REQUEST FOR COUNCIL ACTION

Title:	Resolution Authorizing Transfer of Appropriations
Preferred Agenda:	June 28, 2022
Submitted By:	Brandon Neish, Finance Director
Reviewed By:	Christy S. Wurster, City Manager Pro Tem
Type of Action:	Resolution __X__ 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. 24 for 2022

Purpose of this RCA:

To review Resolution No. 24 for 2022 authorizing a transfer of appropriations covering unplanned expenditures for the 2022 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 2022 fiscal year, the City Council adopted the budget on June 22, 2021. 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 2022 in multiple departments in accordance with Oregon law.

In the General Fund, an adjustment is necessary for Community & Economic Development as economic development opportunities have pushed this department to its expenditure limitations. An adjustment is needed from the General Fund’s contingency line item to ensure that the department does not exceed its adopted expenditure authority.

Account	Initial Budget	Adjustment	New Budget	Description
100-006-465-810	$0	$20,000	$20,000	Economic development support
100-002-490-000	$90,298	-$20,000	$70,298	

The internal service fund has multiple adjustments necessary after Council actions and operational needs. Starting with non-departmental expenditures, benefit changes within the non-departmental personnel accounts requires an additional $16,500 in funds to cover employee premiums per the AFSCME collective bargaining agreement. $16,500 is proposed to be reallocated from the contingency line set aside in the fund and move it to the appropriate personnel account.

Account	Initial Budget	Adjustment	New Budget	Description
290-002-480-210	$300	$16,500	$16,800	Change in benefits for personnel
290-002-490-000	$80,076	-$16,500	$63,576	

In the Executive department, $58,341 is needed to cover various personnel expenditures unplanned for 2022. First, additional expenditures have arisen with the hiring of a City Manager Pro Tem in late February 2022. The cost of hiring a Pro Tem was estimated to cost approximately $55,000. An additional adjustment is proposed from contingency to cover the costs of American Rescue Plan Act (ARPA) premiums that was distributed to staff after City Council action in August 2021. Six employees across the City were not eligible for premium pay using ARPA funds. Instead, the City Council chose to utilize City funding to cover the premiums for those six employees. The remaining $3,341 in the proposed transfer from contingency would be used to cover a portion of one employee's premium and associated payroll costs.

Account	Initial Budget	Adjustment	New Budget	Description
290-003-413-110	$197,086	$58,341	$255,427	Cover costs of Pro Tem City Manager and ARPA premium
290-002-490-000	$63,576 (amended above)	-$58,341	$5,235	

Like the Executive Department above, the Public Works department also incurred expenditures related to the ARPA premium pay that could not be absorbed in the annual budget. In the Internal Service Fund, Public Works expenditures consist of staff pay for five central positions including the Director, Operations Manager, Engineering Technician 2, Mechanic and Administrative Assistant. These salaries are budgeted annually based on anticipated steps and cost of living adjustments which leaves little room for additional costs. In the proposed transfer appropriation, $5,235 would be transferred from contingency to cover the ARPA premium for one employee.

Account	Initial Budget	Adjustment	New Budget	Description
290-009-480-110	$331,919	$5,235	$337,154	Cover costs of ARPA premium
290-002-490-000	$5,235 (amended above)	-$5,235	$0	

In the Wastewater Fund, the proposed transfer resolution includes transferring expenditure authority from the adopted transfers out and contingency to cover debt service payments for the fiscal year. When the budget was adopted, one loan was not included in the budget plan. The result is a need to increase the debt service line of the adopted budget from $333k to $583k, a $250k increase. Using what is available of the contingency before adjusting transfers out allows the City to continue to send as much cash as possible annually for the construction of the treatment plant.

Account	Initial Budget	Adjustment	New Budget	Description
550-009-470-801	$285,893	$199,107	$485,000	Cover cost of additional debt service principal
550-009-470-802	$50,700	$50,892	$101,592	Cover cost of additional debt service interest
550-010-491-040	$1,825,333	-$189,366	$1,635,967	
550-009-490-001	$60,633	-$60,633	$0	

In the Street Improvement Fund, $251k was budgeted for fiscal year 2022 for the purpose of contributing toward construction of a new sidewalk along Main Street between 55th Avenue and 60th Avenue. The City applied for this project in 2014-2015 and successfully lobbied for it to be added to the State Transportation Improvement Program plan. Fast forward to 2022 and costs are significantly higher than previous estimates. The City Council approved an amended contract in October 2021 and agreed to providing the Oregon Department of Transportation (ODOT) additional funding. With the project currently ongoing and cost overruns to be paid by the City, staff has proposed a $50k adjustment to ensure there is funding for last minute changes from ODOT. To comply with local budget law, staff has proposed transferring appropriation authority from the State Gas Tax Fund and moving it to the Street Improvement Fund.

Account	Initial Budget	Adjustment	New Budget	Description
570-009-431-731	$250,500	$50,000	$300,500	Cover cost of unanticipated increases in STIP project
570-010-391-040	-$41,237	-$50,000	-$91,237	
575-009-431-110	$226,063	-$50,000	$176,063	
575-010-491-040	$66,208	$50,000	$116,208	

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. They also serve as members of the Budget Committee who approve 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. An item contained in this resolution contains funding for required personnel costs.

Each of the requested items was previously reviewed by the City Council as stated in the background section of this document. 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 24 for 2022. 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. 24 for 2022* – The resolution transfers 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. 24 for 2022*. The resolution does not increase expenditure authority within the City budget but redistributes existing budget authority to needed areas for operational expenses.