



REQUEST FOR COUNCIL ACTION

Title: Resolution Authorizing Transfer of Appropriations

Preferred Agenda: October 26, 2021

Submitted By: Brandon Neish, Finance Director

Reviewed By: Ray Towry, City Manager

Type of Action: Resolution Motion Roll Call Other

Relevant Code/Policy: ORS 294.463(1)
SH Financial Policy Section IX

Towards Council Goal: Goal 2.5: Continue to implement strong financial “best” practices

Attachments: Resolution No. 26 for 2021

Purpose of this RCA:

To review Resolution No. 26 for 2021 authorizing a transfer of appropriations covering unplanned expenditures for the 2021 fiscal year.

Background/Context:

Oregon Revised Statutes 294.463 allows a municipal organization to redistribute its existing expenditure authority using a transfer resolution to cover unanticipated expenses during a fiscal year. Each year, staff builds a proposed budget six months prior to the beginning of a new year. This document is approved by the Budget Committee and adopted by the City Council. For the 2021 fiscal year, the City Council adopted the budget on June 23, 2020. Each year, staff attempts to adhere to the budget as adopted but various opportunities and requirements arise that must be addressed. While staff attempts to meet these obligations with existing authority, occasionally an adjustment must be made to prevent exceeding authorization limits. This transfer of appropriations resolution seeks to amend the budget for 2021 in multiple departments in accordance with Oregon law.

The internal service fund has multiple adjustments necessary after Council actions and operational needs. Starting with non-departmental expenditures, staff in the City’s Communications division worked additional FTE to cover COVID needs, wildfires and additional functions. Benefit changes within the non-departmental personnel accounts also requires an additional \$15,300 in funds to cover employee premiums per the AFSCME collective bargaining agreement. \$22,535 is proposed to be reallocated from the contingency line set aside in the fund and move it to the personnel accounts.

Account	Initial Budget	Adjustment	New Budget	Description
290-002-480-110	\$35,232	\$6,013	\$41,245	Additional hours worked for Comm. Specialist
290-002-480-210	\$300	\$15,300	\$15,600	Change in benefits for personnel
290-002-480-220	\$7,056	\$500	\$7,556	Additional pay (hours worked) for Comm. Specialist
290-002-480-230	\$4,228	\$722	\$4,950	Additional pay (hours worked) for Comm. Specialist
290-002-490-000	\$69,876	-\$22,535	\$47,341	

Additionally, the City expanded its software in the Communications division in order to meet job requirements and produce additional videos and materials. The net result was \$1,280 to purchase an expanded license from Adobe which exceeded the initial materials and services budget (a separate line in the City's budget authorization per state law). The resolution proposed includes moving \$1,280 from contingency to cover this software cost.

Account	Initial Budget	Adjustment	New Budget	Description
290-002-480-340	\$300	\$1,280	\$1,580	Adobe software license for Communications
290-002-490-000	\$47,341 (amended above)	-\$1,280	\$46,061	

In the Executive department, \$19,167 is needed to cover various personnel, services and materials expenditures unplanned for 2021. In personnel, the City Council approved a 3% cost of living adjustment for non-represented and AFSCME personnel during the April 13, 2021 City Council meeting. While the AFSCME increase had been budgeted, the non-represented increase had not which left the Executive department short in personnel funding. \$2,790 is necessary to cover the 3% increase dated December 16, 2020. Staff in the Executive department also cashed out various leave banks in accordance with City policies costing the department nearly \$4k plus associated federal and state tax requirements and retirement costs. Overall, the Executive department requires approximately \$8,200 to cover unanticipated personnel expenses which would be covered by contingencies budgeted annually to cover these types of unplanned expenditures. On the materials & service side of the Executive budget, \$9k is needed to cover expenditures related to staff training on human resource matters which staff is proposing to cover from contingency funds.

Account	Initial Budget	Adjustment	New Budget	Description
290-003-413-110	\$185,973	\$10,000	\$195,973	3% COLA approved Apr 2021, accrual cashouts
290-003-413-580	\$12,000	\$9,167	\$21,167	Human Resource training for staff
290-002-490-000	\$46,061 (amended above)	-\$19,167	\$26,894	

The Finance department also experienced unplanned expenditures during the fiscal year. While the Finance department's adopted budget was able to absorb the personnel cost increases previously mentioned for the Executive department, it was unable to accommodate software expenditures for the City's budget and transparency software. These expenditures and the contract for the software were approved after the start of the 2021 budget development and were not included for the fiscal year. The department needs \$19,635 to cover the software expenditures which could be covered by the fund's contingency allocation.

Account	Initial Budget	Adjustment	New Budget	Description
290-004-415-340	\$35,870	\$19,635	\$55,505	ClearGov budget & transparency software
290-002-490-000	\$26,894 (amended above)	-\$19,635	\$7,259	

The Challenge/Problem:

Should the City reallocate existing expenditure authority to cover various needs across City funds?

Stakeholders:

- City of Sweet Home Citizens and Businesses – The residents and businesses of Sweet Home pay taxes and fees that provide resources in the City's Budget. All the items purchased for City Hall and the pay for staff is paid for by those resources. They also serve as members of the Budget Committee who approves the budget annually. As stakeholders, they want to know their funds are being spent appropriately and should be able to provide feedback and comment regarding expenditures.
- City of Sweet Home City Council – The City Council is responsible for the adoption of the annual budget and any subsequent adjustments during the fiscal year. The City Council also establishes goals and a vision for the City that staff then implements. It is up to the City Council to decide if the expenditures of the City go towards meeting those goals and vision.
- City of Sweet Home Staff – The staff works diligently to ensure that all expenditures are appropriate and meet the goals and vision of the City Council and the community. At times, staff makes decisions on expenditures based on opportunity or need that may require a supplemental budget to accommodate the expenditure.

Issues and Financial Impacts:

Since this is a transfer of appropriations resolution, there is no overall financial impact to the City. The issue at hand is whether the City Council believes these expenditures require a budgetary adjustment to accommodate the additional expenditure or whether they should be absorbed within the current expenditure authority.

Elements of a Stable Solution:

The expenditures that are covered under this resolution are expenditures that support operational needs and match the goals and visions of the City Council. For example, the Budget Committee and the City Council approved and adopted the budget which contained the salary and benefits for a Communications Specialist. The items contained in this resolution contain funding for Adobe software to complete necessary assignments. Additionally, accrual pay outs are allowed under the personnel policy established by the City.

Each of the requested items was previously reviewed by the City Council as stated in the background section of this document except for the Adobe software. This adjustment satisfies Oregon Local Budget Law and ensures adequate funding to cover previously approved/recommended purchases.

Options:

1. Do Nothing – The City Council could decide not to adopt Resolution 26 for 2021. Staff would work to redistribute expenditures where possible and any overages would be highlighted in the City's annual financial report.
2. Move to adopt Resolution No. 26 for 2021 – The resolution transfer expenditure authority from various sources to cover necessary expenditures.
3. Amend the resolution by changing transfer amounts or eliminating some of the transfers of appropriation – Amending the resolution would result in staff making necessary adjustments to ensure spending restrictions are not exceeded.

Recommendation:

Staff recommends Option 2, Move to adopt Resolution No. 26 for 2021. The resolution does not increase expenditure authority within the City budget but redistributes existing budget authority to needed areas for operational expenses.