

Meeting Agenda | Finance Committee

Wednesday, March 19, 2025

7:00 p.m.

Zoom Meeting

See Below for Access Information

1. Convene meeting and roll call of participants	5 min
2. Public comment	5 min
3. Capital Improvement Program Update	45 min
4. Financial Policies Update	45 min
5. FY 2024/25 Contingency Transfer #1	10 min
6. Project Updates	10 min
7. Committee Business	5 min
8. 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, Elizabeth McCann at Budget&Finance@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, Elizabeth McCann at Budget&Finance@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 503-618-2445, 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/83110477252?pwd=w8PGmq84LlIw9R4aBkUXPkzUGZ0K6B.1>

Passcode: jJyQftdU43

One tap mobile :

+16699006833,,83110477252#,,,,*5582215666# US (San Jose)

+12133388477,,83110477252#,,,,*5582215666# US (Los Angeles)

Telephone: +1 669 900 6833 US or +1 213 338 8477 US or +1 253 215 8782 US or +1 646 876 9923 US

Webinar ID: 831 1047 7252

Passcode: 5582215666



Meeting Date: March 19, 2025 Agenda Executive Summary

3. Capital Improvement Program Update

Presented by Elizabeth McCann, Budget & Finance Director and Department of Environmental Services Staff

Finance Committee members have expressed interest in annually receiving additional information about the projects in the proposed five-year CIP. Staff from Environmental Services will provide the committee with an update on the CIP projects being proposed and the associated funding issues and constraints.

Requested Action: Information and Committee Discussion

4. Financial Policies Update

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

The City's current Financial Management Policies were last adopted by Council on January 4, 2011 by Resolution 3036. Several of the specific elements in the document are out of date and are due to be updated or removed. Additionally, as the last revision was over ten years ago, review of the entire document is warranted. This meeting will continue discussions regarding the project to update the City's policies.

Requested Action: Information and Committee Discussion

5. FY 2024/25 Contingency Transfer #1

Presented by Elizabeth McCann, Budget & Finance Director

Necessary budget-related actions that would normally have been reviewed with the Finance Committee prior to implementation were included as part of the March 18, 2025 Council meeting. Time constraints related to budgetary constraints prevented review with the committee prior to staff seeking Council action. Staff will recap the FY 2024/25 contingency transfer.

Requested Action: Information and Committee Discussion

Purpose Statement

The City is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability and full disclosure. The broad purpose of the Financial Policies is to enable the City to achieve and maintain a long-term stable and positive financial condition to serve as a foundation for service to the community. These policies are adopted by Council as the basic framework for overall financial management of the City. The policies are designed to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

1. Provide an adequate financial base to sustain a sufficient level of municipal services to maintain the social well-being and physical conditions of the City.
2. Deliver cost effective and efficient services to community members.
3. Provide and maintain essential public facilities, utilities, and capital equipment.
4. Protect and enhance the City's credit rating so as to obtain the lowest cost of borrowing and also to assure taxpayers and the financial community that the City is well managed and financially sound.
5. Provide the financial stability needed to navigate through economic downturns, adjust to changes in the service requirements of the community and respond to other changes as they affect the City's residents.
6. Adhere to the highest standards of financial management and reporting practices as set by the Government Finance Officers Association, the Governmental Accounting Standards Board and other related professional financial standards.
7. Fully comply with finance-related legal mandates, laws and regulations.
8. Promote intergenerational equity for the City's taxpayers and ratepayers by spreading the cost of new or upgraded City infrastructure over time so that generations benefiting from such infrastructure contribute to its cost.

To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, accounting and financial reporting, reserves and internal controls.

These policies are to be reviewed and updated on a regular basis in coordination with the City Council, the Finance Committee and City Management. (Purpose statement is new, based on Bend language)

DRAFT

3. Grants.

Purpose: The City seeks to leverage grant funding from Federal, State, Local or other sources when feasible. This policy category reflects guidance for decisions regarding seeking, securing and managing grant funds.

Proposed Policies:

- A. The City will maintain a grants manual to support the administration of grants received from Federal, State, Local and other sources. (new – consistent with existing practice, although current manual should be updated)
- B. The City will maintain an Indirect Cost Rate Proposal and Central Service Cost Allocation Plan in compliance with Federal regulations to allow for full cost recovery of overheads where possible. (new – consistent with existing practice)
- C. All potential grants shall be coordinated with the Budget and Finance Department and evaluated for matching requirements and on-going resource requirements and balanced with the benefits of the grant before acceptance. Grants may be rejected to avoid commitments beyond available funding or in cases where compliance requirements outweigh benefits. (new – based on Bend Revenue #9 policy)
- D. Grants must be used in compliance with the purpose of the grant award, as well as all applicable Federal, State and Local laws. Internal controls over compliance of grants must be established. Evidence of compliance and effective internal controls over compliance must be retained to satisfy applicable statutes of limitations. (new – based on Hillsboro policy)

Gresham has no existing policies in this category.

DRAFT

4. Debt.

Purpose: The debt management policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policies that:

- a. The City obtain financing only when prudent,
- b. The process for identifying the timing and amount of debt or other financing be as efficient as possible,
- c. The most favorable interest rate and other related costs be obtained,
- d. When appropriate, future financial flexibility be maintained. (new, Bend Debt #1)

Proposed Policies:

- A. All debt issuances, with the exception of minor or routine leases, will be reviewed by Finance Committee and authorized by City Council action. (New, based on Bend Debt #9, consistent with practice and statutes)
- B. In conjunction with the City's debt financing team, including but not limited to bond counsel and financial advisors, the Budget & Finance Director structures and recommends to the City Manager and City Council all debt issuances and oversees the on-going management of all City debt. Debt includes voter approved general obligation bonds, tax increment financing, full faith and credit bonds, lease purchase obligations, revenue bonds, special assessment obligations, promissory notes, lines and letter of credit, interfund borrowings, variable rate debt, equipment financing agreements and any other contractual arrangements that obligate the City to make future principal and interest payments. (new, Bend Debt #2)
- C. No debt will be issued for which the City is not confident that a sufficient specifically identified revenue source is available for repayment. The Budget & Finance Director will prepare an analysis of the source of repayment prior to issuance of any debt. Safeguards will be established as appropriate, including within long-term finance plans, to ensure the identified revenue source is not redirected to other uses. (new, based on Bend Debt #3)
- D. The City will not use long-term debt to fund current operations, to balance the budget or to fund projects that are more appropriately funded from current resources. (new, Bend Debt #4)
- E. The City will periodically review existing debt issuances for possible refunding opportunities. Refundings may be undertaken when legally permissible, prudent and the net benefit is sufficient and in the best interests of the City. (new, based on Bend Debt #5; their language was too exacting regarding the thresholds/mandatory actions)
- F. The City may utilize short-term debt or interfund loans as permitted, including to address temporary issues with cash flow timing or to delay the issuance of long term debt. (new, based on Bend Debt #6)

DRAFT

- G. When issuing long-term debt, the City will ensure that the debt is soundly financed by:
- a. Incurring debt only when necessary for capital improvements not appropriate to be financed from current available resources
 - b. Insuring that capital projects financed through long-term debt shall be financed for a period not to exceed the useful life of the project. This precludes future generations of rate payers or taxpayers from paying debt service on an asset that no longer provides benefit and prevents debt capacity from being tied up servicing a defunct asset in the event the asset needs replacing.
 - c. Determining that the benefit of financing exceeds the cost of financing
 - d. Analyzing source of repayment, debt service coverage ratios and the impact of debt service on annual fixed costs prior to issuance of long-term debt. (New, based on Bend Debt #7)
- H. The City may issue debt on either a competitive or negotiated basis. Bank placements and other private offerings are authorized under circumstances such as interim financings or to avoid the cost of a public sale for smaller issuances. The Budget & Finance Director will recommend the most appropriate method of sale in light of financial, market, transaction specific, and issuer-related conditions. If a negotiated public sale is determined to be in the City's best interest, a competitive process should typically be used. (new, based on Bend Debt #8)
- I. The City will comply with all statutory debt limitations imposed by the Oregon Revised Statutes, including ORS 287A.050, which establishes a limitation on the amount of general obligation bonds the City may issue. This limitation is 3% of the City's Real Market Value as certified by the Multnomah County Assessor. (based on Bend Debt #10, incorporates City's B1)
- J. General obligation debt will not be issued for enterprise activity. (existing policy B3, no changes)
- K. City direct debt sold by public sale will have demonstrated feasibility prior to sale by receiving a rating from either Moody's or Standard & Poor's, or if unrated, by a comprehensive feasibility report. The City will strive to maintain and improve its current bond rating so its borrowing costs are minimized and its access to credit is preserved. (existing policy B5, minor edit)
- L. The City will strive to maintain debt service coverage ratios and percentages that uphold the City's credit rating. (New, Bend Debt #13)
- M. The City, through the Budget and Finance Department, will comply with all bond covenants, arbitrage requirements, disclosure and other requirements specified by law including all Post Debt Issuance Tax Compliance and Continuing Disclosure Policies. (New, Bend Debt #14, incorporates existing policy E3)

DRAFT

- N. Bond anticipation debt will be retired within 12 months after project completion. In no event will bond anticipation notes be outstanding more than three years. (existing policy B4, no changes)
- O. All conduit bonds sold by public sale must be credit enhanced and have demonstrated feasibility prior to sale by receiving a rating of "A" or better from either Moody's or Standard & Poor's. Conduit financing is a mechanism which allows a non-municipal entity to issue tax exempt debt through a municipal corporation such as the City of Gresham. The City is the "conduit" issuer which "passes through" tax-exempt debt that is the obligation of another entity. The security for these transactions is always that of the borrower and not the issuer. (existing policy B6, no changes)
- P. All leases as reported in the City's annual financial report under Long-Term Debt will be limited as follows:
 - a. Annual lease payments recorded in the respective funds will be limited to 10% of the current revenues of the fund supporting the lease payment.
 - b. All leases will be limited to the economic life of the equipment or facilities to be purchased, and in no case shall be extended beyond 25 years.
 - c. Lease purchases of equipment and facilities will be limited to fit within the City's stated mission, goal or governmental role. Any exceptions must show an economic gain and be approved by City Council.
 - d. All annual lease purchase- payments must be included in the originating department's approved budget. (existing policy B7, no changes)

Existing policy B1 can be deleted as it is incorporated into item I above.

B1. Total general obligation debt will not exceed 3% of the market value of the City.

Existing policy E3 can be deleted as it is incorporated into item M above.

E3. The City will provide full financial disclosure in all bond representations.

DRAFT

5. Investment.

Purpose: City Council and City Management recognize their responsibility to prudently manage and invest the funds of the City of Gresham.

Proposed Policies:

- A. The City will maintain and comply with a written Investment Policy that has been approved by City Council. The Investment Policy will establish investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures. The Investment Policy is a standalone document from these fiscal policies. (new – consistent with practice/statute)
- B. The City will review and adopt the Investment Policy annually, or as otherwise needed, to comply with the requirements of Oregon statutes. The adoption process will include review by the Finance Committee prior to Council adoption. (new – consistent with practice/statute)
- C. The City will consolidate or pool cash balances from various funds for investment purposes and will allocate investment earnings proportionately to each participating fund. (new – consistent with existing practice)
- D. The City will retain the services of outside professionals to support its investment program, within required procurement procedures and budgetary appropriations and consistent with Oregon statutes. (new – consistent with practice, recognizes complexity, need for specialized expertise)
- E. Semi-annual Investment updates will be provided to the Finance Committee. (new – consistent with practice/GRC 2.40.020)

Existing policy A8 can be deleted as it is included in A & B above.

DRAFT

7. Accounting and Financial Reporting.

Purpose: City Council and City Management recognize their responsibility to manage the City's finances lawfully and in the best interest of the City and its constituents. This policy category provides guidance and clarity regarding accounting and reporting practices. (...recognize their responsibility to...' language is from Hillsboro)

Proposed Policies:

- A. The City will comply with the following accounting and reporting standards:
 - i. Generally Accepted Accounting Principles (GAAP) developed by Governmental Accounting Standards Board,
 - ii. Government Accounting, Auditing and Financial Reporting standards prescribed by the Government Finance Officers Association (GFOA),
 - iii. Government Accounting Standards, issued by the Comptroller General of the United States,
 - iv. Oregon Revised Statutes relating to Municipal finance and
 - v. Uniform grant guidance found in Code of Federal Regulations Title 2, part 200. (based on Bend, Accounting & Reporting #1)
- B. The City will maintain an accounting and financial reporting system that conforms to Local Budget Law and ensures adherence to the budget. The City will prepare regular reports comparing actual revenues and expenditures to budgeted amounts. (new, potential merging of existing policies E2 and E5 to focus on budget, since the GAAP item is addressed above.)
- C. In accordance with State law, a comprehensive financial audit including an audit of federal grants will be performed annually by an independent public accounting firm with the objective of expressing an opinion on the City's financial statements and assessing the accounting principles used and evaluating the internal controls in place. (Bend, Accounting & Reporting #5)
- D. The City will prepare its financial statements and maintain its accounting and internal control systems in accordance with applicable standards with the goal of obtaining an unqualified opinion from its auditors. (Bend, Accounting & Reporting #6)
- E. The City will publish an audited Annual Comprehensive Financial Report (ACFR) each year and will submit the report to the GFOA's "Certificate of Achievement for Excellence in Financial Reporting" program. The ACFR will be made available on the City's website. (existing policy E4, updated language)
- F. While the primary responsibility for the City's financial reporting and internal controls rests with the Budget & Finance Department and senior management, accountability for financial oversight is a shared responsibility throughout all departments and all levels of the City organization. (new, mixed sources)

DRAFT

- G. A system of internal controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions and compliance with applicable laws and regulations. (Bend, Accounting & Reporting #4)
- H. Financial systems, including account structures and project tracking, will be maintained to provide reasonable assurance that dedicated or restricted funds are used in compliance with applicable laws and regulations. Specific examples include but are not limited to: (intro paragraph is new, provides purpose for items listed below, which include several existing policies)
- i. The City's water utility, wastewater utility, and stormwater utility are enterprise funds that are considered to be closed funds. The revenue sources of utility funds are dedicated to pay for costs associated with providing the utility's purpose and may not be used in a way that does not qualify as an expense in support of the utility's function. (existing policy A12, no change)
 - ii. System Development Charges (SDCs) will be deposited in a separate fund apart from other City resources. Each type of SDC or SDC credit (Water, Wastewater, Stormwater, Transportation and Parks) shall have its own separate account. Interest earnings will be credited accordingly. Usage of one account type by another (Water for Wastewater for example) is not allowed. (existing policy F6, language has been updated)
 - iii. The City will provide an annual accounting for SDCs showing the total amount collected, the projects funded, any remaining balance, and growth projection for the balance of the planning period for City Council to adjust SDC amounts accordingly. (existing policy F8, no changes)
 - iv. Funds where usage is restricted by statute, regulation or other contractual agreements, including property tax levies, gas taxes, building fees, transient lodging taxes, or grants. (additional examples that may warrant specific reference if desired)

Recommended for deletion:

Policies E2 and E5 are addressed within items A and B above.

E2. The City will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles (GAAP) and Local Budget Law.

E5. The City will maintain an accounting system necessary to ensure adherence to the budget and will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.

DRAFT

10. Long-term financial planning.

Purpose: The City Council and City Management recognize the importance of long-term financial planning to support the stable delivery of services now and into the future.

Proposed Policies:

- A. The City will prepare long-term financial forecasts for all appropriate funds to promote responsible planning for the use of resources and to provide sustainable service delivery into the future. The long-term financial forecasts will include projected revenues, expenditures and reserve balances. (New – based on Bend’s Financial Planning #1 – consistent with existing practice)
- B. Financial forecasts will be for a minimum of the next five years. Financial forecasts may extend beyond five years for business-related funds or in cases where specific issues call for a longer time horizon. Financial forecasts for infrastructure-related funds will extend at least ten years, typically longer, consistent with the duration of existing or planned debt obligations or other long-term projects. (New – based on Bend’s Financial Planning #1 – consistent with existing practice)
- C. Financial forecasts will be updated annually to reflect actual fund balances consistent with the most recent Annual Comprehensive Financial Report. (New – recommended to avoid issues such as Corbett School District’s recent shortfall – consistent with existing practice)
- D. Financial forecasts will be used during development of the City Manager’s Proposed Budget. The Proposed Budget process should include an assessment of the ability for current services to be sustainable for the duration of the forecast. Financial challenges will be identified, and potential solutions will be presented for consideration. (New – mixed sources – reasonably consistent with existing practice)
- E. The City’s financial plans should be strategic, meeting regulatory requirements and reflecting the Council’s and the community’s priorities for service while providing resources that realistically fund routine operations. (New – based on Bend’s Financial Planning #2)

Gresham has no existing policies in this category. The above suggestions reflect current practice. Including these practices in policy serves to establish expectations and transparency.

DRAFT

12. Capital.

Purpose: The City Council and City Management recognize the need to responsibly plan for the full lifecycle of capital assets, including capital improvement planning, capital budgeting, project management, and asset maintenance.

Proposed Policies:

- A. The City will plan for capital improvements over a multi-year period of time. The Capital Improvement Program (CIP) will directly relate to Council's goals, departmental operation plans, other long-range plans such as the Comprehensive Plan, and the policies of the City. (existing policy D6, no change – consistent with existing practice)
- B. The 5-Year CIP will be updated annually and will be incorporated into the City's budget and long-range financial planning processes. The CIP will be balanced; estimated resources will be available for capital spending as identified in the five-year plan. The adoption process will include a public hearing to provide for public input on the CIP. (new, based on Bend Capital #1 – consistent with existing practice – the City adopts the CIP through the Type IV process, so two public hearings are held each year)
- C. Funding sources for each capital project will be identified and, where feasible, all operating costs associated with a capital project will be quantified. (existing policy D4, minor edits)
- D. Projects included in the CIP shall have complete information on the need for the project, description and scope of work, total cost estimates, future operating and maintenance costs and how the project will be funded. (new – Bend, Capital #2)
- E. Long-term debt issued to finance capital projects will be structured to match the useful life of the project. Current operations will not be financed with long-term debt. (existing policy B2, no changes)
- F. The City will strive to utilize the least costly funding method for its capital projects and will obtain grants, contributions and low cost state or federal loans whenever possible. The determination to use debt financing versus “pay-as-you-go” funding will consider project type, project timing, revenue availability, market conditions and the City's credit rating. (new, blend of Bend, Capital #8, #10 & #11)
- G. The City will maintain its infrastructure at a level adequate to protect the City's capital investment, meet any and all regulatory requirements and minimize future operating maintenance and replacement costs. The City recognizes that deferred maintenance increases future capital costs, thus placing a burden on future residents. Therefore, the budget will seek to provide for adequate maintenance and the orderly replacement of capital plant and equipment. (replaces existing policy D7, based on Bend, Capital #6)
- H. The City will plan for vehicle replacement, equipment replacement, and maintenance of City facilities, to ensure that resources are available at the appropriate time. The replacement needs will be identified in appropriate replacement schedules. (existing policy D8, no changes)

DRAFT

- I. System Development Charges shall be proportionate to the cost of facilities or infrastructure created by development.
 - a. Reimbursement fees shall be set so that future systems users shall contribute no more than an equitable share of the cost of the present facilities they use. Upon complete reimbursement for the capacity of the City's existing infrastructure, this fee will end.
 - b. Improvement fees shall consider the cost of projected capital improvements needed to increase the capacity of the City's facilities or systems. Upon full receipt of fees required to increase the facility to planned capacity, this fee will end. (part of existing policy F3, no changes)
- J. The City uses its facility master plans, such as water or wastewater, to calculate the amount of SDC revenue required. These master plans show capital improvements needed to provide for an adequate infrastructure for growth, typically over a 20-year period. The projects listed in the master plan are regional and would therefore not typically include the facilities in or adjacent to a development. (part of existing policy F3, no changes)
- K. The Public Facility Master Plan lists the Improvement Fee-funded capital improvements; the estimated cost and timing for each improvement; and the proportion of the improvement funded with Improvement Fees. Projects are completed as listed in the five-year Capital Improvement Plan. (existing policy F5, no changes)
- L. Every CIP project will have a project manager who will prepare the project proposals, coordinate as necessary with operations and maintenance staff, ensure that required phases are completed within schedule and budget, authorize project expenditures, ensure that all regulations and laws are observed, and periodically report project status. (new – based on Bend, Capital #5)
- M. Bids for CIP projects will be reviewed and approved by the Budget & Finance Department prior to contract award to ensure that project expenditures are within the adopted budget and consistent with the adopted CIP. Should substantive adjustments be needed to provide consistency with the budget and/or CIP, changes will follow the Council authorized mid-year adjustment process or be addressed in the annual budget and CIP update. (new – loosely based on Bend Capital #4 and #7, adjusted to better match our process.)
- N. The City will establish capital equipment reserves to provide for funding of vehicles and equipment. The City will also establish major repairs and replacement (R&R) reserves to provide for funding of major repairs and replacements. R&R reserves will be used for significant system or facility repairs, replacement or maintenance costs that are unanticipated and exceed ongoing repair and maintenance expenditures in the fund's operating budget. Long term forecasts will be used to determine available capacity to fund repair and replacement of capital assets and infrastructure and avoid a significant unfunded liability from deferred maintenance. (new - based on Bend, Capital #9)

DRAFT

- O. The City's asset capitalization policy is to capitalize and depreciate assets greater than \$10,000 with a useful life beyond two years. Capital assets costing less than \$10,000 or having a useful life of two years or less will be treated as operating expenditures unless otherwise required. The asset capitalization threshold will be applied to individual assets rather than to groups of assets (i.e. office furniture, computer equipment, radio equipment, etc.) (new – based on Bend, Capital #9)

Existing policy D7 can be deleted as it is incorporated in item G above.

D7. The City will maintain its infrastructure at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.

The last sentence of existing policy F3 can be deleted as it is addressed within any specific SDC methodology.

F3 (part). Conversely, a reduction in projected required infrastructure would result in Improvement Fee SDC rates declining.

DRAFT

13. Revenues.

Purpose: Efficient and effective revenue systems provide a foundation to guarantee the generation of adequate public resources to meet expenditure obligations.

Proposed Policies:

- A. The City will maintain a diversified revenue system to prevent undue or unbalanced reliance on any one source of funds and to protect from short-term fluctuations in any one revenue source. (existing policy C2, no changes – consistent with existing practice)
- B. When evaluating new revenue sources, the following elements will be taken into consideration: sustainability of the revenues, relation to the programs they are intended to support, administrative costs, and acceptability to the community. (New – based on Bend Revenue #2)
- C. The cost of revenue-collection efforts should not exceed the marginal additional revenue obtained and should not absorb a large percentage of the amount collected. (new – Bend Revenue #12)
- D. Distinction will be made between revenues generated through operating activities (activity generated), and those not related to specific operations (general support). Whenever practical, activity-generated revenues will be linked with the operating activities responsible for their generation. (existing policy C3, minor edits)
- E. Distinction is made between those operating programs that serve limited interest and those that provide a general community benefit. Where prudent, user fees and charges will be established for those services that benefit specific individuals or organizations, with a goal of full cost recovery unless otherwise desired. (portions of existing policy C4, minor edits)
- F. User fees and charges will be based on a cost-of-service analysis and will be set at a level sufficient to recover full cost of service whenever practical to minimize subsidization by taxpayers. Full cost of service includes both direct and indirect charges. Cost of service analyses will be periodically reviewed and updated to take into account changes such as the number of customers served, methods or levels of service delivery, the cost of living/inflationary increases, or regulatory requirements. (portions of existing policy C4, combines with language from Bend Revenue #4)
- G. Programs categorized in the Adopted Budget as Infrastructure Funds or Business Funds will strive to be fully self-sufficient if possible. For those programs where full self-sufficiency is not feasible, cost-recovery goals will be given strong consideration. (portions of existing policy C4, revised language to better reflect current budgetary structure)
- H. Revenues will be estimated realistically and prudently. Revenues of a volatile nature will be estimated conservatively; explanations of the underlying assumptions and risks to the forecast,

DRAFT

including both upside and downside risks, will be provided. The City will estimate its revenues by an objective, analytical process. (new – Bend, Revenue #11)

- I. All fees, charges or assessments that are deferred for later payment will be evidenced by a promissory note or agreement. The City may charge periodic interest, processing fees and additional interest and penalties for delinquencies as appropriate. (new – Bend, Revenue #6 – confirm consistency with existing practice)
- J. The City will pursue an aggressive policy of collecting delinquent accounts. Administrative procedures for the collection of these accounts will be maintained. When necessary, collection processes will include termination of service, foreclosure, and any other available legal action. (existing policy C5, no changes – consistent with existing practice)
- K. SDCs shall be a reimbursement fee, an improvement fee, or a combination of the two.
 - a. *Reimbursement fees* shall reimburse the current users for the costs they have incurred to provide capacity in the system to serve future users.
 - b. *Improvement fees* will be spent on capital improvements that increase capacity after the adoption date of the fee. An increase in system capacity may be established if a capital improvement increases the level of performance or service provided by existing facilities, or provides new facilities. (existing policy F2, no changes)
- L. The City may choose not to impose the full cost of capital improvements upon those developments that increase the demands on the City's facilities or infrastructure. When the City adopts an SDC that does not fully recover the cost of capital improvements, alternative funding sources shall be identified to fully finance them. (existing policy F4, no changes)

The following item is worded as a policy statement from Council, so changes should be based on their input. That said, recommend adding a clarifying statement that any taxes from a voter-approved operating levy or GO bond will be used consistent with the language in the ballot measure, so may not be 100% dedicated to public safety.

- M. The City Council has determined that Public Safety is critical to the community. For many years, tax base property tax revenues have not been sufficient to fund Police and Fire services. Therefore, the City will continue to use all tax base property taxes and other General Fund revenue sources, as necessary, to fund the total costs of Police and Fire operations. The total costs include overhead, administrative, and support costs. (existing policy C1, no changes)

Existing C4 can be deleted as it is now addressed across items E, F & G above.

C4. The City will establish internal and external charges for service that reflect the full cost of service delivery and fully support both direct and indirect charges. Distinction is made between those operating programs that serve limited interest and those that provide a general community benefit. The following programs will strive to become/stay self-sufficient: (1) Development, (2) Solid Waste, (3) Transportation, (4) Water, (5) Wastewater, and (6) Stormwater. In addition, the remaining operating programs (Police, Fire and Emergency Services, Parks, and City Council), though not self-supporting, will strive to recover all of a specific service's cost if it benefits limited interests.

DRAFT

14. Expenditures.

Purpose: The City Council and City Management recognize the importance of prudent oversight of expenditures, demonstrated transparency and value in order to provide efficient and effective services. These policies address a range of issues around how the money is expended, including personnel, outsourcing, and funding of long-term liabilities.

Proposed Policies:

- A. The City will make every effort to control expenditures to ensure City services and programs provided to its community members and taxpayers are cost effective and efficient. (new - Bend, Expenditures #6)
- B. All purchases of goods and services must comply with the City's Purchasing Policies, guidelines and procedures and with State and Federal laws and regulations. (new - Bend, Expenditures #3)
- C. Expenditures will be controlled through appropriate internal controls and procedures. Management must ensure expenditures comply with the legally adopted budget. Each Department or Division Manager or Director will be responsible for the administration of his/her department/division/program budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department/division/program budget for compliance with spending limitations. Internal controls over payment requests include a review by the Budget and Finance Department. Payment requests are not considered approved and authorized for payment until the Budget and Finance Director or their designee has approved the disbursement. (new – based on Bend, Expenditures #1)
- D. Before the City purchases any major asset or undertakes any operating or capital arrangements that create fixed costs or ongoing operational expenses, the implications of such purchases or arrangements will be considered for current and future years. (new – based on Bend, Expenditures #4)
- E. The City will take positive steps to improve the productivity of its programs and employees, and will seek ways to eliminate or avoid duplicative functions within the city government and between the City of Gresham and other public agencies in the community. Outside professional review of the efficiency and effectiveness of certain City services may be periodically undertaken to provide guidance to City Council and City Management and/or to support transparency and communication with the public. Avenues to report and highlight the service efforts and accomplishments of the City's major services will also be explored and utilized when appropriate. (existing policy A3, updated language)
- F. Whenever feasible, government activities will be considered enterprises if so doing will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by a user fee or charge. (existing policy A4, no changes)
- G. Personal Services budget projections will incorporate market salary adjustments to maintain labor market competitiveness for non-represented employees. Market adjustments are

DRAFT

adjustments to the salary ranges and do not necessarily imply increases to employees' actual pay. These adjustments will be either higher or lower based on generally accepted practices regarding market survey data. Personal Services assumptions will also include all union and other contract obligations, as well as other reasonably anticipated salary adjustments. (existing policy D2, language updated)

- H. SDC revenues shall first be applied to expenses in the following order: (a) debt-service requirements; (b) the direct cost of complying with State Statutes regarding SDCs; (c) infrastructure master plans, facility studies (CIP-related.); and (d) capital improvement expenses. (existing policy F7, no changes)

The following items regarding City Manager & City Attorney compensation refer to Council's goals, so any changes should be based on their input. That said, the green highlighted portion is not consistent with current practice so either the language should be updated or the practice should be established.

- I. Council desires a market-based approach to both City Manager and City Attorney compensation. Evaluation and compensation policies and procedures should be similar to those for Department Directors and Division Managers. (existing policy G1, no changes)
- J. Total compensation including base salary and benefits should be competitive with market rate average of labor market survey agencies. An annual market adjustment mechanism based on "indexing and meeting Council expectations" should allow the City Manager and City Attorney to have a market adjustment similar to that received by other managers within the City. (existing policy G2, no changes)
- K. When recruiting, primary focus of compensation should ensure that base salary is competitive with the labor market.

Goals of Compensation Policy:

- a. To attract and retain quality employees, the base salary and total compensation will be at least at the market rate average of public agencies that are geographically proximate and of similar size and complexity within the more urbanized regions of the Pacific Northwest. An annual survey of these agencies in addition to participation in a regional public/private survey will be done by August of each year to provide information to the Council as the basis for the evaluations to be performed in September.
- b. Salary ranges for each of the respective positions will be established with the mid-point of the salary range being at the market average with a total range spread of 20% to account for job growth and performance expectations. The range will be indexed annually based on public/private sector market survey results. (existing policy G3, no changes – language in green highlight may not be consistent with current practice)

Existing policy D1 may be considered for deletion as is not currently being implemented as written and the intent of the policy is likely addressed by several of the items listed above.

- D1. The City will integrate performance measurement and productivity indicators within the budget.

DRAFT

15. Operating budget.

Purpose:

Policies that describe essential features of the budget development process and form, as well as principles that guide budgetary decision making.

Proposed Policies:

- A. The City will prepare an annual budget with the participation of all Departments. (Bend – Operating Budget #1)
- B. The City Council shall adopt the budget for each fund as required by budget law. (slight modification to Bend – Operating Budget #7)
- C. All budgetary procedures will conform to existing state and local regulations. Oregon budget law requires each local government to prepare a balanced budget and Oregon Administrative Rules state the budget must be constructed in such a manner that the total resources in a fund equal the total expenditures and requirements for that fund. Budgets for all City funds will be prepared on a modified accrual basis consistent with Generally Accepted Accounting Principles. (slight modification to Bend – Operating Budget #2)
- D. The budget process will allocate resources to achieve Council goals and city-wide strategic plans. Department goals and objectives will be identified and incorporated into the budget. (new, Bend – Operating Budget #3)
- E. The budget will use a cost allocation plan to determine the collection of internal service costs from other funds. The allocation of internal services allows the budget to reflect the full cost of providing direct services. The allocation methodology will be based on measurable usage factors or other sound rationale. The methodology, including any changes, will be documented for transparency. (new – mixed sources)
- F. Oregon budget law provides legal avenues to adjust the budget for emergency expenditures or unforeseen circumstances. All such budget adjustments, including contingency transfers or supplemental budget actions, will be prepared by the Budget & Finance Department in coordination with the City Manager to ensure compliance with budget laws. Adjustments will be reviewed by the Finance Committee for a recommendation prior to presentation to Council unless insufficient time is available due to the urgent nature of the request or the impending end of the fiscal year. (new – based on Bend Operating Budget #11 and #12)
- G. Reports comparing actual to budgeted expenditures will be prepared by the Budget & Finance Department and distributed to the City Manager and City Council on a regular basis. Significant budget to actual variances will be investigated and explained. (new – based on Bend Operating Budget #15)

DRAFT

- H. Staffing levels are a measurement of the ability to provide adequate services. Information by service or program area, in particular for public safety services, will be provided on a regular basis regarding the number of FTE per thousand population (or other metric as appropriate given the specific service). Benchmarks, such as comparisons with similar jurisdictions or with industry best practices, will also be provided when reasonably available. (proposed replacement for existing policy A10)

Existing policy A1 can be deleted as it is unclear and seems to be addressed in A-D above.

A1. The City organization will carry out the Council's goals and policies through a service delivery system financed through the Operating and Capital Budgets.

Existing policy A2 can be deleted as it is unclear and seems to be addressed in A-D above plus policies in other categories (add reference to the specific policies).

A2. The relationship between the Operating and Capital Budgets will be explicitly recognized and incorporated into the budget process. Funding for the Operating and Capital Budgets shall be sufficient to provide municipal operating services and maintenance or enhancement of fixed assets needed to support public demand for City services.

Existing policy A10 needs to be revised, replaced or deleted as it is out of date and too specific for adopted financial policies. One possible replacement is shown in item H above.

A10. Public Safety is one of several important functions provided by the City. Staffing levels are a measurement of the ability to provide adequate public safety services. It is recognized that sworn officers require related support personnel, and the City desires to maintain support staff proportionately. The goal staffing level for the Gresham Police Department is a total FTE ratio of 1.30 sworn officers per thousand and a total FTE ratio of 1.79 per thousand population, to be achieved by fiscal year 2000/01.

Existing policy A11 can be deleted – replaced by F above.

A11. Transfers from contingency are authorized by City Council for expenditures that were not anticipated in the budget. The Gresham Finance Committee will review contingency transfer requests and provide Council with a recommendation regarding the transfer unless insufficient time is available for the review process due to the urgent nature of the request. In the event that the Finance Committee is not scheduled to meet for a period of more than one month, contingency transfer requests will be presented to Council directly and the Finance Committee will be informed of Council actions.