

Meeting Agenda | Finance Committee

Wednesday, October 18, 2023
7:00 p.m.
Zoom Meeting
See Below for Access Information

1. Convene meeting and roll call of participants	5 min
2. Meeting Minutes for August 16, 2023	5 min
3. Public comment	5 min
4. Long-Term Financial Roadmap Update	35 min
5. American Rescue Plan Act Update	20 min
6. Review of Financial Policies	15 min
7. Project Updates	10 min
8. Committee Business	5 min
9. Good of the order	1 min

How to participate

This meeting will be conducted electronically using Zoom, an online meeting platform. The meeting structure complies with ORS 192.610 to 192.690.

Please note: Instructions for citizens wishing to testify during this Finance Committee meeting are as follows:

- Written testimony: Please send your written testimony to Budget and Finance Director, Sharron Monohon at Sharron.Monohon@GreshamOregon.gov no later than 24 hours before the meeting to allow the testimony to be forwarded to the Finance Committee.
- Oral testimony: Please register your name, email address, phone number and subject matter to Budget and Finance Director, Sharron Monohon at Sharron.Monohon@GreshamOregon.gov no later than 24 hours before the meeting.
- Persons who are unable to access the meeting via Zoom are encouraged to notify the City by calling 503-618-2890, 24 hours in advance of the meeting so that the City can provide alternate arrangements.

Meeting log-in or call-in information to access the meeting:

Click the link to join:

<https://greshamoregon.zoom.us/j/86728900897?pwd=SCtlenhLMTJydVUxYTNLenlZMCswdz09>

Passcode: S4nsMM7bpc

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City of Gresham
Finance Committee
Wednesday, October 18, 2023
Executive Summary

4. Long-Term Financial Roadmap Update

Presented by Sharron Monohon, Budget & Finance Director and Elizabeth McCann, Budget Manager

This item will provide a recap of any new discussions or additional actions that have been taken since the August Finance Committee meeting and will discuss the steps ahead.

Requested Action: Information and Committee Discussion

5. American Rescue Plan Act Update

Elizabeth McCann, Budget Manager

This item will provide a recap about the use of the ARPA funds to date and discuss next steps regarding the remainder of the City's allocation.

Requested Action: Information and Committee Discussion

6. Review of Financial Policies

Presented by Sharron Monohon, Budget & Finance Director

This meeting will continue Finance Committee discussions regarding the project to update the City's Financial Management policies, which were last adopted by Council on January 4, 2011 through Resolution 3036.

Requested Action: Information and Committee Discussion

7. Project Updates

Committee members and staff will provide updates on the status of various projects and other key initiatives that are underway currently. This may include reporting on the activity of other committees or workgroups where relevant as well as special Finance Committee projects.

Requested Action: Information and Committee Discussion

**City of Gresham Finance Committee
Wednesday, August 16, 2023, 7:00 p.m.
Zoom Meeting Minutes**

Finance Committee Members Present:

Mike Schultze
Nick McWilliams
Dave Dyk, Chair
Rusty Allen
Theresa Tschirky, Vice-Chair

Finance Committee Members Absent:

Jan Baker
Claire Lider

Council Liaison in Attendance:

Janine Gladfelter

Staff Members in Attendance:

Sharron Monohon, Director of Budget & Finance

Christina Ott (Recording Secretary)

1. Convene Meeting and Roll Call

The meeting was convened by Chair Dyk at 7pm.

2. Meeting Minutes for July 19, 2023

There was a motion made by Ms. Tschirky and seconded by Mr. Schultze to:

“Approve the July 19, 2023 Meeting Minutes as submitted.”

Motion passes unanimously.

3. Public Comment

None

4. Review of Financial Policies

Ms. Monohon began by asking the committee if they had any follow-up questions regarding last month’s discussion about financial policies.

Ms. Tschirky commented that the work so far looks good and acknowledged that there was a lot to get through.

Ms. Monohon said that the focus for this discussion would be on reserve policies, and outlined the following topics:

- There are two main reserve-related categories in the Government Finance Officers Association (GFOA) outline – one for the General Fund itself and one for reserves in other funds. This discussion may also touch on other categories – particularly ‘long-term financial planning’ and ‘structurally balanced budget’.
- Of the four categories just mentioned, three currently do not have Council adopted policies. We have good internal practices, but they have not been turned into formally adopted Council policies. This can matter, as when dealing with debt issuances, some rating agencies like the fact you have internal practices, but would rather see Council adopted policies to demonstrate more certainty and more long-term stability.
- This discussion may also delve into some other categories, as some policies can tie to another policy in a different category, such as ‘risk management’ and ‘capital’.

Ms. Monohon highlighted two areas for the committee to consider and provide input and feedback:

- First, how to help communicate the need for and importance of reserves and fund balances. Explaining to the public about the need for increased fees or other revenues can be challenging if it appears at first glance that there is an adequate fund balance.
- Second, what level of detail is appropriate for Council adopted policies versus internal practices. It’s important to strike a balance that avoids going into too much detail while still providing substantive guidelines.

Ms. Monohon then provided additional background regarding reserves:

- She referred to a recent GFOA article that outlined two main reasons for reserve funds - first, to address unavoidable costs, such as from a natural catastrophe or a significant economic downturn, and the second, to hold savings for non-recurring planned future projects.
- She also talked about a third key reason – managing cash flow issues – and explained that many General Fund revenues come in larger blocks late in the fiscal year, which doesn’t align with expenditures, which are spread somewhat more evenly throughout the year. There also are uncertainties where revenues may be delayed or impacted by actions outside of our control. Examples include economic slowdowns, closure of a large industrial customer, natural disaster or weather events, cyberattacks, and litigation among many others.
- Ms. Monohon also spoke about the importance of local government services in times of emergency and the need to make sure services are provided for the community when they

are most needed. Reserves provide a way to retain some resilience and capacity within our community.

- She also mentioned that the messaging around reserves may need to change. Previous discussions focused on the comparison to a savings account, however, this messaging no longer appears to resonate with many people. Future discussions may need to focus more on the risk aspect and compare reserves to insurance and risk protection measures.
- Finally, she talked about the idea of setting ranges rather than specific targets for reserves. Based on GFOA recommendations, this provides a way to allow people to agree even when they have different thoughts on risk.

Ms. Tschirky asked whether the research is showing more cities using the range concept to define what they should have in the reserves.

Ms. Monohon responded that there is a wide variety as to how cities approach and define their fund balance requirements and reserves. Some are incredibly detailed and long, which while that may add value to their targets, also adds more complexity than may be desired.

Ms. Tschirky commented that, based on her experience with credit unions, she believes the Council adopted policies should be at a higher level. We have board policies, and then we have standard operating procedures. The board policies would be roughly analogous to what we're talking about in terms of Council policies – providing broad guidance direction.

Ms. Monohon continued describing her research and findings:

- There are several questions to consider when assessing risks – for example whether they were independent or cumulative, and whether they impact all funds or only certain program areas.
- There have also been recommendations to provide transparency about reserve policies including describing the basis for the target and what uses are allowable.
- Consideration should also be given to when resources can be pooled across funds versus when they need to be retained separately to comply with allowable use of legally restricted revenues.
- Maintaining adequate reserves in funds with legally restricted revenues was especially important, as the General Fund otherwise is the ultimate backstop.

Ms. Monohon then began describing the following potential policy approaches for non-General Fund programs:

- Debt Service Funds – policies could include something like “Fund balance should be at a sufficient level to comply with all terms of existing bond covenants or other debt agreements.”
- Capital Funds – policies could focus on maintaining adequate working cash flow,

holding any cash balances from financing proceeds, and maintaining repair and replacement reserves.

- Insurance related Funds – policies could reflect what we are currently doing, which is to ensure reserves are at a sufficient level to comply with State and Federal regulations, to conduct an annual outside actuarial analysis, and to establish reserves that meet a moderately conservative confidence level as recommended in the actuarial analysis.

Ms. Tschirky asked if the best practices just described have been documented or if they have just been a rule of thumb to follow.

Ms. Monohon replied that, while they have been consistently followed for many years, the documentation needs to be developed.

Ms. Tschirky agreed that policies should be written to reflect these practices and indicated that the level of detail seemed appropriate.

Ms. Monohon continued outlining policy approaches:

- Infrastructure Funds – policies could include establishing reserves that are consistent with a long-term financial plan, with a goal of ensuring service reliability and cost stability.
- Business Funds – policies should consider the volatility and timing of revenues specific to the program and should use financial plans to guide reserve levels. An example was provided for the Building Fund that discussed the need to have reserves available to retain staffing levels during a minor or short-term economic downturn.

Chair Dyk commented that a lot of folks will really appreciate the risk management aspect of the policies and agreed that they encouraged the idea of “good government”. He thought that adding a reference to accountability might help with framing these policies as well. The way the substance of the fund types was described made sense, and he suggested that adding some kind of transparency mechanism explaining what happens if the targets aren’t met would be helpful.

Mr. McWilliams added that if there was a reserve to protect against every event in every fund, that may likely add up to be way too much. The goal would be to be robust without overly protecting against everything, since it’s unlikely that all would happen at the same time.

Ms. Monohon noted that she has a matrix in mind, where we could display what kinds of events can happen for each fund and what is available to address or protect against that particular concern. We would also want to consider which events may be layered together and

which may be unique.

Ms. Tschirky commented that she liked the format used for the materials developed so far, specifically the purpose statement and the description. She thought a goal of one page per category, if possible, might provide the right amount of detail.

Chair Dyk asked for a reminder of the process and how far along everything should be before sending these policies to Council for adoption.

Ms. Monohon responded the process will include a lot more writing on the policies to address the gaps. Once we have around 70% completed, we can probably move forward recognizing additional work will need to be done. One consideration is that it would be beneficial to be done with some of this work prior to completion of the remaining debt issuance needed for water, so that it was in place when we meet with the rating agency again.

Ms. Tschirky asked if there were plans for the creation of a policy or policies regarding each of the GFOA recommended categories.

Ms. Monohon replied that all of the categories should have at least a statement or two – even if it just says that we will comply with relevant Federal, State or other regulations. This would be beneficial for those who may not have much familiarity with what rules and regulations guide what we do.

Mr. Allen asked on the next step if Council needs to have multiple readings or a timeframe before they can adopt it.

Ms. Monohon answered they are not under a set timeframe and can adopt in one action or in a series of actions. She added that she expects that at a minimum Council would want to have a work session or policy discussion ahead of adoption so they have more discussion and familiarity with it.

5. Project Updates

Ms. Monohon shared the following updates:

- The adopted budget document has been completed and posted online, underway with the end close process.
- Job posting for an accountant position (following a retirement) and a new limited-term accountant position to support a payroll/timekeeping project. Public governmental accounting is preferred, and CPA is not required.

- Reappointments for multiple Committee members are being held soon to gain back their “Official” status.

6. Committee Business

None

7. Good of the order

None

8. Meeting Adjournment

The meeting was adjourned by Chair Dyk at 8:15pm. The next Finance Committee meeting will be held on September 20, 2023 at 7pm.

Dave Dyk, Chair

Christina Ott, Recording Secretary