



# ADMINISTRATIVE POLICY

<b>SECTION:</b> 400 – Finance	<b>POLICY#:</b> 405
<b>TITLE:</b> Budget Contingency and Reserve Policy	<b>R &amp; O #:</b> 24-11
	<b>IMPLEMENTED BY PROCEDURE #:</b> N/A
<b>SPONSORING DEPT/DIV:</b> Finance	
<b>ADOPTED:</b> 02/06/2024	<b>REVIEWED:</b>

**PURPOSE:** The purpose of this policy is to establish the County’s budget contingency and reserve policy.

**AUTHORITY:** The Washington County Board of County Commissioners may establish rules and regulations to manage the interests and business of the County under Section 31 of the Washington County Charter.

**GENERAL POLICY:** In order to maintain a prudent level of financial resources to protect against the need to reduce service levels due to cyclical variations in revenues or unforeseeable one-time unpredicted expenditures, the County will establish and maintain certain working capital balances in the form of budgeted reserves as defined in policy guideline 4b. below. These resources are a critical and core element of the county’s financial planning and fiscal stability, but also serve other purposes. They contribute to preserving the county’s overall bond rating, minimize the need for short-term borrowing to meet cash flow needs, and minimize reliance on local operating levies for long-term sustainability of programs and services.

This policy applies to all funds, organization units and programs within the budget of Washington County, Service District for Lighting No. 1, Enhanced Sheriff’s Patrol District, Urban Road Maintenance District, and North Bethany County Service District for Roads.

## **POLICY GUIDELINES:**

1. Budgeted Reserves, as defined in this policy, consist of two types of budgeted accounts.
  - 1.1 Contingency. A nonspendable account defined in Oregon Local Budget Law that may be accessed during the fiscal year to transfer appropriations to a spendable account, when the need for such appropriations is approved by the Board of County Commissioners; and,
  - 1.2 Reserve for Future Expenditures. An unappropriated nonspendable account from which under Oregon Local Budget Law no appropriation can be transferred. The amount budgeted at adoption of the annual budget will be maintained for the fiscal

year period. Reserve for Future Expenditure accounts exist for a twelve-month fiscal year period and then are subject to reconsideration during the annual budget process by the Budget Committee and Board of County Commissioners. If sufficient resources exist for funding the reserve in the succeeding fiscal year, amounts may be reallocated through the budget process to a spendable category account in whole or in part.

2. Budgeted Reserves Policy by Fund Type.

- 2.1 Operating Funds. Funds providing for the day-to-day operation of county departments should maintain a minimum contingency of one month's value (1/12th or 8.3%) of the fund's operating budget. Operating funds that rely on property tax revenue, including the General Fund and other operating funds supported by property taxes and local option levies, will budget a minimum of four month's (4/12th or 33.3%) of estimated annual property tax revenue retained in the fund as contingency. The General Fund's contingency amount is calculated based on the property tax revenue retained net of property tax collected for and dedicated to the Major Streets Transportation Improvement Program (MSTIP) and Washington County Cooperative Library Services (WCCLS).
- 2.2 Internal Service Funds. Internal service functions primarily provide services within the county to direct service functions. Because the costs associated with these functions are stable, operate on a break-even basis and are funded by direct service funds, the need for contingencies is less than other operating funds. As a result, these funds should budget a 3% contingency with the exception of the Facilities Department which may budget up to 8.3% similar to other county operating departments described in 4.c.i.
- 2.3 Capital, Reserve, Debt Service and Insurance Funds. Other funds, due to their specific purposes, may require a reserve level that is based on other factors than defined in 4.c.i. or 4.c.ii. Reserves for these funds will be determined during the development of the annual budget by the Chief Financial Officer and Department Head based on the unique needs of each fund and anticipated use of funds in future years. In the event of an emergency requiring the utilization of the reserve funds, the county department responsible for management of the fund will work with Finance to develop a plan to reestablish the reserves.
- 2.4 Strategic Investment Program Fund. Strategic Investment Program (SIP) revenue funds ongoing general county operations in the General Fund and one-time projects both of which are approved by the Board of County Commissioners as part of the County's budget process. The SIP Fund shall maintain a minimum reserve balance equal to the average of the prior three year's amount of operating support to the General Fund. The purpose of these reserves is to provide temporary transitional operational funding to the General Fund in event that SIP agreements sunset or that the state legislation authorizing SIPs is changed or terminated.

3. Exceptions.

Exceptions to this policy may only be granted by the Washington County Board of County Commissioners unless such authority has been delegated to the County Administrator under Washington County Code 2.04.010 and 2.04.100 or under any similar ordinance or policy adopted by the Board.

4. Implementation.  
Observance of and adherence to this policy is mandatory for all County employees and elected officials.
5. Periodic Review.  
This policy shall be reviewed periodically by the Finance Department and updated as necessary.