

**CITY OF MEDFORD**  
**2015 - 2017 Biennial Budget**

**Background Information:**

The 2001 Oregon Legislature revised local budget law to allow municipalities to adopt biennial budgets. The City of Medford has prepared a two-year budget since the 2003-2005 biennium. As anticipated, the adoption of biennial budgets has significantly reduced staff time devoted to preparing budgets each year.

**Category Descriptions:**

Under Oregon Local Budget Law, expenditures are grouped into five different categories: personnel services, materials and services, capital outlay, capital improvements, and transfers and other.

*Personnel Services* include salaries, overtime, temporary and seasonal help, employee insurance, retirement benefits and payroll taxes.

*Materials and Services* account for all general operating expenditures, which include supplies, fuel, utilities including telephone, gas and electricity, professional services, and training.

*Capital Outlay* includes fixed assets purchased or constructed with a value of \$5,000 or more.

*Capital Improvement Projects (CIPs)* are projects that involve additions to, or enhancements of, the City's infrastructure and include buildings, roads, sidewalks, storm drains, parks and waste water treatment facilities. These projects frequently require phasing over multiple years because of their scope and complexity. We are presenting carryover requirements of CIP projects as an indication as to whether they will be complete by the end of the biennium.

*Transfers and Other* includes the transfers & special payments budget categories which are transfers to other departments/funds for a variety of purposes, including debt service and special payments. These become resources to other funds in the budget. Though not technically expenditures, all interfund transfers and loans are reflected as required by Local Budget Law.

Contingency accounts (which are an appropriated level of reserves) are three (3) months of operating expense for all funds. This enables each fund (with Council approval) the flexibility of accessing three months of working capital from reserves during the biennium. Contingency requirements exclude the CIP and other categories.

Unappropriated Ending Fund Balance represents a set-aside for subsequent years' cash and working capital. Such funds can only be "accessed" by Council action in response to a civil disturbance or natural disaster (ORS 294.455). The Unappropriated Ending Fund Balance is the difference between revenues and expenditure (including Contingency) appropriations.

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**Comprehensive Financial Policy:**

This budget document has been prepared in the format of a program-based budget. All costs have been assigned to program account codes and consolidated into standard expenditure categories. This format does not affect the fund accounting procedures, as appropriations will be by department by fund.

The City of Medford uses the modified accrual basis of accounting for governmental and fiduciary fund types and the accrual basis of accounting for the proprietary fund types, including full encumbrances, in accordance with generally accepted accounting principles.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when the related fund liability is incurred. The exception to this general rule is interest on general long-term debt which is recognized when due. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recognized, when liabilities are incurred. Service revenues are recognized as billed.

The City has modified its Comprehensive Financial Policy to include a formalized Contingency Policy and implement GASB 54 reclassifying ending fund balances.

1. The City of Medford's target contingency will be 25% of annual operating budgets or 12.5% of a biennial operating budget (excluding capital and CIP expenditures):
  - a. The City will maintain General Fund undesignated reserves of at 12.5% of the biennial operating budget of the General Fund.
  - b. All other operating funds – The City will maintain undesignated reserves of at least 12.5% of the biennial operating budget unless it can be demonstrated that less than 12.5% is adequate to meet the needs of the operation for the biennium.
  - c. Use of fund balance to support budgeted operations in the General or other funds shall be explained in the annual budget document; such explanation shall describe the nature of the budgeted reduction in the fund balance and its expected future impact. Fund balances in excess of future needs shall be evaluated for alternative uses.
2. The City delegated to the Finance Director, the authority to assign (and un-assign) additional amounts intended to be used for specific purposes more narrow than the overall purpose of the funds established by Council. A schedule of such assignments shall be included within the adopted budget document.

The City of Medford considers restricted amounts to have been spent prior to unrestricted (committed, assigned, or unassigned) amounts when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. Within unrestricted amounts, committed amounts are considered to have been spent

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first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The following information will be specified by Council in the establishment of Stabilization Arrangements as defined in GASB Statement No. 54:

- a. the authority for establishing the arrangement (resolution or ordinance),
- b. the requirements, if any, for additions to the stabilization amount,
- c. the specific conditions under which stabilization amounts may be spent, and
- d. the intended stabilization balance