



REQUEST FOR COUNCIL ACTION

Title: Supplemental Budget for 2020 Unplanned Expenditures

Preferred Agenda: May 26, 2020

Submitted By: Brandon Neish, Finance Director

Reviewed By: Ray Towry, City Manager

Type of Action: Resolution X Motion _____ Roll Call _____ Other _____

Relevant Code/Policy: ORS 294.471(1)(a)
ORS 294.473
SH Financial Policy Section IX

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

Attachments: Resolution No. 12 for 2020

Purpose of this RCA:

To hold a public hearing and review Resolution No. 12 for 2020 requesting a supplemental budget for the Police Department, Special Events Fund and Public Transit Fund.

Background/Context:

Each year, staff builds a proposed budget approximately 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 2020 fiscal year, the City Council adopted the budget on May 28, 2019. 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. Oregon Revised Statutes 294.471(1)(a) allows a municipal organization to create a supplemental budget to increase expenditure authority in a specified fund under the circumstance that “an occurrence or condition that is not ascertained when preparing the original budget or a previous supplemental budget for the current year or current budget period and that requires a change in financial planning.” This supplemental budget seeks to amend the budget for 2020 in three (3) funds in accordance with Oregon law.

During the previous fiscal year, the Police Department had budgeted \$100k to replace aging radios that no longer met the standard of safety necessary and cost more to maintain than replace over time. The Police Department reviewed proposals for radio replacements and chose Kenwood dual-band radios. Unfortunately, the radios were delayed, and actual delivery of these radios did not occur until September 2019 (vehicle mobiles) and October 2019 (handheld portables). According to Governmental Accounting Standards Board (GASB) standards, expenditures must be recorded in the fiscal year the products or services are received. As such, the radios had to be recorded as a FY20 expenditure instead of a FY19

expenditure where the budget existed. The adjustment proposed includes restoring the budget from the previous fiscal year to ensure that the PD has enough expenditure authority to finish the fiscal year without impacting operations. To balance the increase, funds will be pulled from the ending fund balance from which the unspent, budgeted funds from the prior year rolled into.

Another adjustment proposed in Resolution No. 12 for 2020 is increasing the expenditure authority in the Special Events Fund. During the 2019 fiscal year, the Sweet Home Rotary Club agreed to host and organize the annual Sweetheart Run. A Memorandum of Understanding between the City and Sweet Home Rotary states – or should have stated) that “all proceeds from the event that remain after the payment under subsection (a) shall be distributed to the Rotary Club. After the 2019 run, no proceeds were distributed to the Sweet Home Rotary. The City should have dispersed up to \$2,400 to the Rotary Club. The adjustment proposed would increase the expenditure authority, more than 10% of the original adopted budget, in order to send the 2019 proceeds to the Sweet Home Rotary as required by the MOU referenced above. Since the adjustment would exceed 10% which equals about \$800 in this small line item, ORS 294.473 (1)(a) states that if the change “...differ[s] by more than 10 percent from the expenditures in the budget as most recently amended prior to the supplemental budget, the governing body of the municipal corporation shall hold a public hearing on the supplemental budget.” The public notice of the hearing was published in the New Era newspaper on May 20, 2020 for the City Council meeting on May 26, 2020 meeting the requirements of ORS 294.473 (1)(b). This is not “new money” but money that was not spent in the previous budget and was a carryover from 2018-2019 budget.

The final adjustment proposed in Resolution No. 12 for 2020 is revising the budget in the Public Transit Fund. The auditors that the City contracts with to complete a state required annual audit of City finances recently completed the 2019 fiscal year audit which revealed a variance in the way that the City was recording pass through revenues. In 2019, the City began recording “offsets” for revenues and expenditures. For example, in the Police Department, revenue received by the City from the Sweet Home School District for the services of the School Resource Officer is deposited into the staff pay (200-007-421-110) expenditure line thereby offsetting expenditures. Staff made the same decision regarding the Public Transit Funds. Revenue is received from the Oregon Department of Transportation and then paid out to the Sweet Home Senior Center for the operation of the Linn Shuttle. However, the auditors highlighted that even though the funding is merely passing through the City to another organization, the City is technically the grantee which would require the City to record the revenues and expenditures separately under GASB Rule 33. Since no budget was initially established, this adjustment seeks to establish resources and requirements as required under Oregon Budget Law and GASB Rule 33.

The Challenge/Problem:

Should the City supplement the adopted budget to include the revisions included in Resolution No. 12 for 2020?

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:

The financial impact for this resolution is minimal as most of these adjustments include utilizing funds from the previous year’s unappropriated fund balance. The Police Department adjustment includes expanding existing expenditure authority to include funds previously budgeted, but timing prevented spending those funds prior to the end of the fiscal year. In the Special Events Fund, no taxpayer dollars or citizen fee revenue provides resources for this fund. Resources are generated through user participation fees which in turn fund expenditures associated with specific events (in this case, the Sweetheart Run). Lastly, the Public Transit Fund is solely sourced by grant funds from the state of Oregon and again, includes no Sweet Home taxpayer or user fee resources.

Elements of a Stable Solution:

The expenditures that are covered under this resolution are expenditures that support operational needs, meet obligations agreed to by the City Council and match the goals and visions of the City Council. Adoption of Resolution No. 12 for 2020 ensures that the City can meet its contractual obligations or meet the operational needs of a department. For the Police Department, the radios purchased updates a system that was at risk of failing which could leave an Officer fighting for their life potentially if a situation went down.

Options:

1. Do Nothing – The City Council could decide not to adopt Resolution 12 for 2020. Staff would need to accommodate by freezing spending in departments to ensure budgetary limits are not exceeding or redistribute expenses to a different budget where appropriate.
2. Motion to adopt Resolution No. 12 for 2020 – The expenditure adjustments included in the resolution ensure that operational needs and previously approved funding is still available to these areas to continue current levels of service.
3. Amend the resolution by changing or eliminating supplemental budget figures– Amending the resolution would result in staff making necessary adjustments to ensure spending restrictions are not exceeded.

Recommendation:

Staff recommends Option 2, Motion to adopt Resolution No. 12 for 2020. The resolution does increase expenditure authority within the City budget but utilizes current fund balances and/or previously allocated funding that could not be spent prior to the end of the 2019 fiscal year.