






CITY OF PORTLAND, OREGON

TO: Mayor Ted Wheeler
Commissioner Jo Ann Hardesty
Commissioner Mingus Mapps
Commissioner Dan Ryan
Commissioner Carmen Rubio

FROM: Adena Long, Director, Portland Parks & Recreation 
Jessica Kinard, Director, City Budget Office 
Michelle Kirby, Chief Financial Officer and Director of the Bureau of Revenue & Financial Services 

DATE: October 17, 2022

SUBJECT: City Budget Practices & Accounting Review for the Parks Operating Levy

This memo is written in response to the following budget note, included in the FY 2022-23 Adopted Budget:

City Budget Practices & Accounting Review for the Parks Operating Levy

Voter approval of the 2020 Parks Operating Levy provided the City with an unprecedented opportunity to provide enhanced and stabilized parks and recreation services to Portlanders. Council is committed to supporting Portland Parks & Recreation's deployment of the 2020 Parks Operating Levy resources to maximize the value to voters in order to keep the commitment to voters that the Parks Levy would not be used to supplant General Fund. Moreover, Portland Parks & Recreation shall be allowed to carryover any FY 2021-22 General Fund account underspending in the FY 2022-23 Fall BMP. This will maximize the capacity of the Parks Levy to deliver enhanced services and eliminate barriers to access to programming. To the degree necessary, the City Budget Office and the City Controller will work together, with the support of PP&R staff to ensure that any relevant City policies and procedures are updated to reflect this intent. In addition, the City Budget Office, Comptroller [sic], and Portland Parks & Recreation will provide a joint report to City Council by October 1, 2022 detailing lessons learned from this implementation and immediately after this report, come together to reach a shared resolution for the remaining years of the Levy.

Recommendation

The Leveraged Funding Model used to budget and account for the Parks Levy worked as intended in FY 2021-22. The model ensured that the Parks Levy is maximized by fully utilizing the General Fund allocated to the bureau – thus clearly avoiding any concerns of supplanting that were raised during the ballot referral process. As such, the model honored the commitments to voters by leveraging General Fund Discretionary resource with the Parks Levy to deliver incremental improved levels of parks and recreation services in a way that is easy to administer and in compliance with City accounting rules.

Based on these lessons learned, it is the recommendation of Portland Parks & Recreation, City Budget Office, and the City Controller to continue to utilize this Leveraged Funding Model during the life of the Parks Levy. In addition, City Council may consider how it best directs PP&R to use General Fund Discretionary resources to meet its highest non-levy related services, including by addressing Parks' growing major maintenance backlog. The City Budget Office and City Controller believe the significant amount of operating funds afforded by the Parks Levy as well as voter commitments around the use of these resources creates a unique situation that merits this recommendation. The City Budget Office and the City Controller advise that General Fund discretionary resources continue to be the final resource expended in all other City funding situations in order to maximize the City's financial flexibility.

Summary report of FY 2021-22 and lessons learned

Blended Funding Model Overview

Portland Parks & Recreation (PP&R) FY 2021-22 operating budget was based on 151 service activities. PP&R reviewed these service activities for Parks Levy reimbursement eligibility based on the language in the voters' pamphlet and in the Parks Levy Resolution, specifically Exhibit B of the resolution (Resolution 37498). It was determined that the Parks Levy funding should specifically be targeted to reimburse a select sub-set of eligible activities – those that most directly apply to the Parks Levy commitments listed in the voters' pamphlet. This list of the resulting 86 'Parks Levy-allocable' services is included in the Parks Levy Annual Report coming to City Council. The services were established using an existing activity-level budget coding structure – referred to as 'functional areas' – to ensure consistency with and auditability of the City's financial system of record. This budget monitoring system was also reviewed by the Parks Levy Oversight Committee made up of five community members.

Services that were deemed not to be appropriate for Parks Levy funding were funded entirely with General Fund Discretionary and earned revenue. Remaining General Fund was then spread proportionately to all the Parks Levy-allocable services. Any expenses not fully covered by the General Fund and earned revenue were then supported by Parks Levy. A year-end cash transfer reimbursement transaction was processed to ensure that total resources cover total expenditures in the PP&R business area within the General Fund.

FY 2021-22 Year-End Close Actions

On July 13, 2022, PP&R analysts ran end of fiscal year expenses through the model to determine how much Parks Levy was needed in each of the 86 Parks Levy-eligible services. The results of this model were submitted as a cash transfer entry request to OMF-Central Accounting. This request was processed by Central Accounting and the results posted to actuals.

The City is required to record and report all financial transactions according to Generally Accepted

Accounting Principles (GAAP). According to GAAP, the year-end entry noted above is recorded as an expenditure reimbursement as cash transfers are considered “non-exchange” transactions. To ensure GAAP accounting rules were followed and recorded properly in the City’s Annual Comprehensive Financial Report, the transaction was reclassified by Central Accounting from a cash transfer to revenues in the General Fund and expenditures in the Levy fund for the GAAP basis audited financial statements, similar to way the General Fund overhead charges are recorded.

After the final year-end close for FY 2021-22, PP&R had spent \$105.5 million of the \$127.4M budgeted in the General Fund. Of the final spending, \$18.7 million was reimbursed with Parks Levy, \$17.3 million was funded with earned revenue, and \$69.5 million was supported by General Fund Discretionary.

As a result of the implemented funding plan, \$22.3 million of Levy resources which were budgeted to support Levy-eligible expenditures in the General Fund were retained in the Levy fund and are available for re-appropriation on Levy-eligible uses. Due to the practice of only reimbursing Levy-eligible expenses after expending General Fund resources, the Bureau ended the year with total General Fund Discretionary underspending of \$262,091 – or 0.3% of the General Fund Discretionary Budget. Per the Budget Note direction, this underspending has been requested as part of a pair of carryover requests in the FY 2022-23 Fall Budget Monitoring Process. In order to reflect the reimbursements as exchange transactions in the Annual Comprehensive Financial Report, those transactions were recategorized by OMF Central Accounting from cash transfers to expenses in the Parks Levy fund and revenues in the General Fund. This is an existing practice utilized for General Fund Overhead charges to non-General Fund bureaus.

These year-end actions rendered the Leveraged Funding model compliant with Generally Accepted Accounting Principles and ensured Levy resources are maximized for future-Levy eligible expenses.