith estimates are reasonable and are reasonably likely to prove accurate, based on the known facts at the time.

Governing body. County court, board of commissioners, city council, school board, board of trustees, board of directors, or other managing board of a local government unit [ORS 294.311(20)].

Grant. A donation or contribution of cash to a governmental unit by a third party which may be made to support a specified purpose or function, or general purpose [ORS 294.311(21)].

Interfund loans. Loans made by one fund to another and authorized by resolution or ordinance (ORS 294.468, renumbered from 294.460).

Internal service fund. A fund used to account for fiscal activities when goods or services are provided by one department or agency to other departments or agencies on a cost-reimbursement basis (ORS 294.343, renumbered from 294.470).

Legal opinion. The opinion as to legality rendered by an authorized official, such as the Oregon attorney general or city attorney.

Levy. (v) To impose a property tax. (n) Ad valorem tax certified by a local government.

Local government. Any city, county, port, school district, education service district, community college, special district, public or quasi-public corporation (including a municipal utility or dock commission) operated by a separate board or commission; a municipality or municipal corporation under ORS 294.311(26).

Local option tax. Voter-approved taxing authority that is in addition to the taxes generated by the permanent tax rate. Local option taxes can be for general operations, a specific purpose or capital projects. It is limited to five years unless it is for a capital project, then it is limited to the useful life of the project or 10 years, whichever is less [Art. XI, section

11(4)].

Maximum assessed value (MAV). A constitutional limitation on the taxable value of real or personal property. It can increase a maximum of 3 percent each year. The 3 percent limit may be exceeded if there are qualifying improvements made to the property, such as a major addition or new construction (OAR 308.146).

Maximum authority. The limitation on the amount of revenue an existing urban renewal plan may raise from the property tax system [ORS 457.435(3)]. The assessor calculated this amount for the 1997-98 tax year for each existing plan based on the taxes each urban renewal plan area would have been entitled to prior to Measure 50. This amount is adjusted each year based on the growth of excess value in the plan area.

Maximum indebtedness. The amount of the principal of the indebtedness necessary to complete an urban renewal plan. This does not include indebtedness incurred to refund or refinance existing indebtedness [ORS 457.010(10)]. It is specified in dollars and cents and based on good faith estimates of the scope and costs of the anticipated project or projects. All existing plans are required to have an ordinance which establishes a maximum indebtedness.

Measure 5. A constitutional amendment (Art. XI, section 11b) passed in 1990 that limits the amount of operating tax that can be imposed on a property to \$5 per \$1,000 of real market value for education and \$10 per 1,000 for general government.

Measure 50. A constitutional amendment (Art. XI, section 11) passed in 1997 that limits the growth in a property's maximum assessed value to 3% per year. It also limits a local government's taxing authority by creating permanent rate limits.

Net working capital. The sum of the cash balance, accounts receivable expected to be realized during the ensuing year, inventories, supplies, prepaid expenses less current liabilities and, if encumbrance method of accounting is used, reserve for encumbrances [ORS 294.311(27)].

Object classification. A grouping of expenditures, such as personnel services, materials and services, capital outlay, debt services, and other types of requirements [ORS 294.311(29)].

Operating rate. The rate determined by dividing the local government's operating tax amount by the estimated assessed value of the local government. This rate is needed when a local government wants to impose less tax than its permanent rate will raise.

Ordinance. A formal legislative enactment by the governing board of a municipality.

Organizational unit. Any administrative subdivision of the local government, especially one charged with carrying on one or more specific functions (such as a department, office or division) [ORS 294.311(31)].

Personnel services expenses. Expenses related to the compensation of salaried employees, such as, health and accident insurance premiums, Social Security and retirement contributions, civil service assessments.

Permanent rate limit. The maximum rate of ad valorem property taxes that a local government can impose. Taxes generated from the permanent rate limit can be used for any purpose. No action of the local government or its voters can change a permanent rate limit.

Principal act. The Oregon Revised Statutes that describe how a certain type of municipal corporation is formed, selects its governing body, the powers it may exercise and the types of taxing authority that its voters may authorize.

Prior years' tax levies. Taxes levied for fiscal years preceding the current one.

Program. A group of related activities to accomplish a major service or function for which the local government is re-

sponsible [ORS 294.311(33)].

Program budget. A budget based on the programs of the local government.

Property taxes. Ad valorem tax or another tax on property certified to the county assessor by a local government unit.

Proposed budget. Financial plan prepared by the budget officer. All funds must balance. It is submitted to the public and the budget committee for review.

Publication. Public notice given by publication in a newspaper of general circulation within the boundaries of the local government; mailing through the U.S. Postal Service by first class mail to each street address within the boundaries of the local government; or hand delivery to each street address within the boundaries of the local government [ORS 294.311(35)].

Real Market Value (RMV). The amount in cash which could reasonably be expected by an informed seller from an informed buyer in an arm's-length transaction as of the assessment date. For most properties, the value used to test the constitutional limits (ORS 308.205).

Reserve fund. Established to accumulate money from year to year for a specific purpose, such as purchase of new equipment (ORS 294.346, renumbered from 294.525).

Resolution. A formal order of a governing body; lower legal status than an ordinance.

Resource. Estimated beginning funds on hand plus anticipated receipts (ORS 294.361).

SAL Report. Summary of Assessments and Levies (ORS 309.330).

Special levy. A special levy is an ad valorem tax, imposed for an urban renewal plan on the entire municipality that adopted the plan. It is not a result of a division of tax.

Special revenue fund. A fund used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specific purposes [OAR 150-294.352(1)-(A)].

Special payment. A budget expenditure category for pass-through payments, grants made to other organizations and other one-time or unusual expenditures that do not fall into the other categories of personal services, materials and services, capital outlay, etc.

Supplemental budget. A financial plan adopted during a budget period to meet unexpected needs or to appropriate revenues not anticipated when the regular budget was adopted. It cannot be used to authorize a tax (ORS 294.471, renumbered from 294.480).

Tax increment financing. A financial mechanism for urban renewal plans which captures the tax from the growth in property value within a designated geographical area by dividing the taxes of local governments.

Tax on property. Any tax, fee, charge or assessment imposed by any government unit upon property or upon a property owner as a direct consequence of ownership of that property [ORS 310.140(18)].

Tax rate. The amount of tax stated in terms of a unit of tax for each \$1,000 of assessed value of taxable property.

Tax roll. The official listing of the amount of taxes imposed against each taxable property.

Tax year. The fiscal year from July 1 through June 30.

Trust fund. A fund used to account for fiscal activities of assets held in trust by a local government.

Unappropriated ending fund balance. Amount set aside in the budget to be carried over to the next year's budget. It provides the local government with cash until tax money or other revenues are received later in the year. This amount cannot be transferred by resolution or used through a supplemental budget, unless necessitated by a qualifying emergency (ORS 294.398, renumbered from 294.371; ORS 294.481, renumbered from 294.455).

ONLINE RESOURCES

- City of Ashland Financial documents: <https://www.ashland.or.us/Page.asp?NavID=8316>
- Oregon Department of Revenue: http://www.oregon.gov/DOR/forms/FormsPubs/local-budgeting-manual_504-420.pdf
- Oregon Revised Status (Budget Related): https://www.oregonlegislature.gov/bills_laws/ors/ors294.html
- OpenGov (Financial Data): <http://AshlandOR.OpenGov.com>

1 **RESOLUTION NO. 2020-26**

2 A RESOLUTION CONFIRMING THE INTENDED SOURCES AND USES OF FUNDS
3 ACCUMULATED FOR AND IN THE RESERVE FUND

4 **RECITALS:**

5 The City of Ashland established a reserve fund in Fiscal Year 2009-2010 and identified intended
6 sources and uses through adoption of Resolution 2010-18. Through change in the economic
7 conditions and accounting standards affecting the City, it has become apparent that the intended
8 sources and uses of the Reserve Fund need to be clarified.

9 **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ASHLAND, OREGON,**

10 **RESOLVES AS FOLLOWS:**

11 SECTION 1.

12 A. Contributions to the Reserve Fund are made via four mechanisms:

- 13 a. Transfer from operating funds through the budget adoption process as approved by City
14 Council;
- 15 b. Transfer from operating funds through the budget amendment process as approved by
16 City Council;
- 17 c. Proceeds from windfall opportunities as directed and approved by City Council at the
18 time the opportunity is recognized, i.e. outside the budget processes; or
- 19 d. Pursuant to the Fund Balance policy as adopted by City Council by which a portion of an
20 individual fund's fund balance over the policy maximum is transferred automatically to
21 the Reserve Fund.

22 B. Uses of the Reserve Fund resources can be authorized via three mechanisms

- 23 a. Declaration of a public health, safety, and welfare emergency by the City Manager and
24 confirmed by the City Council electronically for which additional resources are needed to
25 address immediate needs. Funds are limited to the City Manager's spending limit as
26 identified and approved in policy by the City Council. This action including identification
27 of the specific uses for the funds must be ratified by the City Council in open session no
28 later than the first meeting after the declaration of emergency;
- 29 b. Appropriation of funds during the budget process to address unplanned, urgent capital
30 project for which other funding has not been secured. This action must be adopted by
resolution of the City Council in open session separately from adoption of the budget in

1 total and include identification of the specific project to be funded, the public purpose
2 served, and other sources of funding identified as untenable or unavailable; or
3 c. Appropriation of funds during the budget process to address unplanned, urgent operating
4 needs resulting from a sudden loss of revenues or catastrophic event impacting the City's
5 ability to raise funds from usually budgeted sources. This action must be adopted by
6 resolution of the City Council in open session separately from adoption of the budget in
7 total and include identification of the specific operations to be funded, the public purpose
8 served, and other sources of funding identified as untenable or unavailable.

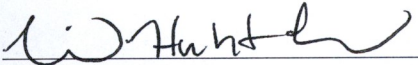
9 C. The unappropriated ending fund balance of the Reserve Fund identified in the budget process
10 or audit results is restricted from use. This amount cannot be transferred by resolution or used
11 through a supplemental budget, unless necessitated by a qualifying emergency (ORS 294.371)
12 and as noted above in Ba.

13 SECTION 2. All prior references to an annual budget process and all concurrent references to
14 the budget process for identifying resources and requirements or uses will refer to the two-year
15 cycle utilized for the City's biennial budget.

16 SECTION 3. This resolution is effective upon adoption.

17 ADOPTED by the City Council this 1st day of December, 2020.

18 ATTEST:

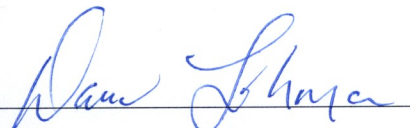
19
20 

21 Melissa Huhtala, City Recorder

22 SIGNED and APPROVED this 1st day of December, 2020.

23
24 
25 John Stromberg, Mayor

26 Reviewed as to form:

27
28 

29 David H. Lohman, City Attorney

30