



To: Tom Kneeland
Members of Council
City Attorney

From: Joann Bury
Director of Finance

Date: May 13, 2019

Department of Finance Update Items:

Next steps for passage of Issue 12:

First, I want to congratulate everyone on a key success for the City. I know everyone put in an exhausting amount of time to secure funding for the future of the City. Now I would like to discuss what to do next to ensure we are prepared to properly account for the new revenue since all of the new revenue is dedicated to specific activities. The 75% of the 1% increase dedicated to capital should be fairly smooth. The City already has a Capital Improvement Fund and I see no need to create a new one, however, City Ord 133.09 – Capital Improvement Fund will require amendment to incorporate the language from the ballot.

The 25% of the 1% increase dedicated for public safety, public service and parks & recreation is more complicated. How will the 25% be allocated? There are two options, 1) Council can establish how much of the 25% to each of these activities during the annual appropriation process or 2) Council can establish the percentage for each as part of establishing the new Special Revenue Fund(s). I would suggest the first option as the need for funding for each of these areas may fluctuate from year to year depending on new initiatives, changes in programming, etc... For 2019, once the new fund(s) are created an appropriation amendment can be made for the remainder of 2019 based on what we anticipate the increase will bring in August to December. Although the effective date is July 1, the first distribution won't be received by the City until August.

In addition, since each of these activities and services provided by each are so different, it may be beneficial to create a Special Revenue Fund for each. The other option would be one Special Revenue Fund with three individual departments. Either option will provide for appropriate accounting of the revenue dedicated to each and the associated expenditures. However, having a separate fund for each would allow for funding that may not be used in one year to flow over into the following year for the same purpose as fund balance is reported and tracked at the fund level not the department level. Having all in the same fund with individual departments keeps the number of funds we have lower and the amount of unspent funds can still be calculated. However, the calculation will be performed outside of the

accounting system and may become complicated after a number of years of receiving the new revenue. Having the individual funds will also show isolated reporting for each in our annual financial report in the supplemental section. This can provide more transparency about how much was allocated to each, what was spent and what is being carried over for future costs.