



REQUEST FOR COUNCIL ACTION

Title: Resolution Authorizing Transfer of Appropriations

Preferred Agenda: May 26, 2020

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. 11 for 2020

Purpose of this RCA:

To review Resolution No. 11 for 2020 authorizing a transfer of appropriations covering unplanned expenditures for the 2020 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 2020 fiscal year, the City Council adopted the budget on May 28, 2019. 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 2020 in multiple departments in accordance with Oregon law.

In August 2019, the City moved into its new City Hall facility at 3225 Main Street. Once in the building and after the dust settled, additional items were necessary that did not exist previously within the former City Hall. For example, the new facility has multiple conference rooms available to the public and a lobby space that customers use when visiting City Hall. These spaces required furniture such as conference room tables and chairs to make the space usable. Additional items such as a sign identifying the building and office furniture was also necessary. On September 24, 2019, the City Council adopted Resolution No. 23 for 2019 authorizing expenditure authority of \$53,500 from the Building Reserve Fund to cover these items. The funds being authorized for spending was to come from the fund balance that remained at the end of the 2019 fiscal year. Recently, the City’s auditors completed the annual

audit which revealed only \$34,249 was available at the end of 2019, a deficit of \$19,251 from the original authorization. To-date, nearly \$35k has been spent on IT, security and a portion of the sign. Additional funds have been spent from the general fund on furniture and computers for the building and the other half of the sign. As a result, the general fund's non-departmental materials & service budget and capital outlay budget are running low on operating funds. Staff is requesting \$40,000 from contingency funds to cover these necessary expenditures. Other transfers being requested in Resolution No. 11 for 2020 include adjustments for the Internal Service Fund and the Water and Wastewater Funds.

In the Internal Service Fund, new programs and expenditures during the 2020 fiscal year led to the need to shuffle around existing budget authority. In April 2019, an existing temporary employee was chosen to serve in the newly established Communications office. Throughout the fiscal year, additional software and technical support has been necessary to support the position. Additionally, the City has leveraged opportunities for software from three (3) vendors to provide greater efficiencies in the work being done. To meet these needs, staff is requesting that \$4,500 from non-departmental personnel expense and \$8,500 from contingency be transferred to non-departmental materials & services expense.

The Internal Service Fund also holds the expenditures for the staff of the Executive and Finance Departments. The initial budget for these departments includes staff pay, medical/dental/vision insurance federal and state taxes, retirement and workers' compensation. Additionally, the City budgets 2% of the total personnel expenditures in contingency to cover unanticipated expenditures such as unplanned overtime, health benefit changes during open enrollment, etc. During the 2020 fiscal year, both the Executive and Finance Departments incurred payouts from accruals. The Executive Department has also incurred expenditures from overtime pay and \$5,000 in legal fees associated with COVID-19. Staff is requesting \$11,100 be transferred from contingency to cover the accrual pay outs, overtime and legal fees and \$5,000 from contingency to cover Finance Department accrual pay outs.

In the Water and Wastewater Funds, staff is requesting \$73,000 to cover the expenses of the Utilities Manager. The Utilities Manager was hired in June 2019 after the fiscal year 2020 budget had already been adopted by the City Council. The position was created to provide oversight of the Water and Wastewater Treatment Plants and the contract which governs the operation of those plants with an outside vendor. The position also serves as the lead City employee for the design and construction of the Wastewater Treatment Plant.

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 along with some funding for some office supplies. Accrual pay outs are allowed under the personnel policy established by the City.

Options:

1. Do Nothing – The City Council could decide not to adopt Resolution 11 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.
2. Motion to adopt Resolution No. 11 for 2020 – 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, Motion to adopt Resolution No. 11 for 2020. The resolution does not increase expenditure authority within the City budget but redistributes existing budget authority to needed areas for operational expenses.