

Section 6

Financial Planning: Five-Year Forecasts & Fee Studies

Financial Planning

Five-Year Financial Plans

The City prepares Five-Year Financial Plans to guide City Council in adopting the City budget and to assist Council in ensuring the delivery of needed services through all types of economic cycles. A [list of the funds](#) required to submit a financial plan is located in the Comprehensive Financial Management Policies. Bureaus required to submit a Five-Year Financial Plan will submit a plan for FY 2020-2025. Recently, the City has added new funds, which will be updated in FIN 2.03.01. The following shall submit Five-Year Financial Plans at the fund level:

- Office of Community Technology (General Fund)
- Portland Police Association Health Fund
- Portland Clean Energy Fund (PCEF)
- Recreational Marijuana Tax Fund

The principles and assumptions that should form the basis for the financial plans are the same as in previous years and are as follows:

- Financial plans are based on current service levels and funding sources, as well as anticipated changes to service levels and funding.
- If appropriate, the plans will identify additional resources needed to continue current service levels or identified service adjustments.
- Bureaus should use the same basic economic assumptions as the General Fund forecasts which will be distributed by CBO.
- The plan should identify other assumptions used in the forecast and the associated risks. Examples of risks can include rates, legislation and legal rulings that affect City liability, pension systems or health benefit plans, as well as regional economic trends that affect City revenues.
- Revenue estimates will be prepared on a conservative basis to minimize the possibility that economic fluctuations could jeopardize ongoing service delivery during the year.
- Expenditure estimates will anticipate needs that are reasonably predictable.
- Enterprise and special revenue fund forecasts will identify any impact on rates.
- The forecasts will discuss how standards for debt service coverage and operating reserves are established and maintained.
- Fiduciary fund forecasts will identify the impact on tax rates.

We have created an optional [Word template](#) and [Excel template](#) that may be used to assist with the preparation of the Five-Year Financial Plan.

Fee Study

[Comprehensive Financial Management Policy 2.06](#) states that all bureaus charging fees are required to complete fee studies base on cost-of-service principles every three years. The studies should identify:

- Where appropriate, whether the existing fee structure provides full cost recovery.

- The economic impact of new or expanded fees, especially in comparison with other governments within the metropolitan area.
- The true or comprehensive cost of providing a service, including the cost of fee collection and administration and other indirect cost allocations.
- The impact of imposing or increasing fees on economically at-risk populations and on businesses.
- The overall achievement of City goals.

According to the policy, charges for services that benefit specific users should recover full costs. To ensure that each service is achieving full cost recovery, the fee studies need to break down resources and requirements for each individual service.

For bureaus that are required to submit Five-Year Financial Plans, the fee study can be a component of that plan. A bureau that is not required to submit a financial plan should include the fee study as a separate document within the Requested Budget submittal.