

# City of Woodburn

## FY 2022/23 Financial Plan

### Budget Policies, Fiscal Strategy, & Five Year Forecast

**FY 2022/2023 Budget Goal.** Woodburn’s challenge will be associated with development-related service demands, maintaining a sound financial position in the face of changing community dynamics, and closing projected revenue over expense General Fund shortfalls while working to fully rebuild popular parks and recreational programming impacted by COVID-19.

1. The City will remain financially challenged for the immediate future. Working in the framework of the City Council’s FY 2022/23 Financial Plan and Oregon Budget Law, the City Administrator will present a balanced FY 2022/23 Budget, working to close projected General Fund revenue shortfalls over time while protecting cash balances to the greatest extent possible. The City will likely continue operating at reduced service levels pending a COVID-19 operational and financial recovery.
2. The City will seek to build cash reserves when possible with the understanding that startup costs may be required when starting or reestablishing COVID-19 impacted or related services and programs. Financial plans for reestablishing pre-COVID-19 programs will be presented to the City Council as appropriate.
3. In addition, it is also the goal of the City to prioritize existing resources on priority services such as public safety funding, continued community COVID-19 education, economic aid, and planning for the restoration of parks and recreation programming, including aquatics and library services.
4. Proposed uses of the second round of the American Recovery Plan Act Funding (ARPA) will be utilized in accordance with federal rules, maintaining or reestablishing levels of services, and other COVID related priorities established by the City Council. The City Administrator will include proposed uses of ARPA funds as part of the FY 2022/23 Budget Process.

## BUDGET POLICY

- **SECTION 1. ANNUAL REVIEW & POLICY**

- A. **Fiscal Responsibility.** The policy of the City of Woodburn is to return the highest level (or sustain the current levels) of service with the least amount of taxpayer investment and to plan accordingly.

- B. **Balanced Budget.** The City’s budget shall be balanced. For each fund, ongoing costs are not to exceed ongoing revenues plus available fund balances used in accordance with reserve policies. The budget resolution will be adopted by the fund at a summary level.
- C. **Budget Process.** The annual budget process is intended to weigh all competing requests for City resources within expected fiscal constraints. Levels of service will increase or decrease based on the availability of resources. Requests for new programs made outside the annual budget process will be discouraged. New initiatives will be funded by reallocating existing City resources to services with the highest priorities.
- D. **Fiscal Recommendations.** Consistent with the administrative responsibilities outlined in the Charter, the City Administrator will make fiscal recommendations to the City Council on all measures necessary to sustain current levels of service and avoid reductions in City programs, including the consideration by the City Council of new revenue sources if this is determined to be in the best interest of the community.
- E. **Budget Policy Updates.** The City Council will review and adopt the Fiscal Year Budget Policies on an as-needed basis as determined by the City Administrator or as circumstances require.
- F. **Annual Five-Year Forecast.** The City Council will review and approve the Five-Year Forecast as needed. The forecast is an estimate of future revenues and expenses intended to serve as an estimate and a guideline for making sound financial decisions in the current fiscal year and budget preparation. The Five-Year Forecast and the Budget Policies together will constitute the City’s annual Financial Plan.
- G. **Policy Direction.** Consistent with the role outlined in the Woodburn City Charter, the City Council is responsible for providing policy direction to determine the City’s overall financial health. In response to the fiscal recommendations made by the City Administrator, the City Council shall consider all measures necessary to sustain current levels of service. In addition, the City may avoid reductions in City programs by considering new revenue sources if this is determined to be in the best interest of the community.
- H. **Budget.** Under the Woodburn City Charter, the City Administrator serves as Woodburn’s Budget Officer. The Finance Director assists the City Administrator with the preparation and presentation of the annual budget, budget administration, and the day-to-day finance operations. The Budget Officer is responsible for the administration of the annual budget and may approve or disapprove the expenditures contained in the adopted budget if deemed in the best financial interest of the City.
- I. **Budget Administration.** As authorized by the City Charter, the City Administrator is responsible for taking actions necessary to keep expenditures within anticipated revenues, including initiating layoffs, reorganizations, downsizing, program reductions, and adjustments to service levels. The City Administrator will keep the City Council informed

as to any steps taken to reduce expenditures, and whenever possible, the Council will review the decisions and consider options during a mid-year budget review.

- **SECTION 2. DISCRETIONARY & DEDICATED RESOURCES**

- A. **Recognizing Financial Limits**. Woodburn will make a distinction between two different types of services; 1) those funded primarily from City discretionary resources, and 2) those funded primarily from dedicated resources.
- B. **Discretionary Resources**. The General Fund collects resources to provide discretionary programs and services as recommended by the Budget Officer and approved as part of the City's cycle. The City will continue to fund these programs primarily from General Fund discretionary resources. These include police, park and recreation, economic development, land use, financial services, and other programs.
- C. **Dedicated Resources**. Dedicated resources are normally subject to restrictions via state and federal law, grant agreements and contracts, City policy, and ordinances. City services funded primarily through dedicated funds include such items as speed and safety belt enforcement, grant-funded transportation, utility services, etc.

- **SECTION 3. GENERAL FUND BUDGET (DISCRETIONARY)**

- A. **Annual Budget Goal**. The goal shall be to prepare a budget that maintains existing high priority programs supported by the General Fund while at the same time seek savings and alternative revenue sources wherever possible. Funding for lower priority programs will be reduced or eliminated to ensure that expenditures remain in balance with resources.
- B. **General Fund Emphasis**. The highest priority shall be to conserve General Fund discretionary resources to fund high priority programs as defined by the City Council and City Administrator.
- C. **Maximize City Council's Discretion**. Wherever legally possible, revenues are to be treated as discretionary resources, rather than as dedicated to a particular program or service. The goal is to give the City Council flexibility in allocating resources to local priorities.
- D. **New Revenues**. In order to sustain current levels of service, avoid reductions in public safety programs, or increase services needed to meet community demands, the City Council may consider new discretionary revenues if it is determined to be in the best interest of the community.
- E. **Use of Dedicated Funding Sources**. Whenever legally possible, funding responsibility for existing programs or activities should be transferred to appropriate dedicated funding sources, freeing up scarce discretionary resources to fund City Council priorities.

- F. **Cost Efficiency.** Staff will prepare fiscally conservative budgets and will seek savings wherever a balance between cost efficiency and the quality of public service can be achieved.
- G. **Materials & Services.** Departments are to prepare “base budgets” with a goal of holding General Fund or other discretionary resources for materials and services expenditures to no more than prior year budget levels.
- H. **No General Fund Street Maintenance Support.** No discretionary General Fund revenues will be used to support street maintenance activities. General Fund street lighting transfers are exempted from this policy.
- I. **Revenue Estimates.** Departments should budget for revenues based on the best information available during the annual process. If additional information becomes available during the budget process, it should be provided to the Finance Director’s Office. Accuracy in revenue/expenditure estimates is critical. Subsequent annual estimates should also take into consideration the actual receipts from the previous year.
- J. **Pursuit of New Departmental Revenues.** Departments shall pursue revenue sources to the fullest extent possible for all services as well as total cost identification (including indirect costs) for fee-setting purposes, grants, or other funding opportunities. Any new revenue sources should be used to offset the cost of existing staff and programs, rather than funding new staff or programs. Fee schedules will be reviewed annually to ensure costs are recovered. Fee schedules will be updated as part of the annual budget process.
- K. **Expenditure Reductions.** Reductions in revenues may require expenditure reductions from the “base budget” level. If reductions are required, the City Administrator will be guided by the City Council’s adopted Resource Reduction Strategy (See Section 19).
- L. **New Discretionary Programs.** New discretionary programs, deemed a high priority activity, may be included in the Proposed Budget with the prior approval of the City Administrator. If programs are added/expanded, an evaluation will be made on the impact to supporting services (e.g. information, finance, facilities, human resource, budget, etc.). Any increases in overhead services attributed to additional programs shall be included in the analysis of the total cost of new programs.
- Should outside funding for a program expire, the program may be terminated by the City Administrator or the City Council.
- M. **Full Cost Recovery.** City staff shall make every effort to assign costs where they occur through the use of interdepartmental/interfund charges and indirect cost percentage assignments. The intent is to clearly define the actual cost of each direct service the City provides internally or externally. The first priority is the recovery of overhead costs from all funds and grant programs.

N. **Annual Budget Savings.** To the extent General Fund supported departments experience savings during the year (due to position vacancies, etc.) that money shall be designated first to meeting the established contingency and reserve levels. Should the contingency and reserve levels be met, any remaining savings may be allocated towards the PERS Reserve and/or one time projects as determined by the City Administrator.

• **SECTION 4. NON-GENERAL FUND / UTILITY BUDGETS (DEDICATED)**

A. **Bottom-Line Emphasis.** For activities or programs funded primarily from non-General Fund sources, departments are to prepare “base budgets” with a goal of holding any General Fund contribution to no more than the amount provided in the current fiscal year, subject to the availability of funds. Whenever possible, reductions in General Fund contributions should be achieved.

B. **No Backfilling.** General Fund discretionary dollars will not be used to backfill any loss in water and/or sewer City utility revenue, state-shared or federal revenues, grants, or dedicated funding programs (for further information, see the Resource Reduction Strategy).

C. **Revenue Estimates.** Departments should budget for revenues based on the best information available at the time the budgets are prepared. If additional information becomes available during the budget process, it shall be provided to the Finance Department. New revenues should be estimated based on available information for the first year. Subsequent annual estimates should also take into consideration actual receipts from the previous year.

D. **Overhead Cost Allocation Charges.** All non-General Fund departments should budget the amount allocated to that department.

E. **Cost Efficiency.** As with the General Fund, staff responsible for non-General Fund budgets will prepare fiscally conservative budgets, and will seek savings wherever a balance between cost efficiency and the quality of public service can be achieved.

F. **Utility Revenue Allocations.** It is the policy of the City of Woodburn that revenue generated by City-owned utilities will first be used to meet operational expenses, and subsequently fund capital projects in a manner consistent with Woodburn’s Capital improvement plans and operating requirements.

G. **Utility Rates.** The City will maintain utility rates at a level that ensures that all debt service, operating, and capital costs, are adequately recovered and debt covenant requirements are met. Capital costs identified in the approved capital improvement plan will be used as the basis for forming the capital costs recovery portion of utility rates.

H. **System Development Charges.** As permissible under state law, the City will pursue the recovery of infrastructure-related development costs relating to water, sewer, street, storm,

and parks. These costs will be delineated via a defensible methodology, which will be revised from time to time to ensure accuracy.

- **SECTION 5. FUND RESERVES & CONTINGENCIES**

- A. **PERS Side Account Savings**. In 2019, the City Council goal of establishing a PERS side account was achieved with a City contribution of \$2,823,043, which received a PERS match. The City will continue to add resources to the City's PERS Fund as resources allow, but will direct any PERS savings to help maintain current service levels. It is the overall goal of the City to continue to increase the balance in the City's PERS Reserve Fund in order to make future Side Account contributions.
- B. **General Fund Contingency**. Consistent with Government Finance Officers Association (GFOA) best practices, at least 20 percent of the General Fund's operating appropriation shall be placed into the operating contingency to meet cash flow needs, with a long-term goal of increasing the reserve to 25 percent as year-end savings occur. In addition, it is the goal of the City to preserve the contingency balance to the greatest extent possible. No new General Fund program or service will be created that diminishes the General Fund Contingency below established minimum levels.
- C. **Contingency Replenishment**. If contingency funds are expended, an effort will be made to reduce expenses to retain a minimum of 20 percent General Fund contingency.
- D. **Shortfall Management Reserve (SMR)**. The SMR is intended to subsidize future shortfalls estimated in the Five-Year Forecast. If SMR funds are expended, an effort will be made to replenish funds as savings are identified in the annual budget process.
- E. **Water & Sewer Fund Contingencies**. The Water and Sewer Funds will maintain annual contingencies of not less than 5%.
- F. **Equipment Replacement**. This fund is for the replacement of vehicles and equipment. The goal is for City departments to transfer one-tenth the value of its fixed asset inventory every year as budget allows to ensure future replacement funding is available. Replacement fund transfers may be limited or delayed in order to preserve operational budgets.

- **SECTION 6. GRANT APPLICATIONS (ALL FUNDS)**

- A. **Approval to Pursue**. The City Administrator's approval is necessary before any employee pursues lobbying efforts on matters having budget implications, and before grant applications are submitted to the granting agency. Department Heads should advise the City Administrator before official positions are taken on matters that might have budget implications.
- B. **General Fund Matching Funds**. Upon approval by the City Administrator, matching fund requirements will be presented to the City Council for final approval.

- **SECTION 7. NEW POSITIONS, PROGRAMS, AND OVERTIME (ALL FUNDS)**

- A. **Base Budget & New Positions.** Departments are to prepare “base budgets” with no new regular positions unless specifically authorized by the City Administrator in advance of budget preparations. Reorganizations of departments or programs resulting in changes in staffing or positions may be considered if the change is cost-neutral or cost savings from the current costs. No position compensation or increase will be provided beyond the amounts budgeted for the position without prior approval from the City Administrator.
- B. **Considerations of New Positions/Programs.** Unless otherwise authorized by the City Administrator, consideration of new programs and positions will occur only if the cost of the position or program is offset by non-General Fund sources legally tied to the new position or if the cost of the position is offset by new external revenues, reductions within existing funds and/or the position is required to generate those revenues. Cost estimates for new positions will include office facility space, equipment, rent, utilities, supplies, related increases in overhead services, etc.

Additional personnel or programs shall be requested only after service needs have been thoroughly documented or after it is substantiated that the new employees will result in increased revenue or enhanced operating efficiencies.

- C. **Annual Overtime Budgets.** Departments will anticipate their annual overtime costs to be included in the proposed budget. Once the budget is adopted, overtime costs are to be managed within adopted levels. No overtime costs can exceed budgeted levels without first obtaining the authorization of the City Administrator.

- **SECTION 8. MID-YEAR BUDGET REDUCTIONS**

- A. **Revised Revenue or Expense Estimates.** If additional information concerning revenue reductions or significant expense increases becomes available after the start of the fiscal year, it may be necessary to make budget adjustments. These adjustments will be made in accordance with the City Council’s adopted Resource Reduction Strategy.

- **SECTION 9. MID-YEAR REQUESTS, CONTINGENCY (ALL FUNDS)**

- A. **Non-Emergency Requests.** In those cases where a department is required to absorb an unanticipated cost beyond its control of a non-emergency nature, departmental resources must first be exhausted prior to a transfer from General Fund contingencies. Upon conducting a final financial review of departmental budgets towards the end of the year, a transfer from contingency will be presented to the City Council through a budget resolution or supplemental budget.
- B. **Emergency Requests.** Emergency requests during the fiscal year will be submitted to the City Administrator for recommendation and forwarded to the City Council for consideration.

- **SECTION 10. COMPENSATION & BENEFITS (ALL FUNDS)**

- A. **Wage Policy**. Historically, the biggest factors forcing budget growth are increases in employee compensation and increased benefit costs. The City will have a compensation and benefits program that: 1) reflects the value of work performed by our employees, 2) compares favorably with the compensation and benefits paid for similar work in both the private and public sectors, and 3); considers the community's ability to pay. Both our employees and the public must understand the mutual respect that such a policy warrants.
- B. **Health Care & PERS Costs**. Continue the City's policy on wage increases which evaluate the cost of health insurance and PERS contributions as part of the total compensation package. It is the goal of the City to reduce annual escalations of health insurance, and other benefit costs by getting the employees to bear an equitable portion of the annual premium increases and/or selecting lower cost-benefit programs.
- C. **Cost of Living Adjustments (COLA)**. The City Administrator will make a recommendation either to include, or not include, a COLA for non-represented employees in the Proposed Budget. COLAs included in the Proposed Budget are considered and approved by the Budget Committee and City Council as part of the budget process. COLAs or other compensation provided for in collective bargaining agreements will be provided for in the annual Proposed Budget.
- D. **Step Adjustments**. Budgeted personnel services expenditures will include an amount to account for annual step adjustments for all employees who are not currently at the top of their range. Annual employee step adjustments will not exceed 5% without the expressed permission of the City Administrator.

- **SECTION 11. BUDGET CONTROLS**

- A. **Legal Compliance**. The City Administrator and Finance Director will continue to review and control departmental budgets at the appropriation level.
- B. **Personnel Services & Benefits**. With the exception of overtime pay and temporary help accounts, which shall be developed by Department Heads with the advice of the Finance Director and the approval of the City Administrator, personnel services and benefits cost calculations will be provided by the City Administrator and the Finance Director and will be used as provided. The City Administrator and the Finance Director will also provide estimates for insurance and internal service expenses. These amounts will not be altered by Department Heads.
- C. **Wages & Benefit Control**. Positions not entitled to receive benefits will be managed in a manner that keeps them below mandatory benefit thresholds (such as PERS, health insurance, etc.). Positions will only be eligible for benefits if approved by the City Administrator and/or designated in Job Descriptions. All benefit costs must be anticipated and included in the annual Budget.



D. **One-Time Revenues.** One-time revenues will be used only for one-time expenses.

- **SECTION 12. UNAPPROPRIATED ENDING FUND BALANCES (ALL FUNDS)**

A. **Limit Unappropriated Ending Fund Balances.** To provide the most budget flexibility during the year, the City will limit the use of unappropriated ending fund balances to circumstances where they are required by law. Rather than use unappropriated fund balances, the goal should be to place any monies not needed for current expenditures in the relevant funds' operating contingencies or a City Council approved reserve.

- **SECTION 13. CAPITAL IMPROVEMENT GUIDELINES**

A. **Capital Improvement Program.** A 6-year Capital Improvement Program will be adopted as part of the annual budget process. It will include all projects anticipated to be initiated and/or delivered in the 6-year planning period. The Capital Improvement Program will be consistent with the City's adopted Capital Improvement Master Plans. Funding availability will determine the rate at which Capital Improvement Program projects are initiated or completed.

B. **Exceptions.** The City will fund dedicated programs and services with dedicated funding sources. Exceptions may be made, on a case-by-case basis, by the Budget Committee, City Council, or by the City Administrator if appropriate. One criterion will be whether the City would incur more costs elsewhere as a result of the reduction.

C. **Capital Planning Consideration.** Recognizing that it does not necessarily make sense to fund current operations at the expense of long-term capital or planning programs, every effort will be made to continue capital and planning programs geared to the City's long-term needs.

- **SECTION 14. DEBT ISSUANCE (ALL FUNDS)**

A. **Debt Issuance.** The City will issue debt in accordance with the adopted Master Debt Resolutions for Sewer and Water. General Obligation debt will only be issued in compliance with state statutes. Debt will only be issued (for all fund types) when a dedicated resource is available to meet the required debt service and reserve.

No debt will be issued without the approval of the City Administrator and authorization of the City Council.

B. **Interfund Transfers.** Interfund transfers are allowed if the City Council determines the transfer to be in the best interest of the City. All interfund transfers will be managed consistent with state budget law.

C. **Debt Compliance.** On an annual basis the Finance Director and shall ensure that annual reporting requirements have been met and will review the condition of the corresponding debt funds to ensure compliance with existing financing agreements.

- **SECTION 15. DEBT REFINANCING/REFUNDING**

- A. **Debt Refinancing/Refunding**. From time to time, the City Council and/or the City Administrator may direct the Finance Director to determine the feasibility of refinancing/refunding existing debt. Refinancing may include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, release reserve funds, or remove unduly restrictive bond covenants.
- B. **Responsibility**. The Finance Director, with the assistance of consultants as needed, shall have the sole responsibility for conducting the analysis of outstanding bond debt for refinancing/refunding opportunities that may be presented by underwriting and/or financial advisory firms and making a recommendation to the City Administrator.
- C. **Term of Refinancing/Refunding Issues**. The City may refund bonds within the term of the originally issued debt. However, the City may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The City may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.
- D. **Analysis and Report**. The City will evaluate each refinancing/refunding candidate on a case-by-case basis. When analyzing possible refinancing/refunding opportunities: the City establishes a guideline net present value savings threshold goal of three percent (3%) of the refinanced/refunded bond principal amount. The net present value savings will be net of all related issuance costs. In addition, the Finance Director will make a full report on the potential saving generated and any financial risk associated with refinancing/refunding the debt.

- **SECTION 16. INVESTMENTS**

- A. **Administration**. The City of Woodburn's Investment Policy is attached as Exhibit A.

- **SECTION 17. ANNUAL FINANCIAL AUDITS**

- A. **Annual Audit Required**. The Oregon Municipal Audit Law (ORS 297.405 – 297.555) requires a financial audit and examination be made of the accounts and financial affairs of the City at least once a year. Consistent with State law, the City of Woodburn will conduct an annual independent audit of the preceding fiscal year.
- B. **Audit Standards**. Woodburn's annual financial audits will be conducted in accordance with auditing standards generally accepted in the United States. Those standards require that an independent auditor plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The audit will examine, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. The audit will also assess accounting principles used and significant

estimates made by management, as well as evaluating the overall basic financial statement presentation. The audit will contain an assessment of the City's internal financial controls and procedures to make any necessary recommendations for improvement.

- C. **Finance Director and City Administrator Oversight**. It will be the responsibility of the Finance Director and the City Administrator to oversee the annual audit process.
- D. **Preparation of Financial Statements**. When feasible, City staff will prepare and provide annual financial statements to the auditor's satisfaction. If staffing levels or other barriers exist to internal preparations of financial statements, the City Administrator may authorize the auditor's preparation of financial statements for the purposes of completing the annual audit on time.
- E. **Audit Deadlines & Extensions**. Per Section 17 (F), the annual audit will be provided to the City Council no later than December 31. Consistent with State law, the annual audit will also be filed with the Oregon Secretary of State's Audit Division no later than December 31. Any and all requests for audit filing or presentation extensions must be approved by both the City Administrator and the auditor. In the event that an audit filing extension is requested and/or granted, the City Administrator will inform the City Council of the reason for the extension request and an estimated time line for completing, presenting, and filing the audit.
- F. **Audit Presentation to Council**. The annual audit findings will be presented to the Woodburn City Council during a regularly scheduled City Council meeting by a representative of the audit firm. All audits presented to the City Council must be complete and signed by a representative of the audit firm.
- G. **Budget Committee Review**. A copy of the annual financial report will be provided to the Woodburn Budget Committee for their review.

- **SECTION 18. PROGRAMS**

- A. **Discretionary Programs**. To the extent discretionary resources are available, high priority services areas will be slated for growth. Lower priority service areas will receive constant or decreasing discretionary support. Based on the direction of the City Council, discretionary programs are identified, and prioritized, as follows:

- ✓ Police Patrol & Public Safety
- ✓ Police Support Services
- ✓ Financial Services
- ✓ Legal Services
- ✓ Land Use Planning
- ✓ Economic Development
- ✓ Code Enforcement
- ✓ General Administration
- ✓ Library

- ✓ Aquatic Center
- ✓ Recreation Programming
- ✓ Parks and Park/Tree Maintenance
- ✓ Other General Fund Supported Non-Essential Program & Services
- ✓ Computer/Network transfers (new and replacements of equipment and servers)
- ✓ Discretionary Transfers (i.e. Transit, Streets, RSVP, etc.)
- ✓ Community Services (i.e. flower baskets, TOT Grants – where permissible, etc.)
- ✓ Intergovernmental Agreements that provide no direct offsetting revenues

• **SECTION 19. RESOURCE REDUCTION STRATEGY (ALL FUNDS)**

- A. **Goal & Reduction Approach.** When faced with a potential reduction in resources, the City’s goal is to continue to provide services in a professional, effective and efficient manner. Consequently, to the extent possible, across-the-board reductions in expenditures will be avoided.
- B. **Case-by-Case Consideration.** Reductions will be made on a case-by-case basis, focusing on each individual program or service. If possible, the reduction will be made proportional to the programs and services identified by the City Council.
- C. **Moderation When Possible.** If, as a result of a loss of a significant amount of discretionary resources, expenditure reductions become necessary they will be made on a moderate case-by-case basis to discretionary supported programs and services.
- D. **Discretionary Contributions.** If further reductions are required, any discretionary funding that supplements or supports services mostly supported with dedicated resources will be reduced or eliminated. This may apply to programs or activities expanded or started with discretionary resources within the last few years. Exceptions may be made on a case-by-case basis by the City Council.
- E. **Furlough Days.** If personnel budget/salary savings are required, the City may consider a reduced workweek or furlough days prior to laying off staff.
- F. **Consideration List.** Programs funded by discretionary resources will be reduced or eliminated as needed. Legal restrictions or the City’s ability to maintain minimal service levels will be considered. The City Administrator can determine the appropriate level of consideration at his/her sole discretion when making mid-year reductions or comprising the annual budget proposal. Based on the direction of the City Council, the order of City service areas to be considered for reductions are:
- ✓ Intergovernmental Agreements that provide no direct offsetting revenues
  - ✓ Community Services (i.e. flower baskets, TOT Grants – where permissible, etc.)
  - ✓ Discretionary Transfers (i.e. Transit, Streets, RSVP, etc.)
  - ✓ Computer/Network transfers (addition or replacement of computers and servers)
  - ✓ Other General Fund Supported Non-Essential Program & Services
  - ✓ Parks and Park/Tree Maintenance

- ✓ Recreation Programming
- ✓ Aquatic Center
- ✓ Library
- ✓ General Administration
- ✓ Code Enforcement
- ✓ Economic Development
- ✓ Land Use Planning
- ✓ Legal Services
- ✓ Financial Services
- ✓ Police Support Services
- ✓ Police Patrol & Public Safety

G. **Indirect Costs.** The City's overhead programs will not be prioritized but will be sized to the need and size of the overall organization. Generally, wherever possible, the City's goal is to make fee-supported programs self-sufficient. This includes recovering those programs' appropriate share of the City's overhead costs. If reductions occur, then indirect costs will be sized to the needs and size of the rest of the organization.

The Transit Fund indirect costs will be per the federally allowed de minimis overhead rate of 10 percent.

H. **Dedicated Funding for Programs.** Where legally possible, the City will consider using dedicated resources to fund high priority programs related to the purpose for which the dedicated funds are received.