

City Council Issue Summary

Subject: Approve a supplemental budget and budget adjustments, including the creation of a new Houseless Fund for the City of Bend 2021-2023 Biennial Budget.

Staff Member, Department: Janette Townsend, Finance

Meeting Date: 3/15/2023

Action(s) Required:

- | | | |
|--|---|--|
| <input type="checkbox"/> Consent Agenda | <input type="checkbox"/> Ordinance First Reading | <input checked="" type="checkbox"/> Public Hearing |
| <input type="checkbox"/> Information/Direction | <input type="checkbox"/> Ordinance Second Reading | <input checked="" type="checkbox"/> Resolution |
| <input type="checkbox"/> Motion | | |

Recommended Motion:

I move to adopt the resolution approving a supplemental budget and budget appropriation adjustments, including creation of a new special revenue fund, for the 2021-2023 biennial budget period beginning July 1, 2021.

Issue / Council Decision & Discussion Points:

- A supplemental budget adjustment to the 2021-2023 biennial budget is being proposed to:
 - Establish a new special revenue fund, the Houseless Fund
 - Transfer the existing appropriations for houseless operations from the General Fund to the new Houseless Fund and establish transfers from the Houseless Fund to the Streets & Operations Fund and the Facilities Division for expenditures related to houseless operations
 - Increase expenditure appropriations in the Airport Fund related to a capital project for runway improvements and recognize the related grant revenue
 - Increase expenditure appropriations in the Parking Fund for the Automated Parking Guidance System (APGS) capital project and recognize an increase in fee revenue
 - A public hearing is required for the budget adjustments in the Houseless, Airport, and Parking Services Funds



- A budget adjustment to the 2021-2023 biennial budget is being proposed to increase expenditure appropriations to bring the debt service in the Water Fund and General Obligation Bond Debt Service Fund in line with the total anticipated debt service payments

Background:

The supplemental budgets and budget adjustments proposed are authorized under various Oregon Revised Statutes (ORS) that are explained in detail below.

1. Create a New Special Revenue Fund, the Houseless Fund

A supplemental budget is proposed to create a new special revenue fund and provide for appropriation adjustments in that fund that were not anticipated when the 2021-2023 Biennial Budget was developed. A public hearing is required because fund expenditures will be adjusted by more than 10%. In accordance with ORS 294.473, public notice that a supplemental budget will be considered is required, and this notice was published on or before Friday, March 10, 2023.

- Houseless Fund

2. Transfer and Expend Revenue related to the Houseless Fund: Supplemental Budget Not Requiring Public Hearing – Adjusting Expenditures < 10%

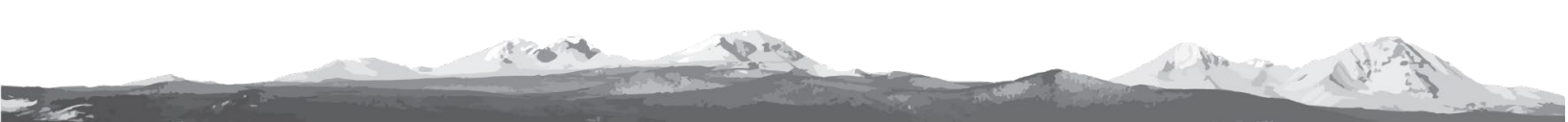
A supplemental budget is proposed for appropriation adjustments in the following funds that were not anticipated when the 2021-2023 Biennial Budget was adopted; however, these adjustments will not adjust expenditures more than 10% and do not require a public hearing. In accordance with ORS 294.471 public notice that a supplemental budget will be considered is required, and this notice was published on or before Friday, March 10, 2023.

- General Fund
- Streets & Operations Fund
- Internal Service Fund: City Wide Administration Fund

3. Supplemental Budget Requiring Public Hearing – Adjusting Expenditures >10%

In accordance with ORS 294.473, a supplemental budget is proposed for appropriation adjustments in the following funds that were not anticipated in the 2021-2023 Adopted Biennial Budget. A public hearing is required because fund expenditures will be adjusted by more than 10%. In accordance with ORS 294.473, public notice that a supplemental budget will be considered is required, and this notice was published on or before March 10, 2023.

- Parking Services Fund
- Airport Fund



4. Transfer Appropriations Between Categories Within a Fund

ORS 294.463(1) authorizes budget transfers between appropriation categories within the same fund. Adjustments are proposed in the following funds to transfer budget appropriations between appropriation categories. There is no increase to the adopted budget.

- Water Fund
- 2020 General Obligation Bond Debt Service Fund

Budget and Financial Impacts:

1. Create a New Special Revenue Fund, the Houseless Fund

During development of the 2021-2023 Biennial Budget, revenue and expenditures related to houseless operations were budgeted within the City's General Fund. The related services and funding sources, primarily from state and federal grants, have increased since this time. To improve the transparency of these activities and continue to support City Council's Housing goal, staff are proposing the creation of a new Houseless Fund which will include the revenues and expenditures related to owning and operating shelters, managing the right of way and related services and support to the community along the housing continuum.

Starting with Fiscal Year 2023 (FY23), houseless activities will be recorded in the new Houseless Fund. All of the revenue and expenditures related to houseless activities will be recorded in the Houseless Fund either as a direct expenditure to the fund or as a transfer to other funds as follows:

- Costs for operating shelters and other houseless activities will be recorded as a direct expenditure in the Houseless Fund.
- Costs for houseless related right of way management will be recorded as a transfer from the Houseless Fund to the Streets & Operations Fund where the direct expenditure will be recorded.
- Costs for owning shelters will be recorded as a transfer from the Houseless Fund to the Facilities Division of the Internal Service Fund: City Wide Administration Fund where the direct expenditures will be recorded.

The budget adjustments in this issue summary are outlined below in two steps:

1. Move the existing appropriation authority and related revenues for these activities from the General Fund to the Houseless Fund and
2. Establish transfer appropriation authority out of the Houseless Fund to Streets & Operations Fund and Facilities Division of the Internal Service Fund: City Wide Administration Fund for the direct expenditures recorded in those funds.

The following table summarizes the first step of the budget adjustment to transfer out of the General Fund the FY23 houseless related funding and costs to the Houseless Fund.

	Existing Budget in the General Fund	Move Budget to the new Houseless Fund
<u>Resources/Revenues:</u>		
Beginning Working Capital from FY22 Grant Revenue (moved via Interfund Transfer Expenditure and recorded in Houseless Fund as Interfund Revenues)	\$1,000,000	\$ -
Intergovernmental Grant Revenue	5,931,500	5,931,500
General Fund Subsidy (moved via Interfund Transfer Expenditure and recorded in Houseless Fund as Interfund Revenues)	244,900	-
Transfer Beginning Working Capital and General Fund Subsidy from General Fund to Houseless Fund	-	\$1,244,900
Total Resources	\$7,176,400	\$7,176,400
<u>Expenditures:</u>		
Program Operations	\$6,222,000	6,222,000
Interfund Transfer for Overhead to Central Services	54,400	54,400
Interfund Transfer to Facilities	900,000	900,000
Total Expenditures	\$7,176,400	\$7,176,400

Houseless Fund

Community & Economic Development Program - \$6,222,000

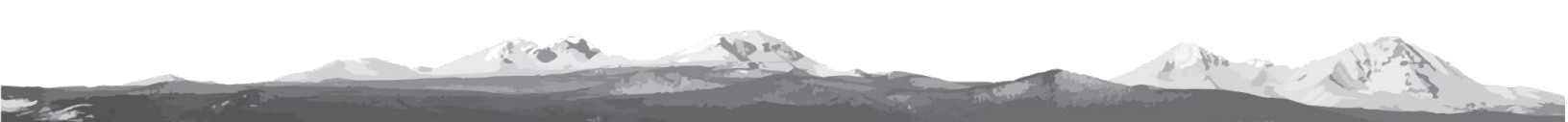
Interfund Transfers – \$954,400

- Create a new special revenue fund, the Houseless Fund.
- Establish expenditures of \$6,222,000 of expenditures in the Community & Economic Development Program for houseless related expenditures and \$954,400 of Interfund Transfer Expenditures for facilities and overhead and recognize \$5,931,500 of Grant Revenue and \$1,244,900 of Interfund Transfer Revenue from the General Fund.

2. Transfer and Expend Revenue related to the Houseless Fund Supplemental Budget Not Requiring Public Hearing – Adjusting Expenditures < 10%

General Fund

Community & Economic Development Program – (\$6,222,000)



Interfund Transfers – \$290,500 (Net adjustment from the increase of \$1,244,900 for the General Fund transfer to the new Houseless Fund and a reduction of \$954,400 for transfers to Facilities that will now be made from the Houseless Fund rather than the General Fund)

As explained above, the direct costs related to right of way management will be recorded in the Streets & Operations Fund and the direct costs of owning shelter facilities will be recorded in the Facilities Division of the Internal Services Fund: City Wide Administration Fund. The funding for these costs will come from the revenue recorded in the Houseless Fund (primarily state and federal grants) via an Interfund Transfer which is the second step of the budget adjustment as explained above.

	Houseless Fund	Streets & Operations Fund	Facilities Division
<u>Resources/Revenues:</u>			
Interfund Transfer Revenue from Houseless Fund	-	\$302,000	\$1,245,000
Total Resources	-	\$302,000	\$1,245,000
<u>Expenditures:</u>			
Program Operations	\$(1,727,000)	\$302,000	\$1,245,000
Interfund Transfer Expenditure to Streets and Facilities	1,727,000	-	-
Total Expenditures	\$ -	\$302,000	\$1,245,000

Streets & Operations Fund

Community & Economic Development Program – \$302,000

- Recognize \$302,000 of interfund transfer revenue from the Houseless Fund and increase expenditure appropriations in the Community & Economic Development Program for facilitation of right of way management and trash and sanitation services.

Internal Service Fund: City Wide Administration Fund

Administration & Central Services Program – \$1,245,000

- Recognize \$1,245,000 of interfund transfer revenue from the Houseless Fund and increase expenditure appropriations in the Administration & Central Services Program in the Facilities Division for capital outlay and operational costs related to the shelter buildings.

Houseless Fund

Interfund Transfers – \$1,727,000

- Establish \$1,727,000 of interfund transfer expenses from the Houseless Fund to the Streets & Operations Fund (\$302,000) and Facilities Division of the Internal Services Fund: City Wide Administration Fund (\$1,245,000) for costs related to houseless activities.
- In the attached resolution, this adjustment is included with the Houseless Fund adjustment explained above.



3. Supplemental Budget Requiring Public Hearing – Adjusting Expenditures > 10%

Airport Fund

Infrastructure Program - \$1,100,000

- Recognize \$1,100,000 additional intergovernmental revenue from the Federal Aviation Administration (FAA) and increase expenditure appropriations in the Infrastructure Program in capital outlay for Runway 16-34 (AP22A). Improvements include a seal coat, guidance system replacement and magnetic variation change to adjust the runway to 17-35 to match the earth's shifting magnetic field. Project expenditures are included in the Five Year Capital Improvement Program (CIP) Schedule and were originally anticipated to continue through fiscal year 2024. The project has been completed ahead of schedule.

Parking Service Fund

Infrastructure Program - \$424,000

- Recognize additional fee revenue and increase expenditure appropriations in the Infrastructure Program in capital outlay (\$304,000) for hardware costs and in materials and services (\$120,000) for software costs for the Automated Parking Guidance System (APGS). The APGS aims to reduce traffic in the downtown area, reduce carbon emissions and improve city-wide parking enforcement. Parking permit and fine activity are over three times higher than anticipated in the original 2021-2023 biennial budget, resulting in additional revenue available.

4. Transfer Appropriations Between Categories Within a Fund

Water Fund

Debt Service - \$8,000

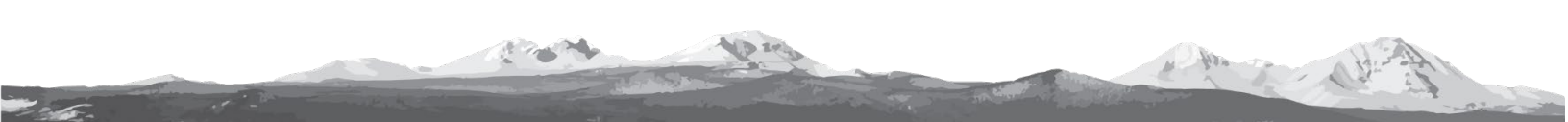
Increase expenditure appropriations in Debt Service and decrease expenditure appropriations in the Infrastructure Program in materials and services by \$8,000. This adjustment transfer will transfer materials and services savings to bring the debt service budget appropriation in the Water Fund in line with the total anticipated debt service payments in the biennium.

2020 General Obligation Bond Debt Service Fund

Debt Service - \$500

Increase expenditure appropriations in Debt Service and decrease expenditure appropriations in the Infrastructure Program in materials and services by \$500. This adjustment will transfer materials and services savings to bring the debt service budget appropriation in the General Obligation bond Debt Service Fund in line with the total anticipated debt service payments in the biennium.

Community Outreach Process and Potential Impacts:



The proposed budget adjustments related to the Houseless Fund are consistent with the existing budget appropriations presented and adopted throughout the 2021-2023 biennium. The primary change is the financial organization of this information.

Department Director Review: Janette Townsend

Financial Review: Janette Townsend

Legal Review: Ian Leitheiser

Attachments:

- A Resolution approving a supplemental budget and budget appropriation adjustments, including creation of a new special revenue fund, for the 2021-2023 biennial budget period beginning July 1, 2021.