

CITY OF SWEET HOME FINANCIAL POLICIES

STATEMENT OF FINANCIAL POLICIES

The purpose of this section is to present the general guidelines the City of Sweet Home follows in managing its financial, operational and budgetary affairs. These are general statements representing long-standing principles that have guided the City in maintaining its financial stability.

I. GENERAL

1. The City organization intends to carry out the City Council's goals, objectives and policies through a service delivery system financed through its Operating and Capital Budgets.
2. The relationship between the Operating and Capital Budgets will be ~~explicitly recognized and~~ incorporated into the budget process. Funding for these budgets should be sufficient to provide municipal operating services and maintenance or enhancement of fixed assets needed to support public demand for City services.
3. The City will seek positive steps to improve the productivity of its programs and employees and will investigate ways to eliminate duplicative functions within the city government and between the City of Sweet Home and other public agencies in the community. Reviews of the efficiency and effectiveness of certain City services will be periodically undertaken when applicable. To help measure effectiveness and efficiencies, a reporting mechanism highlighting the service efforts and accomplishments of the City's major services should be developed.
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 user fees.
5. Attempts to maintain adequate annual reserves for all known liabilities, including employee leave balances, will be encouraged.
6. Efforts will be coordinated with other governmental agencies to achieve common policy objectives, share the cost of providing governmental services on an equitable basis and support favorable legislation at the state and federal level.
7. The City may seek out, apply for and effectively administer federal, state and foundation grants-in-aid that address the City's current priorities and policy objectives.
8. The City will encourage and participate in economic development efforts to create job opportunities and strengthen the local economy.
9. The City will ensure that the appropriate retirement funds are adequately funded and operated for the exclusive benefit of the participants and their beneficiaries.

II. REVENUES

1. The City of Sweet Home will, whenever possible, try to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one source.
2. The City will follow an aggressive policy of collecting revenues.
3. When practical, the City will establish all user charge fees at a level related to the full costs (operating, direct, indirect and capital) of providing the service. The City will review fees/charges periodically and/or when required by Ordinance, law, or other.
4. The City will consider market rates and charges levied by other municipalities of similar size for like services in establishing rates, fees and charges as a “comparison” only.
5. Enterprise and Internal Service operations will strive to be self-supporting.

III. EXPENDITURES

1. The City of Sweet Home shall operate on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues plus the planned use of fund balances accumulated through prior years.
2. The City shall take immediate corrective actions if at any time during the fiscal year expenditures and revenue re-estimates are such that an operating deficit is projected at year-end. Corrective actions can include a hiring freeze, expenditure reductions, fee increases or use of contingencies. Expenditure deferrals into the following fiscal year, short-term loans, or use of one-time revenue sources to balance the budget shall be avoided if at all possible.
3. The City Manager may undertake periodic staff and third-party reviews of City programs for both efficiency and effectiveness. Public/Private Partnerships, Privatization, and/or contracting with other government agencies can be evaluated as alternatives to service delivery.
4. The City shall make every effort to maximize any discounts offered by creditors/vendors. Staff shall be encouraged to use competitive bidding to attain the best possible price on goods and services when feasible and not otherwise required by rule/law.

IV. CONTINGENCIES/FUND BALANCES

The City is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

1. General Fund:
 - Contingency, minimum of \$50,000 preferred
 - Ending Fund Balance, needs to cover four months of general operating services
 - Avoid borrowing from other funds

2. Police Operating Levy Fund:
 - Contingency, 3% of operating expenses
 - Ending Fund Balance, needs to cover four months of general operating services
 - Avoid borrowing from other funds

3. Library Operating Levy Fund:
 - Contingency, 3% of operating expenses
 - Ending Fund Balance, needs to cover four months of general operating services
 - Avoid borrowing from other funds

4. Depreciation/Capital Replacement Funds:
 - Continue to maintain equipment and building reserves
 - Create sufficient dollars to allow for replacement without major bond financing
 - Have an investment strategy to guarantee capital upgrades

5. Develop Community Priorities:
 - Determine what are mandated, essential and desired services
 - Utilize public input (i.e., surveys, radio, public meetings, neighborhood meetings)

All operating funds are encouraged to maintain a contingency-

FUND BALANCE DEFINITIONS:

GASB 54 defines fund balances for financial reporting to be classified as follows:

1. Non-spendable –Represents assets that are nonliquid (such as inventory) or legally or contractually required to be maintained intact (such as the principal amount of an endowment).

2. Restricted – When constraints are placed on the use of resources for a specific purpose by enabling legislation (legally enforceable), external parties or constitutional provisions.

3. Committed –When constraints are created by the governing body on how it will spend its resources. These are enacted via legislation, resolution or ordinance and are in place as of the end of the fiscal period. The constraints remain binding until formally rescinded or changed by the same method the constraints were created. The difference between Restricted and Committed is that under Committed, the governing body can removed constraints it has imposed upon itself.

4. Assigned –Designation of amounts by either the governing body or the staff (if authorized) to be used for a specific purpose narrower than the purpose of the fund.

5. Unassigned – The excess of total ending fund balance over nonspendable, restricted, committed and assigned amounts. Only the General Fund has an unassigned category since money remaining in any other fund is automatically designated or assigned to the purposes of that fund.

AUTHORIZATION FOR SPECIFIC MEMBERS OF MANAGEMENT TO ASSIGN FUND BALANCES:

The Finance Director shall be responsible for monitoring and reporting the City’s various reserves and fund balance categories. The City Manager/Budget Officer is directed to make recommendations to the Council on the use of reserve funds both as an element of the annual operating budget submission and as needed throughout the year. Annually, the City Manager/Budget Officer shall be responsible for identification of resource assignments within the proposed budget document.

SPENDING PRIORITY FOR FUND BALANCES:

When fund balances are available for use, it is the City’s policy to follow GASB 54 requirements to use restricted balances first, committed balances, then assigned balances for purposes which they can be used for. The spendable unrestricted revenue amounts in the special revenue funds, capital projects funds and debt service funds are committed to be used for the purpose for which the fund was established.

COMMITMENT OF FUND BALANCE:

Commitment of fund balance shall be done through adoption of a resolution by the City Council. Further commitments of fund balance may be modified or rescinded only through approval of the City Council via resolution.

V. CAPITAL IMPROVEMENT PLAN (CIP)

1. The City will develop a multi-year plan for Capital improvements, update it annually and make all capital improvements in accordance with the plan.
2. The City will strive to maintain its physical assets at a level adequate to protect the City’s ~~capital investments~~capital investments and to minimize future maintenance and replacement costs. The budget will provide for adequate maintenance and orderly replacement of capital assets from current revenues where possible.
3. Capital projects should conform to the following criteria:
 - will be part of an approved City plan;
 - will be part on an adopted maintenance and/or replacement schedule;
 - will minimize operating costs; and
 - will be selected according to the established Capital Improvement Plan.

The capital budget process works in conjunction with the regular operating budget process. CIP projects are flagged as funded or unfunded depending on whether or not the forecasted operating budget can support or fund the project. All funded CIP projects are included in the operating budget for the current budget year.

VI. CAPITAL ASSET MANAGEMENT

1. City assets will ~~not~~ be degraded, given away or allowed to deteriorate ~~except by action of the council in accordance with SHMC Chapter 3.08.~~
2. ~~Funding new long term capital assets will be the responsibility of the community as a whole and should be funded through general obligation bonds, SDC's proportionate equity asset shares, grants and gifts or volunteer contributions when appropriate.~~
3. New private development in the city that requires increased capacity or places increased demand on the community must purchase an equity asset share. This share is based on the development's proportionate share of the current replacement value of the existing assets required by the development including capacity expansion required to serve the new development.
4. To the extent allowed by law, system development charges will be designed to recapture from private development the full cost of community assets in place at the time of the development and the necessary expansion of those systems caused by increased demand on those assets.
5. The capitalization threshold used in determining if a given asset qualifies for capitalization is ~~\$200 per item~~ equal to that defined in the Oregon Accounting Manual (OAM) Number 15.60.10.
6. The Finance Department shall organize a physical count/inspection of all capital assets as of each fiscal year end, June 30.
7. Adequate insurance shall be maintained on all capital assets consistent with the results of the annual physical count/inspection.
8. GASB 34: The Government Accounting Standards Board (GASB) has required local governments to report infrastructure and depreciation on all capital assets. The City implemented these policies as of July 1, 2002.

VII. DEBT

1. The City will confine long-term borrowing to capital improvements.
2. The City will follow a policy of full disclosure on every financial report and bond prospectus.
3. General obligation debt will not be used for self-supporting enterprise activity.
4. The City will ensure that its debt margins are within the 3% TCV (true cash value) limitation as set forth in ORS 287.004.

5. The City will use voter-approved general obligation debt to fund general-purpose public improvements that cannot be financed from current revenues.

VIII. INVESTMENTS

1. The City of Sweet Home's investment objectives are:
 - In compliance with all applicable statutes and legal provisions.
 - Preservation of capital and protection of principal.
 - Maintenance of sufficient liquidity to meet operating requirements.
 - Avoidance of imprudent credit, market and speculative risk.
 - Attainment of a market rate-of-return throughout all economic and fiscal cycles
2. Safekeeping shall be consistent with modern investment, banking and commercial practices and may include physical possession, book entry and automated recordation.
3. Except for funds requiring special handling (i.e. bond proceeds subject to arbitrage), investments other than with the Local Government Investment Pool and FDIC insured Market Link CDs not to exceed 7 year terms require the express approval of the City Administration and Finance Committee.
4. Diversification of the City's investment portfolio will be consistent with the percent limitations under (ORS 294.035 (i.e. 5%/35 maximums for corporate indebtedness) to include certain credit rating minimums.

IX. ACCOUNTING, AUDITING & FINANCIAL REPORTING

1. The City will prepare and present regular reports that analyze, evaluate and forecast the City's financial performance and economic conditions.
2. When needed, the City will seek out the assistance of qualified financial advisors and consultants in the management and administration of the City's financial functions.
3. An independent audit will be performed annually.
4. The City will issue annual financial reports in accordance with generally accepted accounting principles (GAAP) as outlined in the Governmental Accounting, Auditing and Financial Reporting (CAFR) publication.