



City of Bandon

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Bandon by the Sea

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Torrey Contreras, City Manager *TC*

INITIATED BY: Paula Burris, Finance Director *PB*

DATE: April 1, 2024

SUBJECT: **Item Number: 4.3 RESOLUTION NO. 24-04 OF THE BANDON CITY COUNCIL AMENDING THE RAINY-DAY FUND POLICY BY IMPLEMENTING A CLEARER METHODOLOGY FOR THE GENERAL FUND CONTRIBUTION**

BACKGROUND:

Resolution No. 22-09 was adopted on May 23, 2022 to establish a Rainy-Day Fund for the City of Bandon. This policy described the purpose of the fund, how it was to be funded, how the funds were to be used, and the requirements for requests made to the City Council to use the funds. City staff are requesting to amend the policy in order to resolve implementation issues.

ANALYSIS OF THE ISSUES:

Per the existing City policy, 50% of any general fund revenue determined to be unappropriated as of May 1 of each year is added to the Rainy-Day fund. In practice, City staff have had difficulty implementing this policy due to the timing of the budget cycle and the City's budget processes. The policy requires a calculation of unappropriated revenue as of May 1. However, the budget must be prepared prior to this date, so the General Fund contribution amount must be estimated, creating a less accurate budget amount. Also, 100% of revenue funds are budgeted during the budget process, so there are no unappropriated funds, which makes it difficult to figure out what should be considered unappropriated revenue and considered for transfer to the Rainy-Day fund.

Using a percentage of the unrestricted General Fund balance based on audited financials from a previous fiscal year as the transfer amount for the Rainy-Day fund, would provide a clear and exact amount, and a methodology that is simple to calculate and apply. Also, budgeting a known transfer from the General Fund to the Rainy-Day Fund would remove the potential requirement for a Supplemental Budget to gain appropriation authority for the transfer.

Audited financials are typically available by December 31 following the end of a fiscal year. As example, audited financials from Fiscal Year (FY) 2022-23 were available by December 31, 2023, and the percentage of unrestricted General Fund considered for transfer would be applied to budget year FY 2024-25.

FISCAL IMPACT:

Amending the Rainy-Day Fund Policy and related protocols provide staff a clearer methodology for processing General Fund transfers to the Rainy-Day Fund. The fiscal impact resulting from the amended Policy is expected to be positive as it provides a clear and exact funding amount to be transferred to the Rainy Day Fund. The methodology is simple to calculate, resulting in improved operational efficiency and reduced staff time to process, which provides for additional cost savings.

RECOMMENDATION:

The following is recommended to the City Council:

1. Review and discuss the information provided;
2. Adopt Resolution No. 24-04, which is captioned as follows:

**A RESOLUTION OF THE BANDON CITY COUNCIL AMENDING THE RAINY-DAY
FUND POLICY BY IMPLEMENTING A CLEARER METHODOLOGY FOR THE
GENERAL FUND CONTRIBUTION**

Attachments: Resolution No. 24-04

RESOLUTION NO. 24-04

A RESOLUTION OF THE BANDON CITY COUNCIL AMENDING THE RAINY-DAY FUND POLICY BY IMPLEMENTING A CLEARER METHODOLOGY FOR THE GENERAL FUND CONTRIBUTION

WHEREAS, the City of Bandon derives much of its operating revenue from lodging and utility taxes; and

WHEREAS, those tax revenues are subject to fluctuation based on economic factors, climate, and other factors; and

WHEREAS, the City wishes to provide financial stability in the event of severe economic downturns, pandemics, natural disasters or other major unforeseen events.

NOW, THEREFORE, the City Council of the City of Bandon resolves the following Rainy Day Fund policy:

1. The City will create, maintain, and manage a Rainy-Day Fund in accordance with this policy.

2. The purpose of the Rainy-Day Fund will be to provide for severe economic downturns or major unforeseen events (as determined by City Council action) where a significant portion of revenues supporting critical basic operations are projected to decline and such decline cannot be absorbed by the department or fund. In these events, the City will need time to affect reductions, consolidate operations, reprioritize critical programs or implement an alternate revenue source. The Rainy-Day Fund will provide temporary support to minimize the impacts to community members who rely on these critical operations.

3. The Rainy-Day Fund will also be maintained to protect and enhance the City's credit rating. In the event that the City's General Fund Reserves temporarily fall below desired levels, the Rainy-Day Fund will serve to ensure that the City's credit rating is not adversely affected.

4. The Rainy-Day Fund will be funded annually as follows:

a. Five percent (5%) of the unrestricted general fund balance from the prior audited fiscal year;

b. Excess revenues and/or additional allocations from the General Fund as recommended by the Finance Director and/or City Manager and approved by City Council. Examples of excess revenues include one-time payments from franchisees as a result of an audit, refunds or other one-time discretionary payments not anticipated to be needed for current operations.

c. Once the Rainy-Day Fund has reached an amount equal to 20% of the previous year's General Fund operating budget, the amount of (a) above shall be considered discretionary.

5. Enterprise funds will maintain their own reserves, typically as a reserve or unappropriated ending fund balance.

6. The Rainy-Day Fund will be used to provide temporary support for essential City services, programs and operations meeting the criteria established by this policy. In no event will the Rainy-Day Fund be used to fund non-essential City services, programs and

operations or to fund expenditures that should otherwise be funded with discretionary operating revenues, contingencies, and reserves.

7. The Council may also set aside an amount in the Rainy-Day Fund designated as a "PERS Reserve" as a buffer against future retirement liabilities.

8. All requests for use of the Rainy-Day Fund will include the following:

- a. Projection of revenues indicating decline for more than 2 years or permanent decline as a result of economic downturn or unforeseen event.
- b. Analysis that revenue decline is so significant that it cannot be absorbed in the department or fund's operating budget through increases in other revenues or reduction of current expenditures.
- c. Determination that essential City services, programs and operations will be affected, and community members will be negatively impacted.
- d. Plan of action and long-term financial solution to address the revenue shortfall.

9. All requests for use of the Rainy-Day Fund will be reviewed by the City Manager and referred to the City Council for approval. The City Council shall approve the use, assignment and/or appropriation of Rainy-Day Funds.

ADOPTED by the City Council this 1st day of April 2024.

Mary Schamehorn, Mayor

Attest:

June Hinojosa, City Recorder