

# Printing & Distribution Services Operating Fund

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**Managing Bureau:** Office of Management and Finance, Bureau of Internal Business Services

**Statement of Purpose:** The Printing & Distribution Services Operating Fund was established to account for Printing & Distribution Division revenues and expenditures. The division provides support services to all City bureaus, Multnomah County, Portland-area State of Oregon departments, and other local governmental agencies. Services include: traditional printing and binding, digital printing and pre-press services, variable data printing, microfilming, reprographics and blueprints, the purchase and maintenance of copy machines, Citywide paper procurement and management, United States Postal Service mail processing, inserting, addressing, and delivering mail and supplies. The main source of revenue is reimbursement from other City bureaus and outside agencies for services provided.

**Sources of Revenue:** The fund's primary revenues are interagency revenue from City bureaus for services provided. The fund also receives revenues for outside agencies and other organizations for services provided. The fund earns interest income on its fund balance.

**Contingency Requirements:** Per Financial Policy 2.04, contingency funds should be used to address reasonable but unforeseen requirements within the fiscal year. There are no minimum or maximum contingency requirements for the fund.

**Reserve Requirements:** The operating reserve size requirement is 5% to 10% of the fund's fixed cost annual operating budget. The Operating Reserve has two purposes, to fund one-time, emergency, or unanticipated expenditure requirements, and to maintain current service levels in the event of unanticipated revenue reductions within a fiscal year. Authorized uses include, Funding one-time, emergency, or unanticipated expenditure requirements, and maintaining current service levels in the event of unanticipated revenue reductions within a fiscal year. The reserve can only be used after it is determined that the operating budget cannot fund the expenditure, or cannot be updated for a revenue reduction, and the bureau director and Chief Administrative Officer have approved the use. If a fund's reserves are lower than the target levels, the fund will use income from higher-than budgeted collections or lower-than-budgeted expenditures to come up to the required reserve. Rates can be set at levels higher than actual costs in order to replenish reserves, as long as overall costs to customers stay within the level of inflation and rates remain competitive with outside vendors. Additionally a fund's manager has the option of going to Council and – through a decision package - requesting a rate increase over the level of targeted inflation to replenish reserves.

The capital reserve size requirement level is 10% of the replacement values of the production equipment the fund owns. The capital reserve is to replace production equipment that has become obsolete, or has high maintenance costs before it has achieved its useful life. The authorized use of the fund is for funding the replacement of equipment that has become obsolete, or has high maintenance costs before it has achieved its useful life. The identification of production equipment to be replace triggers use of this fund. The appropriation for these replacements is approved by the Council as part of the budget process. The replenishment policy of this reserve is that each time a piece of production equipment is used in providing a service to a customer the charge to the

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customer includes a cost component for the replacement of the equipment used in providing the service.

The equipment replacement reserve is based on actual collections from copier replacement rates less actual expenses for purchases. The purpose of the equipment replacement reserve is to fund the replacement of copiers the fund owns and assigns to bureaus. There is no required reserve level. The trigger for using the equipment replacement reserve is that copiers to be replaced are identified by Printing & Distribution. The appropriation for these replacements is approved by the Council as part of the budget process. The equipment replacement reserve requirement is that each year the reserve receives money from copier replacement rate revenues.

**Disposition of Funds:** In the event the fund is closed, all remaining resources would be returned to City bureau customers based on prior year levels of services received. Any residual amounts posted to the fund after closure would revert to the General Fund.

**Method for periodically testing the cost-effectiveness of pre-funding capital replacement versus leasing or lease purchasing for capital goods:** When the need to acquire a capital good arises several factors contribute to the financing mechanism used for acquiring the goods. These include, the fund has in place replacement programs for capital equipment so the fund has cash available for the replacement purchase when the equipment is at the end of its useful, the fund has cash reserves that can be used to cash finance purchases, the City's cost of borrowing is lower than the private sector, the relative size and term of the need compared to the capital outlay required. For example, the fund leases specialty vehicles and equipment when the need is for a short period of time.

**Equipment replacement policies:** Policies are documented in Chapter 4.05 and 4.09 of the Office of Management & Finance's policies and procedures.

**Method of accounting for equipment reserves and purchases for each bureau:** The fund maintains reserves for all equipment by device for all bureaus. These are updated annually as part of the fund's year end fund balance analysis. Purchases are tracked in the City's financial system.

**Policy and procedure for protecting capital reserves from being used for operating purposes:** Policies are documented in Chapter 4 of the Office of Management & Finance's policies and procedures.

**Method for testing the cost-effectiveness of providing services internally:** When the need for a service is identified, the manager decides on directing City staff to perform the services or contracting out the work depending on a number of factors including:

- Union agreements
- Costs/value
- When the work needs to be done

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- Time required to deliver the service
- Capacity of staff
- Expertise of staff
- Availability of equipment required to provide service
- Any extreme risk associated with the work
- The existence of warranties
- Any requirements from the funding source