



REQUEST FOR COUNCIL ACTION

Title: Public Hearing and Request for Council Action - Resolution No. 25 for 2022 - A Resolution Adopting a Supplemental Budget

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 294.471(1)(a)
ORS 294.471(1)(b)
ORS 294.471(1)(c)
SH Financial Policy Section IX

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

Attachments: Resolution No. 25 for 2022
ORS 294.471

Purpose of this RCA:

To review Resolution No. 25 for 2022 authorizing a supplemental budget covering unplanned expenditures for the 2022 fiscal year.

Background/Context:

Oregon Revised Statutes 294.471 allows a municipal organization to make one or more supplemental budgets under specific circumstances (attached) 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 supplemental budget resolution seeks to amend the budget for 2022 in multiple funds in accordance with Oregon law.

In the General Fund, an adjustment is necessary for Community & Economic Development to budget for revenue received from the federal government through the State of Oregon. In August 2021, the City Council voted to approve the distribution of American Rescue Plan Act (ARPA) funds for the purpose of COVID-19 premium pay. While some budget lines have been able to absorb the costs in their existing expenditure allocations, Community & Economic

Development (CEDD) was unable to do so. The request adds \$10,225 to the Federal Operating Grant revenue line and a related expense in CEDD.

Account	Initial Budget	Adjustment	New Budget	Description
100-002-331-030	\$0	\$10,225	\$10,225	COVID-19 premium pay
100-006-419-110	\$289,130	\$10,225	\$299,355	

In the internal service fund, multiple adjustments are requested for unanticipated expenditures. The first is the budgeting of \$27,473 to cover COVID-19 premium pay as explained previously. These funds would be distributed to the Executive and Public Works departments. Subsequently for Public Works, additional expenditures related to premium pay for work functions require reimbursement funds from other Public Works funds (\$23,492) to cover the cost of administrative expenses. In the Internal Service Fund, the Public Works Director, Operations Manager, Engineering Technician 2, Mechanic and Public Works Secretary are budgeted, and Public Works funds pay into the internal service fund. This saves five employees from being billed to multiple locations across the budget and provides for greater transparency. Other funding sources (water, streets, etc.) pay into this source based on their overall expenditures for a given fiscal year.

The last need in the Internal Service Fund is an increase in the Finance Department to cover potential expenditures for legal and consulting needs. To offset this increase, the Internal Service Fund has received additional revenue beyond the adopted budget in natural gas franchise fees. The proposed adjustment would budget this additional revenue and additional expense in the Finance Department.

Account	Initial Budget	Adjustment	New Budget	Description
290-002-331-030	\$0	\$27,473	\$27,473	COVID-19 premium pay
290-003-413-110	\$337,154 (as amended in Res. 24 for 2022)	\$11,200	\$348,354	
290-009-480-110	\$337,154	\$16,273	\$353,427	
290-002-390-010	\$951,871	\$23,492	\$975,363	Cover cost of premiums for employees
290-009-480-110	\$348,354 (as amended above)	\$23,492	\$371,846	
290-002-318-022	\$70,000	\$30,000	\$100,000	Cover cost of legal/consulting fees
290-004-415-320	\$0	\$30,000	\$30,000	

In the Path Program fund, fund 585, the proposed supplemental budget contains a revenue increase of \$500k and appropriations to match. In May 2022, the City received funding from the

State of Oregon to be used to construct an improved crosswalk at the intersection of 22nd Avenue and Main Street. Staff is awaiting documents from ODOT to send the funds to them for the construction during sidewalk improvements that are ongoing and is proposing this adjustment in case ODOT requests the funds in the remainder of the current fiscal year. This adjustment exceeds 10% of the adopted budget in the fund and was noticed in the local paper as required by Oregon local budget law.

Account	Initial Budget	Adjustment	New Budget	Description
585-009-331-040	\$0	\$500,000	\$500,000	Budget funds for ARPA project (crosswalk)
585-009-431-731	\$0	\$500,000	\$500,000	

The Public Transit Fund, fund 755, is a passthrough for monies distributed to the Linn Shuttle program. The funds are received from the state as grant resources and the City then cuts a check to the Sweet Home Senior Center/Linn Shuttle which manages the grant program. During the 2022 fiscal year, Linn Shuttle was able to take advantage of additional grant funds related to the Coronavirus Aid, Relief and Economic Security Act (CARES) and ARPA. The proposed adjustment increases revenue and expense to ensure continued support for the Linn Shuttle without violating local budget law. This adjustment exceeds 10% of the adopted budget in the fund and was noticed in the local paper as required by Oregon local budget law.

Account	Initial Budget	Adjustment	New Budget	Description
755-002-334-030	\$125,000	\$225,000	\$350,000	Cover add'l grant revenue for Linn Shuttle
755-002-480-809	\$125,000	\$225,000	\$350,000	

Finally, the Economic Development Fund (fund 760) was the placeholder for grant funds received for the distribution of funds and personal protection equipment for local businesses. Distributed during the pandemic, the fund saw additional grant revenue of \$342k. The proposed adjustment budgets this revenue and related expense to keep the fund in the black for budget law purposes. Funds have either been expended or returned to the state in line with various grant agreements. This adjustment exceeds 10% of the adopted budget in the fund and was noticed in the local paper as required by Oregon local budget law.

Account	Initial Budget	Adjustment	New Budget	Description
760-006-334-040	\$0	\$341,543	\$341,543	Cover add'l grant revenue for local business support
760-006-465-809	\$0	\$341,543	\$341,543	

The Challenge/Problem:

Should the City increase 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:

Resolution No. 25 for 2022 increases expenditure authority from the adopted budget by \$1,973,923. Offsetting the expenditure increases are revenue adjustments from unanticipated grant resources (\$1,104,241), unanticipated revenue from fees (\$30,000) with the remaining coming from expenditure savings in other funds to cover staff increases.

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 City Council approved a contract with ODOT for the crosswalk at 22nd Avenue and Main Street and has made changes at that intersection a priority for some time. Additionally, most grants received during the year have been accepted by the City Council and contain requirements for the funds to be expended.

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 25 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. 25 for 2022 – The resolution transfers expenditure authority from various sources to cover necessary expenditures.
3. Amend the resolution by changing expenditure allocations or eliminating some of the allocation requests – 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. 25 for 2022. The resolution increases expenditure authority within the City budget and balances these increases with increases in specific resource allocations within the funds.