

RESOLUTION NO. 1216
A RESOLUTION AMENDING THE CITY OF PRINEVILLE'S FISCAL POLICIES

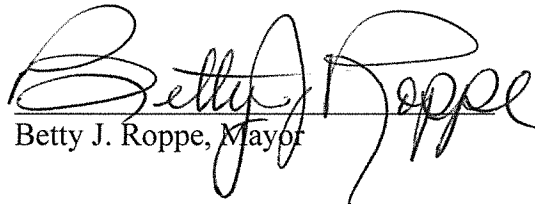
RECITALS:

- A. The City of Prineville ("City") owes its citizens the responsibility to carefully account for public funds, manage municipal finances wisely, and plan adequate funding of services and facilities desired and needed by its citizens.
- B. To meet its fiscal responsibilities the City has established fiscal policies and updates those fiscal policies when needed.
- C. Changes in the City's fiscal policies are to be approved by City's Council and adopted by resolution after a public hearing. City's Finance/Audit Committee has reviewed the City's fiscal policies and recommends that the fiscal policies be amended to read as set out in the attached Exhibit A.
- D. A public hearing was held on June 25, 2013, regarding the revised fiscal policies.

NOW, THEREFORE, the City of Prineville resolves as follows:

1. The fiscal policies attached hereto as Exhibit A are hereby adopted.
2. The attached fiscal policies shall remain in full force and effect until modified by further resolution of the City.

PASSED by the City Council this 25th day of June, 2013.


Betty J. Roppe, Mayor

ATTESTS:

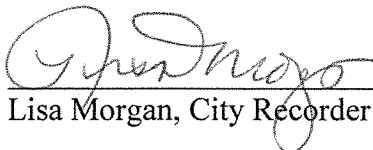

Lisa Morgan, City Recorder

EXHIBIT A
City of Prineville Fiscal Policies
June 25, 2013

1. Revenue Policies

1.1 The City will strive for and maintain diversified and stable revenue sources to prevent undue or unbalanced reliance on any one source of funds. Revenue diversity will also reduce risk to the City from short-term fluctuations in any one revenue source.

1.2 Significant one-time and or temporary revenues will not be used to fund continuing programs and services, but rather to fund one-time expenditures or fund reserves.

1.3 The maximum allowable system development charges (SDCs), for each of the public infrastructure systems the City operates and is allowed by state law to impose, shall be determined on a periodic basis (approximately each five years).

1.3.1 The Council will determine what amount of SDCs to impose.

1.4 The City will maximize the use of users' charges in lieu of ad valorem taxes and subsidies from other City funds, for services that can be identified and where costs are directly related to the level of service provided.

1.4.1 Charges for providing utility services shall be sufficient to finance all operating, capital outlay and debt service expenses of the City's enterprise funds, including operating contingency, reserve requirements, and capital replacement. Consideration will be given to return on investment and existing and or anticipated debt to insure a debt coverage ratio of no less than 1.25 for debt issued in public markets and 1.1 for debt issued to federal and state agencies.

1.4.2 User charges shall be sufficient to finance all City costs to perform development review and building activities. User charges include, but are not limited to, land use, engineering inspection, building permit and building inspection fees.

1.4.3 Other reimbursable work performed by the City (labor, meals, contracted services, equipment and other indirect expenses) shall be billed at total actual or estimated total actual cost.

1.4.4 Charges for services shall accurately reflect the total actual or estimated total cost of providing a specific service. The cost of providing specific services shall be recalculated periodically, and the fee adjusted accordingly. The City shall maintain a current schedule of fees, indicating when the fees were last reviewed and/or recalculated.

1.5 The City shall pursue an aggressive policy of collecting delinquent accounts. When necessary, discontinuing service, small claims court, collection agencies, foreclosure, liens and other methods of collection, such as imposing penalties, collection and late charges, may be used.

1.6 The City Manager shall approve all grant applications before their submission. Additionally, all potential grants that require matching funds, on-going resource requirements, or include new or additional continuing compliance requirements shall be evaluated and considered before submittal of the application. The City Council will be provided the evaluation with the request for their acceptance of the grant.

1.7 Revenues will be estimated realistically and prudently. Revenues of a volatile nature will be estimated conservatively. The City will estimate its revenues by an objective, analytical process using best practices as defined by the Government Finance Officers Association (GFOA).

2. Operating Budget Policies

2.1 The City will prepare an annual budget with the participation of all departments that incorporates GFOA recommendations relative to budgeting for results and outcomes.

2.1.1 Determine how much money is available. The budget should be built on expected revenues. This includes base revenues, any new revenue sources, and the potential use of fund balance.

2.1.2 Conduct analysis to determine what strategies, programs, and activities will best achieve desired results.

2.1.3 Budget available dollars to the most significant programs and activities. The objective is to maximize the benefit of the available resources.

2.1.4 The City shall maintain a budget system to monitor expenditures and revenues on a monthly basis, with a thorough analysis and adjustment (if required) at least at mid-year.

2.2 All budgetary procedures will conform to existing state regulations. Oregon budget law requires each local government to prepare a balanced budget and Oregon Administrative Rules state: 1) the budget must be constructed in such a manner that the total resources in a fund equal the total of expenditures and requirements for that fund, and 2) the total of all resources of the entity must equal the total of all expenditures and all requirements for the entity.

2.3 The budget process will be coordinated so that major policy issues and department goals and objectives are identified and incorporated into the budget.

2.4 The cost allocation plan, previously developed, will be reviewed annually and serve as the basis for distributing general government and internal service costs to other funds and capital projects.

2.5 The City Council shall adopt the budget at the fund, departmental or program level as a total dollar amount for all appropriations except contingency, unappropriated ending fund balance and reserves, which shall be stated separately.

2.6 Long-term debt or bond financing shall only be used for the acquisition of capital improvements or specialized equipment with a cost greater than \$100,000. Long-term debt or bond financing shall not be used to finance current operating expenditures.

2.7 Every City fund, department, program or activity shall start each year's budget cycle with no predetermined appropriation amount. Budget appropriation decisions and the allocation of resources shall be based on direction provided by the City Council and implemented by the City Manager.

2.8 The City will submit the Adopted Budget Document to the GFOA to obtain the Award for Distinguished Budget Presentation.

2.9 A budget calendar will be prepared annually detailing the key elements in the development of the budget.

3. Expenditure Control Policies

3.1 Expenditures will be controlled through appropriate internal controls and procedures. Management must ensure expenditures comply with the legally adopted budget. Each Department or Division Manager or Director will be responsible for the administration of his/her department/division budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department/division budget for compliance with spending limitations.

3.2 The City Manager will administer expenditure control at the category level and program or divisional level. Additionally, the City Manager may give authorization to mandate this level of control down to any line item level. Expenditures anticipated to be in excess of these levels require approval of the City Manager, or Finance Director. Any increase in a budget category anticipated to exceed \$50,000 will require City Council approval.

3.3 All purchases of goods and services must comply with the City's Purchasing Policies, guidelines and procedures and with State laws and regulations.

3.4 All compensation planning and collective bargaining will include analyses of total cost of compensation, which includes analysis of salary increases, health benefits, pension contributions, and other fringe benefits. The City will only propose operating personnel costs that can be supported by continuing operating revenues.

3.5 City staff is to make every effort to control expenditures to ensure City services and programs provided to its citizens and taxpayers are cost effective and efficient. Expenditures that will reduce future costs will be encouraged.

4. Capital Improvement Policies

4.1 Annually, the City will approve a 5-year Capital Improvement Plan (CIP), congruent with the adoption of its annual budget. The CIP shall provide details on each capital project: its estimated costs, sources of financing and a description, including a statement identifying: (a) the needs, conditions and circumstances that have caused the project's creation and (b) the expected results if the project is approved and implemented.

5. Accounting and Financial Reporting Policies

5.1 The City shall establish and maintain its accounting systems according to generally accepted accounting practices and shall adhere to generally accepted accounting principles and standards promulgated by the GFOA and Government Accounting Standards Board (GASB).

5.2 An annual audit shall be performed by an independent public accounting firm, which will issue an opinion on the annual financial statements, along with a management letter identifying areas needing improvement, if necessary.

5.3 Full disclosure shall be provided in the financial statements and bond representations.

5.3.1 Upon request, all departments will provide notice of all significant events and financial and related matters to the Finance Director for the City's annual disclosures to the municipal markets as required by SEC Regulation 15-C-2-12. Full disclosure will be provided in the financial statements and bond representations. Significant events include delinquencies and defaults related to the City's bonds, adverse tax opinions or events affecting the tax exempt status of bonds, the release, substitutions or sale of property securing repayment of bonds and other events having a significant impact on the City's finances and outstanding bonds. The Finance Director will notify all Nationally Recognized Municipal Securities Information Repositories of these significant events.

5.3.2 The City's asset capitalization policy is to capitalize and depreciate assets greater than \$10,000 with a useful life beyond one year. Capital assets costing less than \$10,000 or having a useful life of one year or less will be treated as operating expenditures.

5.4 Up-to-date accounting and budgeting information shall be available online to all management and authorized support staff. Quarterly actual-to-budget reports showing the current status of revenues and expenditures shall be prepared and distributed to appropriate legislative, staff and management personnel in a timely manner and made available for public inspection.

6. Financial Planning Policies

6.1 The Finance Department, collaborating with other departments, will prepare a long-term financial plan for each fund, phased in so that all funds are planned by the end of each fiscal year, to promote responsible planning for the use of resources. The long-term financial plans will include projected revenues, expenditures and reserve balances for the next five years for all funds, except the golf course fund, which shall include a ten-year financial plan, and the water and wastewater funds, which shall include twenty-year financial plans.

6.2 The City's financial plan should be strategic, reflecting the City Council and community priorities for service while providing resources that fund desired service levels.

6.3 Long-term projections of revenues and expenditures will be based upon disclosed assumptions, and prepared consistent with best practices established by the GFOA.

6.4 The long-term financial plans will be integral to the development of the annual budget.

7. Debt Policy

7.1 The City may use debt proceeds to finance costs associated with capital infrastructure, equipment, vehicles and other purposes that provide long-term benefits to the community, i.e., benefits that extend more than one year.

7.2 Capital projects financed through the issuance of bonds shall not be financed for a period which (a) exceeds the expected useful life of the project and (b) is less than 30% of the expected useful life of the improvements.

7.3 Financing for non-capital purposes shall not extend beyond the amortization period available for the respective type of obligation, e.g., retirement unfunded liabilities include an amortization period of twenty-five years.

7.4 The Finance Director will structure all debt issuances and oversee the on-going management of all City debt. Debt includes general obligation bonds, lease purchase obligations, revenue bonds, special assessment obligations, promissory notes, equipment financing agreements and any other contractual arrangements that obligate the City to make future principal and interest payments.

7.5 No debt shall be issued for which the City has not identified specific revenue sources sufficient for repayment. Such revenue sources can include internal sources, such as charges to personnel costs that are transferred to a debt service fund for debt repayment. The Finance Director shall prepare an analysis of the source of repayment prior to issuance of any debt.

7.6 The City will not use long-term debt to fund current operations, to balance the budget or to fund projects that can be funded from current resources, unless the use of debt is otherwise determined to be in the best interest of the City.

7.7 The City may utilize short-term debt or inter-fund loans as permitted to cover temporary cash flow deficiencies due to timing of cash flows, such as may result from delay in receipting grant proceeds or other revenues and delay in issuance of long-term debt.

7.8 When issuing long-term debt, the City will ensure that the debt is soundly financed by:

7.8.1 Incurring debt only when necessary for capital improvements too large to be financed from current available resources,

7.8.2 Insuring that capital projects financed through long-term debt shall be financed for a period not to exceed the useful life of the project,

7.8.3 Determining that the benefits of the project financed exceed the cost of financing including interest costs,

7.8.4 Analyzing the source of repayment, debt coverage ratios and the impact of debt service on annual fixed costs prior to issuance of long-term debt.

7.9 All bond issuances, promissory notes, and capital leases will be authorized by resolution of the City Council.

7.10 The City shall maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved.

8. Pension Funding Policies

8.1 The City participates as an Individual Employer in the Oregon Public Employees Retirement System (PERS). The City will use its best efforts to fund its pension obligations in an equitable and sustainable manner. The following principles and objectives shall guide the City:

8.1.1 PERS provides no less than biennially an actuarially determined contribution rate (ADC) to serve as the basis for minimum contributions;

8.1.2 Although the PERS ADC is calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) equitably allocating the costs over the employees period of active service; financial impacts due to significant compensation in the last three years above historical earnings may not be;

8.1.2.1 The City will consider implementation of a PERS rate stabilization plan to more equitably fund PERS costs on a sustainable basis, with a goal of ensuring its funding status is between ninety and one-hundred ten percent (90%-110%) of its actuarially determined liability.

8.1.3 The City commits to fund the full amount of the ADC each period, together with contributions consistent with an approved PERS rate stabilization plan.

8.1.4 To continue the City's accountability and transparency the City will communicate all of the information necessary for assessing the City's progress toward meeting its pension funding objectives periodically, but no less than annually.

9. Reserve Policies

9.1 The City shall maintain adequate working capital reserves in all funds.

9.1.1 The general fund shall maintain sufficient working capital to allow the City to adequately fund operations until property taxes are received in November of each year, without borrowing.

9.1.2 The City's utility funds shall maintain at a minimum working capital balance sufficient for sixty days operating expenses, together with an adequate emergency repair reserve and required debt service reserves.

9.1.3 The City's internal service funds shall maintain at a minimum working capital balance sufficient for thirty days operating expenses and any required debt service reserves.

9.1.4 The City's debt service funds shall maintain adequate working capital to pay required debt service without borrowing and fund required debt service reserves.

9.1.5 The City's other operating funds shall maintain a minimum working capital balance sufficient for forty-five days operating expenses and any required debt service reserves.

9.1.6 The City shall establish a contingency budget to provide for unanticipated expenditures of a nonrecurring nature. The contingency shall be a minimum of five percent (5%) of a fund's operating and capital expenditure estimates for the fiscal year. This policy does not apply to debt service, internal service, trust and agency, capital projects, serial levy, temporary or certain special purpose funds.

9.2 The City may use reserves on a one-time or temporary basis for purposes described above. In the event that reserve funds are presently or decrease to levels below the levels desired by this policy, the City will develop a plan to restore reserves to the desired levels.

10. Management of Fiscal Policy

10.1 Fiscal policies and changes in policies shall be approved by the City Council and adopted by resolution after a public hearing is held (the approval may be inclusive of the annual budget adoption process and the associated resolutions to that process).

10.1.1 The City Manager or designee shall prepare a report explaining the substantive impact of all recommendations and their impact on the City's operations, service levels and/or finances.

10.1.2 The Finance/Audit Committee shall review the City's fiscal policies annually.

10.2 The City Manager shall implement fiscal policies and monitor compliance.

10.2.1 If the City Manager discovers a material deviation from policy, he/she shall report it in writing to the City Council in a timely manner.

10.2.2 As a part of the City's annual budget document, the City Manager's budget message shall identify: (a) all major changes in policy since the previous budget year and (b) any material variations from policy in the ensuing year's budget.