



Financial & Budget Policies

Multnomah County
April 29, 2014

Located at: www.multco.us/budget

Overview/Agenda

- What Are Policies and Why Do We Have Them?
 - Assure Taxpayers and Other External Stakeholders
 - Follow Best Practices in Financial Management
 - Contribute To and Strengthen Financial Stability
- Review Current Financial & Budget Policies
 - Discuss Recommended Changes for FY 2015
- Other Financial Management Tools
 - Internal/External Audits
 - Accounting Standards
 - Administrative Procedures

Policies Reflect Board Direction

- Policy Goals
 - Preserve Capital Through Prudent Budgeting and Financial Management
 - Most Productive Use of Funds To Meet Goals Established by Board
 - Achieve Stable Balance Between Ongoing Commitments and Revenues
 - Leverage Local Funds w/ Federal and State Funds
 - Support Government Accountability
- Subject to Annual Review
 - Update BCC on Status of Compliance w/ Policies
- 15 Policy Statements, Developed and Refined Over Time

Policies Reflect Best Practices

- Features of Effective Policies
 - Exist in Written Form
 - Reviewed on a Regular Basis
 - Establish Clear Goals
- Control vs. Flexibility
 - Comply w/ Applicable Laws and Regulations
 - Maintain Flexibility to Respond to Changing Needs
- Policies Follow GFOA Recommendations
 - Tailored to Suit Needs of the Organization - Not a “One Size Fits All Approach”



Current Policy Statements

- General Fund Forecast
- Tax Revenues
- Federal/State Grants and Foundation Revenues
- Recovery of Indirect Costs
- ***Use of One Time Only Resources***
- User Fees, Sales, and Service Charges
- General Fund Reserve
- General Fund Contingency
- Capital Asset and Transportation Planning
- Long Term Liabilities
- ***Other Fund Balances***
- Internal Service Funds
- Investments, Banking and Cash Management
- Short-Term and Long-Term Debt Financings
- ***Interfund Loans***

Use of One-Time Only (OTO) Resources

- Goal To Match Ongoing Spending and Ongoing Resources
- County Has Achieved Financial Stability
 - Reserves Fully Funded
 - FY 2015 Budget Balanced Over 3 Years
- Recommended Policy Change Acknowledges Need for Capital Construction Funding
 - 50% of OTO, After Providing for Reserves, Dedicated to Facilities Capital



Impact of Proposed Change to OTO Policy

	2013	2014	2015
Total GF OTO Revenue	\$ 25,100,000	\$ 24,900,000	\$ 21,700,000
(Less BIT Reserve/Contingency)	(6,288,000)	(6,812,000)	(7,447,000)
(Less Transfer to Library)	(10,000,000)		
Net to Allocate	\$ 8,812,000	\$ 18,088,000	\$ 14,253,000
50% of Net OTO Revenue	\$ 4,406,000	\$ 9,044,000	\$ 7,126,500

- Under Recommended Policy Language \$20.5 Million Could Have Been Allocated to Capital Over Past 3 Years
- Actual Allocated to Capital = \$13.8 Million (33% of OTO)
 - Health Department Headquarters
 - Downtown Courthouse
 - Hansen Building Relocation

Other Recommended Policy Changes

- Other Fund Balances
 - GASB 54 – Classification of Fund Balances
 - Policy Language Modified to Reflect New Interpretation of Standard
- Interfund Loans
 - Recognition That Some Funds May Have Cash Flow Shortfall Due to Timing of Revenues
 - Funds May Carry Negative Balance For No More Than 4 Months
 - No Fund Can Have Negative Balance at Year-End



Other Financial Management Tools

- Audits – Internal/External Audit Recommendations
 - Review Both Central and Departmental Processes
 - Evaluation of Internal Controls
- Pronouncement – Requirement Established in Statute or Set by Standard (i.e., GAAP)
 - May Lead to Development of Policy
- Procedure – Operational Directives Designed to Standardize Processes
 - FAC's, FIN's, PUR's, and RSK's
- Practice – Informal, Does Not Imply Same Level of Commitment
 - May Lead to Development of Policy

Future Policy Analysis and Development

- Review Existing Policies and Compare to Other Jurisdictions
 - Thorough Review Completed in FY 2013
 - Maintain Currency and Relevance
- Potential Areas to Explore
 - Conduit Debt Issuance
 - New GASB Pronouncements (i.e., GASB 68 and PERS)
 - Economic Development Incentives
 - Risk Tolerance (i.e., Funding Level of Self-Insurance Reserves)
- What Do Rating Agencies Want to See?



Summary

- Policies Establish Foundation for Financial & Budgetary Decision Making
 - Reflect Direction of the Board
 - Align w/ Best Practices
- Recommended Changes/Edits
 - Seek Board Approval
- Policies Work in Conjunction w/ Other Financial Management Tools
- Policy Review and Development a Continuous Improvement Process
 - Ensure Policies Remain Relevant and Reflect Current Practices

