

RESOLUTION NO. 1438

**A RESOLUTION AMENDING THE FINANCIAL MANAGEMENT POLICY
FOR THE CITY OF CENTRAL POINT**

RECITALS:

- A. Whereas the Mayor and City Council are committed to the highest standards of financial management, periodic updating of financial policies is necessary to assure consistent and rational financial management.
- B. The Mayor and Council have reviewed the attached Financial Management Policy and wish to clarify and enact the updated financial procedures that govern the operations of the City of Central Point.

THE CITY OF CENTRAL POINT RESOLVES:

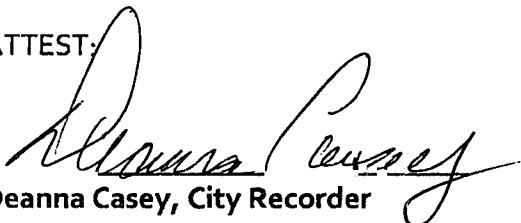
Section 1: To adopt the amended Financial Management Policy for the City of Central Point.

Passed by the Council and signed by me in authentication of its passage this December 10, 2015.



Hank Williams, Mayor

ATTEST:



Deanna Casey, City Recorder

City of Central Point

Financial Management Policy

Scope

This financial management policy applies to all fiscal activities of the City of Central Point.

Objectives

The objective of this financial policy is as follows:

- To ensure the legal use of all City funds through efficient systems of financial security and internal control.
- To carry out the City Council's goals and policies through the budget process.
- To provide and maintain essential public programs, services, facilities, utilities, infrastructure, and capital equipment.
- To employ revenue policies that prevent undue or unbalanced reliance on any one source, distribute the cost of municipal services fairly, and provide adequate funds to operate desired programs.
- To protect and enhance the City's credit rating.

Cash Management

- The Finance Director will forecast the City's cash inflows and outflows that will allow the City to keep its debt service to a minimum and to maximize the yield on temporary investments.
- Revenue and expenditure projections will be reviewed by the Finance Director on a monthly basis to determine the validity of assumptions, new information, and accuracy of seasonal or periodic fluctuations.
- The City's cash flow shall be managed with the goal of maximizing the total return on investments.

Investments

- All City funds shall be invested to provide safety of principal, a sufficient level of liquidity to meet cash flow needs, and to provide the maximum yield possible. Apart from petty cash and allowance for normal movement and transfer of cash as needed, one hundred percent of all idle cash will be invested.
- Cash may only be investment as authorized by ORS. 294.035 to 294.046, and 294.135 to 294.155. ~~which includes the requirement that investments shall mature within 18 months of the acquisition date.~~ The City will not invest in stocks nor shall it speculate or deal in futures or options.
- The City will conduct business only with financial institutions such as the Local Government Investment Pool, banks, investments brokers, investment bankers, trustees, paying agents and registrants that are deemed credit worthy.
- Management responsibility for the investment program shall rest with the City's Finance Director or delegate who shall adhere to ORS. 294.145 in managing the investment program for the City.
- Objectives:
 - a. Safety: Safety of principal is the foremost objective of the City. Each investment transaction shall be undertaken in a manner which seeks to ensure preservation of capital and avoidance of capital losses through securities defaults, erosion of market value or other risks.
 - b. Liquidity: The City's Finance Director shall match the investment portfolio with cash flow requirements. Due to the changing requirements of cash flow caused by factors not totally within the control of the City's Finance Director, the ability to convert a security into cash must be considered.
 - c. Yield: Investments of the City shall be acquired in a manner designed to attain the maximum rate of return through all budget and economic cycles while taking into account restraints on investment instruments, cash flow characteristics of transactions and safety of principal.
 - d. Reporting: The Finance Director shall maintain detail records of each investment in a form that allows for periodic reporting. On a quarterly basis, the City's outstanding investments and fiscal year to date investment income will be presented to City Council.

Accounting

- The City will maintain a fund accounting and financial reporting system that conforms with Generally Accepted Accounting Principles (GAAP) and Oregon Local Budget Law, and will issue a Comprehensive Annual Financial Report (Audit report) each fiscal year. The Comprehensive Annual Financial Report will show fund expenditures and revenues on both a GAAP and budget basis for comparison purposes.

- Pursuant to state law, the City shall have an annual financial and compliance audit, and prepare financial statements based on the audited financial information. The audit shall be performed by certified public accounting (CPA) firm, licensed to practice as Municipal Auditors in the State of Oregon. This report, including the auditor's opinion and specific reports as required by Oregon state regulations, shall be filed no later than six (6) months following the end of the fiscal year. The Finance Director shall be responsible for establishing a process to ensure timely resolution of audit recommendations, if any.
- Full disclosure will be provided in financial statements and bond representations.
- The accounting system will be maintained to monitor expenditures and revenues with thorough analysis by the City Manager and Finance Director.
- Monthly financial reports will be provided to management containing department revenues and expenditures actual to date with comparison to the budget.
- Quarterly summary financial reports will be provided to City Council and management with revenues and expenditures in summary form for each operating fund with explanations of significant financial variations to budget.
- Fund balances and reserves will be maintained in accordance with GASB 54, the Governmental Accounting Standards Board ruling for reporting dedicated resources. Categories for reporting fund balances are:
 - a) Non-spendable – these are nonliquid assets (i.e. inventory, prepayments) and liquid assets that have legal constraints preventing their use (i.e. principal of an endowment)
 - b) Restricted – assets which are constrained by an external entity (i.e. covenants in bond contracts)
(As it is the City's policy to fully comply with bond documents, covenants, inter-agency agreements, or contracted service agreements, amounts specified in any of these documents shall be included as restricted fund balance.)
 - c) Committed – constraints created by the City Council. Constraints are enacted by resolution and must be in place prior to the end of the fiscal year.
 - d) Assigned – similar to committed except constraint is not legally binding. May be created by the City Council or staff and can be created after the end of a fiscal period.
 - e) Unassigned – only the General Fund has an unassigned category. This represents any excess of total fund balance after the prior four categories are deducted.

General Fund:

The General Fund balance may contain committed resources beyond those stipulated in this financial policy for contingency and fund carryover purposes. The City Council shall adopt by resolution the commitment specifying the purpose, dollar amount and duration of the committed amount.

General Fund cash reserves may be set aside for purposes that create a sound financial operating environment, and may be assigned by the City Council, City Manager, or the

Finance Director. Assignments generally are to build cash reserves for a one-time or limited duration purchase

Special Revenue Funds:

~~The Street, High Tech Crime Unit, and Housing Fund~~ have has restricted balances for those resources received and dedicated to be used for a specific purpose.

Under this financial policy, ~~these the Street Fund funds~~ shall maintain a committed fund balance for contingency and ending fund balance in the amount ~~as specified for each fund~~. Assigned balances may also be created as necessary under the same policy as for the General Fund.

Enterprise Funds:

Water, Stormwater, and Building Funds must retain any debt service reserve obligations as restricted. Terms of the reserves are generally specified in the associated bond documents, covenants, or agreements.

Under this financial policy, these funds shall maintain a committed fund balance for contingency and ending fund balance in the amount stated for each fund.

Assigned balances may also be created as necessary under the same policy as for the General Fund

Debt and Capital Project Funds

General obligation debt service balances are restricted by state statute and are always categorized as restricted.

Capital project fund balances (whether general government or enterprise) should be nominal and sufficient to cover any short term liabilities. Larger balances may occur if the City receives cash for restricted purposes to be expended in future years, such as proceeds received from debt issuance or receipts from developers in lieu of current construction of infrastructure.

The order in which categories are expended can affect future financial flexibility.

Generally, more restricted resources shall be expended prior to less restricted resources

- Annually, the City may submit documentation to obtain the Certificate of Achievement for Excellence in financial reporting from the Government Finance Officers Association (GFOA). (Determination to participate will be based on the cost not outweighing the benefit.)

Operating Budgetary Policy

- A Budget Committee will be appointed in conformance with ORS 294.414. The Budget Committee's chief purpose is to review the city's proposed budget and to approve a budget and maximum tax levy for City Council consideration. The Budget Committee may consider and develop recommendations on other financial issues as delegated by the City Council.
- In addition to a line-item budget that focuses on items to be purchased (such as supplies and equipment), departments will provide the Budget Committee information on programs being funded; what each program is committed to accomplish in long

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term goals and in short-term objectives, and provide performance measures that will demonstrate the achievement of program objectives.

- The City will finance current expenditures with current revenues; and will avoid budgetary practices that obligate future resources to cover current expenditures.
- The City budget will support City Council goals and priorities and the long-range needs of the community.
- The City Council shall delegate authority to the City Manager in managing the budget after it is formally adopted by the City Council. The City Manager may further delegate levels of authority for the daily operations of the budget to department directors as deemed appropriate.
- Adjustments to the annual biennial budget will be made when needed with changes approved and adopted by the City Council in accordance with ORS 294.471-473.
- To maintain fund integrity, the City will manage each fund as an independent entity in accordance with applicable statutes and with generally accepted accounting principles.
- The City may allocate direct and administrative costs to each fund based upon the cost of providing these services; and will recalculate the cost of these services at least bi-annually to identify the impact of inflation and other cost increases.
- The City's designation for capital outlay items that are considered fixed assets are expected to last more than one year and cost over \$5,000.
- Annually, the City may submit documentation to obtain the Award for Distinguished Budget Presentation from the Government Finance Officers Association. (GFOA) (Determination to participate will be based on the cost not outweighing the benefit.)

Fund Structure and Fund Balance

General Fund

The General Fund will be used to account for all financial resources and expenditures except those to be accounted for in another fund. Resources include working capital, carryover, taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, miscellaneous revenues, and inter-fund transfers. Expenditures are for Administration, Mayor and Council, Finance, Parks and Recreation, Community Development, Police, and Interdepartmental departments. The General Fund uses the modified accrual method of accounting.

Minimum Fund Balance

- The General Fund will maintain a fund balance carryover of 15 to 25 percent of total annual revenues, not including grant or loan monies. This is the minimum determined

to be needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs. .

- The City will budget a contingency appropriation to provide for unanticipated expenditures of a non-recurring nature or shortfalls in projected revenues. The minimum contingency will be maintained at not less than 2 percent of annual revenues less budgeted prior year carryover.

High Tech Crime Fund

The High Tech Crime Fund was established to account for resources and expenditures used to fulfill the mission of the Southern Oregon High Tech Crimes task force, which is to hold accountable those who commit criminal acts through the use of technology and the Internet. This fund uses the modified accrual method of accounting.

- The High Tech Crime Task Force Fund will maintain a fund balance carryover of at least 5 to 10 percent of total annual revenues. This is the minimum determined to be needed to adequately provide for economic uncertainties and cash flow needs.
- The High Tech Crime Task Force Fund balance generally will contain assigned reserves, other than those provided by grants and from governmental agencies which are restricted for use on special projects.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a non-recurring nature or shortfalls in projected revenues. The minimum contingency will be maintained at not less than 2 percent of annual revenues less budgeted prior year carryover.

Street Fund

The Street Fund revenues are from state and local fuel tax, grants, franchise fees, charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, surfacing and construction of city streets and associated infrastructure.

- The Street Fund will maintain a fund balance carryover of at least 25 percent of total annual revenues, not including grant or loan monies. This is the minimum determined to be needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- System development charges for transportation are included in the Street Fund balance. This portion of the fund balance is restricted and shall not be used in determining the minimum fund balance.

- The City will budget a contingency appropriation to provide for unanticipated expenditures of a non-recurring nature or shortfalls in projected revenues. The minimum contingency will be maintained at not less than 5 percent of annual revenues less budgeted prior year carryover.

Housing Fund

The Housing Fund revenues are from the repayment of interest free loans. All loans were from Community Development Block Grant funds used for home weatherization and wood stove replacement programs. Expenditures can only be used for an eligible CDBG project, donated to a food bank that receives USDA funding, food purchased and donated to a smaller local food pantry, or donated to an eligible non-profit housing rehabilitation organization.

The purpose of the Housing Fund is to account for funds from a grant program. There is no minimum fund balance.

The City may budget a contingency appropriation to provide for unanticipated expenditures of a non-recurring nature or shortfalls in projected revenues. There is no required minimum contingency for this fund.

Capital Improvement Fund

The Capital Improvement Fund was established to account for resources used for the acquisition or construction of major capital projects. This fund uses the modified accrual method of accounting.

This fund accounts for revenues from un-bonded assessment payments, construction grants, parks system development fees, and other resources. Expenditures are for construction, property and equipment acquisition and replacement, improvements and related purposes, and the repayment of short term debt principal and interest incurred in financing improvements.

- The purpose of the Capital Improvement Fund is to accumulate funds prior to a large construction project; therefore, there is no set minimum fund balance.
- System Development Charges (SDCs) for parks are included in this fund balance. This portion of the fund balance is legally restricted and shall be accounted for separately from the unrestricted portion of the fund balance.
- The City may budget a contingency appropriation to provide for unanticipated expenditures of a non-recurring nature or shortfalls in projected revenues. There is no required minimum contingency for this fund.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for the payment of general long-term debt principal and interest. Expenditures and revenues are accounted for on the modified accrual method of accounting.

- All of the monies within the Debt Service Fund are restricted for debt service until the specific debt is repaid in full. Oregon State Statutes prohibit cities from using this money for any other purpose.
- The Debt Service Fund will maintain a balance of annual revenue as required by the specific debt instrument. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- No contingency is required for this fund.

Reserve Fund

The Reserve Fund accounts for the accumulation of resources to pay for any service, project, property, or equipment that the City can legally perform or acquire. Specific projects or services must be specified and reserves can only be spent for those purposes and directly from the fund. Money cannot be transferred out of the reserve fund into another fund. Expenditures and revenues are accounted for on the modified accrual method of accounting.

- The purpose of the Reserve Fund is to accumulate funds for future needs; therefore, there is no set minimum fund balance.
- No contingency is required for this fund.

Enterprise Funds

Enterprise funds account for operations: (a) that are financed and operated in a manner similar to private business enterprise, where costs (expenses, including depreciation) of providing goods and services are financed primarily through user charges; or (b) where the governing body has determined that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds use full accrual basis of accounting for annual financial statement purposes. However, the enterprise activities use a modified accrual basis of accounting for budgetary purposes. This assures budgetary compliance with such expenditures as capital construction and acquisition, as well as debt principal transactions.

Building Fund

The Building Fund accounts for building safety operations. Revenues are from the issuances of building permits. Expenditures are for the operations of the building division. The city provides structural, plumbing, electrical and mechanical inspections.

- The Building Fund will maintain a carryover balance of at least 25 percent of total annual revenues, not including grant or loan monies. This is the minimum determined to be needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a non-recurring nature or shortfalls in projected revenues. The minimum contingency will be maintained at not less than 2 percent of annual revenues less budgeted prior year carryover.

Water Fund

The Water Fund accounts for water distribution operations. Revenues are from sales of water, charges for services, and miscellaneous sources. Expenditures are for operations, capital construction, and retirement of debt.

- The Water Fund will maintain a carryover balance of at least 25 percent of total annual revenues, not including grant or loan monies. This is the minimum determined to be needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- System Development Charges are included in the Water fund balance. This portion of the fund balance is restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a non-recurring nature or shortfalls in projected revenues. The minimum contingency will be maintained at not less than 5 percent of annual revenues less budgeted prior year carryover.

Stormwater Fund

The Stormwater Fund accounts for storm drain maintenance operations. Revenues are from charges for services. Expenditures are for operations, capital construction, and retirement of debt.

- The Stormwater Fund will maintain a carryover balance of at least 25 percent of total annual revenues, not including grant or loan monies. This is the minimum determined

to be needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.

- System Development Charges are included in the Stormwater fund balance. This portion of the fund balance is restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a non-recurring nature or shortfalls in projected revenues. The minimum contingency will be maintained at not less than 5 percent of annual revenues less budgeted prior year carryover.

Internal Services Fund

The Internal Services Fund is used for the accounting of goods or services provided to other internal departments and supported on a cost reimbursement basis. Internal service funds use full accrual accounting methods for annual financial statement purposes; however, for budgetary purposes accounting is on a modified accrual basis. This assures budgetary compliance with such expenditures as capital construction and acquisition as well as debt principal transactions.

The fund is divided into Facilities Maintenance, Administration, and Fleet Maintenance divisions. Expenditures are for personnel, materials and services and capital outlay. These functions are supported by charges for services to other direct service departments and divisions throughout the city.

- The Public Works Services Fund is an internal service fund and is supported by other funds on a cost reimbursement basis for services provided; therefore, there is no set minimum fund balance.
- No contingency is required for this fund

Revenues

- The City will estimate its annual revenues by an objective, analytical process. Because most revenues are sensitive to conditions outside the City's control, estimates will be conservative.
- The City will make every effort to maintain a diversified and stable revenue base to protect its operations from short-term fluctuations in any one revenue source.

- The City will establish charges for enterprise funds that fully support the total cost of the enterprise. Utility rates will be reviewed annually and will be adjusted as needed to account for major changes in consumption and cost increases.
- The City will charge user fees to the direct beneficiaries of city services in an attempt to recover all or part of the cost of providing that service. User fees will be reviewed bi-annually to insure that direct and overhead costs are being recovered.
- To the extent practicable, new development shall pay necessary fees to meet all identified costs associated with that development.
- The City will aggressively pursue collection of all delinquent accounts receivable. When necessary, collection procedures will include termination of service, submission to collection agencies, foreclosure, and other available legal remedies.

Expenditures

- The City will provide employee compensation in accordance with collective bargaining agreements, approved compensation strategies, and applicable state and federal law.
- Estimated wage increases and changes in employee benefits will be included in the proposed budget under Personnel Services.
- The City is committed to maintaining and improving the productivity of its staff by providing a proper working environment, adequate equipment and supplies, and appropriate training and supervision.
- A "social service" appropriation will be included in the proposed budget; and will increase or decrease relative to the overall revenues available.
- A "tourism promotion" appropriation will be included in the proposed budget. This appropriation will increase or decrease relative to the overall available hotel tax revenues.

Purchasing

- The City will purchase materials, supplies, and equipment through a competitive process that provides the best product for the least cost.
- The City will implement, maintain and abide by an approved purchasing policy. The policy shall clearly state approved purchasing limits for all staff members; and the process and method by which purchases will be made.

Capital

- The City will provide for adequate maintenance of equipment and capital assets by making available contributions for future capital improvements to ensure that monies will be available to replace City vehicles and facilities.
- The City will update its five-year capital improvements program bi-annually; identifying capital needs and potential capital funding sources. The capital improvements program will reflect the priorities of the City Council and the long-range needs of the community.
- The City will determine and use the most appropriate method for financing all new capital projects.
- Special accounts dedicated for capital improvements will be segregated in the accounting system and used only for the intended capital purposes.

Debt

- The City shall not use long-term borrowing to finance current operations.
- Capital projects financed through bond proceeds will be financed for a period not to exceed the useful life of the project.
- Whenever possible, enterprise debt will be self-supporting. Regardless of the type of debt issued, the City will establish a one-year reserve for all self-supporting debt.
- The City will seek to maintain and improve its bond rating to minimize borrowing costs and to ensure access to credit markets.
- The City will keep the final maturity of general obligation bonds at or below 20 years, with the exception of water supply and land acquisition which will be limited to 30 years.
- The City will maintain good communications with bond rating agencies about its financial condition.

Risk Management

- The City will provide an active risk management program that protects City assets through loss prevention as well as appropriate levels of insurance.

- In the event that conditions are such that the City is unable to meet carryover limits as set forth and approved by Council as stated within this policy; staff will then apprise Council of the shortfall and immediately take action for remedy by initiating additional revenue sources or by curtailment of expenses.

Glossary of Terms

Capital Expenditure

A capital expenditure is an item which generally has a useful life of one or more years, such as machinery, land, furniture, equipment or buildings, and is valued at more than \$5,000.

Capital Project

A capital project is a major construction or purchase which often requires either an outside revenue source such as a grant, bond, loan or other source of funding.

Depreciation

Depreciation is a system of accounting which distributes the cost of a capital asset over the useful life of the asset. In accordance with Oregon Local Budget Law, depreciation is not budgeted by the City.

Expenditure

An expenditure is a term for money spent by the City for the programs and projects included within the annual budget.

Fund

A fund is an accounting based division within the budget for independent fiscal and accounting requirements.

Infrastructure

Infrastructure refers to the large-scale system and services that are necessary for economic activity; such as the City's streets, water lines, storm drains, etc.

Modified Accrual Accounting

Revenues are recorded within the accounting period in which they become available and measurable; and expenditures are recorded in the accounting period in which the liability is incurred.

Revenue

Revenues are monies received by the City from both tax and non-tax sources.

System Development Charges

System Development Charges are fees assessed on new construction to cover the demands placed on city services; and typically cover water, streets, storm drains and park costs.