

**Program # 95000 - Contingency & Reserves**

**Version 6/29/2005 s**

<b>Priority:</b>	Accountability	<b>Lead Agency:</b>	Overall County
<b>Program Offer Type:</b>	Revenue/Fund	<b>Program Contact:</b>	Mark Campbell
<b>Related Programs:</b>	95001		

**Frameworks:**

**Executive Summary**

This program offer budgets the General Fund contingency and reserve. It also budgets for the separate General Reserve Fund. The contingency account is established to provide for unforeseen costs that may arise during the year. Reserves are established in accordance with Financial & Budget policies.

**Program Description**

The General Fund supports County programs across all priority areas. It is often necessary to provide additional resources to programs during the year. The contingency account is not an expenditure, per se, but it is a source of funding that the Board of County Commissioners (BCC) may approve for transfer to department budgets. Generally, contingency transfers are limited to situations outlined in the County's Financial & Budget Policies. An appropriate level of reserves helps the County maintain a favorable bond rating. Two general reserve accounts have been established and are dictated by the County's Financial & Budget Policies. The reserves budgeted here represent full funding of the two 5% reserves described in those policies.

**Program Justification**

Reserves and contingency accounts reflect prudent financial management of county resources. The reserve has been established at 10% - a level that Moody's Investor Services uses as a benchmark. The goal in developing the reserve policy was to shield the County from fluctuations in revenues available to fund ongoing programs. The policy reflects the Accountability priority because it clearly articulates the conditions under which reserves will be used and outlines a process for replenishing them should they fall below the goal.

As noted above the contingency cannot be accessed unless the BCC takes affirmative action to transfer it. Conditions under which the contingency can be used are limited, in most cases, to one-time-only expenditures. In this sense the contingency account serves to bolster the accountability factor related to financial management because departments must justify the reason for requesting the transfer.

**Performance Measures**

County reserves are funded at a level to maintain the County's Moody's General Obligation Bond rating of Aa1.

**Summary of last year's program results and this year's expected results**

The General Fund reserve is budgeted at \$11.6 million in FY05. At that level it is very near the goal established in the Financial & Budget Policies. It is estimated that \$400-450,000 will need to be added annually to the reserve over the current forecast period in order to fully meet the 5% General Fund reserve target. The General Reserve Fund is budgeted at \$11.7 million in FY05. At that level it is very near the goal established in the Financial & Budget Policies. The County has maintained Aa1 bond rating despite several consecutive budget reduction cycles.

## Program Mandate: 4 Program and Funding Level Choice

Reserves are established by the County's Financial & Budget Policies. They are not mandated although the target funding level is outlined in the policy. The contingency account is not mandated. Contingencies are authorized by ORS 294.352 but the level of funding is completely discretionary.

## Revenue/Expense Detail

	Proposed General Fund	Proposed Other Funds	Proposed General Fund	Proposed Other Funds
<b>Program Expenses</b>	2005	2005	2006	2006
Cash Transfer	\$0	\$0	\$642,349	\$0
Unappropriated & Contingency	\$18,865,747	\$18,634,127	\$26,649,243	\$13,008,000
Subtotal: Direct Exps:	<b>\$18,865,747</b>	<b>\$18,634,127</b>	<b>\$27,291,592</b>	<b>\$13,008,000</b>
Administration	\$0	\$0	\$0	\$0
Program Support	\$0	\$0	\$0	\$0
Subtotal: Other Exps:	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Total GF/non-GF:	<b>\$18,865,747</b>	<b>\$18,634,127</b>	<b>\$27,291,592</b>	<b>\$13,008,000</b>
Program Total:	<b>\$37,499,874</b>		<b>\$40,299,592</b>	
Program FTE	0.00	0.00	0.00	0.00
<b>Program Revenues</b>				
Fees, Permits & Charges	\$918,253	\$156,000	\$0	\$150,000
Intergovernmental	\$7,212,738	\$700,000	\$0	\$0
Taxes	\$348,436,880	\$0	\$0	\$0
Other / Miscellaneous	\$18,482,798	\$19,172,500	\$0	\$12,858,000
Program Revenue for Admin	\$0	\$0	\$0	\$0
<b>Total Revenue:</b>	<b>\$375,050,669</b>	<b>\$20,028,500</b>	<b>\$0</b>	<b>\$13,008,000</b>

## Explanation of Revenues

General Reserve Fund accumulated balance (\$11.7 million), interest earnings, and revenue from property leases and sales (total of \$1,300,000).

## Significant Program Changes

In FY06 this program offer budgets a Cash Transfer to the Mail & Distribution Fund. This transfer is necessary to account for the value of inventory maintained by Central Stores. It also includes \$1.6 million for contractually obligated Local 88 classification/compensation studies. It provides for up to \$1 million in support of transitional housing for the homeless. This funding is linked to the City of Portland's "10 Year Plan to End Homelessness." The Adopted Budget also provides for a \$10 million ITAX "Sunset Reserve" that is anticipated to be available to mitigate some of the impacts forecast for the FY07 budget.

The FY05 contingency account included approximately \$4.2 million to provide for wage settlements that were not known at the time the budget was adopted. It also included \$1.3 million in program set-asides outlined in Board Budget Notes. The General Reserve Fund includes revenue from the payoff of the Ford Building.