

# Meeting Agenda | Finance Committee

Wednesday, June 18, 2025  
7:00 p.m.  
Zoom Meeting  
See Below for Access Information

1. Convene meeting, roll call of participants, new member welcome	10 min
2. Public comment	5 min
3. Meeting Minutes – May 21, 2025	5 min
4. Investment Policy – Annual Review	10 min
5. Investment Performance Review	30 min
6. Financial Policies Update	30 min
7. Audit Planning	5 min
8. Project Updates	10 min
9. Committee Business	5 min
10. Good of the order	1 min

## How to participate

This meeting will be conducted electronically using Zoom, an online meeting platform. The meeting structure complies with ORS 192.610 to 192.690.

**Please note:** Instructions for citizens wishing to testify during this Finance Committee meeting are as follows:

- Written testimony: Please send your written testimony to Budget and Finance Director, Elizabeth McCann at [Budget&Finance@GreshamOregon.gov](mailto:Budget&Finance@GreshamOregon.gov) no later than 24 hours before the meeting to allow the testimony to be forwarded to the Finance Committee.
- Oral testimony: Please register your name, email address, phone number and subject matter to Budget and Finance Director, Elizabeth McCann at [Budget&Finance@GreshamOregon.gov](mailto:Budget&Finance@GreshamOregon.gov) no later than 24 hours before the meeting.
- Persons who are unable to access the meeting via Zoom are encouraged to notify the City by calling 503-618-2445, 24 hours in advance of the meeting so that the City can provide alternate arrangements.

## Meeting log-in or call-in information to access the meeting:

Click the link to join:

<https://greshamoregon.zoom.us/j/83110477252?pwd=w8PGmq84LlIw9R4aBkUXPkzUGZ0K6B.1>  
Passcode: jJyQftdU43

One tap mobile :

+16699006833,,83110477252#,,,,\*5582215666# US (San Jose)  
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Webinar ID: 831 1047 7252

Passcode: 5582215666

## Meeting Date: June 18, 2025

### Agenda Executive Summary

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#### 4. Investment Policy – Annual Review

*Presented by Susan Brown, Finance & Accounting Services Manager and Terryl Aguon, Treasury Analyst*

The City annually reviews and updates its Investment Policy. Ms. Brown and Ms. Aguon review any proposed changes and request the Finance Committee's consideration and recommendation for the policy being considered by City Council in September. No changes are proposed for this year. A copy of the current policy is included in this packet.

***Requested Action: Recommendation to Council***

#### 5. Investment Performance Review

*Presented by Susan Brown, Finance & Accounting Services Manager and Terryl Aguon, Treasury Analyst with Deanne Woodring, Government Portfolio Advisors*

The City's Financial Policies require staff to submit a portfolio report to the Finance Committee no less than twice per year. This will be the first update for calendar year 2025.

***Requested Action: Information and Committee Discussion***

#### 6. Financial Policies Update

*Presented by Elizabeth McCann, Budget & Finance Director and Susan Brown, Accounting Services Manager*

The City's current Financial Management Policies were last adopted by Council on January 4, 2011 by Resolution 3036. Several of the specific elements in the document are out of date and are due to be updated or removed. Additionally, as the last revision was over ten years ago, review of the entire document is warranted. This meeting will continue discussions regarding the project to update the City's policies in preparation for the Committee to make a recommendation to Council regarding the draft policies.

***Requested Action: Committee Discussion and Recommendation to Council***

## **7. Audit Planning**

*Presented by Susan Brown, Finance & Accounting Services Manager*

The City's external auditors, Baker Tilly (previously Moss Adams), have provided a letter for City Council and Finance Committee outlining their scope of work related to the City's upcoming audit, the standards that will be utilized, and the communication that will be provided to City Council and Finance Committee.

***Requested Action: Information Only***

## **8. Project Updates**

*Presented by Elizabeth McCann, Budget & Finance Director*

Committee members and staff will provide updates on the status of various projects and other key initiatives that are underway. This may include reporting on the activity of other committees or workgroups where relevant as well as special Finance Committee projects.

***Requested Action: Information and Committee Discussion***

Meeting Date: June 18, 2025  
Agenda Item: 3. Meeting Minutes – May 21, 2025

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Attached are the minutes for the May 21, 2025 Finance Committee meeting. Please review them prior to the meeting. Approval of the minutes will be included on the agenda.

**City of Gresham Finance Committee  
Wednesday, May 21, 2025, 7:00 p.m.  
Zoom Meeting Minutes**

**Finance Committee Members Present:**

Theresa Tschirky, Chair  
Mike Schultze, Vice-Chair  
Jan Baker  
Nick McWilliams

**Finance Committee Members Absent:**

Rusty Allen

**Council Liaison Absent:**

Janine Gladfelter

**Staff Members in Attendance:**

Elizabeth McCann, Director of Budget & Finance  
Susan Brown, Accounting Services Manager

Sarah Kirk (Recording Secretary)

**1. Convene Meeting and Roll Call**

The meeting was convened at 7:01pm by Chair Tschirky.

**2. Public Comment**

None

**3. Meeting Minutes Approval**

There was a motion made by Ms. Baker and seconded by Mr. Schultze to:

**“Approve the Meeting Minutes for February 19, 2025 and March 19, 2025 as presented.”**

**Motion passes unanimously.**

**4. FY 2025/26 Budget Adjustments**

Ms. McCann noted that there was no attachment for this agenda item and began her verbal report.

Ms. McCann explained that there is only one proposed budget adjustment for the Finance Committee to consider prior to adoption of the FY 2025/26 budget, related to the 3-Cities Fire Services contract. This contract expires June 30, 2025, and the City of Gresham has been in discussion with the three cities

(Troutdale, Fairview and Wood Village) since last fall. Under the current proposed one-year extension to the contract, the revenue to Gresham is greater than what was included in the proposed and approved budget. Therefore, staff are recommending that the FY 2025/26 budget be amended to include this amount, increasing both the revenue line and the unappropriated line.

Chair Tschirky asked about the approximate dollar amount. Ms. McCann replied that a final figure has not been reached but it is in the neighborhood of \$1M more than what was in the budget document. Ms. McCann further clarified that staff are looking for Finance Committee to make a recommendation to Council supporting the proposed budget adjustment.

Mr. McWilliams summarized his understanding of the adjustment: With the revenue amount being higher than originally anticipated, no additional expenses are needed in the budget, and the extra money can be used to go to the unappropriated line and reduce the structural fund balance gap. Ms. McCann confirmed this understanding.

There was a motion made by Ms. Baker and seconded by Chair Tschirky to:

**“Recommend that Council adjust the FY 2025/26 budget by increasing both the revenue and the unappropriated amounts to reflect additional revenue from the proposed 3-Cities Fire Services contract extension.”**

**Motion passes unanimously.**

Chair Tschirky inquired about what other adjustments the Council would or could make during budget adoption. Ms. McCann clarified that there are legal limits on the amount the budget could be increased but no limits on how much it could be decreased. Adoption of the FY 2025/26 budget is scheduled as an agenda item for the June 17, 2025 Council meeting.

## **5. Financial Policies Update**

Ms. McCann followed up on the Financial Policies project update given by Ms. Monohon at the March 2025 Finance Committee meeting, presenting information on the remaining six sections not previously discussed. The additional draft policies were provided in a similar format as before and included revisions to existing items, new items, and notes on sources of suggested policies. Highlights, by section, included:

- General Fund Reserves: Contingency and Ending Fund Balance target amounts were increased, from 1.5% to 2% (Contingency) and from 5% to 18% (Ending Fund Balance). The combined total of 20% more accurately reflects potential coverage of expenses in the first quarter of the new fiscal year, before property tax revenues are received, based on a cash flow analysis of the last five years. Additionally, language about maintaining a Rainy Day Reserve was removed, based on the revisions to Contingency and Ending Fund Balance amounts.
- Reserves in Other Funds: Several new policies were added to reflect current practices and/or legal requirements for the insurance-related funds, business funds, debt service funds, and other funds.
- Economic Development: A few minor updates were added for existing policies, along with new

policies (based on Bend's policies) on development incentives and analyzing the impacts of incentives before they are approved.

- Risk Management and Internal Controls: Beyond minor edits to existing policies, a new policy reflecting current practices was added regarding a need for annual independent third-party actuarial studies to establish appropriate reserve levels.
- Procurement: There were no policies around procurement in the previous Financial Policies document, so all information in this section is new; the policies reflect current practices and include references to relevant policies at the city, state, and federal level.
- Structurally Balanced Budget: This is another entirely new section, with policies emphasizing the goal of achieving a structurally balanced budget and the importance of transparency and annual reporting to Finance Committee and City Council.

Chair Tschirky thanked staff for their hard work to fully update the Financial Policies. She suggested that ongoing regular review of the policies would be helpful so that less major revisions are needed going forward. Mr. McWilliams agreed and proposed thoroughly reviewing a section or two at a time, on a rolling basis. Ms. McCann noted that she and the City Manager have discussed and are in support of reviewing policies annually, in the summer, so that policy updates related to the budget could be incorporated prior to the next budget development cycle. Ms. McCann also noted that she and Ms. Brown are working on reordering the document to group together similar items and related processes in a way that flows more logically. Ms. McCann encouraged Finance Committee members to review the revisions presented so far and reach out if they have any questions.

Ms. McCann shared an update on timelines for the project. A holistic draft of the revised Financial Policies will be included for the June 2025 Finance Committee meeting, at which point staff would like to obtain a committee recommendation to take the revised document to Council. From there, staff would present the Finance Committee recommended draft of policies to Council during a Council work session in July, which would enable staff to prepare a final draft to present to Council for adoption in August.

Chair Tschirky inquired if it would be helpful for Finance Committee members to share additional context with Council about the impetus for making these policy revisions. Ms. McCann stated she would check on protocol for the Committee to potentially provide additional information to Council along with their recommendation; she also reminded committee members that, as Gresham residents, they are always welcome to attend Council meetings and provide public comment as individuals.

## 6. Project Updates

Ms. McCann shared that the recruitment effort to fill the two vacant Finance Committee positions is wrapping up. Ms. McCann, Chair Tschirky, and Councilor Gladfelter are conducting interviews this week and next; the new members may join the June 2025 meeting, or an announcement regarding the new members will be made then, at the very least. Additionally, Mr. McWilliams has agreed to serve another term.

Ms. McCann noted that the first meeting of the Safety Levy Advisory Committee will be held May 27, 2025 at 6pm in person at City Hall, in the Oregon Trail Room; the meeting will also be live streamed to

meet legal requirements. Beyond Chair Tschirky, Mr. McWilliams, and Mr. Schultze from the Finance Committee, the advisory committee includes Heather Coleman Cox, Mark Garber, Cydney Power, and Scott Lewis.

Ms. McCann revisited the City Manager's announcement from the spring Budget Committee meetings that new budget education efforts will be happening this fall. The details of the meetings are still being finalized, with more information to be shared as it is available.

Ms. Brown let the committee know she will be distributing an informational letter to the Finance Committee from the City's new financial auditors that outlines their audit responsibilities, audit objectives, risks they've identified, etc. If the committee would like to have the auditors attend a future meeting – or if individual members would like to virtually meet with them – that can also be arranged. Ms. Brown noted that the auditors will be on site the week of June 9, 2025 for initial work; final fieldwork will take place mid-October and will likely be conducted remotely.

#### **7. Committee Business**

Ms. Baker shared that tonight's Finance Committee meeting is her last, as she is moving to Happy Valley and will no longer be eligible to serve on the committee. Committee members and staff thanked her for her service and wished her well.

Ms. McCann noted that one of the position reductions of the FY 2025/26 budget was the Administrative Assistant position for the Budget and Finance department. Because the Recording Secretary duties for Finance Committee had been assigned to the now-eliminated AA position, various Budget & Finance staff will now undertake that responsibility on a revolving basis, so committee members may see some new faces at future meetings.

#### **8. Good of the order**

None

#### **9. Meeting Adjournment**

The meeting was adjourned by Chair Tschirky at 7:58pm. The next Finance Committee meeting will be held on June 18, 2025 at 7pm.

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Theresa Tschirky, Chair

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Sarah Kirk, Recording Secretary



Meeting Date: June 18, 2025  
Agenda Item: 4. Investment Policy Annual Review

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The City annually reviews and updates its Investment Policy. No changes are proposed for this year. A memo from Government Portfolio Advisors (GPA), the City's investment advisors, and a copy of the current policy is included in this packet.

# MEMO

To: Terryl Aguon and Susan Brown – City of Gresham  
From: Deanne Woodring and Whitney Maher – Government Portfolio Advisors  
Date: May 28, 2025  
Re: Investment Policy Review and Update 2025

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ORS 294.135(a) requires local governments investing in securities with maturities longer than 18 months to annually adopt their investment policies. The Council is required to adopt the policy annually and it was last adopted in September 2024. After review of the policy this year, it is being presented for re-adoption for 2025 to Council with no recommended changes.

Thank you,



Deanne Woodring, CFA  
President

# CITY OF GRESHAM

## **INVESTMENT POLICY**

**September 2024**

**City of Gresham Investment Policy**

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**RESOLUTION NO. 3615**

**A RESOLUTION ADOPTING AN INVESTMENT POLICY FOR THE CITY OF  
GRESHAM AND REPEALING RESOLUTION NO. 3568**

**The City of Gresham Finds:**

- A. On September 19, 2023, the City Council passed Resolution No. 3568 that adopted an Investment Policy.
- B. In order to make investments having a maturity longer than 18 months, the City is required by ORS 294.135(a) to readopt the Investment Policy not less than annually.
- C. It is desirable to update the Investment Policy.
- D. This resolution is the written order of the Gresham City Council required by ORS 294.035 and ORS 294.125 authorizing the custodial officer to invest City funds.

**THE CITY OF GRESHAM RESOLVES:**

1. The City adopts the Investment Policy attached as Exhibit A and authorizes the investment of city funds by the custodial officer in accordance with the provisions of the Investment Policy.
2. Resolution No. 3568 is hereby repealed.

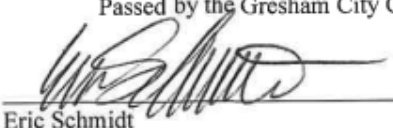
Yes: Stovall, DiNucci, Gladfelter, Hinton, Jones-Dixon

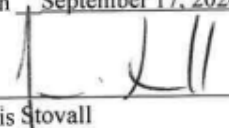
No: None

Absent: Piazza, Morales

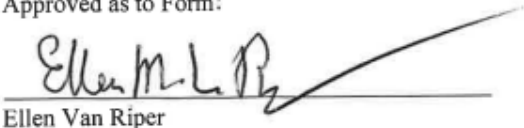
Abstain: None

Passed by the Gresham City Council and effective on September 17, 2024.

  
Eric Schmidt  
City Manager

  
Travis Stovall  
Mayor

Approved as to Form:

  
Ellen Van Riper  
City Attorney

# **City of Gresham Investment Policy**

The City of Gresham, Oregon (hereinafter referred to as the City) was incorporated in 1905 and is a home rule city operating under a city charter adopted in 1978. The government of the City is vested in an elected, seven-member city council, which includes the mayor. The city council appoints the city manager, who is responsible for the day-to-day management of the City. Gresham has a population of 114,247 and is located 17 miles east of downtown Portland, Oregon.

The purpose of this Investment Policy is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures necessary for the prudent management and investment of the funds of the City of Gresham.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy. All participants in the investment process shall seek to act responsibly as custodians of public trust.

This Policy has been adopted by Resolution No. 3615 of the City Council of Gresham, Oregon, on September 17, 2024 and replaces the City's previous Investment Policy, dated September 19, 2023.

## **SCOPE**

The provisions of this Investment Policy shall apply to all investable funds of the City of Gresham and its component unit, except for deferred compensation fund assets, pension fund assets, and assets of restricted trust and escrow funds. Included under the provisions of this Policy are financial assets of general operating funds, enterprise funds, special revenue funds, and any other funds not specifically excluded which are recognized in the City's Comprehensive Annual Financial Report. The fiscal year 2023 average balance of funds invested in the City's general portfolio was \$379 million.

Except for restricted and excluded funds and special accounts, all excess cash shall be pooled into one account for investment purposes. The net investment income derived from the pooled investment account shall be allocated pro-rata to the contributing funds based upon their average daily cash balances and in accordance with generally accepted accounting principles.

## **OBJECTIVES**

The City's funds shall be invested in accordance with all applicable City, State and Federal regulations, and in a manner designed to accomplish the following objectives, in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet all operating requirements that are reasonably anticipated.
3. Diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions.
4. Maximize risk-optimized portfolio return throughout economic and fiscal cycles (within the constraints of this Investment Policy). This policy discourages active trading and turnover of investments.

## **PRUDENCE AND INDEMNIFICATION**

The standard of prudence to be used for managing the City's assets is the "prudent person" rule which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital, as well as the probable income to be derived."

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally risk-free and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that within a diversified portfolio, losses sometimes occur, and such losses shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security before maturity may be in the best long-term interest of the City.

The City's Custodial Officer (ORS 294.004 (2)) and staff acting in accordance with this Investment Policy, written procedures, and Oregon Revised Statutes 294.035 and 294.040 and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price change or other loss in accordance with ORS 294.047, provided that these deviations and realized losses are reported as soon as practical to the City Manager and action is taken to control adverse developments. Realized losses in the City's portfolio shall be charged against current or future investment earnings.

## **ETHICS AND CONFLICTS OF INTEREST**

City investment staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or create the appearance of an impairment of their ability to make impartial investment decisions. City investment staff involved in the investment process and investment officials shall disclose in writing to the City Manager any financial interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City.

Employees shall comply with ORS 244.040 (Code of Ethics), ORS 244.120 (Methods of Handling Conflicts), GARS Article 3.15 (Standards of Conduct), any amendments to these provisions, and any Code of Ethics applicable to employees that the City may adopt in the future.

## **DELEGATION OF AUTHORITY**

The ultimate responsibility and authority for the investment of City funds resides with the City Council. The City hereby designates the Budget & Finance Department Director as the Custodial Officer for the City's funds. The Custodial Officer shall invest City funds in accordance with ORS Chapter 294, Public Financial Administration, and with this Investment Policy. This Policy shall constitute a "written order" from City Council per ORS 294.035. The Custodial Officer, with the consent of the City Manager, may further delegate the authority to invest City funds to additional City Finance personnel. Persons authorized to transact investment business on behalf of the City are listed in Annex I of this Policy.

In order to manage the portfolio, resources shall be allocated to the cash management program. This commitment of resources shall include financial and staffing considerations.

## **INVESTMENT ADVISORY SERVICES**

Subject to required procurement procedures, the City may engage the support services of outside professionals in regard to its investment program, so long as it can be demonstrated or anticipated that these services produce a net financial advantage and necessary financial protection of the City's resources. External service providers shall be licensed with the State of Oregon Division of Financial Regulation (DFR), subject to Oregon Revised Statutes, and the provisions of this Investment Policy.

The investment advisory service firm will function in a non-discretionary role and provide technical market research to help in implementing investment strategies. Non-discretionary management requires that the City maintain control of investments by requiring the firm to obtain approval for all investment transactions.

The investment advisory firm must be registered with the Securities and Exchange Commission and licensed by the State of Oregon. All investment advisory firm representatives conducting investment transactions for the City must provide certification in writing of having read, understood and agreed to comply with this investment policy.

## **INTERNAL CONTROLS AND COMPLIANCE**

The Custodial Officer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure that invested funds are invested within the parameters of this investment policy and protected from loss, theft, or misuse. Specifics for the internal controls shall be documented in writing. The established control structure shall be reviewed and updated periodically by the investment officer.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points:

- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities whenever possible, but control requirements for physical delivery should be addressed when necessary
- Clear delegation of authority to subordinate staff members
- Confirmation of transactions for investments and wire transfers
- Compliance with and oversight of Investment Policy
- Review, maintenance, and monitoring of security procedures

An external auditor shall provide an annual independent review to assure compliance with Oregon state law and the City's policies and procedures.

## **ACCOUNTING METHOD**

The City shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP) relating to investment accounting. The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the Governmental Accounting Standards Board (GASB); the American Institute of Certified Public Accountants (AICPA); and the Financial Accounting Standards Board (FASB).



## **SAFEKEEPING AND CUSTODY**

Custodian banks shall be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services. The City shall execute a written Safekeeping Agreement with each custodian bank prior to utilizing that bank's safekeeping services. Financial institutions approved to provide safekeeping services for the City of Gresham are listed in Annex II.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis in accordance with ORS 294.145 (4) and (5). It is the intent of the City that all purchased securities be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities purchased by the City, and all purchased securities under the terms of a City approved Master Repurchase Agreement, shall be delivered by book entry and shall be held in third-party safekeeping by a City approved custodian bank or the Depository Trust Company (DTC).

All fed-wire book entry securities shall be held in the Federal Reserve System in a customer account or trust account at the custodian bank which names the City as the customer. DTC eligible securities shall be held in the custodian bank's participant account at the DTC.

## **COLLATERALIZATION**

All bank deposits, time deposits, certificates of deposit, and savings accounts held in bank depositories, which exceed the amounts insured by one or more agencies of the United States Government shall be collateralized in accordance with the provisions of ORS Chapter 295.

Per Oregon Revised Statutes Chapter 295, it is the responsibility of the State Treasurer to ensure that public funds are collateralized appropriately by the public depositories holding the deposits.

Collateral for repurchase agreements shall be limited in maturity and priced in compliance with ORS 294.035 (3)(j). See item 8 of the Suitable and Authorized Securities and Transactions section of this policy.

## **SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS ACTING AS BROKER/DEALERS**

Broker/dealers and other financial institutions shall be selected by the Custodial Officer on the basis of their expertise in public cash management and their ability to provide service for the City's account. It shall be the policy of the City to purchase securities only from approved institutions and firms. Approved Broker/Dealers are provided in Annex III.

To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure; or
2. Report voluntarily to the Federal Reserve Bank of New York; or
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule.)

Approved broker/dealers and the firms they represent shall be licensed to do business in the State of Oregon and, as such, are subject to the provisions of the Oregon Revised Statutes. Approved broker/dealers shall submit proof of registration in the State of Oregon, both for the firm and for the

designated representative. Further, the broker/dealer representative shall submit evidence of holding the Financial Industry Regulatory Authority (FINRA) Series 6 or Series 7 license, and either the Series 63 or Series 66 license. License requirements are per the Oregon Division of Finance and Corporate Securities.

Periodic review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Custodial Officer. Factors to consider would be:

- Pending investigations of the customer representatives by securities regulators
- Significant changes in net capital
- Pending arbitration cases of customer representatives
- Regulatory enforcement actions against registered representatives

The City may engage the services of investment advisory firms to assist in the management of the portfolio and investment advisors may utilize their own list of approved Broker/Dealers. Such Broker/Dealers will comply with the selection criteria above and the list of approved firms shall be provided to the City on an annual basis or upon request.

The City may purchase Commercial Paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in item 3 of the Suitable and Authorized Securities and Transactions section of this Policy.

## **SUITABLE AND AUTHORIZED SECURITIES AND TRANSACTIONS**

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.052 (Definitions; investment by municipality of proceeds of bonds), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for custodial officer), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

The City will diversify investments across maturities, security types and issuers to avoid incurring unreasonable risks. The City has further defined the eligible types of securities and transactions as follows:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips with maturities not exceeding seven years from the date of settlement. See exception in 2a. The maximum ownership of U.S. Treasury Obligations is 100%.
2. Federal Agency and Instrumentality Obligations: Securities with maturities not exceeding seven years from the date of trade settlement. See exception in 2a. The maximum ownership of Federal Agency Obligations is 100% with no more than 25% of the portfolio held in any one agency issuer.

2a. Exception for securities purchased in 1 and 2 above: A maximum of 10% of the City's portfolio may be invested in Treasury, Agency, and/or Instrumentality securities that mature between 7 and 10 years.

3. Commercial Paper subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Such debt shall be issued by a commercial, industrial or utility business or issued by or on behalf of a financial institution with maturities not exceeding 270 days from the date of settlement. Commercial paper must be rated at least A-1 by Standard and Poor's or P-1 by Moody's,

or equivalent rating by any nationally recognized statistical rating organization at the time of purchase. Ownership of commercial paper and corporate bonds shall be limited to a combined total of 35% of the portfolio, with no more than 5% of the portfolio held in any one issuer or its affiliates or subsidiaries.

4. Corporate Bonds subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Such bonds shall be issued by a commercial, industrial, or utility business or issued by or on behalf of a financial institution with final maturities not exceeding seven years from the date of settlement.

The debt must be rated AA- or better by Standard and Poor's, or Aa3 or better by Moody's, or equivalent rating by any nationally recognized statistical rating organization at the time of purchase. Ownership of corporate bonds and commercial paper shall be limited to a combined total of 35% of the portfolio, with no more than 5% of the portfolio held in any one issuer or its affiliates or subsidiaries.

5. Bankers Acceptances which are (a) guaranteed by and carried on the books of a financial institution located and licensed to do banking business in the State of Oregon; or a financial institution located in the States of California, Idaho or Washington that is wholly owned by a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon; (b) Banker's acceptances shall be eligible for discount by the Federal Reserve System; and (c) the issuing institution's short-term letter of credit rating shall be in the highest category by Standard and Poor's or Moody's or Fitch. Maturities shall be limited to 180 days from the date of settlement and ownership of bankers' acceptances shall not exceed 25% of the portfolio, with no more than 10% of the portfolio held in any one issuer.
6. State of Oregon Local Government Investment Pool organized pursuant to ORS 294.805 through 294.895. Participation in the Pool shall not exceed the maximum limit semi-annually set by ORS 294.810, or the exceptions listed therein. Details of the maximum limit are provided in Annex IV.
7. Time Deposit Open Accounts, Certificates of Deposit, and Savings Accounts in insured institutions as defined in ORS 706.008 that maintains an office in Oregon.

All deposits, including time deposit open accounts, Certificates of Deposit, and savings accounts that are purchased by the City shall be FDIC insured or collateralized in accordance with the provisions of ORS Chapter 295. Ownership of time certificates of deposit shall be limited to 25% of the portfolio, with no more than 10% with any one financial institution at the time of purchase, and maturities shall not exceed 366 days.

8. Repurchase Agreements with maturities of 90 days or less collateralized by U.S. Treasury securities with the maturity of the collateral not exceeding three years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City approved Master Repurchase Agreement. The purchased securities shall have an original minimum market value including accrued interest of 102% of the dollar value of the transaction, as prescribed by written policy of the Oregon Short-Term Fund Board. Collateral shall be held delivery-versus-payment in the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily. Broker/dealers and Financial Institutions must have an executed Master Repurchase Agreement with the City. Ownership of repurchase agreements shall be limited to a combined total of 25% of the portfolio, with no more than 10% of the portfolio held in any one institution.

Repurchase Agreements shall be entered into only with City approved Primary Dealers reporting to the Federal Reserve Bank of New York or firms that have a Primary Dealer within their holding

company structure. The Custodial Officer shall maintain a copy of the City's approved Master Repurchase Agreement.

9. Municipal Debt Obligations: Lawfully issued debt obligations of the states of Oregon, California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating on the settlement date of AA- or better by Standard and Poor's or Aa3 or better by Moody's or equivalent rating by any nationally recognized statistical rating organization, or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating agency (NRSRO). As defined in ORS 294.040, such obligations are authorized only if there has been no default in payment of either the principal or the interest of obligations of the issuing entity within five years preceding investment. Ownership of such obligations shall be limited to 25% of the portfolio, with no more than 10% of the portfolio held in any one issuer. Maturities for these obligations shall not exceed seven years from the date of settlement.

9a. Exception for securities purchased in 9 above: A maximum of \$15 million may be invested in securities issued by the City of Gresham or a component unit of the City of Gresham that mature within 10 years.

**Summary Table**  
**Suitable and Authorized Securities and Transactions**

Security Type	Maximum Portfolio %	Maximum Issuer %	Maturity Restrictions	Rating Restrictions (S&P, Moody's, Fitch)
U.S. Treasury Obligations	100%	100%	7 years*	N/A
Federal Agency and Instrumentality Obligations	100%	25%	7 years*	N/A
Commercial Paper	35%	5%	270 Days	A-1, P-1, or F1
Corporate Bonds			7 years	AA-, Aa3, or AA-
Banker's Acceptance	25%	10%	180 Days	Highest Rating for Letter of Credit
Oregon LGIP	ORS 294.810 balance limitation	ORS 294.810 balance limitation	N/A	N/A
Certificates of Deposit	25%	10%	366 Days	N/A
Repurchase Agreements	25%	10%	90 Days	N/A
Municipal Obligations (OR, CA, ID, WA Only)	25%	10%	7 years	AA-, Aa3, or AA- (Long-term) A-1, P-1, or F1 (Short-term)
Municipal Obligations of the City of Gresham	\$15,000,000	\$15,000,000	10 Years	A- A3 A-

\*According to section 2a, a maximum of 10% of the portfolio may be invested in U.S. Treasury Obligations, Federal Agency Obligations and Federal Instrumentality Obligations that mature between 7 and 10 years.

In case of conflict between this summary table and the preceding text narrative, the text narrative controls.

The weighted average credit quality of the portfolio shall not be greater than a value of three (3) using the table immediately below and the lowest rating provided.

Value	Moody's Ratings	S&P Ratings	Fitch Ratings
-------	-----------------	-------------	---------------

	Long Term	Short-Term	Long Term	Short-Term	Long Term	Short-Term
1	U.S. Treasury		U.S. Treasury		U.S. Treasury	
1	Federal Instrumentality		Federal Instrumentality		Federal Instrumentality	
1	Aaa	P-1	AAA	A-1	AAA	F1
2	Aa1		AA+		AA+	
3	Aa2		AA		AA	
4	Aa3		AA-		AA-	
5	A1		A+		A+	
6	A2		A		A	
7	A3		A-		A-	
8	Baa1		BBB+		BBB+	
9	Baa2		BBB		BBB	
10	Baa3		BBB-		BBB-	

Securities that have been downgraded to below the minimum ratings will be sold or held at the Custodial Officer's discretion. The Custodial Officer is responsible for bringing the portfolio back into compliance as soon as practicable.

As of the date of this Policy, all of the above securities, deposits and transactions have been approved by the State Treasurer pursuant to ORS 294.046. Any amendments to ORS 294.046 or the State Treasurer's statement of permitted investments for governmental entities shall be assumed to be a part of this Investment Policy immediately upon being enacted. It is the intent of the City that the foregoing list of authorized securities is strictly interpreted. All diversification requirements shall be calculated based on the market value of the holdings at the time of purchase. Specific diversification requirements shall be applied to the aggregate holdings of an institution at the time of purchase. Any deviation from this list must be pre-approved in writing by the City Manager.

### **MATURITY LIMITS AND LIQUIDITY REQUIREMENTS**

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the City shall not invest in securities maturing more than seven years from the date of settlement. However, a maximum of 10% of the portfolio may be invested in Treasury, Agency, and/or Instrumentality securities that mature between 7 and 10 years. The City also reserves the right to purchase a maximum of \$15 million of securities issued by the City of Gresham or a component unit of the City of Gresham that mature within 10 years. The weighted average final maturity of the City's portfolio shall at no time exceed 3.5 years.

At all times, the City of Gresham shall maintain an amount in the portfolio in cash and investments maturing within 30 days equal to at least two times the highest month's negative change in the portfolio

balance from the previous calendar year, adjusted for any anomalies or extraordinary items. The City shall maintain an amount in the portfolio in cash and investments maturing within one year equal to at least two times the change in the portfolio balance between January and October of the previous calendar year, adjusted for any anomalies or extraordinary items. The City will calculate these liquidity requirements upon the adoption of this policy and in January each year thereafter and will report the requirements in monthly compliance calculations.

## **OTHER INVESTMENT GUIDELINES**

### **Competitive Transactions**

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the City. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded. A record shall be maintained by the City of all bids and offerings for security transactions in order to ensure that the City receives competitive pricing.

If the City is offered a security for which there is no other readily available competitive offering, then the Custodial Officer shall document quotations for comparable or alternative securities. When purchasing original issue securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

### **Prohibited Conduct**

Oregon State Statutes have addressed several areas of prohibited conduct for the Custodial Officer when making investments, ORS 294.145. Specifically, the custodial officer shall not:

1. Make a commitment to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement of the purchase or sale transaction; or
2. Enter into any agreement to invest funds or sell securities for future delivery for a fee other than interest; or
3. Lend securities to any person or institution, except on a fully collateralized basis, and except when such lending is specifically permitted under an investment policy adopted pursuant to ORS 294.135 (1)(a); or
4. Pay for any securities purchased by the Custodial Officer until the officer has received sufficient evidence of title thereof. Evidence of title shall be consistent with modern investment, banking and commercial practices and may include physical possession, book entry and automated recordation of such title. However, the Custodial Officer may instruct one or more custodian banks, as defined in ORS 295.001, to accept or release securities as the Custodial Officer considers advisable to be held in safekeeping for collection of principal and interest or other income; or
5. Deliver securities to the purchaser upon sale prior to receiving payment in full. However, the Custodial Officer may deliver the securities to any custodian bank, defined in ORS 295.001 upon instructions to hold the same pending receipt by the institution of full payment therefor.

### **Investing Bond Proceeds**

The City recognizes that bond proceeds may be subject to the provisions of the Internal Revenue Code, Federal Arbitrage Regulations, as amended.

## **ENVIRONMENTAL, SOCIAL, AND GOVERNANCE RISK**

The City recognizes that the organization and the citizens which it serves benefit from an environment that is sustainably managed, a society that functions well, and sound governance systems. In support of these goals, the performance of the portfolio relies upon thorough risk management of these factors. The risks associated with environmental, social, and governance (ESG) criteria may be considered to effectuate the objectives of the portfolio. Understanding ESG risks and how to mitigate them will allow the City to effectively manage its portfolio in the short- and long-term.

## **REPORTING REQUIREMENTS**

Designated City Finance personnel shall compile and submit a monthly report to the Custodial Officer or designee listing the cost, current fair value, credit ratings, benchmarking, compliance and duration of investments held by the City, in accordance with GASB Statements 31 and 40. The report shall include a summary of investment earnings and performance results for the period.

The Custodial Officer shall submit semi-annual reports unless otherwise requested to the City's Finance Committee and City Council, which includes benchmarking, compliance and a summary of investment earnings and performance results during the period.

## **PERFORMANCE EVALUATION**

The Custodial Officer shall periodically establish a benchmark yield for the City's investments. Considerations for establishing the benchmark yield shall include a market index that closely aligns to the City's portfolio duration and the average yield on the US Treasury rates ranging from 3 months to 5 years. When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

## **POLICY REVISIONS**

This Investment Policy shall be reviewed by the City's Finance Committee and if necessary, the Oregon Short-Term Fund Board prior to being submitted to the City Council for adoption on an annual basis in accordance with ORS 294.135(a). The data contained in the Annexes to this document may be updated by the Custodial Officer as necessary, provided the changes in no way affect the substance or intent of this Policy.

## **ANNEX I: Authorized Personnel**

Persons authorized to transact investment business on behalf of the City of Gresham are as follows:

Sharron Monohon, Budget & Finance Department Director - Custodial Officer  
Terry Aguon, Treasury Analyst  
Susan Brown, Finance & Accounting Services Manager



## **ANNEX II: Approved Custodians**

The following safekeeping and custodian institution has been approved by the City of Gresham:

U.S. Bank National Association

### **ANNEX III: Approved Broker/Dealers**

**The following broker/dealers have been approved by the City of Gresham:**

B of A Securities  
Bank of NYC Mellon Cap Markets  
Barclays Capital Inc.  
BMO Capital Markets  
Cantor Fitzgerald  
Castle Oak Securities  
CIBC Global Markets Inc.  
Citigroup Global Markets Inc.  
Credit Suisse Securities USA LLC  
D.A. Davidson  
Daiwa Capital Markets  
Fifth Third Bank  
FHN Financial Securities Corp.  
Goldman Sachs & Co.  
Great Pacific Securities  
Hartfield, Titus & Donnelly LLC  
Incapital LLC  
Intl FCStone Partners LP  
JP Morgan Securities Inc.  
KeyBanc Capital Markets  
Loop Capital Markets  
MarketAxess  
Mizuho Securities USA LLC  
Morgan Stanley  
Multi-Bank Securities  
MUFG Securities Americas Inc.  
National Bank of Canada  
Nomura  
Piper Sandler & Co.  
Raymond James  
RBC Capital Markets  
SG Americas Securities LLC  
Stifel Nicolaus  
Stonex Financial Inc.  
SMBC Nikko Securities America Inc.  
Suntrust Robinson  
TD Securities (USA) LLC  
UBS Securities LLC  
US Bancorp Investments Inc.  
Vining Sparks  
Wells Fargo Securities

## **ANNEX IV: Limits of Participation in State of Oregon Local Government Investment Pool**

Participation in the pool shall not exceed the maximum limit annually set by ORS 294.810. The limitation stated in this section shall not apply to funds of a governing body which are placed in the investment pool on behalf of another governing unit.

### **C.P.I. adjustments for Local Government Balance Limitation**

<b>Period Start</b>	<b>Period End</b>	<b>U.S. City Average CPI</b>	<b>LGIP Deposit Limitation</b>
9/1/12	8/31/13	232.018	\$ 46,073,407
9/1/13	8/31/14	235.685	\$ 46,801,588
9/1/14	8/31/15	236.749	\$ 47,012,858
9/1/15	8/31/17	238.653	\$ 47,390,998
9/1/17	8/31/18	243.392	\$ 48,333,000
9/1/18	8/31/19	249.280	\$ 49,500,000
9/1/19	8/31/20	254.016	\$ 50,400,000
9/1/20	8/31/21	257.721	\$ 51,177,000
9/1/21	8/31/22	265.447	\$ 52,713,000
9/1/22	8/31/23	285.848	\$ 56,763,000
9/1/23	8/31/24	301.374	\$ 59,847,000
9/1/24	8/31/25	310.955	\$ 61,749,000

Meeting Date: June 18, 2025

Agenda Item: 5. Investment Performance Review

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The City's Financial Policies require staff to submit a portfolio report to the Finance Committee no less than twice per year. Government Portfolio Advisors (GPA) will present the investment review. This will be the first update for calendar year 2025.

City of Gresham

Finance Committee Meeting – June 18, 2025

Investment Portfolio Review as of May 31, 2025

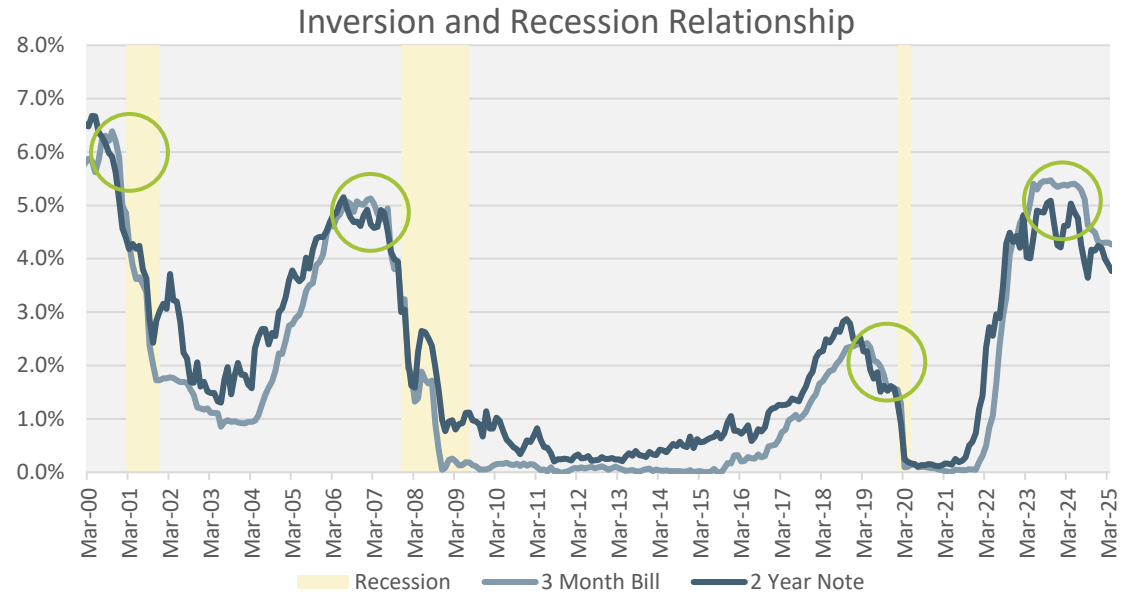
# Tariffs & Economic Outlook



## Market Overview

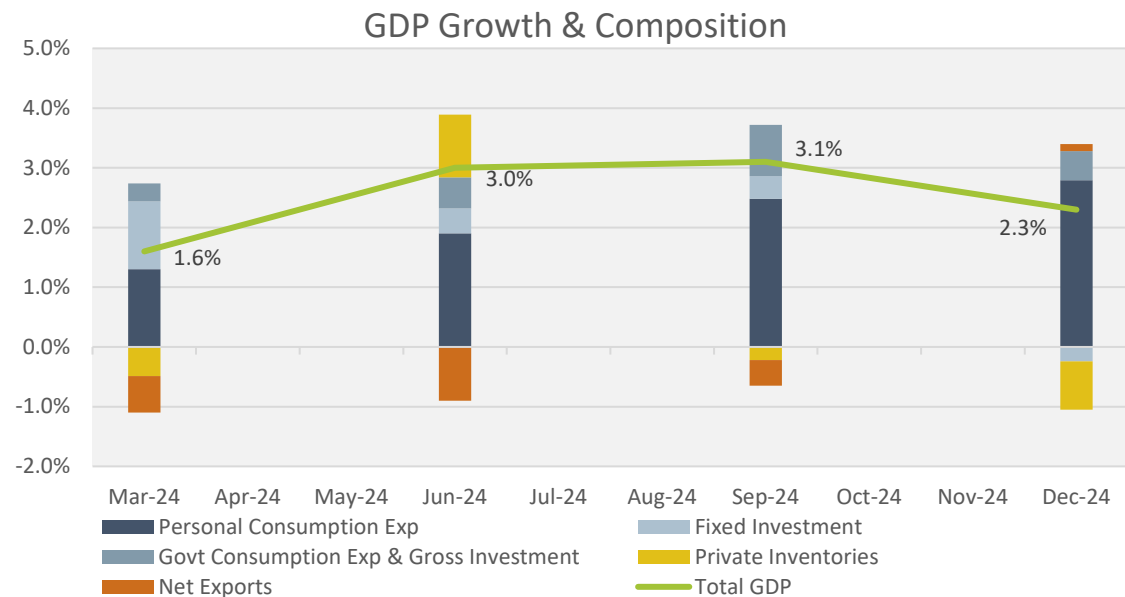
### Tariffs

- Markets experienced significant volatility in Q1 2025, driven by policy uncertainty and economic data fluctuations.
- Investor sentiment was heavily influenced by the incoming administration's policy proposals, including higher tariffs, lower taxes, and increased deportations.
- S&P 500 fell over 4% since December 6, while the 10-year Treasury yield reached a 15-month high of 4.80% stoking fears of a recession.
- Historically, recessions have often been preceded by an inversion in the yield of the 3-month Treasury Bill relative to the 2-Year Treasury Note.
- From Oct 2022 to Dec 2024, the 3-month T Bill and 2-Year Treasury experienced the longest and most pronounced inversion seen in the past 25 years.



### Recession & GDP

- Headed into Q1 2025, the Fed was signaling no new rate cuts expected until late 2025.
- Despite weakness in stock prices, consumer spending remained resilient, supported by healthy balance sheets and surging asset values.
- Labor market showed strength with a significant increase in payrolls, although wage growth remained moderate.
- Recent administration policies, specifically tariffs, have threatened this stability.
- Fed re-evaluating response to changing market conditions.



# Fed Funds Rate and Inflation

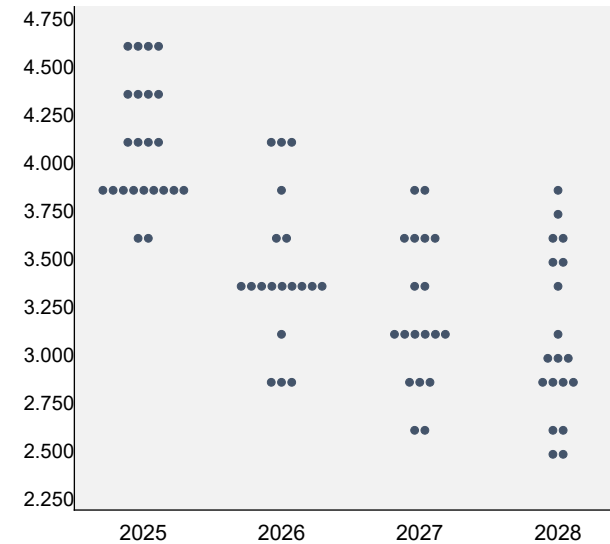


## Market Overview

### Future Rate Uncertainty

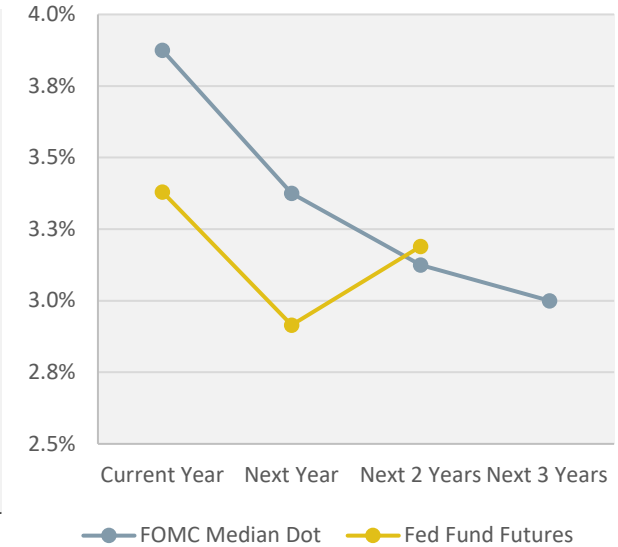
- The Fed's hawkish stance, coupled with a stronger-than-expected jobs report in December, led to expectations of fewer rate cuts in 2025.
- Inflation has shown signs of abating, while the impact of tariffs on inflation remains uncertain.
- FOMC Dot Plot now reflects wide variance of future rate expectations given new market dynamics.
- Expect future Fed rate uncertainty as market digests early days of new tariff policies and the global reaction.

FOMC Dot Plot



Source: Bloomberg

FOMC Median & Futures

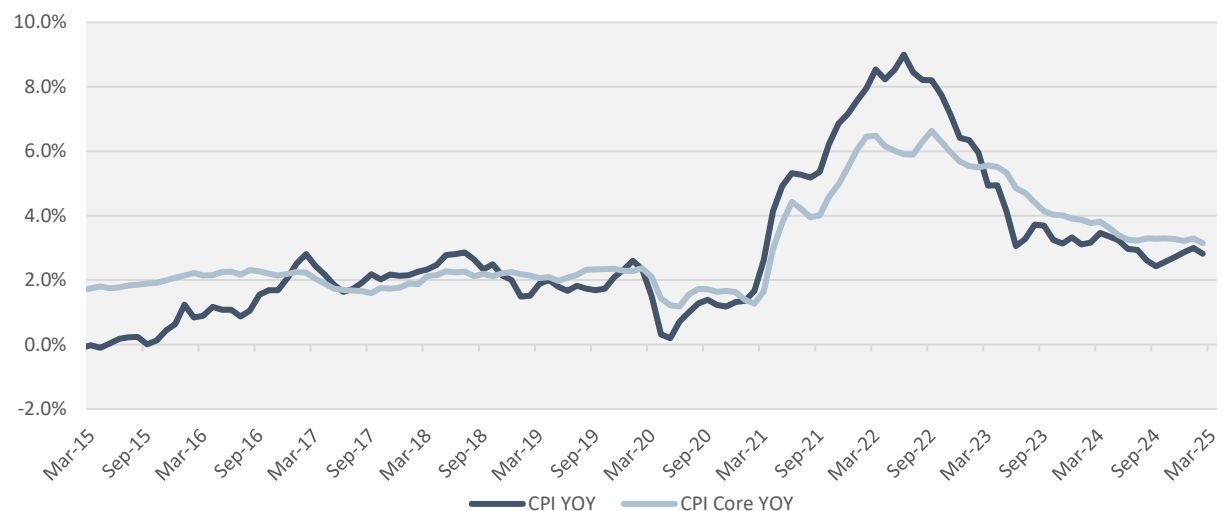


Source: Bloomberg

### New Challenges on the Inflation Front

- In reaction to COVID, the Fed has been focused on containing inflation, raising the Fed Funds rate at an accelerated pace.
- CPI and Core CPI have been trending towards pre-COVID levels.
- Recent administration tariff policies have added a new variable to the equation, of which the future impact remains unclear.

Inflation YOY Over Ten Years



Source: Bloomberg

# Rate Expectations and Yield Curve

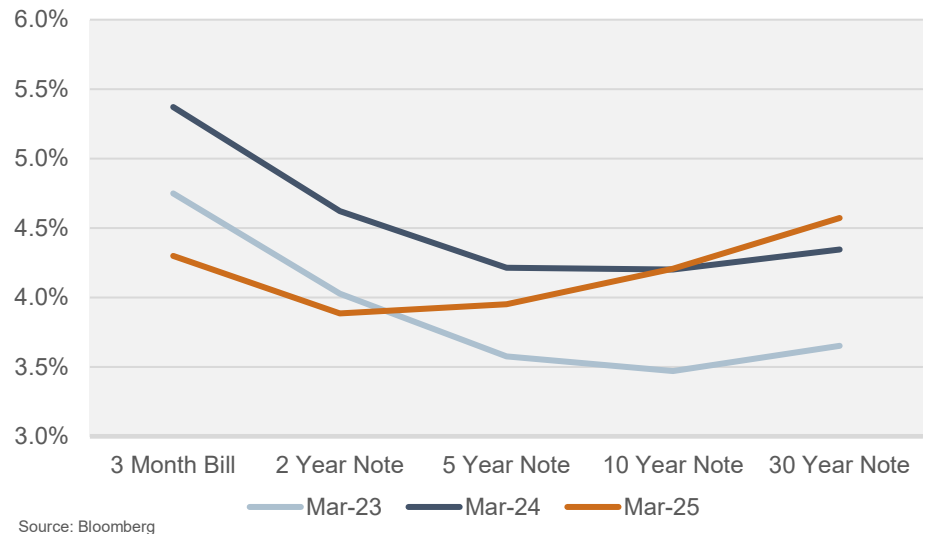


## Market Overview

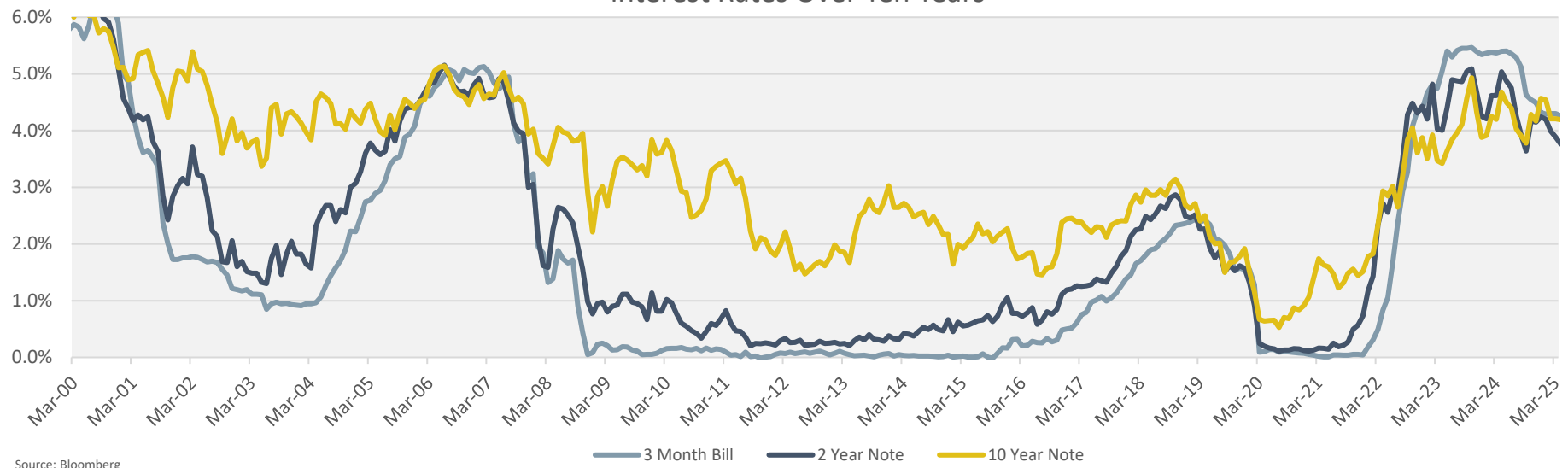
### Reversion to the Mean

- The Fed's focus on countering inflation has played a role in the yield curve's march towards normal from March 2023 to March 2025.
- The expectation for 2025 was for rates to normalize in the coming year to pre-COVID levels in both absolute levels and yield curve steepness (short term yields less than long term yields).
- The administration's introduction of isolationist measures into the equation have created a near term of uncertainty regarding all traditional economic metrics.

### Yield Curve



### Interest Rates Over Ten Years





# Compliance Report

City of Gresham | GRESH Total Portfolio

## Category

Policy Diversification Constraint	Policy Limit	Actual Value*	Status
US Treasury Obligations Maximum % of Holdings	100.000	45.195	Compliant
US Agency FFCB Issuer Concentration	25.000	10.190	Compliant
US Agency FHLB Issuer Concentration	25.000	12.227	Compliant
US Agency FHLMC Issuer Concentration	25.000	2.222	Compliant
US Agency FNMA Issuer Concentration	25.000	2.924	Compliant
US Agency Obligations - All Other Issuers Combined	25.000	1.216	Compliant
US Agency Obligations Issuer Concentration	25.000	12.227	Compliant
US Agency Obligations Maximum % of Holdings	100.000	28.779	Compliant
Municipal Bonds Issuer Concentration	10.000	1.201	Compliant
Municipal Bonds Maximum % of Holdings	25.000	1.201	Compliant
Municipal Issue Direct Maximum Amount (Millions)	15.000	0.000	Compliant
Corporate Notes & Commercial Paper Maximum % of Holdings	35.000	14.364	Compliant
Corporate Notes & Commercial Paper Single Issuer %	5.000	2.440	Compliant
Bank Deposits and Certificates of Deposit Issuer Concentration	10.000	0.000	Compliant
Bank Deposits and Certificates of Deposit Maximum % of Holdings	25.000	0.000	Compliant
Certificates of Deposit Issuer Concentration	10.000	0.000	Compliant
Certificates of Deposit Maximum % of Holdings	25.000	0.000	Compliant
Banker's Acceptance Issuer Concentration	10.000	0.000	Compliant
Banker's Acceptance Maximum % of Holdings	25.000	0.000	Compliant
LGIP-Oregon Short Term Fund Maximum	61,749,000	42,894,086	Compliant
Repurchase Agreements Issuer Concentration	10.000	0.000	Compliant
Repurchase Agreements Maximum % of Holdings	25.000	0.000	Compliant
No 144A or 4(2)	0.000	0.000	Compliant

1) Actual values are based on market value.

2) The compliance report allows for resolutions to be documented if an actual value exceeds a limit. The specific resolution can be found on the client portal site.

# Compliance Report

City of Gresham | GRESH Total Portfolio

## Category

<b>Policy Maturity Structure Constraint</b>	<b>Policy Limit</b>	<b>Actual %</b>	<b>Status</b>
Maturity Constraints Under 1 year Minimum Amt of Total Portfolio	25,171,991	122,370,391	Compliant
Maturity Constraints Under 7 years Minimum % of Total Portfolio - except UST and Agency	100.000	100.000	Compliant
Maturity Constraints Under 30 Day Minimum Amt of Total Portfolio	16,307,722	47,885,886	Compliant
<b>Policy Maturity Constraint</b>	<b>Policy Limit</b>	<b>Actual Term</b>	<b>Status</b>
US Treasury Maximum Maturity At Time of Purchase (years)	7.000	5.000	Compliant
US Agency Maximum Maturity At Time of Purchase (years)	10.000	6.967	Compliant
Municipal Issue Direct Maximum Maturity At Time of Purchase (years)	10.000	0.000	Compliant
Municipals Maximum Maturity At Time of Purchase (years)	7.000	4.233	Compliant
Corporate Maximum Maturity At Time of Purchase (years)	7.000	6.000	Compliant
Commercial Paper Maximum Maturity At Time of Purchase (days)	270.000	0.000	Compliant
Certificates of Deposit Maximum Maturity (days)	366.000	0.000	Compliant
Banker's Acceptance Maximum Maturity At Time of Purchase (days)	180.000	0.000	Compliant
Repurchase Agreements Maximum Maturity At Time of Purchase (days)	90.000	0.000	Compliant
Maturity Constraints Between 7-10 years Maximum % of Total Portfolio - UST and AGY Only	10.000	0.000	Compliant
Weighted Average Maturity (years)	3.500	2.016	Compliant
<b>Policy Credit Constraint</b>			<b>Status</b>
Municipal Bonds Ratings Minimum AA-/Aa3/AA- (Rated by 1 NRSRO)			Compliant
Corporate Notes Ratings Minimum AA-/Aa3/AA- (Rated by 1 NRSRO)			Compliant
Commercial Paper Ratings Minimum A1/P1/F1 (Rated by 1 NRSRO)			Compliant
Banker's Acceptance Ratings Minimum A1/ P1/F1 (Rated by 1 NRSRO)			Compliant

1) Actual values are based on market value.

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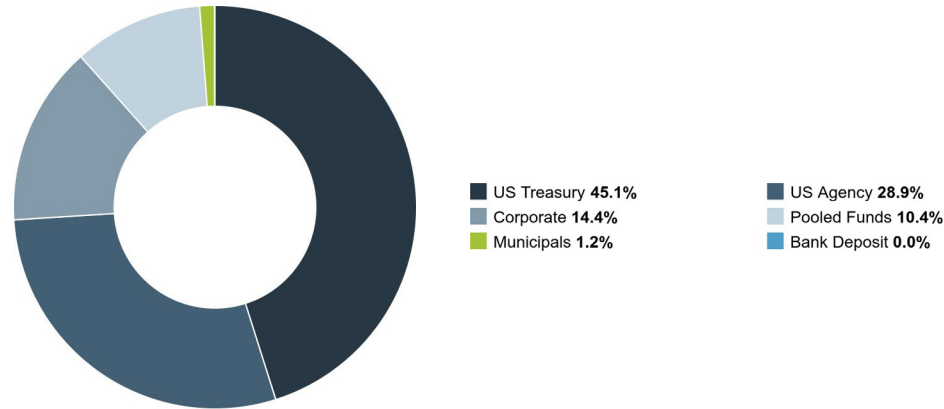
# Summary Overview

City of Gresham | GRESH Total Portfolio

## Portfolio Characteristics

Metric	Value
Cash and Cash Equivalents	42,997,211
Investments	370,825,912
Book Yield	4.00%
Market Yield	4.12%
Effective Duration	1.86
Years to Maturity	2.02
Avg Credit Rating	AA+

## Allocation by Asset Class



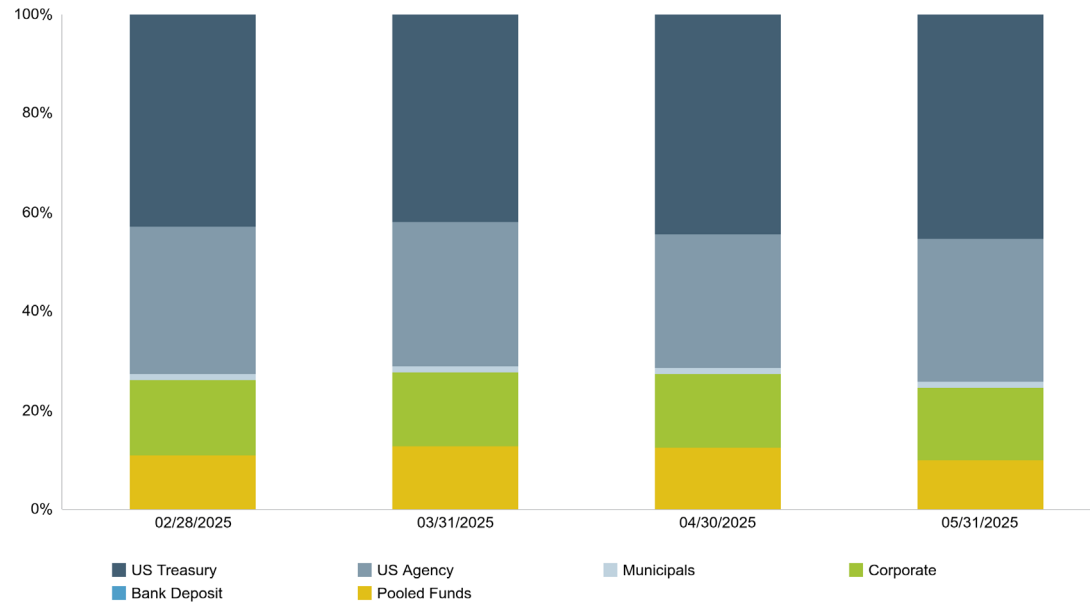
## Strategic Structure

Account	Par Amount	Book Value	Market Value	Net Unrealized Gain (Loss)	Book Yield	Maturity*	Effective Duration	Benchmark Duration	Benchmark
GRESH-Investments	376,318,125	367,266,582	368,155,160	888,578	3.93%	2.25	2.07	2.13	ICE BofA 0-5 Year US Treasury Index
GRESH-Liquidity	42,894,086	42,894,086	42,894,086	0	4.60%	0.01	0.01	0.08	ICE BofA US 1-Month Treasury Bill Index
<b>Total</b>	<b>419,212,211</b>	<b>410,160,668</b>	<b>411,049,246</b>	<b>888,578</b>	<b>4.00%</b>	<b>2.02</b>	<b>1.86</b>	<b>1.91</b>	

# Asset Allocation Change over 3 Months

City of Gresham | GRESH Total Portfolio

	02/28/2025		05/31/2025		Change	
Security Type	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio	Market Value + Accrued	% of Portfolio
US Treasury	176,798,902	42.52%	186,748,180	45.13%	9,949,278	2.61%
US Agency	124,120,057	29.85%	119,527,097	28.88%	(4,592,960)	(0.96%)
Municipals	4,976,308	1.20%	4,958,783	1.20%	(17,525)	0.00%
Corporate	63,430,300	15.25%	59,591,852	14.40%	(3,838,448)	(0.85%)
Bank Deposit	0	0.00%	103,125	0.02%	103,125	0.02%
Pooled Funds	46,518,452	11.19%	42,894,086	10.37%	(3,624,366)	(0.82%)
<b>Total</b>	<b>415,844,019</b>	<b>100.00%</b>	<b>413,823,123</b>	<b>100.00%</b>	<b>(2,020,896)</b>	

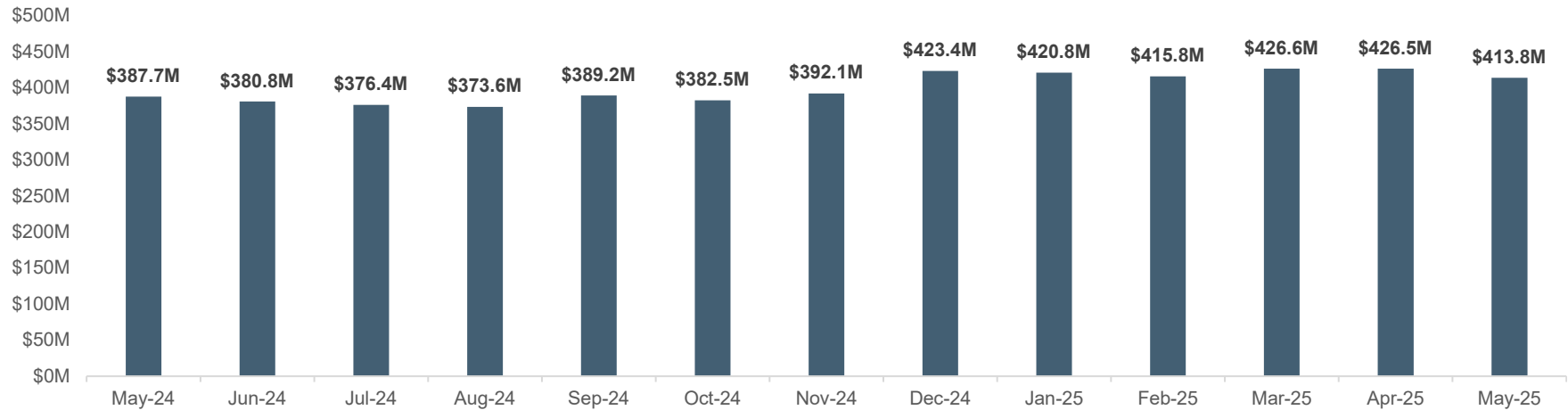


If negative cash balance is showing, it is due to a pending trade payable at the end of period.

# Historical Balances

City of Gresham | GRESH Total Portfolio

## Market Value



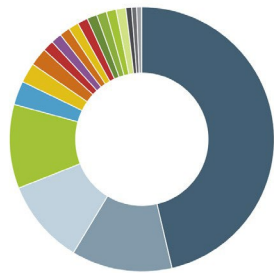
## Market Value and Return

Period Begin	Period End	Market Value + Accrued	Earned Income	Book Yield	Effective Duration	Maturity in Years
05/01/2024	05/31/2024	387,708,403	(444,369)	3.89%	2.05	2.30
06/01/2024	06/30/2024	380,780,165	1,217,327	3.91%	2.06	2.28
07/01/2024	07/31/2024	376,407,061	1,253,649	3.92%	2.01	2.22
08/01/2024	08/31/2024	373,577,214	1,216,739	3.88%	2.01	2.22
09/01/2024	09/30/2024	389,169,205	1,218,636	3.93%	1.90	2.11
10/01/2024	10/31/2024	382,460,747	1,183,131	3.93%	1.92	2.14
11/01/2024	11/30/2024	392,131,995	1,241,985	3.94%	1.91	2.12
12/01/2024	12/31/2024	423,396,050	1,433,350	4.03%	1.91	2.11
01/01/2025	01/31/2025	420,804,766	1,432,329	3.99%	1.83	2.02
02/01/2025	02/28/2025	415,844,019	1,314,654	3.96%	1.88	2.06
03/01/2025	03/31/2025	426,564,043	1,403,818	3.99%	1.80	1.98
04/01/2025	04/30/2025	426,537,178	1,400,120	4.02%	1.83	2.01
05/01/2025	05/31/2025	413,823,123	1,412,812	4.00%	1.86	2.02

# Risk Management - Credit/Issuer

City of Gresham | GRESH Total Portfolio

## Issuer Concentration



Government Of The United States <b>46.3%</b>	Federal Home Loan Banks <b>12.3%</b>	Oregon Short Term Fund <b>10.4%</b>
Farm Credit System <b>10.3%</b>	Other <b>4.3%</b>	Federal National Mortgage Association <b>2.9%</b>
Amazon.com, Inc. <b>2.4%</b>	Federal Home Loan Mortgage Corporation <b>2.2%</b>	Apple Inc. <b>1.4%</b>
Bank Of America Corporation <b>1.3%</b>	Citigroup Inc. <b>1.3%</b>	Jpmorgan Chase & Co. <b>1.3%</b>
Wells Fargo & Company <b>1.3%</b>	Walmart Inc. <b>1.2%</b>	Royal Bank Of Canada <b>1.2%</b>

## Credit Rating S&P/Moody's/Fitch

	Market Value + Accrued	%
<b>S&amp;P</b>		
A	15,141,796	3.66
A+	12,917,468	3.12
A-	5,361,514	1.30
AA	15,144,486	3.66
AA+	311,867,377	75.36
AA-	4,958,783	1.20
AAA	5,537,613	1.34
NA	42,894,086	10.37
<b>Moody's</b>		
A1	25,694,639	6.21
Aa1	306,275,277	74.01
Aa2	15,181,222	3.67
Aa3	12,648,186	3.06
Aaa	11,129,713	2.69
NA	42,894,086	10.37

	Market Value + Accrued	%
<b>Fitch</b>		
A+	5,253,470	1.27
AA	9,993,369	2.41
AA+	306,275,277	74.01
AA-	35,801,063	8.65
AAA	103,125	0.02
NA	53,900,290	13.02
WR	2,496,529	0.60
<b>Total</b>	<b>413,823,123.24</b>	<b>100.00</b>

# Risk Management - Maturity/Duration

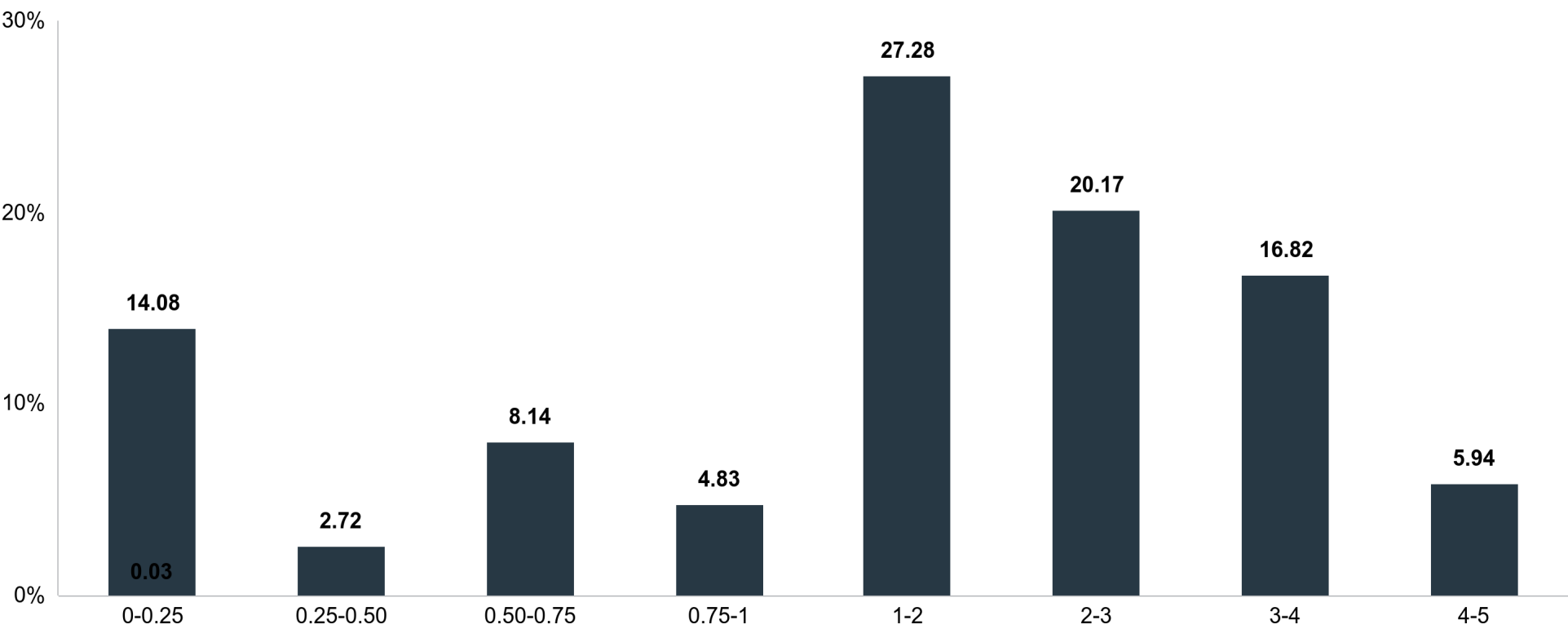


City of Gresham | GRESH Total Portfolio

May 31, 2025

Effective Duration	Years to Maturity	Days to Maturity
1.86 Yrs	2.02 Yrs	737

Distribution by Effective Duration



# Return Management-Income Detail

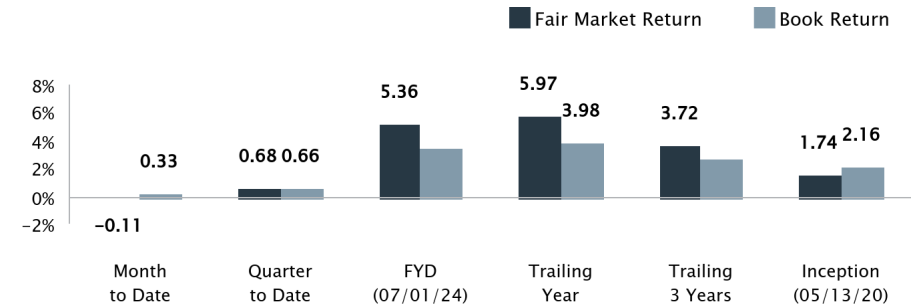
City of Gresham | Total Aggregate Portfolio

## Accrued Book Return

	Month to Date	Fiscal Year to Date (07/01/2024)
Amortization/Accretion	310,413.74	3,062,540.02
Interest Earned	1,102,398.74	11,520,431.41
Realized Gain (Loss)	0.00	(71,748.16)
Book Income	1,412,812.48	14,511,223.27
Average Portfolio Balance	421,416,729.39	399,171,836.17
Book Return for Period	0.33%	3.66%

## Return Comparisons

Periodic for performance less than one year. Annualized for performance greater than one year.



## Fair Market Return

	Month to Date	Fiscal Year to Date (07/01/2024)
Fair Value Change	(2,212,893.22)	3,217,321.18
Amortization/Accretion	310,413.74	3,062,540.02
Interest Earned	1,102,398.74	11,520,431.41
Fair Market Earned Income	(800,080.75)	17,800,292.61
Average Portfolio Balance	421,416,729.39	399,171,836.17
Fair Market Return for Period	(0.11%)	5.36%

## Interest Income

	Month to Date	Fiscal Year to Date (07/01/2024)
Beginning Accrued Interest	2,692,403.59	2,178,023.99
Coupons Income	1,020,925.48	11,448,217.52
Purchased Accrued Interest	0.00	673,416.93
Sold Accrued Interest	0.00	(149,777.96)
Ending Accrued Interest	2,773,876.85	2,773,876.85
Interest Earned	1,102,398.74	11,520,431.41

Notation: Book and Fair Market Returns are not annualized

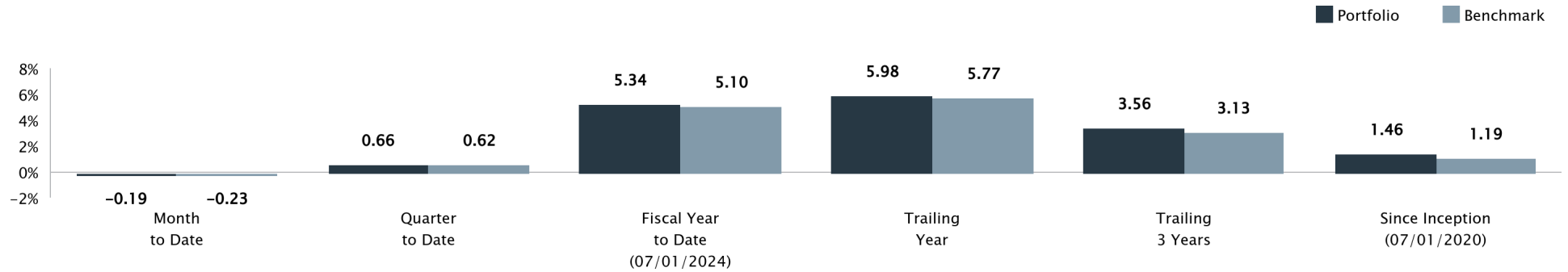


# Return Management-Performance

City of Gresham | Investments

## Performance Returns Net of Fees

Periodic for performance less than one year. Annualized for performance greater than one year.



## Historical Returns

Period	Month to Date	Quarter to Date	Fiscal Year to Date (07/01/2024)	Trailing Year	Trailing 3 Years	Trailing 5 Years	Since Inception (07/01/2020)
Return (Net of Fees)	(0.187%)	0.659%	5.343%	5.981%	3.556%		1.464%
Return (Gross of Fees)	(0.184%)	0.665%	5.381%	6.024%	3.596%		1.504%
ICE BofA 0-5 Year US Treasury Index	(0.234%)	0.616%	5.104%	5.770%	3.131%		1.190%

# Risk Management-Relative to Benchmark

City of Gresham | Investments

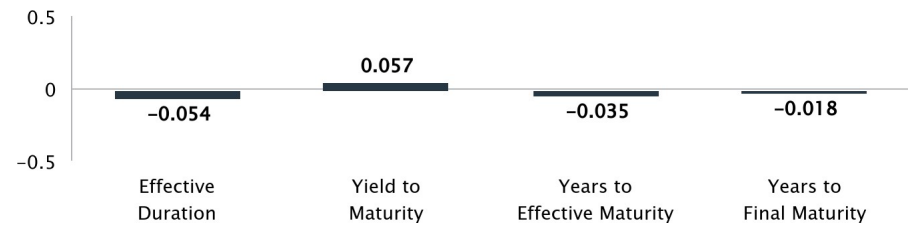


May 31, 2025

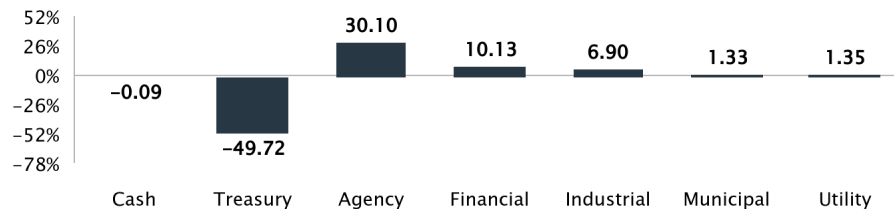
## Benchmark Comparison Summary

Risk Metric	Portfolio	Benchmark	Difference
Effective Duration	2.07	2.13	(0.05)
Yield to Maturity	4.07	4.01	0.06
Years to Effective Maturity	2.24	2.27	(0.03)
Years to Final Maturity	2.25	2.27	(0.02)
Avg Credit Rating	AA+	AA+	---

## Benchmark Comparison Summary



## Benchmark vs. Portfolio Variance-Market Sector



## Benchmark Comparison-Market Sector

Market Sector	Portfolio	Benchmark	Difference
Cash	0.00	0.09	(0.09)
Treasury	50.19	99.91	(49.72)
Agency	30.10	0.00	30.10
Financial	10.13	0.00	10.13
Industrial	6.90	0.00	6.90
Municipal	1.33	0.00	1.33
Utility	1.35	0.00	1.35

# Risk Management-Credit Changes

City of Gresham | Investments

## Rating Changes in Period

Effective Date	Identifier	Description	Value	Agency	Old Value	New Value
<b>Downgrade</b>						
05/16/2025	9128282R0	UNITED STATES TREASURY	9,655,900.00	Moody's	Aaa	Aa1
05/16/2025	9128286L9	UNITED STATES TREASURY	4,921,200.00	Moody's	Aaa	Aa1
05/16/2025	912828V98	UNITED STATES TREASURY	6,317,935.00	Moody's	Aaa	Aa1
05/16/2025	91282CAJ0	UNITED STATES TREASURY	8,233,263.55	Moody's	Aaa	Aa1
05/16/2025	91282CBC4	UNITED STATES TREASURY	5,622,810.00	Moody's	Aaa	Aa1
05/16/2025	91282CBQ3	UNITED STATES TREASURY	4,863,750.00	Moody's	Aaa	Aa1
05/16/2025	91282CBT7	UNITED STATES TREASURY	2,430,625.00	Moody's	Aaa	Aa1
05/16/2025	91282CCH2	UNITED STATES TREASURY	4,622,850.00	Moody's	Aaa	Aa1
05/16/2025	91282CCP4	UNITED STATES TREASURY	4,803,900.00	Moody's	Aaa	Aa1
05/16/2025	91282CCW9	UNITED STATES TREASURY	9,599,600.00	Moody's	Aaa	Aa1
05/16/2025	91282CCZ2	UNITED STATES TREASURY	9,593,400.00	Moody's	Aaa	Aa1
05/16/2025	91282CDG3	UNITED STATES TREASURY	9,603,500.00	Moody's	Aaa	Aa1
05/16/2025	91282CDW8	UNITED STATES TREASURY	9,270,700.00	Moody's	Aaa	Aa1
05/16/2025	91282CES6	UNITED STATES TREASURY	7,178,625.00	Moody's	Aaa	Aa1
05/16/2025	91282CEW7	UNITED STATES TREASURY	9,874,600.00	Moody's	Aaa	Aa1
05/16/2025	91282CFB2	UNITED STATES TREASURY	7,811,600.00	Moody's	Aaa	Aa1
05/16/2025	91282CFC0	UNITED STATES TREASURY	8,554,590.00	Moody's	Aaa	Aa1
05/16/2025	91282CFJ5	UNITED STATES TREASURY	9,685,600.00	Moody's	Aaa	Aa1
05/16/2025	91282CFT3	UNITED STATES TREASURY	6,515,015.00	Moody's	Aaa	Aa1
05/16/2025	91282CFU0	UNITED STATES TREASURY	5,027,150.00	Moody's	Aaa	Aa1
05/16/2025	91282CJS1	UNITED STATES TREASURY	4,998,900.00	Moody's	Aaa	Aa1
05/16/2025	91282CKA8	UNITED STATES TREASURY	5,012,100.00	Moody's	Aaa	Aa1
05/16/2025	91282CKB6	UNITED STATES TREASURY	5,012,850.00	Moody's	Aaa	Aa1
05/16/2025	91282CKJ9	UNITED STATES TREASURY	8,080,320.00	Moody's	Aaa	Aa1
05/16/2025	91282CKR1	UNITED STATES TREASURY	10,107,000.00	Moody's	Aaa	Aa1
05/16/2025	912833RZ5	UNITED STATES TREASURY	8,375,960.00	Moody's	Aaa	Aa1

## Outlook

Effective Date	Identifier	Description	Value	Agency	Old Value	New Value
05/16/2025	91282CDG3	UNITED STATES TREASURY	9,603,500.00	Moody's	Negative	Stable
05/16/2025	912833RZ5	UNITED STATES TREASURY	8,375,960.00	Moody's	Negative	Stable
05/19/2025	94988J6F9	WELLS FARGO BANK NA	5,063,800.00	Moody's	Negative	Stable

# Investment Policy Review

(Last adopted 9/2024)

ORS 294.135(a) requires local governments investing in securities with maturities longer than 18 months to annually adopt their investment policies. The Council is required to adopt the policy annually and it was last adopted in September 2024. After review of the policy this year, it is being presented for re-adoption for 2025 to Council with no recommended changes.

**Summary Table**  
**Suitable and Authorized Securities and Transactions**

Security Type	Maximum Portfolio %	Maximum Issuer %	Maturity Restrictions	Rating Restrictions (S&P, Moody's, Fitch)
U.S. Treasury Obligations	100%	100%	7 years*	N/A
Federal Agency and Instrumentality Obligations	100%	25%	7 years*	N/A
Commercial Paper	35%	5%	270 Days	A-1, P-1, or F1
Corporate Bonds			7 years	AA-, Aa3, or AA-
Banker's Acceptance	25%	10%	180 Days	Highest Rating for Letter of Credit
Oregon LGIP	ORS 294.810 balance limitation	ORS 294.810 balance limitation	N/A	N/A
Certificates of Deposit	25%	10%	366 Days	N/A
Repurchase Agreements	25%	10%	90 Days	N/A
Municipal Obligations (OR, CA, ID, WA Only)	25%	10%	7 years	AA-, Aa3, or AA- (Long-term) A-1, P-1, or F1 (Short-term)
Municipal Obligations of the City of Gresham	\$15,000,000	\$15,000,000	10 Years	A- A3 A-

\*According to section 2a, a maximum of 10% of the portfolio may be invested in U.S. Treasury Obligations, Federal Agency Obligations and Federal Instrumentality Obligations that mature between 7 and 10 years.

# REVIEW & AFFIRMATION



## SUMMARY ACTION ITEMS

- Add ~\$30MM tax receipts/Up to LGIP limit into LGIP for project spending needs
- Maintain temporarily higher liquidity balances following tax receipts inflows for known liabilities
- Add ~\$10MM tax receipts to investment core to extend duration to add to 4-5 yr sector
- If excess LGIP balances, can look at placing in March and June 2025 for expected liabilities



## CORE/LIQUIDITY

	Current Recommendation		Ranges
Core:	\$352.2mil	\$360mil	\$300mil to \$390mil
Liquidity:	\$38.6mil*	\$40mil	\$30mil to \$85mil
GPA Liquidity			
Ratio %:	10%	10%	10% to 25%

\*9/30 month end liquidity reported at \$38.5 million includes a \$15 million WIFIA draw that will be spent



## CORE STRATEGY

- Maintain current 0-5 year strategy

### Duration

Recommendation	Current	Ranges
Core Target:	2.10	2.14
0-5 Year Benchmark:	2.10	1.5 to 2.5

### Asset Allocation Targets

Market Sector	Strategic Target	Tactical Bands
Agency	50%	10%-75%
Treasury	20%	10%-90%
Corporate	20%	10%-25%
Municipal	10%	0%-15%



## POLICY CHANGES

- Policy re-adopted September 2024 - No recommended changes at this time.

Susan Brown

Signature

Oct 17, 2024

Date

# Investment Holdings and Transactions

## City of Gresham

May 31, 2025

Total Aggregate Portfolio

# Holdings by Security Type

City of Gresham | Investments

Settlement Date	Cusip	Par Amount	Security	Coupon Rate	Maturity Date	Call Date	Book Yield	Market Yield	Market Value + Accrued	Net Unrealized Gain (Loss)	% Asset	Eff Dur
<b>US Treasury</b>												
01/28/2025	91282CAJ0	8,315,000.00	Government of The United States	0.250%	08/31/2025		4.30%	4.18%	8,238,516.91	(76.04)	2.22	0.25
	91282CBC4	5,750,000.00	Government of The United States	0.375%	12/31/2025		1.72%	4.24%	5,631,863.87	(84,181.14)	1.52	0.57
04/30/2024	91282CJS1	5,000,000.00	Government of The United States	4.250%	12/31/2025		5.08%	4.28%	5,088,126.52	22,019.56	1.37	0.56
03/12/2021	91282CBQ3	5,000,000.00	Government of The United States	0.500%	02/28/2026		0.83%	4.22%	4,870,067.93	(124,154.84)	1.31	0.74
12/17/2024	91282CKB6	5,000,000.00	Government of The United States	4.625%	02/28/2026		4.27%	4.27%	5,071,290.90	114.56	1.37	0.73
03/11/2024	9128286L9	5,000,000.00	Government of The United States	2.250%	03/31/2026		4.48%	4.18%	4,940,257.38	8,864.84	1.33	0.81
03/31/2021	91282CBT7	2,500,000.00	Government of The United States	0.750%	03/31/2026		0.84%	4.16%	2,433,801.23	(67,479.05)	0.66	0.82
08/27/2021	91282CCP4	5,000,000.00	Government of The United States	0.625%	07/31/2026		0.79%	4.09%	4,814,345.44	(186,548.79)	1.30	1.14
	91282CCW9	10,000,000.00	Government of The United States	0.750%	08/31/2026		2.81%	4.06%	9,618,553.80	(153,666.68)	2.59	1.22
	91282CCZ2	10,000,000.00	Government of The United States	0.875%	09/30/2026		3.08%	4.03%	9,608,222.40	(127,232.66)	2.59	1.30
	91282CDG3	10,000,000.00	Government of The United States	1.125%	10/31/2026		2.94%	4.03%	9,613,282.61	(151,471.75)	2.59	1.38
	912828V98	6,500,000.00	Government of The United States	2.250%	02/15/2027		3.93%	3.96%	6,360,759.59	(9,726.64)	1.71	1.65
05/16/2024	91282CKA8	5,000,000.00	Government of The United States	4.125%	02/15/2027		4.69%	3.97%	5,072,493.65	57,211.94	1.37	1.62
03/31/2025	91282CKJ9	8,000,000.00	Government of The United States	4.500%	04/15/2027		4.01%	3.94%	8,126,549.51	10,702.13	2.19	1.78
05/16/2024	91282CKR1	10,000,000.00	Government of The United States	4.500%	05/15/2027		4.66%	3.93%	10,127,788.04	136,277.23	2.73	1.86
	91282CEW7	10,000,000.00	Government of The United States	3.250%	06/30/2027		4.45%	3.88%	10,011,064.09	101,650.90	2.70	1.97
07/10/2023	91282CFB2	8,000,000.00	Government of The United States	2.750%	07/31/2027		4.36%	3.89%	7,885,135.91	64,805.13	2.13	2.06
05/16/2024	9128282R0	10,000,000.00	Government of The United States	2.250%	08/15/2027		4.63%	3.89%	9,721,783.98	138,715.46	2.62	2.12
02/28/2024	91282CFU0	5,000,000.00	Government of The United States	4.125%	10/31/2027		4.39%	3.89%	5,045,084.78	56,439.01	1.36	2.28
12/17/2024	91282CCH2	5,000,000.00	Government of The United States	1.250%	06/30/2028		4.22%	3.87%	4,649,093.09	44,602.45	1.25	2.96

# Holdings by Security Type

City of Gresham | Investments

Settlement Date	Cusip	Par Amount	Security	Coupon Rate	Maturity Date	Call Date	Book Yield	Market Yield	Market Value + Accrued	Net Unrealized Gain (Loss)	% Asset	Eff Dur
02/18/2025	912833RZ5	9,500,000.00	Government of The United States	0.000%	08/15/2028		4.52%	3.96%	8,375,960.00	137,726.29	2.26	3.15
	91282CDW8	10,000,000.00	Government of The United States	1.750%	01/31/2029		3.93%	3.90%	9,329,194.48	(3,939.76)	2.52	3.48
12/16/2024	91282CES6	7,500,000.00	Government of The United States	2.750%	05/31/2029		4.15%	3.92%	7,179,188.52	57,460.41	1.94	3.69
04/22/2025	91282CFC0	9,000,000.00	Government of The United States	2.625%	07/31/2029		3.87%	3.92%	8,633,557.54	(19,615.56)	2.33	3.86
12/11/2024	91282CFJ5	10,000,000.00	Government of The United States	3.125%	08/31/2029		4.08%	3.93%	9,764,574.18	50,615.95	2.63	3.90
11/15/2024	91282CFT3	6,500,000.00	Government of The United States	4.000%	10/31/2029		4.33%	3.94%	6,537,623.70	99,367.52	1.76	4.00
<b>Total</b>		<b>191,565,000.00</b>					<b>3.80%</b>	<b>4.00%</b>	<b>186,748,180.06</b>	<b>58,480.45</b>	<b>50.35</b>	<b>2.04</b>
<b>US Agency</b>												
09/13/2024	3135G04Z3	5,000,000.00	Federal National Mortgage Association	0.500%	06/17/2025		4.31%	3.97%	5,003,188.89	(49.82)	1.35	0.05
07/31/2020	3137EAEU9	5,000,000.00	Federal Home Loan Mortgage Corporation	0.375%	07/21/2025		0.48%	4.09%	4,980,570.83	(25,524.06)	1.34	0.14
02/08/2021	3135G06G3	3,000,000.00	Federal National Mortgage Association	0.500%	11/07/2025		0.48%	4.33%	2,951,740.00	(49,557.26)	0.80	0.43
12/15/2023	3133EPL37	10,000,000.00	Farm Credit System	4.625%	12/08/2025		4.71%	4.19%	10,244,556.94	26,656.35	2.76	0.50
04/06/2023	3130AV6J6	5,000,000.00	Federal Home Loan Banks	4.500%	03/13/2026		3.83%	4.20%	5,059,900.00	(13,215.90)	1.36	0.76
06/26/2023	3133EPNG6	4,000,000.00	Farm Credit System	4.375%	06/23/2026		4.39%	4.12%	4,087,365.56	11,045.79	1.10	1.01
12/01/2023	3130AXU63	7,500,000.00	Federal Home Loan Banks	4.625%	11/17/2026		4.59%	4.06%	7,573,189.58	56,627.77	2.04	1.40
12/23/2019	3130A9YY1	5,000,000.00	Federal Home Loan Banks	2.125%	12/11/2026		2.00%	4.00%	4,912,573.61	(146,432.88)	1.32	1.47
02/28/2024	313381FD2	5,000,000.00	Federal Home Loan Banks	2.500%	12/10/2027		4.43%	3.91%	4,891,025.00	54,398.79	1.32	2.39
	3133EN5N6	10,000,000.00	Farm Credit System	4.000%	01/06/2028		3.92%	3.94%	10,176,311.11	(2,405.85)	2.74	2.41
03/03/2023	3130ATS57	5,000,000.00	Federal Home Loan Banks	4.500%	03/10/2028		4.38%	3.89%	5,130,075.00	64,370.99	1.38	2.57
05/03/2023	880591EZ1	5,000,000.00	Government of The United States	3.875%	03/15/2028		3.82%	3.89%	5,038,402.78	(9,571.03)	1.36	2.60
08/14/2023	3130AWN63	5,000,000.00	Federal Home Loan Banks	4.000%	06/30/2028		4.26%	3.90%	5,098,188.89	50,158.59	1.37	2.83
11/20/2023	3133EPC45	5,000,000.00	Farm Credit System	4.625%	11/13/2028		4.59%	3.99%	5,112,262.50	95,538.21	1.38	3.16
	3130AXQK7	10,000,000.00	Federal Home Loan Banks	4.750%	12/08/2028		4.34%	3.96%	10,485,263.89	130,648.40	2.83	3.15
04/22/2024	3130AVBD3	7,500,000.00	Federal Home Loan Banks	4.500%	03/09/2029		4.66%	3.95%	7,719,825.00	184,271.59	2.08	3.42
01/23/2024	3133EPXV2	3,000,000.00	Farm Credit System	4.625%	04/05/2029		4.13%	3.94%	3,094,093.33	21,207.44	0.83	3.48
05/15/2024	3133EKS64	5,000,000.00	Farm Credit System	2.040%	09/24/2029		4.58%	4.13%	4,610,283.33	72,221.47	1.24	4.05
	3134A3ZU3	5,000,000.00	Federal Home Loan Mortgage Corporation	0.000%	12/14/2029		4.28%	4.10%	4,159,450.00	23,720.97	1.12	4.45



# Holdings by Security Type

City of Gresham | Investments

Settlement Date	Cusip	Par Amount	Security	Coupon Rate	Maturity Date	Call Date	Book Yield	Market Yield	Market Value + Accrued	Net Unrealized Gain (Loss)	% Asset	Eff Dur
10/15/2024	3133EPDK8	5,000,000.00	Farm Credit System	4.375%	03/15/2030		4.02%	4.03%	5,120,530.56	(1,644.23)	1.38	4.26
05/22/2025	31358DDR2	5,000,000.00	Federal National Mortgage Association	0.000%	05/15/2030		4.20%	4.15%	4,078,300.00	20,541.37	1.10	4.86
<b>Total</b>		<b>120,000,000.00</b>					<b>3.97%</b>	<b>4.03%</b>	<b>119,527,096.81</b>	<b>563,006.68</b>	<b>32.22</b>	<b>2.30</b>
<b>Municipals</b>												
01/06/2022	13063DMA3	5,000,000.00	State of California	2.650%	04/01/2026		1.38%	4.20%	4,958,783.33	(114,405.82)	1.34	0.81
<b>Total</b>		<b>5,000,000.00</b>					<b>1.38%</b>	<b>4.20%</b>	<b>4,958,783.33</b>	<b>(114,405.82)</b>	<b>1.34</b>	<b>0.81</b>
<b>Corporate</b>												
03/01/2021	500769JJ4	3,000,000.00	KfW	0.625%	01/22/2026		0.70%	4.27%	2,937,958.75	(67,245.91)	0.79	0.63
02/01/2022	78016EZR1	5,000,000.00	Royal Bank of Canada	4.894%	04/27/2026		5.03%	4.77%	5,028,406.64	7,809.12	1.36	0.01
05/17/2021	023135BX3	2,650,000.00	Amazon.com, Inc.	1.000%	05/12/2026	04/12/2026	1.05%	4.25%	2,571,925.11	(78,138.02)	0.69	0.93
12/15/2023	94988J6F9	5,000,000.00	Wells Fargo & Company	5.254%	12/11/2026	11/10/2026	5.14%	4.33%	5,187,852.78	56,374.32	1.40	1.35
09/27/2022	594918BY9	2,500,000.00	Microsoft Corporation	3.300%	02/06/2027	11/06/2026	4.40%	4.04%	2,496,529.17	12,082.25	0.67	1.54
04/18/2022	023135CF1	5,000,000.00	Amazon.com, Inc.	3.300%	04/13/2027	03/13/2027	3.23%	4.06%	4,954,150.00	(73,914.25)	1.34	1.76
10/03/2022	06406RAD9	5,000,000.00	The Bank of New York Mellon Corporation	3.250%	05/16/2027	02/16/2027	4.66%	4.20%	4,918,570.83	34,590.21	1.33	1.81
09/27/2022	194162AN3	2,500,000.00	Colgate-Palmolive Company	3.100%	08/15/2027	07/15/2027	4.34%	3.99%	2,476,144.44	14,456.24	0.67	2.08
09/12/2022	931142EX7	5,000,000.00	Walmart Inc.	3.950%	09/09/2027	08/09/2027	3.90%	4.04%	5,034,586.11	(14,992.47)	1.36	2.10
02/28/2023	023135CP9	2,500,000.00	Amazon.com, Inc.	4.550%	12/01/2027	11/01/2027	4.76%	4.08%	2,583,825.00	38,605.60	0.70	2.24
03/06/2023	06051GKJ7	5,500,000.00	Bank of America Corporation	2.551%	02/04/2028	02/04/2027	5.67%	4.65%	5,361,514.13	70,640.08	1.45	1.60
02/28/2023	037833EC0	6,000,000.00	Apple Inc.	1.200%	02/08/2028	12/08/2027	4.62%	4.04%	5,592,100.00	58,118.41	1.51	2.59
11/06/2023	17325FBB3	5,000,000.00	Citigroup Inc.	5.803%	09/29/2028	08/29/2028	5.97%	4.44%	5,253,470.28	226,949.97	1.42	2.93
07/24/2023	46647PDU7	5,000,000.00	JPMorgan Chase & Co.	5.299%	07/24/2029	07/24/2028	5.26%	4.60%	5,194,818.47	96,161.58	1.40	2.83
<b>Total</b>		<b>59,650,000.00</b>					<b>4.44%</b>	<b>4.30%</b>	<b>59,591,851.71</b>	<b>381,497.13</b>	<b>16.07</b>	<b>1.80</b>
<b>Bank De-posit</b>												
	CCYUSD	103,125.00	US Dollar		05/31/2025				103,125.00	0.00	0.03	
<b>Total</b>		<b>103,125.00</b>							<b>103,125.00</b>	<b>0.00</b>	<b>0.03</b>	
<b>Portfolio Total</b>		<b>376,318,125.00</b>					<b>3.93%</b>	<b>4.06%</b>	<b>370,929,036.90</b>	<b>888,578.44</b>	<b>100.00</b>	<b>2.07</b>

# Transactions

City of Gresham | Investments

Cusip	Security	Trade Date	Settlement Date	Coupon Payment	Price	Par Amount	Principal Amount	Accrued Amount	Total Amount	Broker
<b>Buy</b>										
31358DDR2	FANNIE MAE PO STR 05/15/30	05/19/2025	05/22/2025	0.00	81.05	5,000,000.00	4,052,550.00	0.00	4,052,550.00	Loop Capital Markets
<b>Total</b>				<b>0.00</b>		<b>5,000,000.00</b>	<b>4,052,550.00</b>	<b>0.00</b>	<b>4,052,550.00</b>	
<b>Call Redemption</b>										
06405LAD3	BNY MELLON 5.148 05/22/26 MTN CAL	05/22/2025	05/22/2025	0.00	100.00	4,000,000.00	4,000,000.00	0.00	4,000,000.00	
<b>Total</b>				<b>0.00</b>		<b>4,000,000.00</b>	<b>4,000,000.00</b>	<b>0.00</b>	<b>4,000,000.00</b>	
<b>Coupon</b>										
3135G06G3	FANNIE MAE 0.500 11/07/25	05/07/2025	05/07/2025	7,500.00		0.00	0.00	0.00	7,500.00	
023135BX3	AMAZON.COM 1.000 05/12/26 '26	05/12/2025	05/12/2025	13,250.00		0.00	0.00	0.00	13,250.00	
3133EPC45	FED FARM CR BNKS 4.625 11/13/28	05/13/2025	05/13/2025	115,625.00		0.00	0.00	0.00	115,625.00	
91282CKR1	US TREASURY 4.500 05/15/27	05/15/2025	05/15/2025	225,000.00		0.00	0.00	0.00	225,000.00	
06406RAD9	BONY MELLON 3.250 05/16/27 '27 MTN	05/16/2025	05/16/2025	81,250.00		0.00	0.00	0.00	81,250.00	
3130AXU63	FHLBANKS 4.625 11/17/26	05/17/2025	05/17/2025	173,437.50		0.00	0.00	0.00	173,437.50	
06405LAD3	BNY MELLON 5.148 05/22/26 MTN CAL	05/22/2025	05/22/2025	102,960.00		0.00	0.00	0.00	102,960.00	
91282CES6	US TREASURY 2.750 05/31/29	05/31/2025	05/31/2025	103,125.00		0.00	0.00	0.00	103,125.00	
<b>Total</b>				<b>822,147.50</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>822,147.50</b>	
<b>Cash Transfer</b>										
CCYUSD	US DOLLAR	05/07/2025	05/07/2025	0.00		7,500.00	(7,500.00)	0.00	(7,500.00)	
CCYUSD	US DOLLAR	05/12/2025	05/12/2025	0.00		13,250.00	(13,250.00)	0.00	(13,250.00)	
CCYUSD	US DOLLAR	05/13/2025	05/13/2025	0.00		115,625.00	(115,625.00)	0.00	(115,625.00)	
CCYUSD	US DOLLAR	05/15/2025	05/15/2025	0.00		225,000.00	(225,000.00)	0.00	(225,000.00)	
CCYUSD	US DOLLAR	05/16/2025	05/16/2025	0.00		81,250.00	(81,250.00)	0.00	(81,250.00)	
CCYUSD	US DOLLAR	05/19/2025	05/19/2025	0.00		173,437.50	(173,437.50)	0.00	(173,437.50)	
CCYUSD	US DOLLAR	05/22/2025	05/22/2025	0.00		102,960.00	(102,960.00)	0.00	(102,960.00)	
CCYUSD	US DOLLAR	05/22/2025	05/22/2025	0.00		52,550.00	52,550.00	0.00	52,550.00	
<b>Total</b>				<b>0.00</b>		<b>666,472.50</b>	<b>(666,472.50)</b>	<b>0.00</b>	<b>(666,472.50)</b>	

This report is for general informational purposes only and is not intended to provide specific advice or recommendations. Government Portfolio Advisors (GPA) is an investment advisor registered with the Securities and Exchange Commission and is required to maintain a written disclosure statement of our background and business experience.

**Questions About an Account:** GPA's monthly & quarterly reports are intended to detail the investment advisory activity managed by GPA. The custodial bank maintains the control of assets and settles all investment transactions. The custodial statement is the official record of security and cash holdings and transactions. GPA recognizes that clients may use these reports to facilitate record keeping and that the custodial bank statement and the GPA report should be reconciled, and differences documented.

**Trade Date versus Settlement Date:** Many custodial banks use settlement date basis and post coupons or maturities on the following business days when they occur on weekend. These items may result in the need to reconcile due to a timing difference. GPA reports are on a trade date basis in accordance with GIPS performance standards. GPA can provide all account settings to support the reason for any variance.

**Bank Deposits and Pooled Investment Funds Held in Liquidity Accounts Away from the Custodial Bank are Referred to as Line Item Securities:** GPA relies on the information provided by clients when reporting pool balances, bank balances and other assets that are not held at the client's custodial bank. GPA does not guarantee the accuracy of information received from third parties. Balances cannot be adjusted once submitted however corrective transactions can be entered as adjustments in the following months activity. Assets held outside the custodial bank that are reported to GPA are included in GPA's oversight compliance reporting and strategic plan.

**Account Control:** GPA does not have the authority to withdraw or deposit funds from or to any client's custodial account. Clients retain responsibility for the deposit and withdrawal of funds to the custodial account. Our clients retain responsibility for their internal accounting policies, implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions.

**Custodial Bank Interface:** Our contract provides for the ability for GPA to interface into our client's custodial bank to reconcile transactions, maturities and coupon payments. The GPA client portal will be available to all clients to access this information directly at any time.

**Market Price:** Generally, GPA has set all securities market pricing to match custodial bank pricing. There may be certain securities that will require pricing override due to inaccurate custodial bank pricing that will otherwise distort portfolio performance returns. GPA may utilize Refinitiv pricing source for commercial paper, discount notes and supranational bonds when custodial bank pricing does not reflect current market levels. The pricing variances are obvious when market yields are distorted from the current market levels.

**Performance Calculation:** Historical returns are presented as time-weighted total return values and are presented gross and net of fees.

**Amortized Cost:** The original cost on the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discounts or premiums are amortized on a straight-line basis on all securities. This can be changed at the client's request.

**Callable Securities:** Securities subject to redemption in whole or in part prior to the stated final maturity at the discretion of the security's issuer are referred to as "callable". Certain call dates may not show up on the report if the call date has passed or if the security is continuously callable until maturity date. Bonds purchased at a premium will be amortized to the next call date while all other callable securities will be amortized to maturity. If the bond is amortized to the call date, amortization will be reflected to that date and once the call date passes, the bond will be fully amortized.

**Duration:** The duration is the effective duration. Duration on callable securities is based on the probability of the security being called given market rates and security characteristics.

**Benchmark Duration:** The benchmark duration is based on the duration of the stated benchmark that is assigned to each account.

**Rating:** Information provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed.

**Coupon Payments and Maturities on Weekends:** On occasion, coupon payments and maturities occur on a weekend or holiday. GPA's report settings are on the accrual basis so the coupon postings and maturities will be accounted for in the period earned. The bank may be set at a cash basis, which may result in a reconciliation variance.

**Cash and Cash Equivalents:** GPA has defined cash and cash equivalents to be cash, bank deposits, LGIP pools and repurchase agreements. This may vary from your custodial bank which typically defines cash and equivalents as all securities that mature under 90 days. Check with your custodial bank to understand their methodology.

**Account Settings:** GPA has the portfolio settings at the lot level, if a security is sold our setting will remove the lowest cost security first. First-in-first-out (FIFO) settings are available at the client's request.

**Historical Numbers:** Data was transferred from GPA's legacy system, however, variances may exist from the data received due to a change of settings on Clearwater. GPA is utilizing this information for historical return data with the understanding the accrual settings and pricing sources may differ slightly.

**Financial Situation:** In order to better serve you, GPA should be promptly notified of any material change in your investment objective or financial situation.

**No Guarantee:** The securities in the portfolio are not guaranteed or otherwise protected by GPA, the FDIC (except for non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested.



## Meeting Date: June 18, 2025

### Agenda Item: 6. Financial Policies Update

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As discussed at previous Finance Committee meetings, policies have been drafted and/or updated in all fifteen categories recommended by Government Finance Officers Association (GFOA). The draft policies are being presented in their entirety for final Finance Committee review and discussion. Staff requests that the Finance Committee consider a recommendation to City Council regarding the draft policies.

Drafts of each of the policy categories were reviewed at the March 2025 or May 2025 Finance Committee meetings. Since those meetings, the draft policies have been fine-tuned, including updates and shifting a few policies between sections, and the sections have been reordered.

The draft financial policies include the following categories:

- Purpose Statement
- Policy 1 – Long-term Financial Planning
- Policy 2 – Revenues
- Policy 3 – Economic Development
- Policy 4 – Expenditures
- Policy 5 – Operating Budget
- Policy 6 – Structurally Balanced Budget
- Policy 7 – General Fund Reserves
- Policy 8 – Reserves in Other Funds
- Policy 9 – Capital
- Policy 10 – Debt
- Policy 11 – Grants
- Policy 12 – Investments
- Policy 13 – Procurement
- Policy 14 – Risk Management
- Policy 15 – Accounting and Financial Reporting

Included in this packet are the following documents:

- Draft Financial Policies with annotations and notes (Changes since prior review are marked up)
- Draft Financial Policies without annotations and markup
- January 2011 Financial Policies (current) with annotations



Draft Financial Policies with Annotations and Mark-up

# City of Gresham Financial Policies

DRAFT

Adopted XXXX XX, XXXX Resolution No. XXXX

# City of Gresham Financial Policies

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# City of Gresham Financial Policies

## Purpose Statement

The City is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability and full disclosure. The broad purpose of the Financial Policies is to enable the City to achieve and maintain a long-term stable and positive financial condition to serve as a foundation for service to the community. These policies are adopted by Council as the basic framework for overall financial management of the City. The policies are designed to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

1. Provide an adequate financial base to sustain a sufficient level of municipal services to maintain the social well-being and physical conditions of the City.
2. Deliver cost effective and efficient services to community members.
3. Provide and maintain essential public facilities, utilities, and capital equipment.
4. Protect and enhance the City's credit rating so as to obtain the lowest cost of borrowing and also to assure taxpayers and the financial community that the City is well managed and financially sound.
5. Provide the financial stability needed to navigate through economic downturns, adjust to changes in the service requirements of the community and respond to other changes as they affect the City's residents.
6. Adhere to the highest standards of financial management and reporting practices as set by the Government Finance Officers Association, the Governmental Accounting Standards Board and other related professional financial standards.
7. Fully comply with finance-related legal mandates, laws and regulations.
8. Promote intergenerational equity for the City's taxpayers and ratepayers by spreading the cost of new or upgraded City infrastructure over time so that generations benefiting from such infrastructure contribute to its cost.
9. To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, accounting and financial reporting, reserves and internal controls.
10. These policies are to be reviewed and updated on a regular basis in coordination with the City Council, the Finance Committee and City Management.

*(Purpose statement is new, based on Bend language)*



# City of Gresham Financial Policies

## 1. Long-term Financial Planning

**Purpose:** The City Council and City Management recognize the importance of long-term financial planning to support the stable delivery of services now and into the future.

- A. The City will prepare long-term financial forecasts for all appropriate funds to promote responsible planning for the use of resources and to provide sustainable service delivery into the future. The long-term financial forecasts will include projected revenues, expenditures and reserve balances. *(New – based on Bend’s Financial Planning #1 – consistent with current practice)*
- B. Financial forecasts will be for a minimum of the next five years. Financial forecasts may extend beyond five years for business-related funds or in cases where specific issues call for a longer time horizon. Financial forecasts for infrastructure-related funds will extend at least ten years, typically longer, consistent with the duration of existing or planned debt obligations or other long-term projects. *(New – based on Bend’s Financial Planning #1 – consistent with current practice)*
- C. Financial forecasts will be updated annually to reflect actual fund balances consistent with the most recent Annual Comprehensive Financial Report. *(New – consistent with current practice)*
- D. Financial forecasts will be used during development of the City Manager’s Proposed Budget. The Proposed Budget process should include an assessment of the ability for current services to be sustainable for the duration of the forecast. Financial challenges will be identified, and potential solutions will be presented for consideration. *(New – mixed sources – reasonably consistent with current practice)*
- E. The City’s financial plans should be strategic, meeting regulatory requirements and reflecting the Council’s and the community’s priorities for service while providing resources that realistically fund routine operations. *(New – based on Bend’s Financial Planning #2)*

*Note: Gresham has no existing policies in this category. Including these practices in policy serves to establish expectations and transparency.*

# City of Gresham Financial Policies

## 2. Revenues

**Purpose:** Efficient and effective revenue systems provide a foundation to guarantee the generation of adequate public resources to meet expenditure obligations.

- A. The City will maintain a diversified revenue system to prevent undue or unbalanced reliance on any one source of funds and to protect from short-term fluctuations in any one revenue source. *(Existing policy C2 with no changes – consistent with current practice)*
- B. When evaluating new revenue sources, the following elements will be taken into consideration: sustainability of the revenues, relation to the programs they are intended to support, administrative costs, and acceptability to the community. *(New – based on Bend Revenue #2)*
- C. The cost of revenue-collection efforts should not exceed the marginal additional revenue obtained and should not absorb a large percentage of the amount collected. *(New – Bend Revenue #12)*
- D. Distinction will be made between revenues generated through operating activities (activity generated), and those not related to specific operations (general support). Whenever practical, activity-generated revenues will be linked with the operating activities responsible for their generation. *(Existing policy C3 with minor edits)*
- E. Distinction is made between those operating programs that serve limited interest and those that provide a general community benefit. Where prudent, user fees and charges will be established for those services that benefit specific individuals or organizations, with a goal of full cost recovery unless otherwise desired. *(Existing policy C4 with edits)*
- F. User fees and charges will be based on a cost-of-service analysis and will be set at a level sufficient to recover the full cost of service whenever practical to minimize subsidization by taxpayers. The full cost of service includes both direct and indirect charges. Cost of service analyses will be periodically reviewed and updated to consider changes such as the number of customers served, methods or levels of service delivery, the cost of living/inflationary increases, or regulatory requirements. *(Existing policy C4 with edits and combines with language from Bend Revenue #4)*
- G. Programs categorized in the Adopted Budget as Infrastructure Funds or Business Funds will strive to be fully self-sufficient if possible. For those programs where full self-sufficiency is not feasible, cost-recovery goals will be given strong consideration. *(Existing policy C4 with revisions to better reflect current budgetary structure)*
- H. Revenues will be estimated realistically and prudently. Revenues of a volatile nature will be estimated conservatively; explanations of the underlying assumptions and risks to the forecast, including both upside and downside risks, will be provided. The City will estimate its revenues by an objective, analytical process. *(New – Bend, Revenue #11)*

## City of Gresham Financial Policies

- I. All fees, charges or assessments that are deferred for later payment will be evidenced by a promissory note or agreement. The City may charge periodic interest, processing fees and additional interest and penalties for delinquencies as appropriate. *(New – Bend, Revenue #6 – consistent with current practice)*
- J. The City will pursue an aggressive policy of collecting delinquent accounts. Administrative procedures for the collection of these accounts will be maintained. When necessary, collection processes will include termination of service, foreclosure, and any other available legal action. *(Existing policy C5 with no edits - consistent with current practice)*
- K. SDCs shall be a reimbursement fee, an improvement fee, or a combination of the two.
  - i. *Reimbursement fees* shall reimburse the current users for the costs they have incurred to provide capacity in the system to serve future users.
  - ii. *Improvement fees* will be spent on capital improvements that increase capacity after the adoption date of the fee. An increase in system capacity may be established if a capital improvement increases the level of performance or service provided by existing facilities or provides new facilities. *(Existing policy F2 with no changes)*
- L. The City may choose not to impose the full cost of capital improvements upon those developments that increase the demands of the City's facilities or infrastructure. When the City adopts an SDC that does not fully recover the cost of capital improvements, alternative funding sources shall be identified to fully finance them. *(Existing policy F4 with no changes)*

*Note: The following item is worded as a policy statement from Council, so changes should be based on their input. That said, recommend adding a clarifying statement that any taxes from a voter-approved operating levy or GO bond will be used consistent with the language in the ballot measure, so may not be 100% dedicated to public safety. Recommended new language included below.*

- M. The City Council has determined that Public Safety is critical to the community. For many years, tax base property tax revenues have not been sufficient to fund Police and Fire services. Therefore, the City will continue to use all ~~tax base permanent rate~~ property taxes and other General Fund revenue sources, as necessary, to fund the total costs of Police and Fire operations. The total costs include overhead, administrative, and support costs. Any voter approved Local Option Tax Levy or General Obligation Bond Levy would be used consistently with the language in the ballot measure. *(Existing policy C1 with updates)*

# City of Gresham Financial Policies

## 3. Economic Development

**Purpose:** Jurisdictions benefit from having policies on the appropriate parameters for use of economic development incentives as these tools have the potential to strengthen a community's economic viability, although not without potentially substantial risk. Establishing policies in advance provides a foundation for calm and thoughtful deliberations and encourages consistency and transparency in decision-making processes.

- A. Unless otherwise formally approved by City Council, new development should pay for the entire cost of the permit process and, if feasible, any other related city service costs. *(Existing policy A5 with edits)*
- B. *In general, ~~Ed~~* development fees, including Land Use, Building, and Engineering, shall not be waived. Fees may be paid or waived by the City after legal review and upon formal consent of the City Council. *(Existing policy A9 with edits)*
- C. The City will sustain Systems Development Charges (SDCs) for the cost of demand-created facilities or infrastructure for the following systems:
  - i. Wastewater: Wastewater collection, transmission, treatment and disposal systems.
  - ii. Water: Water supply, treatment and distribution systems.
  - iii. Stormwater: Drainage and flood control systems.
  - iv. Transportation Impact: Transportation systems.
  - v. Parks: Parks and Recreation systems. *(Existing policy F1 with no changes)*
- D. The City may employ economic development incentives to encourage value-added development and accrue public benefits to the City. Public benefits may include but are not limited to:
  - i. A benefit that increases the City's employment base or materially enhances the financial position of the City by increasing assessed valuation.
  - ii. A contribution to the basic infrastructure of the City that is greater than that which would be required of the development alone
  - iii. A benefit that increases access to other public services *(New - Bend, Economic Development #1)*
- E. Economic development incentives may include the formation of improvement or redevelopment districts, reimbursement, exemption or deferral of certain fees and charges, use of discount lease rates or other forms of financial incentives. All such incentives will be fully evaluated by the Budget & Finance Department and Economic Development Department as to the costs, risks and level of benefit as well as the financial impact of such incentives on the City's operating and capital budgets. *(New - Bend, Economic Development #2 - consistent with current practice)*
- F. The fiscal impact evaluation will be presented to Council along with City Manager's recommendation. The City Council shall make the final decision concerning proposed economic development incentives including any repayment of incentives if performance requirements are not met. *(New - Bend, Economic Development #3 - largely consistent with current practice)*

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- G. Funding for economic development incentives must be identified before the approval of all such incentives. *(New - Bend, Economic Development #4 – largely consistent with current practice)*
- H. A development incentive shall not be provided if the development does not provide sufficient public benefit or if the cost and risks to the City will have a materially adverse impact on the City's finances or operations. *(New - Bend, Economic Development #5 – largely consistent with current practice)*

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# City of Gresham Financial Policies

## 4. Expenditures

**Purpose:** The City Council and City Management recognize the importance of prudent oversight of expenditures, demonstrated transparency and value in order to provide efficient and effective services. These policies address a range of issues around how city funds are spent in areas such as the money is expended, including personnel, outsourcing, and funding of long-term liabilities.

A. The City will make every effort to control expenditures to ensure City services and programs provided to its community members and taxpayers are cost effective and efficient. *(New - Bend, Expenditures #6 – consistent with current practice)*

~~B. All purchases of goods and services must comply with the City's Purchasing Policies, guidelines and procedures and with State and Federal laws and regulations. *(New - Bend, Expenditures #3 – consistent with current practice)* (Duplicative with 9-A of draft financial policies).~~

~~C.~~B. Expenditures will be controlled through appropriate internal controls and procedures. Management must ensure expenditures comply with the legally adopted budget. Each Department or Division Manager or Director will be responsible for the administration of their department/division/program budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department/division/program budget for compliance with spending limitations. Internal controls over payment requests include a review by the Budget and Finance Department. Payment requests are not considered approved and authorized for payment until the Budget and Finance Director or their designee has approved the disbursement. *(New – based on Bend, Expenditures #1 – consistent with current practice)*

~~D.~~C. Before the City purchases any major asset or undertakes any operating or capital arrangements that create fixed costs or ongoing operational expenses, the implications of such purchases or arrangements will be considered for current and future years. *(New – based on Bend, Expenditures #4)*

~~E.~~D. The City will take positive steps to improve the productivity of its programs and employees, and will seek ways to eliminate or avoid duplicative functions within the city government and between the City of Gresham and other public agencies in the community. Outside professional review of the efficiency and effectiveness of certain City services may be periodically undertaken to provide guidance to City Council and City Management and/or to support transparency and communication with the public. Avenues to report and highlight the service efforts and accomplishments of the City's major services will also be explored and utilized when appropriate. *(Existing policy A3 with updated language)*

~~F.~~E. Whenever feasible, government activities will be considered enterprises if doing so will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by a user fee or charge. *(Existing policy A4 with no changes)*

~~G.~~F. Personnel Services budget projections will incorporate market salary adjustments to maintain labor market competitiveness for non-represented employees. Market adjustments are

# City of Gresham Financial Policies

adjustments to the salary ranges and do not necessarily imply increases to employees' actual pay. These adjustments will be either higher or lower based on generally accepted practices regarding market survey data. Personnel Services assumptions will also include all union and other contract obligations, as well as other reasonably anticipated salary adjustments. *(Existing policy D2 with updated language)*

H.G. SDC revenues shall first be applied to expenses in the following order: (a) debt-service requirements; (b) the direct cost of complying with state statutes regarding SDCs; (c) infrastructure master plans, facility studies (CIP-related.); and (d) capital improvement expenses. *(Existing policy F7 with no changes)*

*Note: The following items regarding City Manager & City Attorney compensation refer to Council's goals, so any changes should be based on their input. That said, the green highlighted portion is not consistent with current practice so either the language should be updated or the practice should be established.*

I.H. Council desires a market-based approach to both City Manager and City Attorney compensation. Evaluation and compensation policies and procedures should be similar to those for Department Directors and Division Managers. *(Existing policy G1 with no changes)*

J.I. Total compensation including base salary and benefits should be competitive with market rate average of labor market survey agencies. An annual market adjustment mechanism based on "indexing and meeting Council expectations" should allow the City Manager and City Attorney to have a market adjustment similar to that received by other managers within the City. *(Existing policy G2 with no changes)*

K.J. When recruiting for a City Manager or City Attorney, the primary focus of compensation should ensure that base salary is competitive with the labor market.

Goals of City Manager and City Attorney Compensation Policy:

- i. To attract and retain quality employees, the base salary and total compensation will be at least at the market rate average of public agencies that are geographically proximate and of similar size and complexity within the more urbanized regions of the Pacific Northwest. An annual survey of these agencies in addition to participation in a regional public/private survey will be done by August of each year to provide information to the Council as the basis for the evaluations to be performed in September.
- ii. Salary ranges for each of the respective positions will be established with the mid-point of the salary range being at the market average with a total range spread of 20% to account for job growth and performance expectations. The range will be indexed annually based on public/private sector market survey results. *(existing policy G3, no changes – language in green highlight may not be consistent with current practice)*



# City of Gresham Financial Policies

## 5. Operating Budget

**Purpose:** The City Council and City Management recognize the importance of a robust and transparent budget development process that results in a legally compliant budget that accurately reflects the cost of services provided by the City and is in alignment with City Council's goals and priorities.~~Policies that describe essential features of the budget development process and form, as well as principles that guide budgetary decision making.~~

- A. The City will prepare an annual budget with the participation of all departments. *(New – based on Bend, Operating Budget #1 – consistent with current practice)*
- B. The City Council shall adopt the budget for each fund as required by budget law. *(New – based on Bend, Operating Budget #7 – consistent with current practice)*
- C. All budgetary procedures will conform to existing state and local regulations. Oregon budget law requires each local government to prepare a balanced budget and Oregon Administrative Rules state the budget must be constructed in such a manner that the total resources in a fund equal the total expenditures and requirements for that fund. Budgets for all City funds will be prepared on a modified accrual basis consistent with Generally Accepted Accounting Principles. *(New – based on Bend, Operating Budget #2 – consistent with current practice)*
- D. The budget process will allocate resources to achieve Council goals and city-wide strategic plans. Department goals and objectives will be identified and incorporated into the budget. *(New – Bend, Operating Budget #3 – consistent with current practice)*
- E. The budget will use a cost allocation plan to determine the collection of internal service costs from other funds. The allocation of internal services allows the budget to reflect the full cost of providing direct services. The allocation methodology will be based on measurable usage factors or other sound rationale. The methodology, including any changes, will be documented for transparency. *(New – mixed sources – consistent with current practice)*
- F. Oregon budget law provides legal avenues to adjust the budget for emergency expenditures or unforeseen circumstances. All such budget adjustments, including contingency transfers or supplemental budget actions, will be prepared by the Budget & Finance Department in coordination with the City Manager to ensure compliance with budget laws. Adjustments will be reviewed by the Finance Committee for a recommendation prior to presentation to Council unless insufficient time is available due to the urgent nature of the request or the impending end of the fiscal year. *(New – based on Bend, Operating Budget #11 and #12 – consistent with current practice)*
- ~~G. Reports comparing actual to budgeted expenditures will be prepared by the Budget & Finance Department and distributed to the City Manager and City Council on a regular basis. Significant budget to actual variances will be investigated and explained. *(New – based on Bend Operating Budget #15)*. (Moved to 15-C in draft Financial Policies)~~



## City of Gresham Financial Policies

H.G. Staffing levels are a measurement of the ability to provide adequate services. Information by service or program area, in particular for public safety services, will be provided on a regular basis regarding the number of FTE per thousand population (or other metric as appropriate given the specific service). Benchmarks, such as comparisons with similar jurisdictions or with industry best practices, will also be provided when reasonably available.  
*(Proposed replacement for existing policy A10)*

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# City of Gresham Financial Policies

## 6. Structurally Balanced Budget

**Purpose:** The City Council and City Management recognize the distinction between satisfying the statutory definition of a balanced budget versus achieving a true structurally balanced budget where ongoing expenditures are supported by ongoing revenues. Achieving a true structurally balanced budget supports financial sustainability for multiple years into the future.

- A. The City's long-term financial plans will consider recurring versus non-recurring revenues and expenses and will acknowledge when one-time spikes or drops are identified. *(New – consistent with current practice.)*
- B. The budget will clearly identify when reserves are being budgeted to fund ongoing operations. *(New)*
- C. The Budget & Finance Department will annually report to the City Council and Finance Committee a reconciliation of budgeted and actual fund balance usage to support ongoing operations after the fiscal year has been audited. *(New)*

*Note: There are no existing policies in this category.*

# City of Gresham Financial Policies

## 7. General Fund Reserves

**Purpose:** General Fund reserves, or Budgetary Fund Balance, includes the budgeted amounts for Unappropriated and Contingency. Together, these serve to provide stable resources for times when service levels might otherwise be adversely affected by taxes or fees that temporarily underperform, or to cover one-time unexpected expenditures. This policy category is intended to:

- Mitigate short-term (two years or less) volatility in revenues.
- Mitigate short-term economic downturns.
- Absorb unanticipated operating needs that arise during the fiscal year but were not anticipated during the budget process.
- Sustain City services in the event of an emergency.
- Meet operating cash flow requirements before the collection of property taxes; licenses and permits; fees; county, state, and federal funding sources; and other operating revenues.
- Meet unanticipated facility and equipment repair needs.
- Maintain the City's credit ratings and bond ratings. *(New - based on Beaverton and Bend policies)*

- A. The annual budget for the General Fund will include a beginning fund balance. This resource is the funding for contingency and ending fund balance and will be consistent with Financial Policies for General Fund contingency and ending balance as a percentage of ongoing operating expenditures. When the annual beginning fund balance is not adequate to fund both contingency and ending fund balance, the deficiency may be funded with available on-going resources.

When the General Fund's beginning fund balance exceeds the amount needed for contingency and ending fund balance, the remainder may be used for:

- i. one-time items such as capital purchases
- ii. prioritized ongoing expenditures such as operating expenses
- iii. retain for future unexpected loss of revenue or unanticipated needs. *(Existing policy D-3 with updates)*

- B. The City's goal for the General Fund reserves is to provide resources for:

- i. Contingency: The annual budget for the General Fund will include a contingency reserve of not less than **X**% of operating expenditures, to offset unexpected increases to operating requirements. Contingency may be utilized upon council approval. A higher level of contingency should be reserved annually when uncertainties or economic conditions warrant such actions. *(Existing policy D-9-A with changes)*
- ii. Ending Fund Balance: The annual budget for the General Fund will include an ending fund balance of not less than **X**% of ongoing operating expenditures. The ending fund balance is a resource that mitigates cash flow shortages early in the ensuing fiscal year and helps to modify annual fluctuations in revenues and expenditures. A higher level of ending fund balance should be reserved annually when future uncertainties or economic conditions warrant such actions to be taken. *(Existing policy D-9-B with changes)*

# City of Gresham Financial Policies

## 8. Reserves in Other Funds

**Purpose:** Like the General Fund, most other funds also require reserves, or Budgetary Fund Balances. Again, these include the budgeted amounts for Unappropriated and, where relevant, Contingency. As the purpose of the reserves, the appropriate target amounts, and recommended usage policies vary widely by type of fund, this policy category will consider these in related subgroups.

- A. Use of beginning fund balance in funds other than the General Fund is determined on an individual basis related to the purpose of the fund and circumstances that are specific to that fund. *(Portion of existing policy D3)*
- B. Each operating fund will maintain a contingency account sufficient to meet unanticipated requirements during the budget year. A maximum contingency of 15% and minimum amount of 5% will typically be budgeted. *(Existing policy D5 with minor edits)*
- C. Reserve targets for each fund will be maintained and monitored by the Budget & Finance Department. *(New - reasonably consistent with current practice)*
- D. Insurance-related Funds – (Workers Compensation/Liability and Health/Dental)
  - i. Reserve balances for insurance-related funds will be maintained at a level sufficient to comply with all state and/or federal regulations applicable to that fund. *(New, consistent with current practice)*
  - ii. Reserve balances will be guided by an annual actuarial analysis of the relevant program. *(New, consistent with current practice)*
  - iii. Targets should consistently be tied to a reasonably conservative confidence level in order to provide long-term stability and to avoid fluctuations in revenue collection needs. *(New, consistent with current practice)*
  - iv. The Budget & Finance Director will coordinate with the City Manager and City Attorney/Risk Management prior to making any change to the selected confidence level. *(New, consistent with current practice)*
- E. Business Funds
  - i. Reserve balances should consider the unique nature of the fund, including the volatility of the primary revenue sources, timing of the revenue collection versus related expenses, recruitment and retention of specialized staff, and other program specific considerations. *(New, consistent with current practice)*
  - ii. Reserve balance targets will be guided by the long-term financial plans. Balances should be adequate to maintain service levels during a limited-duration downturn in revenue. Fund balances of at least 6-months of operating expenses are likely, with targets between 12 and 24 months possible. *(New, consistent with current practice)*
- F. Infrastructure Funds
  - i. Reserve balances for infrastructure funds are an important tool to support on-going sustainable and cost-effective delivery of services. Adequate reserves provide the ability to plan for and address repair and replacement of infrastructure and equipment, mitigate

# City of Gresham Financial Policies

economic downturns, absorb unanticipated operating needs, maintain or enhance credit and bond ratings and support stable and predictable rates and charges. *(New, consistent with current practice)*

- ii. Utility funds (Water, Stormwater and Wastewater) will maintain a restricted balance equivalent to at least 60 days of rate-based revenue to ensure that reserves address any outstanding balances due to the timing of billing cycles. Additional reserves should be maintained in a manner adequate to respond to potential volatility in revenues such as the loss of a large industrial customer or a significant change in consumer habits. *(New, consistent with current practice)*
- iii. Targets for repair and replacement reserves should be guided by asset management plans to limit the growth of deferred maintenance where feasible within long-term financial plans. *(New, consistent with current practice)*
- iv. Reserve balances for infrastructure funds should be established in a manner that supports future planned projects and continuity of service delivery throughout the life of the long-term financial plans. *(New, consistent with current practice)*
- v. Fund balance reserves within infrastructure funds should also be established to support any debt service or other mandatory balances not otherwise addressed within the associated capital fund or debt fund. *(New, consistent with current practice)*

## G. Capital Funds

- i. Reserve balances should provide adequate cash flow to facilitate construction expenditures. Projects funded by grants or other reimbursement-based revenues warrant larger reserve balances to maintain adequate working capital. Timing of project expenses should be monitored with consideration given to ensure a positive cash balance at year-end. Large construction projects with significant cash outlays will typically warrant higher reserve balances. *(New, consistent with current practice)*
- ii. Reserve balances for capital funds will be guided by the 5-Year Capital Improvement Program and by long-term financial plans. *(New, consistent with current practice)*
- iii. The relevant operating fund will typically hold most of the reserves for future projects beyond the upcoming fiscal year, unless there are benefits from including reserve balances within the capital fund. For example, any unspent financing proceeds that have been issued for capital construction or other specially designated proceeds should be included in the relevant capital fund to ensure appropriate segregation and facilitate accurate usage of cash. *(New, consistent with current practice)*

## H. Debt Service Funds

- i. Reserve balances for each debt service fund will be maintained at a level sufficient to ensure compliance with all existing covenants and applicable requirements. *(New - consistent with legal requirements and current practice)*

## I. Other Funds

- i. Reserve balances in the Equipment Replacement Fund will be targeted to align with future needs for equipment that will be replaced with operating funds. Levels of balances will be guided by long-term financial plans. *(New, consistent with current practice)*

- H. Internal Service funds will maintain sufficient balances to fund contingency and to respond to potential volatility in revenues such as grants. Additional balances may be held to address

## City of Gresham Financial Policies

future one-time expenditures that are not being reserved in other funds such as the Equipment Replacement Fund. *(New, consistent with current practice)*

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# City of Gresham Financial Policies

## 9. Capital

**Purpose:** The City Council and City Management recognize the need to responsibly plan for the full lifecycle of capital assets, including capital improvement planning, capital budgeting, project management, and asset maintenance.

- A. The City will plan for capital improvements over a multi-year period of time. The Capital Improvement Program (CIP) will directly relate to Council's goals, departmental operation plans, other long-range plans such as the Comprehensive Plan, and the policies of the City. *(Existing policy D6 with no changes – consistent with current practice)*
- B. The 5-Year CIP will be updated annually and will be incorporated into the City's budget and long-range financial planning processes. The CIP will be balanced; estimated resources will be available for capital spending as identified in the five-year plan. The adoption process will include a public hearing to provide for public input on the CIP. *(New, based on Bend Capital #1 – consistent with current practice)*
- C. Funding sources for each capital project will be identified and, where feasible, all operating costs associated with a capital project will be quantified. *(Existing policy D4 with minor edits)*
- D. Projects included in the CIP shall have complete information on the need for the project, description and scope of work, total cost estimates, how the project will be funded, and where feasible future operating and maintenance costs and ~~how the project will be funded~~. *(New – Bend, Capital #2)*
- E. Every CIP project will have a project manager who will prepare the project proposals, coordinate as necessary with operations and maintenance staff, ensure that required phases are completed within schedule and budget, authorize project expenditures, ensure that all regulations and laws are observed, and periodically report project status. *(New – based on Bend, Capital #5) (Moved from 9-N in draft Financial Policies)*
- E.F. Bids for CIP projects will be reviewed and approved by the Budget & Finance Department prior to contract award to ensure that project expenditures are within the adopted budget and consistent with the adopted CIP. Should substantive adjustments be needed to provide consistency with the budget and/or CIP, changes will follow the Council authorized mid-year adjustment process or be addressed in the annual budget and CIP update. *(New – loosely based on Bend Capital #4 and #7, adjusted to align with Gresham process.) (Moved from 9-O in draft Financial Policies)*
- F.G. The City will strive to utilize the least costly funding method for its capital projects and will obtain grants, contributions and low cost state or federal loans whenever possible. The determination to use debt financing versus “pay-as-you-go” funding will consider project type, project timing, revenue availability, market conditions and the City's credit rating. *(New, blend of Bend, Capital #8, #10 & #11) (Moved from 9-H in draft Financial Policies)*

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~~G-H.~~ Long-term debt issued to finance capital projects will be structured to match the useful life of the project. Current operations will not be financed with long-term debt. *(Existing policy B2 with no changes)*

~~H.~~ The City will strive to utilize the least costly funding method for its capital projects and will obtain grants, contributions and low cost state or federal loans whenever possible. The determination to use debt financing versus “pay-as-you-go” funding will consider project type, project timing, revenue availability, market conditions and the City’s credit rating. *(New, blend of Bend, Capital #8, #10 & #11)* *(Moved 9-G in draft Financial Policies)*

I. The City will maintain its infrastructure at a level adequate to protect the City’s capital investment, meet any and all regulatory requirements and minimize future operating maintenance and replacement costs. The City recognizes that deferred maintenance increases future capital costs, thus placing a burden on future residents. Therefore, the budget will seek to provide for adequate maintenance and the orderly replacement of capital, plant and equipment. *(Replaces existing policy D7, based on Bend, Capital #6)*

J. The City will plan for vehicle replacement, equipment replacement, and maintenance of City facilities, to ensure that resources are available at the appropriate time. The replacement needs will be identified in appropriate replacement schedules. *(Existing policy D8 with no changes)*

K. System Development Charges shall be proportionate to the cost of facilities or infrastructure created by development. *(Part of existing policy F3 with no changes)*

L. Reimbursement SDC fees shall be set so that future systems users shall contribute no more than an equitable share of the cost of the present facilities they use. Upon complete reimbursement for the capacity of the City’s existing infrastructure, this fee will end. *(Part of existing policy F3 with no changes)*

M. Improvement SDC fees shall consider the cost of projected capital improvements needed to increase the capacity of the City’s facilities or systems. Upon full receipt of fees required to increase the facility to planned capacity, this fee will end. *(Part of existing policy F3 with no changes)*

N. The City uses its facility master plans, such as water or wastewater, to calculate the amount of improvement SDC revenue required. These master plans show capital improvements needed to provide for an adequate infrastructure for growth, typically over a 20-year period. The projects listed in the master plan are regional and would therefore not typically include the facilities in or adjacent to a development. *(Part of existing policy F3 with edits)*

O. ~~The~~ Public Facility Master Plans ~~lists~~ the Improvement Fee-funded capital improvements; the estimated cost and timing for each improvement; and the proportion of the improvement funded with Improvement Fees. Projects are completed as listed in the five-year Capital Improvement Plan. *(Existing policy F5 with minor edits changes)*

~~P.~~ Every CIP project will have a project manager who will prepare the project proposals, coordinate as necessary with operations and maintenance staff, ensure that required phases are completed within schedule and budget, authorize project expenditures, ensure that all regulations and laws



# City of Gresham Financial Policies

~~are observed, and periodically report project status. (New – based on Bend, Capital #5)\_ (Moved to 9-E in draft Financial Policies)~~

~~Q.A. Bids for CIP projects will be reviewed and approved by the Budget & Finance Department prior to contract award to ensure that project expenditures are within the adopted budget and consistent with the adopted CIP. Should substantive adjustments be needed to provide consistency with the budget and/or CIP, changes will follow the Council authorized mid-year adjustment process or be addressed in the annual budget and CIP update. (New – loosely based on Bend Capital #4 and #7, adjusted to align with Gresham process.) (Moved to 9-F in draft Financial Policies)~~

R.P. The City will establish capital equipment reserves to provide for the funding of vehicles and equipment. The City will also establish major repairs and replacement (R&R) reserves to provide for funding of major repairs and replacements. R&R reserves will be used for significant system or facility repairs, replacement or maintenance costs that are unanticipated and exceed ongoing repair and maintenance expenditures in the fund's operating budget. Long-term forecasts will be used to determine the available capacity to fund repair and replacement of capital assets and infrastructure and avoid a significant unfunded liability from deferred maintenance. *(New - based on Bend, Capital #9)*

S.Q. The City's asset capitalization policy is to capitalize and depreciate assets greater than \$10,000 with a useful life beyond two years. Capital assets costing less than \$10,000 or having a useful life of two years or less will be treated as operating expenditures unless otherwise required. The asset capitalization threshold will be applied to individual assets rather than to groups of assets (i.e. office furniture, computer equipment, radio equipment, etc.) *(New – based on Bend, Capital #9, consistent with current policy with updated capitalization threshold)*

# City of Gresham Financial Policies

## 10. Debt

**Purpose:** The debt management policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policies that:

- The City obtain financing only when prudent,
  - The process for identifying the timing and amount of debt or other financing be as efficient as possible,
  - The most favorable interest rate and other related costs be obtained,
  - When appropriate, future financial flexibility be maintained. *(New, Bend Debt #1)*
- A. All debt issuances, except for minor or routine leases, will be reviewed by the Finance Committee and authorized by City Council action. *(New, based on Bend Debt #9, consistent with practice and statutes)*
- B. In conjunction with the City's debt financing team, including but not limited to bond counsel and financial advisors, the Budget & Finance Director structures and recommends to the City Manager and City Council all debt issuances and oversees the on-going management of all City debt. Debt includes voter approved general obligation bonds, tax increment financing, full faith and credit bonds, lease purchase obligations, revenue bonds, special assessment obligations, promissory notes, lines and letter of credit, interfund borrowings, variable rate debt, equipment financing agreements and any other contractual arrangements that obligate the City to make future principal and interest payments. *(New, Bend Debt #2)*
- C. No debt will be issued for which the City is not confident that a sufficient specifically identified revenue source is available for repayment. The Budget & Finance Director will prepare an analysis of the source of repayment prior to issuance of any debt. Safeguards will be established as appropriate, including within long-term finance plans, to ensure the identified revenue source is not redirected to other uses. *(New, based on Bend Debt #3)*
- D. The City will not use long-term debt to fund current operations, to balance the budget or to fund projects that are more appropriately funded from current resources. *(New, Bend Debt #4)*
- E. The City will periodically review existing debt issuances for possible refunding opportunities. Refunding may be undertaken when legally permissible, prudent and the net benefit is sufficient and in the best interests of the City. *(New, based on Bend Debt #5 but allows flexibility based on current/specific circumstances)*
- F. The City may utilize short-term debt or interfund loans as permitted, including addressing temporary issues with cash flow timing or to delay the issuance of long-term debt. *(New, based on Bend Debt #6)*
- G. When issuing long-term debt, the City will ensure that the debt is soundly financed by:
- i. Incurring debt only when necessary for capital improvements not appropriate to be financed from current available resources
  - ii. Ensuring that capital projects financed through long-term debt shall be financed for a period not to exceed the useful life of the project. This precludes future generations of rate payers

## City of Gresham Financial Policies

or taxpayers from paying debt service on an asset that no longer provides benefit and prevents debt capacity from being tied up by servicing a defunct asset in the event the asset needs replacing.

- iii. Determining that the benefit of financing exceeds the cost of financing
  - iv. Analyzing source of repayment, debt service coverage ratios and the impact of debt service on annual fixed costs prior to issuance of long-term debt. *(New, based on Bend Debt #7)*
- H. The City may issue debt on either a competitive or negotiated basis. Bank placements and other private offerings are authorized under circumstances such as interim financings or to avoid the cost of a public sale for smaller issuances. The Budget & Finance Director will recommend the most appropriate method of sale in light of financial, market, transaction specific, and issuer-related conditions. If a negotiated public sale is determined to be in the City's best interest, a competitive process should typically be used. *(New, based on Bend Debt #8)*
- I. The City will comply with all statutory debt limitations imposed by the Oregon Revised Statutes, including ORS 287A.050, which establishes a limitation on the amount of general obligation bonds the City may issue. This limitation is 3% of the City's Real Market Value as certified by the Multnomah County Assessor. *(Blend of Bend Debt #10 and existing policy B1)*
- J. General obligation debt will not be issued for enterprise activity. *(Existing policy B3 with no changes)*
- K. City direct debt sold by public sale will have demonstrated feasibility prior to sale by receiving a rating from either Moody's or Standard & Poor's, or if unrated, by a comprehensive feasibility report. The City will strive to maintain and improve its current bond rating so its borrowing costs are minimized and its access to credit is preserved. *(Existing policy B5 with minor edits)*
- L. The City will strive to maintain debt service coverage ratios and percentages that uphold the City's credit rating. *(New, Bend Debt #13)*
- M. The City, through the Budget and Finance Department, will comply with all bond covenants, arbitrage requirements, disclosure and other requirements specified by law including all Post Debt Issuance Tax Compliance and Continuing Disclosure Policies. *(New, Bend Debt #14, incorporates existing policy E3)*
- N. Bond anticipation debt will be retired within 12 months after project completion. In no event will bond anticipation notes be outstanding more than three years. *(Existing policy B4 with no changes)*
- O. All conduit bonds sold by public sale must be credit enhanced and have demonstrated feasibility prior to sale by receiving a rating of "A" or better from either Moody's or Standard & Poor's. Conduit financing is a mechanism which allows a non-municipal entity to issue tax exempt debt through a municipal corporation such as the City of Gresham. The City is the "conduit" issuer which "passes through" tax-exempt debt that is the obligation of another entity. The security for these transactions is always that of the borrower and not the issuer. *(Existing policy B6 with no changes)*
- P. All leases as reported in the City's annual financial report under Long-Term Debt will be limited as follows:
- i. Annual lease payments recorded in the respective funds will be limited to 10% of the current revenues of the fund supporting the lease payment.

## City of Gresham Financial Policies

- ii. All leases will be limited to the economic life of the equipment or facilities to be purchased, and in no case shall be extended beyond 25 years.
- iii. Lease purchases of equipment and facilities will be limited to fit within the City's stated mission, goal or governmental role. Any exceptions must show an economic gain and be approved by City Council.
- iv. All annual lease-purchase payments must be included in the originating department's approved budget. *(Existing policy B7 with no changes)*

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# City of Gresham Financial Policies

## 11.Grants

**Purpose:** The City seeks to leverage grant funding from Federal, State, Local or other sources when feasible. This policy category reflects guidance for decisions regarding seeking, securing and managing grant funds.

- A. The City will maintain a grants manual to support the administration of grants received from Federal, State, Local and other sources. *(New – consistent with current practice)*
- B. The City will maintain an Indirect Cost Rate Proposal and Central Service Cost Allocation Plan in compliance with Federal regulations to allow for full cost recovery of overheads where possible. *(New – consistent with current practice)*
- C. All potential grants shall be coordinated with the Budget and Finance Department and evaluated for matching requirements and on-going resource requirements and balanced with the benefits of the grant before acceptance. Grants may be rejected to avoid commitments beyond available funding or in cases where compliance requirements outweigh benefits. *(New – based on Bend Revenue #9 policy)*
- D. Internal controls over Grants are designed and maintained to demonstrate compliance with Grants must be used in compliance with the purpose of the grant award, as well as all applicable Federal, State and Local laws. ~~Internal controls over compliance of grants must be established.~~ Evidence of compliance and effective internal controls ~~over compliance~~ must be retained to satisfy applicable statutes of limitations. *(New – based on Hillsboro policy)*

*Note: There are no existing policies in this category.*

# City of Gresham Financial Policies

## 12. Investments

**Purpose:** City Council and City Management recognize their responsibility to prudently manage and invest the funds of the City of Gresham.

- A. The City will maintain and comply with a written Investment Policy that has been approved by City Council. The Investment Policy will establish investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures. The Investment Policy is a standalone document from these fiscal policies. *(New – consistent with current practice and Oregon statutes, incorporates existing Policy A8)*
- B. The City will review and adopt the Investment Policy annually, or as otherwise needed, to comply with the requirements of Oregon statutes. The adoption process will include review by the Finance Committee prior to Council adoption. *(New – consistent with current practice and Oregon statutes)*
- C. The City will consolidate or pool cash balances from various funds for investment purposes and will allocate investment earnings proportionately to each participating fund. *(New – consistent with current practice)*
- D. The City will retain the services of outside professionals to support its investment program, within required procurement procedures and budgetary appropriations and consistent with Oregon statutes. *(New – consistent with current practice)*
- E. Semi-annual Investment updates will be provided to the Finance Committee. *(New – consistent with current practice/GRC 2.40.020)*

# City of Gresham Financial Policies

## 13. Procurement

**Purpose:** Policies in this category are intended to encourage efficient, effective and fair public procurement in support of the delivery of services to the community.

- A. The City will comply with the City's Purchasing Policies, guidelines and procedures and with State and Federal laws and regulations. These include, but are not limited to: *(New – based on Bend, Expenditure #3)*
  - i. Gresham Revised Code Chapter 2.80
  - ii. Gresham Administrative Procedures Chapter 6.05 – 6.15
  - iii. Oregon Revised Statutes Chapter 279A, 279B, and 279C
  - iv. Oregon Administrative Rules Chapter 137-045 through 137-049
  - v. Code of Federal Regulations Title 2, Part 200 (specifically for federally funded projects)
- B. The City will seek to use a reasonable process for the selection of vendors, suppliers, contractors, and consultants, with consideration of open, transparent and competitive process while considering cost effectiveness, efficiency and timeliness. *(New – consistent with current practice)*
- C. Purchases of goods and services will comply with the City's Buy Local Policy as adopted by Council. *(New – consistent with current practice)*
- D. The City will not allow purchases to occur or services to commence without proper authorization, which could take the form of a purchase order or fully executed contract depending on the cost and type of goods and services procured, as defined in Gresham Revised Code and associated administrative rules, or as authorized by the City Manager and the Budget & Finance Director. *(New – consistent with current practice)*
- ~~D.E.~~ Procurement staff in the Budget and Finance department should be informed of and review all procurement activities requiring formal or informal competitive process, even if an operating department is leading the process. *(New – consistent with current practice)*
- ~~E.F.~~ Most purchases requiring formal or informal competitive process should be solicited at least every five years. Certain types of purchases will be solicited less frequently due to factors such as integrations with existing systems or significant disruptions to city operations or employees. Exceptions require approval from the Budget & Finance Director and the City Manager. *(New – largely consistent with current practice)*
- G. Budget availability will be evaluated prior to initiating procurement activities. *(New – consistent with current practice)*
- F.H. The City will reimburse directly for elected or appointed officials' and employees' expenses and will not reimburse expenses indirectly through any vendor working for the City. Proposals for services should not include expenses for elected or appointed officials or for employees. *(Existing policy A7)*

# City of Gresham Financial Policies

## 14. Risk Management & Internal Controls

**Purpose:** The City Council and City Management recognize their responsibility to provide stewardship of public assets, including the need to deter fraudulent or risky activities and to establish and maintain practices that enhance resilience.

- A. Adequate reserves will be maintained for all known liabilities, including employee leave balances. The amount in the reserves will follow generally accepted accounting principles. *(Existing policy A6)*
- B. Adequate reserves and/or insurance coverage will be maintained for general liability, workers' compensation, health, and dental liabilities. *(Existing policy E1 with minor edits)*
- C. Annual actuarial studies will be conducted for each program by a knowledgeable 3<sup>rd</sup> party to identify reserve and/or insurance coverage levels and associated confidence levels. *(New – consistent with current practice.)*
- D. The City will provide bond coverage for the designated City employees in an amount and with surety determined by the Risk Manager. *(Existing policy E6 with minor updates)*
- E. ~~The City will reimburse directly for elected or appointed officials' and employees' expenses and will not reimburse expenses indirectly through any vendor working for the City. Proposals for services should not include expenses for elected or appointed officials or for employees. (Existing policy A7)~~ *(Moved to 13-H in draft Financial Policies)*



# City of Gresham Financial Policies

## 15.Accounting and Financial Reporting

**Purpose:** City Council and City Management recognize their responsibility to manage the City's finances lawfully and in the best interest of the City and its constituents. This policy category provides guidance and clarity regarding accounting and reporting practices.

- A. The City will comply with the following accounting and reporting standards:
  - i. Generally Accepted Accounting Principles (GAAP) developed by Governmental Accounting Standards Board,
  - ii. Government Accounting, Auditing and Financial Reporting standards prescribed by the Government Finance Officers Association (GFOA),
  - iii. Government Accounting Standards, issued by the Comptroller General of the United States,
  - iv. Oregon Revised Statutes relating to municipal finance and
  - v. Uniform grant guidance found in Code of Federal Regulations Title 2, part 200. *(based on existing policies E2 and E5 and on Bend, Accounting & Reporting #1)*
- B. The City will maintain an accounting and financial reporting system that conforms to Local Budget Law and ensures adherence to the budget. ~~The City will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.~~ *(Existing and New, potential merging of existing policies E2 and E5 to focus on budget, since the GAAP item is addressed above and Bend, Operating Budget #15)*
- C. ~~Reports comparing actual to budgeted expenditures will be prepared by the Budget & Finance Department and distributed to the City Manager, and City Council and Finance Committee on a regular basis. Significant budget to actual variances will be investigated and explained.~~ *(Existing and New – based existing policy E5 and Bend, Operating Budget #15)*
- B-D. In accordance with State law, a comprehensive financial audit including an audit of federal grants will be performed annually by an independent public accounting firm with the objective of expressing an opinion on the City's financial statements and assessing the accounting principles used and evaluating the internal controls in place. *(New - Bend, Accounting & Reporting #5)*
- C-E. The City will prepare its financial statements and maintain its accounting and internal control systems in accordance with applicable standards with the goal of obtaining an ~~unqualified unmodified~~ opinion from its auditors. *(New - Bend, Accounting & Reporting #6)*
- D-F. The City will publish an audited Annual Comprehensive Financial Report (ACFR) each year and will submit the report to the GFOA's "Certificate of Achievement for Excellence in Financial Reporting" program. The ACFR will be made available on the City's website. *(Existing policy E4 with updated language)*
- E-G. While the primary responsibility for the City's financial reporting and internal controls rests with the Budget & Finance Department and senior management, accountability for financial oversight is a shared responsibility throughout all departments and all levels of the City organization. *(New, mixed sources)*

## City of Gresham Financial Policies

F.H. A system of internal controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions and compliance with applicable laws and regulations. (Bend, Accounting & Reporting #4)

G.I. Financial systems, including account structures and project tracking, will be maintained to provide reasonable assurance that dedicated or restricted funds are used in compliance with applicable laws and regulations. Specific examples include but are not limited to: *(New introduction that provides context for items listed below, which include several existing policies)*

- i. The City's water utility, wastewater utility, and stormwater utility are enterprise funds that are considered to be closed funds. The revenue sources of utility funds are dedicated to pay for costs associated with providing the utility's purpose and may not be used in a way that does not qualify as an expense in support of the utility's function. *(Existing policy A12 with no change)*
- ii. System Development Charges (SDCs) will be deposited in a separate fund apart from other City resources. Each type of SDC or SDC credit (Water, Wastewater, Stormwater, Transportation and Parks) shall have its own separate account. Interest earnings will be credited accordingly. Usage of one account type by another (Water for Wastewater for example) is not allowed. *(Existing policy F6 with updates)*
- iii. The City will provide an annual accounting for SDCs showing the total amount collected, the projects funded, any remaining balance, and growth projection for the balance of the planning period for City Council to adjust SDC amounts accordingly. *(Existing policy F8 with no changes)*
- iv. Funds where usage is restricted by statute, regulation or other contractual agreements, including property tax levies, gas taxes, building fees, transient lodging taxes, or grants. *(New – consistent with current practice)*

Draft Financial Policies without Annotations or Mark-up

# City of Gresham Financial Policies

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Adopted XXXX XX, XXXX Resolution No. XXXX

# City of Gresham Financial Policies

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# City of Gresham Financial Policies

## Purpose Statement

The City is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability and full disclosure. The broad purpose of the Financial Policies is to enable the City to achieve and maintain a long-term stable and positive financial condition to serve as a foundation for service to the community. These policies are adopted by Council as the basic framework for overall financial management of the City. The policies are designed to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

1. Provide an adequate financial base to sustain a sufficient level of municipal services to maintain the social well-being and physical conditions of the City.
2. Deliver cost effective and efficient services to community members.
3. Provide and maintain essential public facilities, utilities, and capital equipment.
4. Protect and enhance the City's credit rating so as to obtain the lowest cost of borrowing and also to assure taxpayers and the financial community that the City is well managed and financially sound.
5. Provide the financial stability needed to navigate through economic downturns, adjust to changes in the service requirements of the community and respond to other changes as they affect the City's residents.
6. Adhere to the highest standards of financial management and reporting practices as set by the Government Finance Officers Association, the Governmental Accounting Standards Board and other related professional financial standards.
7. Fully comply with finance-related legal mandates, laws and regulations.
8. Promote intergenerational equity for the City's taxpayers and ratepayers by spreading the cost of new or upgraded City infrastructure over time so that generations benefiting from such infrastructure contribute to its cost.
9. To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, accounting and financial reporting, reserves and internal controls.
10. These policies are to be reviewed and updated on a regular basis in coordination with the City Council, the Finance Committee and City Management.

# City of Gresham Financial Policies

## 1. Long-term Financial Planning

**Purpose:** The City Council and City Management recognize the importance of long-term financial planning to support the stable delivery of services now and into the future.

- A. The City will prepare long-term financial forecasts for all appropriate funds to promote responsible planning for the use of resources and to provide sustainable service delivery into the future. The long-term financial forecasts will include projected revenues, expenditures and reserve balances.
- B. Financial forecasts will be for a minimum of the next five years. Financial forecasts may extend beyond five years for business-related funds or in cases where specific issues call for a longer time horizon. Financial forecasts for infrastructure-related funds will extend at least ten years, typically longer, consistent with the duration of existing or planned debt obligations or other long-term projects.
- C. Financial forecasts will be updated annually to reflect actual fund balances consistent with the most recent Annual Comprehensive Financial Report.
- D. Financial forecasts will be used during development of the City Manager's Proposed Budget. The Proposed Budget process should include an assessment of the ability for current services to be sustainable for the duration of the forecast. Financial challenges will be identified, and potential solutions will be presented for consideration.
- E. The City's financial plans should be strategic, meeting regulatory requirements and reflecting the Council's and the community's priorities for service while providing resources that realistically fund routine operations.

# City of Gresham Financial Policies

## 2. Revenues

**Purpose:** Efficient and effective revenue systems provide a foundation to guarantee the generation of adequate public resources to meet expenditure obligations.

- A. The City will maintain a diversified revenue system to prevent undue or unbalanced reliance on any one source of funds and to protect from short-term fluctuations in any one revenue source.
- B. When evaluating new revenue sources, the following elements will be taken into consideration: sustainability of the revenues, relation to the programs they are intended to support, administrative costs, and acceptability to the community.
- C. The cost of revenue-collection efforts should not exceed the marginal additional revenue obtained and should not absorb a large percentage of the amount collected.
- D. Distinction will be made between revenues generated through operating activities (activity generated), and those not related to specific operations (general support). Whenever practical, activity-generated revenues will be linked with the operating activities responsible for their generation.
- E. Distinction is made between those operating programs that serve limited interest and those that provide a general community benefit. Where prudent, user fees and charges will be established for those services that benefit specific individuals or organizations, with a goal of full cost recovery unless otherwise desired.
- F. User fees and charges will be based on a cost-of-service analysis and will be set at a level sufficient to recover the full cost of service whenever practical to minimize subsidization by taxpayers. The full cost of service includes both direct and indirect charges. Cost of service analyses will be periodically reviewed and updated to consider changes such as the number of customers served, methods or levels of service delivery, the cost of living/inflationary increases, or regulatory requirements.
- G. Programs categorized in the Adopted Budget as Infrastructure Funds or Business Funds will strive to be fully self-sufficient if possible. For those programs where full self-sufficiency is not feasible, cost-recovery goals will be given strong consideration.
- H. Revenues will be estimated realistically and prudently. Revenues of a volatile nature will be estimated conservatively; explanations of the underlying assumptions and risks to the forecast, including both upside and downside risks, will be provided. The City will estimate its revenues by an objective, analytical process.
- I. All fees, charges or assessments that are deferred for later payment will be evidenced by a promissory note or agreement. The City may charge periodic interest, processing fees and additional interest and penalties for delinquencies as appropriate.



## City of Gresham Financial Policies

- J. The City will pursue an aggressive policy of collecting delinquent accounts. Administrative procedures for the collection of these accounts will be maintained. When necessary, collection processes will include termination of service, foreclosure, and any other available legal action.
- K. SDCs shall be a reimbursement fee, an improvement fee, or a combination of the two.
  - i. *Reimbursement fees* shall reimburse the current users for the costs they have incurred to provide capacity in the system to serve future users.
  - ii. *Improvement fees* will be spent on capital improvements that increase capacity after the adoption date of the fee. An increase in system capacity may be established if a capital improvement increases the level of performance or service provided by existing facilities or provides new facilities.
- L. The City may choose not to impose the full cost of capital improvements upon those developments that increase the demands of the City's facilities or infrastructure. When the City adopts an SDC that does not fully recover the cost of capital improvements, alternative funding sources shall be identified to fully finance them.
- M. The City Council has determined that Public Safety is critical to the community. For many years, tax base property tax revenues have not been sufficient to fund Police and Fire services. Therefore, the City will continue to use all permanent rate property taxes and other General Fund revenue sources, as necessary, to fund the total costs of Police and Fire operations. The total costs include overhead, administrative, and support costs. Any voter approved Local Option Tax Levy or General Obligation Bond Levy would be used consistently with the language in the ballot measure.

# City of Gresham Financial Policies

## 3. Economic Development

**Purpose:** Jurisdictions benefit from having policies on the appropriate parameters for use of economic development incentives as these tools have the potential to strengthen a community's economic viability, although not without potentially substantial risk. Establishing policies in advance provides a foundation for calm and thoughtful deliberations and encourages consistency and transparency in decision-making processes.

- A. Unless otherwise formally approved by City Council, new development should pay for the entire cost of the permit process and, if feasible, any other related city service costs.
- B. In general, development fees, including Land Use, Building, and Engineering, shall not be waived. Fees may be paid or waived by the City after legal review and upon formal consent of the City Council.
- C. The City will sustain Systems Development Charges (SDCs) for the cost of demand-created facilities or infrastructure for the following systems:
  - i. Wastewater: Wastewater collection, transmission, treatment and disposal systems.
  - ii. Water: Water supply, treatment and distribution systems.
  - iii. Stormwater: Drainage and flood control systems.
  - iv. Transportation Impact: Transportation systems.
  - v. Parks: Parks and Recreation systems.
- D. The City may employ economic development incentives to encourage value-added development and accrue public benefits to the City. Public benefits may include but are not limited to:
  - i. A benefit that increases the City's employment base or materially enhances the financial position of the City by increasing assessed valuation.
  - ii. A contribution to the basic infrastructure of the City that is greater than that which would be required of the development alone
  - iii. A benefit that increases access to other public services
- E. Economic development incentives may include the formation of improvement or redevelopment districts, reimbursement, exemption or deferral of certain fees and charges, use of discount lease rates or other forms of financial incentives. All such incentives will be fully evaluated by the Budget & Finance Department and Economic Development Department as to the costs, risks and level of benefit as well as the financial impact of such incentives on the City's operating and capital budgets.
- F. The fiscal impact evaluation will be presented to Council along with City Manager's recommendation. The City Council shall make the final decision concerning proposed economic development incentives including any repayment of incentives if performance requirements are not met.
- G. Funding for economic development incentives must be identified before the approval of all such incentives.

## City of Gresham Financial Policies

- H. A development incentive shall not be provided if the development does not provide sufficient public benefit or if the cost and risks to the City will have a materially adverse impact on the City's finances or operations.

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# City of Gresham Financial Policies

## 4. Expenditures

**Purpose:** The City Council and City Management recognize the importance of prudent oversight of expenditures, demonstrated transparency and value in order to provide efficient and effective services. These policies address a range of issues around how city funds are spent in areas such as personnel, outsourcing, and funding of long-term liabilities.

- A. The City will make every effort to control expenditures to ensure City services and programs provided to its community members and taxpayers are cost effective and efficient.
- B. Expenditures will be controlled through appropriate internal controls and procedures. Management must ensure expenditures comply with the legally adopted budget. Each Department or Division Manager or Director will be responsible for the administration of their department/division/program budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department/division/program budget for compliance with spending limitations. Internal controls over payment requests include a review by the Budget and Finance Department. Payment requests are not considered approved and authorized for payment until the Budget and Finance Director or their designee has approved the disbursement.
- C. Before the City purchases any major asset or undertakes any operating or capital arrangements that create fixed costs or ongoing operational expenses, the implications of such purchases or arrangements will be considered for current and future years.
- D. The City will take positive steps to improve the productivity of its programs and employees, and will seek ways to eliminate or avoid duplicative functions within the city government and between the City of Gresham and other public agencies in the community. Outside professional review of the efficiency and effectiveness of certain City services may be periodically undertaken to provide guidance to City Council and City Management and/or to support transparency and communication with the public. Avenues to report and highlight the service efforts and accomplishments of the City's major services will also be explored and utilized when appropriate.
- E. Whenever feasible, government activities will be considered enterprises if doing so will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by a user fee or charge.
- F. Personnel Services budget projections will incorporate market salary adjustments to maintain labor market competitiveness for non-represented employees. Market adjustments are adjustments to the salary ranges and do not necessarily imply increases to employees' actual pay. These adjustments will be either higher or lower based on generally accepted practices regarding market survey data. Personnel Services assumptions will also include all union and other contract obligations, as well as other reasonably anticipated salary adjustments.

## City of Gresham Financial Policies

- G. SDC revenues shall first be applied to expenses in the following order: (a) debt-service requirements; (b) the direct cost of complying with state statutes regarding SDCs; (c) infrastructure master plans, facility studies (CIP-related.); and (d) capital improvement expenses.
- H. Council desires a market-based approach to both City Manager and City Attorney compensation. Evaluation and compensation policies and procedures should be similar to those for Department Directors and Division Managers.
- I. Total compensation including base salary and benefits should be competitive with market rate average of labor market survey agencies. An annual market adjustment mechanism based on “indexing and meeting Council expectations” should allow the City Manager and City Attorney to have a market adjustment similar to that received by other managers within the City.
- J. When recruiting for a City Manager or City Attorney, the primary focus of compensation should ensure that base salary is competitive with the labor market.

### Goals of City Manager and City Attorney Compensation Policy:

- i. To attract and retain quality employees, the base salary and total compensation will be at least at the market rate average of public agencies that are geographically proximate and of similar size and complexity within the more urbanized regions of the Pacific Northwest. An annual survey of these agencies in addition to participation in a regional public/private survey will be done by August of each year to provide information to the Council as the basis for the evaluations to be performed in September.
- ii. Salary ranges for each of the respective positions will be established with the mid-point of the salary range being at the market average with a total range spread of 20% to account for job growth and performance expectations. The range will be indexed annually based on public/private sector market survey results.

# City of Gresham Financial Policies

## 5. Operating Budget

**Purpose:** The City Council and City Management recognize the importance of a robust and transparent budget development process that results in a legally compliant budget that accurately reflects the cost of services provided by the City and is in alignment with City Council's goals and priorities.

- A. The City will prepare an annual budget with the participation of all departments.
- B. The City Council shall adopt the budget for each fund as required by budget law.
- C. All budgetary procedures will conform to existing state and local regulations. Oregon budget law requires each local government to prepare a balanced budget and Oregon Administrative Rules state the budget must be constructed in such a manner that the total resources in a fund equal the total expenditures and requirements for that fund. Budgets for all City funds will be prepared on a modified accrual basis consistent with Generally Accepted Accounting Principles.
- D. The budget process will allocate resources to achieve Council goals and city-wide strategic plans. Department goals and objectives will be identified and incorporated into the budget.
- E. The budget will use a cost allocation plan to determine the collection of internal service costs from other funds. The allocation of internal services allows the budget to reflect the full cost of providing direct services. The allocation methodology will be based on measurable usage factors or other sound rationale. The methodology, including any changes, will be documented for transparency.
- F. Oregon budget law provides legal avenues to adjust the budget for emergency expenditures or unforeseen circumstances. All such budget adjustments, including contingency transfers or supplemental budget actions, will be prepared by the Budget & Finance Department in coordination with the City Manager to ensure compliance with budget laws. Adjustments will be reviewed by the Finance Committee for a recommendation prior to presentation to Council unless insufficient time is available due to the urgent nature of the request or the impending end of the fiscal year.
- G. Staffing levels are a measurement of the ability to provide adequate services. Information by service or program area, in particular for public safety services, will be provided on a regular basis regarding the number of FTE per thousand population (or other metric as appropriate given the specific service). Benchmarks, such as comparisons with similar jurisdictions or with industry best practices, will also be provided when reasonably available.

# City of Gresham Financial Policies

## 6. Structurally Balanced Budget

**Purpose:** The City Council and City Management recognize the distinction between satisfying the statutory definition of a balanced budget versus achieving a true structurally balanced budget where ongoing expenditures are supported by ongoing revenues. Achieving a true structurally balanced budget supports financial sustainability for multiple years into the future.

- A. The City's long-term financial plans will consider recurring versus non-recurring revenues and expenses and will acknowledge when one-time spikes or drops are identified.
- B. The budget will clearly identify when reserves are being budgeted to fund ongoing operations.
- C. The Budget & Finance Department will annually report to the City Council and Finance Committee a reconciliation of budgeted and actual fund balance usage to support ongoing operations after the fiscal year has been audited.

# City of Gresham Financial Policies

## 7. General Fund Reserves

**Purpose:** General Fund reserves, or Budgetary Fund Balance, includes the budgeted amounts for Unappropriated and Contingency. Together, these serve to provide stable resources for times when service levels might otherwise be adversely affected by taxes or fees that temporarily underperform, or to cover one-time unexpected expenditures. This policy category is intended to:

- Mitigate short-term (two years or less) volatility in revenues.
- Mitigate short-term economic downturns.
- Absorb unanticipated operating needs that arise during the fiscal year but were not anticipated during the budget process.
- Sustain City services in the event of an emergency.
- Meet operating cash flow requirements before the collection of property taxes; licenses and permits; fees; county, state, and federal funding sources; and other operating revenues.
- Meet unanticipated facility and equipment repair needs.
- Maintain the City's credit ratings and bond ratings.

- A. The annual budget for the General Fund will include a beginning fund balance. This resource is the funding for contingency and ending fund balance and will be consistent with Financial Policies for General Fund contingency and ending balance as a percentage of ongoing operating expenditures. When the annual beginning fund balance is not adequate to fund both contingency and ending fund balance, the deficiency may be funded with available on-going resources.

When the General Fund's beginning fund balance exceeds the amount needed for contingency and ending fund balance, the remainder may be used for:

- i. one-time items such as capital purchases
- ii. prioritized ongoing expenditures such as operating expenses
- iii. retain for future unexpected loss of revenue or unanticipated needs.

- B. The City's goal for the General Fund reserves is to provide resources for:
- i. Contingency: The annual budget for the General Fund will include a contingency reserve of not less than X% of operating expenditures, to offset unexpected increases to operating requirements. Contingency may be utilized upon council approval. A higher level of contingency should be reserved annually when uncertainties or economic conditions warrant such actions.
  - ii. Ending Fund Balance: The annual budget for the General Fund will include an ending fund balance of not less than X% of ongoing operating expenditures. The ending fund balance is a resource that mitigates cash flow shortages early in the ensuing fiscal year and helps to modify annual fluctuations in revenues and expenditures. A higher level of ending fund balance should be reserved annually when future uncertainties or economic conditions warrant such actions to be taken.



# City of Gresham Financial Policies

## 8. Reserves in Other Funds

**Purpose:** Like the General Fund, most other funds also require reserves, or Budgetary Fund Balances. Again, these include the budgeted amounts for Unappropriated and, where relevant, Contingency. As the purpose of the reserves, the appropriate target amounts, and recommended usage policies vary widely by type of fund, this policy category will consider these in related subgroups.

- A. Use of beginning fund balance in funds other than the General Fund is determined on an individual basis related to the purpose of the fund and circumstances that are specific to that fund.
- B. Each operating fund will maintain a contingency account sufficient to meet unanticipated requirements during the budget year. A maximum contingency of 15% and minimum amount of 5% will typically be budgeted.
- C. Reserve targets for each fund will be maintained and monitored by the Budget & Finance Department.
- D. Insurance-related Funds – (Workers Compensation/Liability and Health/Dental)
  - i. Reserve balances for insurance-related funds will be maintained at a level sufficient to comply with all state and/or federal regulations applicable to that fund.
  - ii. Reserve balances will be guided by an annual actuarial analysis of the relevant program.
  - iii. Targets should consistently be tied to a reasonably conservative confidence level in order to provide long-term stability and to avoid fluctuations in revenue collection needs.
  - iv. The Budget & Finance Director will coordinate with the City Manager and City Attorney/Risk Management prior to making any change to the selected confidence level.
- E. Business Funds
  - i. Reserve balances should consider the unique nature of the fund, including the volatility of the primary revenue sources, timing of the revenue collection versus related expenses, recruitment and retention of specialized staff, and other program specific considerations.
  - ii. Reserve balance targets will be guided by the long-term financial plans. Balances should be adequate to maintain service levels during a limited-duration downturn in revenue. Fund balances of at least 6-months of operating expenses are likely, with targets between 12 and 24 months possible.
- F. Infrastructure Funds
  - i. Reserve balances for infrastructure funds are an important tool to support on-going sustainable and cost-effective delivery of services. Adequate reserves provide the ability to plan for and address repair and replacement of infrastructure and equipment, mitigate economic downturns, absorb unanticipated operating needs, maintain or enhance credit and bond ratings and support stable and predictable rates and charges.
  - ii. Utility funds (Water, Stormwater and Wastewater) will maintain a restricted balance equivalent to at least 60 days of rate-based revenue to ensure that reserves address any outstanding balances due to the timing of billing cycles. Additional reserves should be

## City of Gresham Financial Policies

maintained in a manner adequate to respond to potential volatility in revenues such as the loss of a large industrial customer or a significant change in consumer habits.

- iii. Targets for repair and replacement reserves should be guided by asset management plans to limit the growth of deferred maintenance where feasible within long-term financial plans.
- iv. Reserve balances for infrastructure funds should be established in a manner that supports future planned projects and continuity of service delivery throughout the life of the long-term financial plans.
- v. Fund balance reserves within infrastructure funds should also be established to support any debt service or other mandatory balances not otherwise addressed within the associated capital fund or debt fund.

### G. Capital Funds

- i. Reserve balances should provide adequate cash flow to facilitate construction expenditures. Projects funded by grants or other reimbursement-based revenues warrant larger reserve balances to maintain adequate working capital. Timing of project expenses should be monitored with consideration given to ensure a positive cash balance at year-end. Large construction projects with significant cash outlays will typically warrant higher reserve balances.
- ii. Reserve balances for capital funds will be guided by the 5-Year Capital Improvement Program and by long-term financial plans.
- iii. The relevant operating fund will typically hold most of the reserves for future projects beyond the upcoming fiscal year, unless there are benefits from including reserve balances within the capital fund. For example, any unspent financing proceeds that have been issued for capital construction or other specially designated proceeds should be included in the relevant capital fund to ensure appropriate segregation and facilitate accurate usage of cash.

### H. Debt Service Funds

- i. Reserve balances for each debt service fund will be maintained at a level sufficient to ensure compliance with all existing covenants and applicable requirements.

### I. Other Funds

- i. Reserve balances in the Equipment Replacement Fund will be targeted to align with future needs for equipment that will be replaced with operating funds. Levels of balances will be guided by long-term financial plans.

- H. Internal Service funds will maintain sufficient balances to fund contingency and to respond to potential volatility in revenues such as grants. Additional balances may be held to address future one-time expenditures that are not being reserved in other funds such as the Equipment Replacement Fund.

# City of Gresham Financial Policies

## 9. Capital

**Purpose:** The City Council and City Management recognize the need to responsibly plan for the full lifecycle of capital assets, including capital improvement planning, capital budgeting, project management, and asset maintenance.

- A. The City will plan for capital improvements over a multi-year period of time. The Capital Improvement Program (CIP) will directly relate to Council's goals, departmental operation plans, other long-range plans such as the Comprehensive Plan, and the policies of the City.
- B. The 5-Year CIP will be updated annually and will be incorporated into the City's budget and long-range financial planning processes. The CIP will be balanced; estimated resources will be available for capital spending as identified in the five-year plan. The adoption process will include a public hearing to provide for public input on the CIP.
- C. Funding sources for each capital project will be identified and, where feasible, all operating costs associated with a capital project will be quantified.
- D. Projects included in the CIP shall have complete information on the need for the project, description and scope of work, total cost estimates, how the project will be funded, and where feasible future operating and maintenance costs and.
- E. Every CIP project will have a project manager who will prepare the project proposals, coordinate as necessary with operations and maintenance staff, ensure that required phases are completed within schedule and budget, authorize project expenditures, ensure that all regulations and laws are observed, and periodically report project status.
- F. Bids for CIP projects will be reviewed and approved by the Budget & Finance Department prior to contract award to ensure that project expenditures are within the adopted budget and consistent with the adopted CIP. Should substantive adjustments be needed to provide consistency with the budget and/or CIP, changes will follow the Council authorized mid-year adjustment process or be addressed in the annual budget and CIP update.
- G. The City will strive to utilize the least costly funding method for its capital projects and will obtain grants, contributions and low cost state or federal loans whenever possible. The determination to use debt financing versus "pay-as-you-go" funding will consider project type, project timing, revenue availability, market conditions and the City's credit rating.
- H. Long-term debt issued to finance capital projects will be structured to match the useful life of the project. Current operations will not be financed with long-term debt.
- I. The City will maintain its infrastructure at a level adequate to protect the City's capital investment, meet any and all regulatory requirements and minimize future operating maintenance and replacement costs. The City recognizes that deferred maintenance increases future capital costs, thus placing a burden on future residents. Therefore, the budget will seek to provide for adequate maintenance and the orderly replacement of capital, plant and equipment.

## City of Gresham Financial Policies

- J. The City will plan for vehicle replacement, equipment replacement, and maintenance of City facilities, to ensure that resources are available at the appropriate time. The replacement needs will be identified in appropriate replacement schedules.
- K. System Development Charges shall be proportionate to the cost of facilities or infrastructure created by development.
- L. Reimbursement SDC fees shall be set so that future systems users shall contribute no more than an equitable share of the cost of the present facilities they use. Upon complete reimbursement for the capacity of the City's existing infrastructure, this fee will end.
- M. Improvement SDC fees shall consider the cost of projected capital improvements needed to increase the capacity of the City's facilities or systems. Upon full receipt of fees required to increase the facility to planned capacity, this fee will end.
- N. The City uses its facility master plans, such as water or wastewater, to calculate the amount of improvement SDC revenue required. These master plans show capital improvements needed to provide for an adequate infrastructure for growth, typically over a 20-year period. The projects listed in the master plan are regional and would therefore not typically include the facilities in or adjacent to a development.
- O. Public Facility Master Plans list the Improvement Fee-funded capital improvements; the estimated cost and timing for each improvement; and the proportion of the improvement funded with Improvement Fees. Projects are completed as listed in the five-year Capital Improvement Plan.
- P. The City will establish capital equipment reserves to provide for the funding of vehicles and equipment. The City will also establish major repairs and replacement (R&R) reserves to provide for funding of major repairs and replacements. R&R reserves will be used for significant system or facility repairs, replacement or maintenance costs that are unanticipated and exceed ongoing repair and maintenance expenditures in the fund's operating budget. Long-term forecasts will be used to determine the available capacity to fund repair and replacement of capital assets and infrastructure and avoid a significant unfunded liability from deferred maintenance.
- Q. The City's asset capitalization policy is to capitalize and depreciate assets greater than \$10,000 with a useful life beyond two years. Capital assets costing less than \$10,000 or having a useful life of two years or less will be treated as operating expenditures unless otherwise required. The asset capitalization threshold will be applied to individual assets rather than to groups of assets (i.e. office furniture, computer equipment, radio equipment, etc.)

# City of Gresham Financial Policies

## 10. Debt

**Purpose:** The debt management policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policies that:

- The City obtain financing only when prudent,
  - The process for identifying the timing and amount of debt or other financing be as efficient as possible,
  - The most favorable interest rate and other related costs be obtained,
  - When appropriate, future financial flexibility be maintained.
- 
- A. All debt issuances, except for minor or routine leases, will be reviewed by the Finance Committee and authorized by City Council action.
  - B. In conjunction with the City's debt financing team, including but not limited to bond counsel and financial advisors, the Budget & Finance Director structures and recommends to the City Manager and City Council all debt issuances and oversees the on-going management of all City debt. Debt includes voter approved general obligation bonds, tax increment financing, full faith and credit bonds, lease purchase obligations, revenue bonds, special assessment obligations, promissory notes, lines and letter of credit, interfund borrowings, variable rate debt, equipment financing agreements and any other contractual arrangements that obligate the City to make future principal and interest payments.
  - C. No debt will be issued for which the City is not confident that a sufficient specifically identified revenue source is available for repayment. The Budget & Finance Director will prepare an analysis of the source of repayment prior to issuance of any debt. Safeguards will be established as appropriate, including within long-term finance plans, to ensure the identified revenue source is not redirected to other uses.
  - D. The City will not use long-term debt to fund current operations, to balance the budget or to fund projects that are more appropriately funded from current resources.
  - E. The City will periodically review existing debt issuances for possible refunding opportunities. Refunding may be undertaken when legally permissible, prudent and the net benefit is sufficient and in the best interests of the City.
  - F. The City may utilize short-term debt or interfund loans as permitted, including addressing temporary issues with cash flow timing or to delay the issuance of long-term debt.
  - G. When issuing long-term debt, the City will ensure that the debt is soundly financed by:
    - i. Incurring debt only when necessary for capital improvements not appropriate to be financed from current available resources
    - ii. Ensuring that capital projects financed through long-term debt shall be financed for a period not to exceed the useful life of the project. This precludes future generations of rate payers or taxpayers from paying debt service on an asset that no longer provides benefit and prevents debt capacity from being tied up by servicing a defunct asset in the event the asset needs replacing.

## City of Gresham Financial Policies

- iii. Determining that the benefit of financing exceeds the cost of financing
  - iv. Analyzing source of repayment, debt service coverage ratios and the impact of debt service on annual fixed costs prior to issuance of long-term debt.
- H. The City may issue debt on either a competitive or negotiated basis. Bank placements and other private offerings are authorized under circumstances such as interim financings or to avoid the cost of a public sale for smaller issuances. The Budget & Finance Director will recommend the most appropriate method of sale in light of financial, market, transaction specific, and issuer-related conditions. If a negotiated public sale is determined to be in the City's best interest, a competitive process should typically be used.
- I. The City will comply with all statutory debt limitations imposed by the Oregon Revised Statutes, including ORS 287A.050, which establishes a limitation on the amount of general obligation bonds the City may issue. This limitation is 3% of the City's Real Market Value as certified by the Multnomah County Assessor.
- J. General obligation debt will not be issued for enterprise activity.
- K. City direct debt sold by public sale will have demonstrated feasibility prior to sale by receiving a rating from either Moody's or Standard & Poor's, or if unrated, by a comprehensive feasibility report. The City will strive to maintain and improve its current bond rating so its borrowing costs are minimized and its access to credit is preserved.
- L. The City will strive to maintain debt service coverage ratios and percentages that uphold the City's credit rating.
- M. The City, through the Budget and Finance Department, will comply with all bond covenants, arbitrage requirements, disclosure and other requirements specified by law including all Post Debt Issuance Tax Compliance and Continuing Disclosure Policies.
- N. Bond anticipation debt will be retired within 12 months after project completion. In no event will bond anticipation notes be outstanding more than three years.
- O. All conduit bonds sold by public sale must be credit enhanced and have demonstrated feasibility prior to sale by receiving a rating of "A" or better from either Moody's or Standard & Poor's. Conduit financing is a mechanism which allows a non-municipal entity to issue tax exempt debt through a municipal corporation such as the City of Gresham. The City is the "conduit" issuer which "passes through" tax-exempt debt that is the obligation of another entity. The security for these transactions is always that of the borrower and not the issuer.
- P. All leases as reported in the City's annual financial report under Long-Term Debt will be limited as follows:
- i. Annual lease payments recorded in the respective funds will be limited to 10% of the current revenues of the fund supporting the lease payment.
  - ii. All leases will be limited to the economic life of the equipment or facilities to be purchased, and in no case shall be extended beyond 25 years.

## City of Gresham Financial Policies

- iii. Lease purchases of equipment and facilities will be limited to fit within the City's stated mission, goal or governmental role. Any exceptions must show an economic gain and be approved by City Council.
- iv. All annual lease-purchase payments must be included in the originating department's approved budget.

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# City of Gresham Financial Policies

## 11.Grants

**Purpose:** The City seeks to leverage grant funding from Federal, State, Local or other sources when feasible. This policy category reflects guidance for decisions regarding seeking, securing and managing grant funds.

- A. The City will maintain a grants manual to support the administration of grants received from Federal, State, Local and other sources.
- B. The City will maintain an Indirect Cost Rate Proposal and Central Service Cost Allocation Plan in compliance with Federal regulations to allow for full cost recovery of overheads where possible.
- C. All potential grants shall be coordinated with the Budget and Finance Department and evaluated for matching requirements and on-going resource requirements and balanced with the benefits of the grant before acceptance. Grants may be rejected to avoid commitments beyond available funding or in cases where compliance requirements outweigh benefits.
- D. Internal controls over Grants are designed and maintained to demonstrate compliance with the purpose of the grant award, as well as all applicable Federal, State and Local laws. Evidence of compliance and effective internal controls must be retained to satisfy applicable statutes of limitations.



# City of Gresham Financial Policies

## 12. Investments

**Purpose:** City Council and City Management recognize their responsibility to prudently manage and invest the funds of the City of Gresham.

- A. The City will maintain and comply with a written Investment Policy that has been approved by City Council. The Investment Policy will establish investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures. The Investment Policy is a standalone document from these fiscal policies.
- B. The City will review and adopt the Investment Policy annually, or as otherwise needed, to comply with the requirements of Oregon statutes. The adoption process will include review by the Finance Committee prior to Council adoption.
- C. The City will consolidate or pool cash balances from various funds for investment purposes and will allocate investment earnings proportionately to each participating fund.
- D. The City will retain the services of outside professionals to support its investment program, within required procurement procedures and budgetary appropriations and consistent with Oregon statutes.
- E. Semi-annual Investment updates will be provided to the Finance Committee.

# City of Gresham Financial Policies

## 13. Procurement

**Purpose:** Policies in this category are intended to encourage efficient, effective and fair public procurement in support of the delivery of services to the community.

- A. The City will comply with the City's Purchasing Policies, guidelines and procedures and with State and Federal laws and regulations. These include, but are not limited to:
  - i. Gresham Revised Code Chapter 2.80
  - ii. Gresham Administrative Procedures Chapter 6.05 – 6.15
  - iii. Oregon Revised Statutes Chapter 279A, 279B, and 279C
  - iv. Oregon Administrative Rules Chapter 137-045 through 137-049
  - v. Code of Federal Regulations Title 2, Part 200 (specifically for federally funded projects)
- B. The City will seek to use a reasonable process for the selection of vendors, suppliers, contractors, and consultants, with consideration of open, transparent and competitive process while considering cost effectiveness, efficiency and timeliness.
- C. Purchases of goods and services will comply with the City's Buy Local Policy as adopted by Council.
- D. The City will not allow purchases to occur or services to commence without proper authorization, which could take the form of a purchase order or fully executed contract depending on the cost and type of goods and services procured, as defined in Gresham Revised Code and associated administrative rules, or as authorized by the City Manager and the Budget & Finance Director.
- E. Procurement staff in the Budget and Finance department should be informed of and review all procurement activities requiring formal or informal competitive process, even if an operating department is leading the process.
- F. Most purchases requiring formal or informal competitive process should be solicited at least every five years. Certain types of purchases will be solicited less frequently due to factors such as integrations with existing systems or significant disruptions to city operations or employees. Exceptions require approval from the Budget & Finance Director and the City Manager.
- G. Budget availability will be evaluated prior to initiating procurement activities.
- H. The City will reimburse directly for elected or appointed officials' and employees' expenses and will not reimburse expenses indirectly through any vendor working for the City. Proposals for services should not include expenses for elected or appointed officials or for employees.

# City of Gresham Financial Policies

## 14.Risk Management

**Purpose:** The City Council and City Management recognize their responsibility to provide stewardship of public assets, including the need to deter fraudulent or risky activities and to establish and maintain practices that enhance resilience.

- A. Adequate reserves will be maintained for all known liabilities, including employee leave balances. The amount in the reserves will follow generally accepted accounting principles.
- B. Adequate reserves and/or insurance coverage will be maintained for general liability, workers' compensation, health, and dental liabilities.
- C. Annual actuarial studies will be conducted for each program by a knowledgeable 3<sup>rd</sup> party to identify reserve and/or insurance coverage levels and associated confidence levels.
- D. The City will provide bond coverage for the designated City employees in an amount and with surety determined by the Risk Manager.

# City of Gresham Financial Policies

## 15.Accounting and Financial Reporting

**Purpose:** City Council and City Management recognize their responsibility to manage the City's finances lawfully and in the best interest of the City and its constituents. This policy category provides guidance and clarity regarding accounting and reporting practices.

- A. The City will comply with the following accounting and reporting standards:
  - i. Generally Accepted Accounting Principles (GAAP) developed by Governmental Accounting Standards Board,
  - ii. Government Accounting, Auditing and Financial Reporting standards prescribed by the Government Finance Officers Association (GFOA),
  - iii. Government Accounting Standards, issued by the Comptroller General of the United States,
  - iv. Oregon Revised Statutes relating to municipal finance and
  - v. Uniform grant guidance found in Code of Federal Regulations Title 2, part 200.
- B. The City will maintain an accounting and financial reporting system that conforms to Local Budget Law and ensures adherence to the budget.
- C. Reports comparing actual to budgeted expenditures will be prepared by the Budget & Finance Department and distributed to the City Manager, and City Council and Finance Committee on a regular basis. Significant budget to actual variances will be investigated and explained.
- D. In accordance with State law, a comprehensive financial audit including an audit of federal grants will be performed annually by an independent public accounting firm with the objective of expressing an opinion on the City's financial statements and assessing the accounting principles used and evaluating the internal controls in place.
- E. The City will prepare its financial statements and maintain its accounting and internal control systems in accordance with applicable standards with the goal of obtaining an unmodified opinion from its auditors.
- F. The City will publish an audited Annual Comprehensive Financial Report (ACFR) each year and will submit the report to the GFOA's "Certificate of Achievement for Excellence in Financial Reporting" program. The ACFR will be made available on the City's website.
- G. While the primary responsibility for the City's financial reporting and internal controls rests with the Budget & Finance Department and senior management, accountability for financial oversight is a shared responsibility throughout all departments and all levels of the City organization.
- H. A system of internal controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions and compliance with applicable laws and regulations.
- I. Financial systems, including account structures and project tracking, will be maintained to provide reasonable assurance that dedicated or restricted funds are used in compliance with applicable laws and regulations. Specific examples include but are not limited to:

## City of Gresham Financial Policies

- i. The City's water utility, wastewater utility, and stormwater utility are enterprise funds that are considered to be closed funds. The revenue sources of utility funds are dedicated to pay for costs associated with providing the utility's purpose and may not be used in a way that does not qualify as an expense in support of the utility's function.
- ii. System Development Charges (SDCs) will be deposited in a separate fund apart from other City resources. Each type of SDC or SDC credit (Water, Wastewater, Stormwater, Transportation and Parks) shall have its own separate account. Interest earnings will be credited accordingly. Usage of one account type by another (Water for Wastewater for example) is not allowed.
- iii. The City will provide an annual accounting for SDCs showing the total amount collected, the projects funded, any remaining balance, and growth projection for the balance of the planning period for City Council to adjust SDC amounts accordingly.
- iv. Funds where usage is restricted by statute, regulation or other contractual agreements, including property tax levies, gas taxes, building fees, transient lodging taxes, or grants.

## Current Financial Policies with Annotations

# Financial Management Policies

Revised January 4, 2011, Resolution No. 3036

## **A. GENERAL POLICIES**

1. The City organization will carry out the Council's goals and policies through a service delivery system financed through the Operating and Capital Budgets. *(Replaced with 5A-D in draft financial policies)*
2. The relationship between the Operating and Capital Budgets will be explicitly recognized and incorporated into the budget process. Funding for the Operating and Capital Budgets shall be sufficient to provide municipal operating services and maintenance or enhancement of fixed assets needed to support public demand for City services. *(Replaced with 5A-D in draft financial policies)*
3. The City will take positive steps to improve the productivity of its programs and employees, and will seek ways to eliminate duplicative functions within the city government and between the City of Gresham and other public agencies in the community. Specifically, intensive reviews of the efficiency and effectiveness of certain City services will be periodically undertaken. A reporting mechanism highlighting the service efforts and accomplishments of the City's major services will also be developed. *(Moved to 4-D with updated language in draft Financial Policies)*
4. Whenever feasible, government activities will be considered enterprises if so doing will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by a user fee or charge. *(Moved to 4-E in draft Financial Policies)*
5. New development should pay for the entire cost of the permit process and, if feasible, any other related city service costs. *(Moved to 3-A with edits in draft Financial Policies)*
6. Adequate reserves will be maintained for all known liabilities, including employee leave balances. The amount in the reserves will follow generally accepted accounting principles. *(Moved to 14-A in draft Financial Policies)*
7. The City will reimburse directly for elected or appointed officials' and employees' expenses and will not reimburse expenses indirectly through any vendor working for the City. Proposals for services should not include expenses for elected or appointed officials or for employees. *(Moved to 13-H in draft Financial Policies)*
8. Investment and Portfolio Policies are adopted by the City Council and are contained in a separate document. *(Incorporated into 12-A and 12-B in draft Financial Policies)*
9. Development fees, including Land Use, Building, and Engineering, shall not be waived. Fees may be paid by the City with express formal consent of the City Council. *(Moved to 3-B with edits in draft Financial Policies)*
10. Public Safety is one of several important functions provided by the City. Staffing levels are a measurement of the ability to provide adequate public safety services. It is recognized that sworn officers require related support personnel, and the City desires to maintain support staff proportionately. The goal staffing level for the Gresham Police Department is a total FTE ratio of 1.30 sworn officers per thousand and a total FTE ratio of 1.79 per thousand population, to be achieved by fiscal year 2000/01. *(Replaced with 5-G in draft Financial Policies)*
11. Transfers from contingency are authorized by City Council for expenditures that were not anticipated in the budget. The Gresham Finance Committee will review contingency transfer requests and provide Council with a recommendation regarding the transfer unless insufficient time is available for the review process due to the urgent nature of the request. In the event that the Finance Committee is not scheduled to meet for a period of more than one month, contingency transfer requests will be

## Financial Management Policies

presented to Council directly and the Finance Committee will be informed of Council actions.  
*(Replaced with 5-F in draft financial policies)*

12. The City's water utility, wastewater utility, and stormwater utility are enterprise funds that are considered to be closed funds. The revenue sources of utility funds are dedicated to pay for costs associated with providing the utility's purpose and may not be used in a way that does not qualify as an expense in support of the utility's function. *(Moved to 15-I-i in draft Financial Policies)*

### **B. DEBT POLICIES**

1. Total general obligation debt will not exceed 3% of the market value of the City. *(Incorporated into 10-I in draft Financial Policies)*
2. Long-term debt issued to finance capital projects will be structured to match the useful life of the project. Current operations will not be financed with long-term debt. *(Moved to 9-H in draft Financial Policies)*
3. General obligation debt will not be issued for enterprise activity. *(Moved to 10-I in draft Financial Policies)*
4. Bond anticipation debt will be retired within 12 months after project completion. In no event will bond anticipation notes be outstanding more than three years. *(Moved to 10-N in draft Financial Policies)*
5. City direct debt sold by public sale will have demonstrated feasibility prior to sale by receiving a rating from either Moody's or Standard & Poor's, or if unrated, by a comprehensive feasibility report. The City will seek to maintain and improve its current bond rating so its borrowing costs are minimized and its access to credit is preserved. *(Moved to 10-K with minor edits in draft Financial Policies)*
6. All conduit bonds sold by public sale must be credit enhanced and have demonstrated feasibility prior to sale by receiving a rating of "A" or better from either Moody's or Standard & Poor's. Conduit financing is a mechanism which allows a non-municipal entity to issue tax exempt debt through a municipal corporation such as the City of Gresham. The City is the "conduit" issuer which "passes through" tax-exempt debt that is the obligation of another entity. The security for these transactions is always that of the borrower and not the issuer. *(Moved to 10-O in draft Financial Policies)*
7. All capital leases as reported in the City's annual financial report under Long-Term Debt will be limited as follows:
  - a. Annual lease payments recorded in the respective funds will be limited to 10% of the current revenues of the fund supporting the lease payment.
  - b. All leases will be limited to the economic life of the equipment or facilities to be purchased, and in no case shall be extended beyond 25 years.

Lease purchases of equipment and facilities will be limited to fit within the City's stated mission, goal or governmental role. Any exceptions must show an economic gain and be approved by City Council.

- c. All annual lease purchase- payments must be included in the originating department's approved budget.

*(Replaced with 10-P in draft Financial Policies)*

### **C. REVENUE POLICIES**

1. The City Council has determined that Public Safety is critical to the community. For many years, tax base property tax revenues have not been sufficient to fund Police and Fire services. Therefore, the City will continue to use all tax base property taxes and other General Fund revenue sources, as necessary, to



## Financial Management Policies

fund the total costs of Police and Fire operations. The total costs include overhead, administrative, and support costs. *(Moved to 2-M in draft Financial Policies)*

2. The City will maintain a diversified revenue system to protect it from short-term fluctuations in any one revenue source. *(Moved to 2-A in draft Financial Policies)*
3. Distinction will be made between revenues generated through operating activities (activity generated), and those not related to specific operations (general support). Activity-generated revenues will be linked with the operating activities responsible for their generation. *(Moved to 2-D with minor edits in draft Financial Policies)*
4. The City will establish internal and external charges for service that reflect the full cost of service delivery and fully support both direct and indirect charges. Distinction is made between those operating programs that serve limited interest and those that provide a general community benefit. The following programs will strive to become/stay self-sufficient: (1) Development, (2) Solid Waste, (3) Transportation, (4) Water, (5) Wastewater, and (6) Stormwater. In addition, the remaining operating programs (Police, Fire and Emergency Services, Parks, and City Council), though not self-supporting, will strive to recover all of a specific service's cost if it benefits limited interests. *(Moved to 2-E, 2-F, and 2-G with edits in draft Financial Policies)*
5. The City will pursue an aggressive policy of collecting delinquent accounts. Administrative procedures for the collection of these accounts will be maintained. When necessary, collection processes will include termination of service, foreclosure, and any other available legal action. *(Moved to 2-J in draft Financial Policies)*

### **D. BUDGET POLICIES**

1. The City will integrate performance measurement and productivity indicators within the budget. *(Proposed for deletion in draft Financial Policies. Incorporated into a variety of policies including 5-D and 5-H.)*
2. Personal Services budget projections will incorporate market salary adjustments to maintain labor market competitiveness for non-represented employees. Market adjustments are adjustments to the salary ranges and do not necessarily imply increases to employees' actual pay. These adjustments will be either higher or lower based on market survey data as determined by the Portland Area Cross Industry Compensation Survey (PACS) or comparable survey source. Personal Services assumptions will also include all union and other contract obligations, as well as anticipated merit and pay-for-performance salary adjustments. *(Moved to 4-F with updated language in draft Financial Policies)*
3. The annual budget for the General Fund will include a beginning fund balance. This resource is the funding for contingency and ending fund balance and will be consistent with Financial Management Policies for General Fund contingency and ending balance as a percent of operating expenditures. When the annual beginning fund balance is not adequate to fund both contingency and ending fund balance, the deficiency may be funded with available on-going resources.

When the General Fund's beginning fund balance exceeds the amount needed for contingency and ending fund balance, the remainder may be used for

- c. one-time items such as capital purchases
- d. prioritized ongoing expenditures such as operating expenses
- e. added to the ending fund balance and designated as a "rainy day" reserve for use when there is an unexpected loss of revenue. The "rainy day" portion of the ending fund balance will be the

## Financial Management Policies

portion that exceeds 5% of the operating budget. The "rainy day" target amount should be not less than an additional 6% of the operating expenditure budget, and could be more. The total ending fund balance could potentially be 11% or more of the operating expenditure budget.

Use of beginning fund balance in funds other than the General Fund is determined on an individual basis related to the purpose of the fund and circumstances that are specific to that fund.

*(Moved to 7-A and 8-A with updates in draft Financial Policies)*

4. Funding sources for each capital project will be identified and all operating costs associated with a capital project will be quantified. *(Moved to 9-C with minor edits in draft Financial Policies)*
5. Each operating fund will maintain a contingency account sufficient to meet unanticipated requirements during the budget year. A maximum contingency of 15% and minimum amount of 5% will be budgeted. There is a separate policy for General Fund contingency. *(Moved to 8-B with minor edits in draft Financial Policies)*
6. The City will plan for capital improvements over a multi-year period of time. The Capital Improvements Program (CIP) will directly relate to Council's goals, departmental operation plans, other long-range plans such as the Comprehensive Plan, and the policies of the City. *(Moved to 9-A in draft Financial Policies)*
7. The City will maintain its infrastructure at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. *(Replaced with 9-I in draft Financial Policies)*
8. The City will plan for vehicle replacement, equipment replacement, and maintenance of City facilities, to ensure that resources are available at the appropriate time. The replacement needs will be identified in appropriate replacement schedules. *(Moved to 9-J in draft Financial Policies)*
9. The City's goal for the General Fund is to provide resources for:
  - a. Contingency: The annual budget for the General Fund will include a contingency reserve of not less than 1.5% of operating expenditures, to offset unexpected increases to operating requirements. Contingency may be utilized upon council approval.
    - A higher level of contingency should be reserved annually when uncertainties or economic conditions warrant such actions. *(Moved to 7-B-i with updates in draft Financial Policies)*
  - b. Ending Fund Balance: The annual budget for the General Fund will include an ending fund balance of not less than 5 % of operating expenditures. The ending fund balance is a resource that mitigates cash flow shortages early in the ensuing fiscal year and helps to modify annual fluctuations in revenues and expenditures.
    - A higher level of ending fund balance should be reserved annually when future uncertainties or economic conditions warrant such actions be taken. *(Moved to 7-B-ii with updates in draft Financial Policies)*
  - c. Rainy Day Reserve:
    - i. The General Fund Rainy Day Reserve balance should be in an amount that is not less than 6% of annual budgeted operating expenditures when economic conditions make this financially achievable. Annually, city management will consider appropriating funds in the proposed budget to meet or increase the minimum reserve balance in anticipation of a prolonged economic downturn.
    - ii. When all or a portion of the reserve has been used as a revenue subsidy for severe adverse changes to revenues or economic recessions, planning for the restoration of the reserve will

## Financial Management Policies

begin in the year following its use and be part of the budget development process. Annually, city management will determine whether to appropriate an amount towards the restoration of the reserve in the proposed budget based on current economic conditions, fiscal forecasts, and city service requirements.

*(Proposed for deletion in draft Financial Policies. Incorporated into 7-B-ii in draft Financial Policies)*

### **E. ACCOUNTING POLICIES**

1. Adequate reserves and/or insurance coverage will be maintained for general and workers' compensation liabilities. *(Moved to 14-B with minor edits in draft Financial Policies)*
2. The City will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles (GAAP) and Local Budget Law. *(Moved to 15-A and 15B with updates in draft Financial Policies)*
3. The City will provide full financial disclosure in all bond representations. *(Incorporated into 10-M in draft Financial Policies)*
4. The City will publish an audited Comprehensive Annual Financial Report (CAFR) each year. *(Moved to 15-F with updated language in draft Financial Policies)*
5. The City will maintain an accounting system necessary to ensure adherence to the budget and will prepare regular reports comparing actual revenues and expenditures to budgeted amounts. *(Moved to 15-A, 15-B and 15-C with updates in draft Financial Policies)*
6. The City will provide bond coverage for the Manager and City employees in an amount and with surety determined by the Risk Manager. *(Moved to 14-D with minor updates in draft Financial Policies)*

### **F. SYSTEMS DEVELOPMENT CHARGE POLICIES (SDCs)**

1. The City will sustain Systems Development Charges (SDCs) for the cost of demand-created facilities or infrastructure for the following systems:
  - WASTEWATER: Wastewater collection, transmission, treatment and disposal systems.
  - WATER: Water supply, treatment and distribution systems.
  - STORMWATER: Drainage and flood control systems.
  - TRANSPORTATION IMPACT: Transportation systems.
  - PARKS: Parks and Recreation systems.*(Moved to 3-C in draft Financial Policies)*
2. SDCs shall be a reimbursement fee, an improvement fee, or a combination of the two.
  - a. *Reimbursement fees* shall reimburse the current users for the costs they have incurred to provide capacity in the system to serve future users.
  - b. *Improvement fees* will be spent on capital improvements that increase capacity after the adoption date of the fee. An increase in system capacity may be established if a capital improvement increases the level of performance or service provided by existing facilities, or provides new facilities.

*(Moved to 2-K in draft Financial Policies)*

## Financial Management Policies

3. Systems Development Charges shall be proportionate to the cost of facilities or infrastructure created by development. *(Moved to 9-K in draft Financial Policies)*
  - a. *Reimbursement fees* shall be set so that future systems users shall contribute no more than an equitable share of the cost of the present facilities they use. Upon complete reimbursement for the capacity of the City's existing infrastructure, this fee will end. *(Moved to 9-L in draft Financial Policies)*
  - b. *Improvement fees* shall consider the cost of projected capital improvements needed to increase the capacity of the City's facilities or systems. Upon full receipt of fees required to increase the facility to planned capacity, this fee will end. *(Moved to 9-M in draft Financial Policies)*

The City uses its facility master plans, such as water or wastewater, to calculate the amount of SDC revenue required. These master plans show capital improvements needed to provide for an adequate infrastructure for growth, typically over a 20-year period. The projects listed in the master plan are regional and would therefore not typically include the facilities in or adjacent to a development. *(Moved to 9-N in draft Financial Policies)*

Conversely, a reduction in projected required infrastructure would result in Improvement Fee SDC rates declining. *(Proposed for deletion since addressed within specific SDC methodologies)*

4. The City may choose not to impose the full cost of capital improvements upon those developments that increase the demands on the City's facilities or infrastructure. When the City adopts an SDC that does not fully recover the cost of capital improvements, alternative funding sources shall be identified to fully finance them. *(Moved to 2-L in draft Financial Policies)*
5. The Public Facility Master Plan lists the Improvement Fee-funded capital improvements; the estimated cost and timing for each improvement; and the proportion of the improvement funded with Improvement Fees. Projects are completed as listed in the five-year Capital Improvement Plan. *(Moved to 9-O in draft Financial Policies)*
6. SDCs shall be deposited in a separate fund apart from other City resources. Each type of SDC (see Item 1) shall have its own separate account. Interest earnings shall be credited accordingly. *(Moved to 15-H-ii with updates in draft Financial Policies)*
7. SDC revenues shall first be applied to expenses in the following order:
  - a. Debt-service requirements.
  - b. The direct cost of complying with State Statutes regarding SDCs.
  - c. Infrastructure master plans, facility studies (CIP-related.)
  - d. Capital improvement expenses.

*(Moved to 4-G in draft Financial Policies)*

8. The City shall provide an annual accounting for SDCs showing the total amount collected, the projects funded, any remaining balance, and growth projection for the balance of the planning period for City Council to adjust SDC amounts accordingly. *(Moved to 15-I-iii in draft Financial Policies)*

# Financial Management Policies

## **G. CITY MANAGER AND CITY ATTORNEY COMPENSATION POLICIES**

1. Council desires a market-based approach to both City Manager and City Attorney compensation. Evaluation and compensation policies and procedures should be similar to those for Department Directors and Division Managers. *(Moved to 4-H in draft Financial Policies)*
2. Total compensation including base salary and benefits should be competitive with market rate average of labor market survey agencies. An annual market adjustment mechanism based on “indexing and meeting Council expectations” should allow the City Manager and City Attorney to have a market adjustment similar to that received by other managers within the City. *(Moved to 4-I in draft Financial Policies)*
3. When recruiting, primary focus of compensation should ensure that base salary is competitive with the labor market.

### **Goals of Compensation Policy:**

- a. To attract and retain quality employees, the base salary and total compensation will be at least at the market rate average of public agencies that are geographically proximate and of similar size and complexity within the more urbanized regions of the Pacific Northwest. An annual survey of these agencies in addition to participation in a regional public/private survey will be done by August of each year to provide information to the Council as the basis for the evaluations to be performed in September.
- b. Salary ranges for each of the respective positions will be established with the mid-point of the salary range being at the market average with a total range spread of 20% to account for job growth and performance expectations. The range will be indexed annually based on public/private sector market survey results.

*(Moved to 4-J in draft Financial Policies)*

Meeting Date: June 18, 2025  
Agenda Item: 7. Audit Planning Letter

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The City's external auditors, Baker Tilly (previously Moss Adams), have provided a letter for City Council and Finance Committee outlining their scope of work related to the City's upcoming audit, the standards that will be utilized, and the communication that will be provided to City Council and Finance Committee.

## **Communication with Those Charged with City of Gresham's Governance During Planning**

To the Finance Committee  
City of Gresham, Oregon

In connection with our engagement to audit the financial statements of the City of Gresham (the City) as of and for the year ended June 30, 2025, professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit and the planned scope and timing of our audit. We would also appreciate the opportunity to meet with you to discuss this information further since two-way communication can provide valuable information in the audit process.

As stated in our engagement letter dated April 30, 2025, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the purpose of forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

The objectives also include reporting on the following:

Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*.

Internal control over compliance related to major federal programs and on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and the audit requirements contained in OMB Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The reports on internal control and compliance will each include a statement that the purpose of the report is solely to: describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance; describe the scope of testing internal control over compliance for major federal programs and major federal program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance; that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance and the OMB Uniform Guidance in considering internal control over compliance and major federal program compliance; and, accordingly, it is not suitable for any other purpose.

We will also report on whether the schedule of expenditures of federal awards and related notes and the combining and individual fund statements and schedules, presented as supplementary information, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. We will not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance. The following RSI will be subjected to certain limited procedures, but will not be audited:

- 1) Management's discussion and analysis
- 2) Schedule of the changes in the City's total OPEB liability and related ratios – implicit rate subsidy plan
- 3) Schedule of the City's proportionate share of the net OPEB liability (asset) – Oregon Public Employees Retirement System, Retirement Health Insurance Account
- 4) Schedule of the City's contribution – Oregon Public Employees Retirement System
- 5) Schedule of the City's proportionate share of the net pension liability (asset) – Oregon Public Employees Retirement System
- 6) Schedule of the City's contributions – Oregon Public Employees Retirement System

We have not been engaged to report on whether the introductory, statistical, or continuing disclosure sections presented as other information, is fairly stated, in all material respects, in relation to the financial statements as a whole.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.



Our audit will include obtaining an understanding of the City and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. We will communicate to you at the conclusion of our audit, significant matters that we believe are relevant to your responsibilities in overseeing the financial reporting process, including any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit on October 13, 2025, and issue our report on December 15, 2025.

During the planning of the audit, we have identified the following higher risk areas:

- Revenue recognition
- Valuation of cash and investments
- Classification of long-term assets
- Completeness and valuation of actuarially determined liabilities
- Completeness of debt disclosures
- Management override of internal controls
- Compliance with federal laws and regulations and Oregon minimum standards

Your client service team includes:

- Ashley Osten – Engagement Partner
- Amanda Moore – Concurring Reviewer
- Kevin Mullerleile – Senior Manager
- David Levitskiy – Manager

This information is intended solely for the information and use of the Mayor, City Council, Finance Committee, and management of the City of Gresham and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon

May 19, 2025