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Budget Format Overview

The Budget is divided into programs and activities. The Budget format displays each program with the revenues dedicated to that program and the appropriations for planned expenditures in the activities that constitute each program area. We further group the programs by the nature of their purpose – General Government and Business activities, respectively. Oregon Local Budget Law establishes standard procedures, citizen involvement and public disclosure. Adopted no later than June 30 for the ensuing fiscal year, the budget must disclose each fund and show requirements and resources balanced.

The City Council groups the programs generally as follows:

General Government Activities**The General Fund Group**

This group includes Policy and Legislation, Public Safety, Parks, Development and the Solid Waste programs. The general fund group is funded through dedicated and non-dedicated revenue sources. All property taxes in the City are dedicated to Public Safety. The non-dedicated revenue sources, including franchise fees, general licenses/permits, state-shared revenues and miscellaneous general revenues, provide funding for the other activities of the General Fund Group.

The capital projects supporting the General Fund Group are all contained in the Capital Budget. The reader is alerted to the interaction of fund groups in the Capital Projects fund. Transfers and allocations from Support, Auxiliary, and General Fund and outside sources combine to undertake identified capital projects.

Business Activities**The Enterprise Group**

The Enterprise Group includes Water Utility, Wastewater Utility, Storm Water/Open Space and the Transportation programs. Our historic utilities rely on revenues generated from user fees to pay costs of programs. Although the Street Utility and Storm Water/Open Space Funds are technically special revenue funds and are audited as special revenue, they are included in the Enterprise Group as they are funded through user rates. All capital outlay projects are included within each enterprise program in a separate capital projects fund specific to the utility.

The Street Utility was created in FY'02. The utility combines funds from the State gasoline tax with anticipated user fees on residential, commercial and industrial properties in the City. The Street Utility utilizes a fund transfer from general resources to augment capital investments in transportation systems.

Non-Operating and Support Activities

The Internal Service Group

Administrative Services is a group of activities funded from a 7.6%* overhead on all operating activities and a 2% fee on capital project construction and includes Management, Finance, Legal, Human Resources and General Program Operations. The internal service group costs are all contained in the base operating costs of the City and are not independently analyzed in many of the operating cost reports and summaries.

Support Services is a group of activities that directly bill operating activities for support. These include community development management, property management, garage operations, equipment replacement, insurance and information systems. Information systems are funded by a 2.4%* overhead on all operating activities. These costs are restatements of costs in the operating budget and are not restated in many of the operating cost reports and summaries.

Auxiliary Services include transient room tax, debt service, community development block grants, environment fees and trust funds.

Capital outlay for each of these groups is contained directly in the fund or transferred to the Lands and Buildings Capital Projects Fund.

*In FY' 16 the overhead rate for Administrative Services and Information Technology was changed from 8% and 2% to 7.6% and 2.4%. The total rate remained unchanged at 10%.

Overview of Budget Process

The City of Grants Pass must prepare and adopt a budget each year. The statutory guidelines for preparation and adoption of Oregon municipal budgets assure a complete and public process for the adoption of the fiscal plan. A schematic of the process required for adoption of the budget in Oregon is included in this section.

Beginning in 2002, our staff initiated a two-year budget process compiling data for the current fiscal year as well as a projection for the next fiscal year. This multi-year process alternated every other year. Beginning, with the fiscal year 2014 budget process, management is presenting a second year projection every year. The process began with early requests and anticipations from staff. These were reviewed by management, refined and reduced by the finance staff and the department directors, and reviewed and altered by your Budget Officer before the document was prepared for presentation in the 2013-2014 public budget hearings.

The 2001 Oregon legislature revised local budget law to allow local taxing districts to budget either on a one-year (fiscal year) or a two-year (biennial) budget period. While the Council is no longer limited by state statute to adopting a budget for only the immediate forthcoming fiscal year, our budget is adopted on a fiscal-year basis. The second year projections have, however, accomplished several objectives. First they strengthen the ability of the City to project longer term financial strategies. Second, to some extent they reduce the substantial impact that the budgetary process commands of the community as well as the staff.

From the prepared document, the recommendations are presented to the Budget Committee, a group of eight Councilors and eight appointed individuals. The Budget Committee will then convene in a series of meetings in a public forum to review all significant policies, activities, service levels, and planned expenditures of the community. Notices were published and display ads were placed in the local newspaper announcing the budget hearings schedule and highlighting programs to be discussed in an effort to promote public input. Citizens were encouraged to provide input to the budget process at all stages.

Our process usually includes the use of a discretionary set of recommended capital investments based on the Council adopted Strategic Plan and the resulting work plan items from the Strategic Plan. While the ultimate approval of these projects rests with the City Council, the Council and Budget Committee also generally take a field trip into the community and engage in discussions and questions about the potential positive and negative impacts of postponing facility expansions or delaying critical rehabilitation work to provide other avenues of information critical to the process. Funding to capital projects in the recommended budget is generally based on a prioritization process by the City Council that happens before the budget is created.

The Budget Committee recommendations and changes are forwarded to the City Council for adoption. In public hearing, the Council is limited, under statutory provision, to increasing expenditures in a fund by no more than 10% and they may not increase the amount of the tax levy approved by the Budget Committee. If the governing body wishes to amend appropriations beyond the limit, or to increase the tax levy, another hearing would be noticed and another budget hearing would need to be held.

Changes to Budget Appropriations

Appropriations may be amended during the budget year in two ways, by either transferring appropriations or by preparing a supplemental budget. These methods do not require budget committee involvement if the changes result in an increase in expenditure of less than 10% of the budget fund being adjusted.

A supplemental budget is required if the adopted budget gives no authority to make certain expenditures or when revenues are received for which the governing body had no previous knowledge. The supplemental budget would authorize changes in expenditures, new expenditures or spending of additional revenue in a current fiscal year. As in a transfer of appropriation, the Council may adopt the supplemental budget at a regular council meeting without Budget Committee input if the increases in expenditures are less than 10% of the budget fund being adjusted.

If adjustments to expenditure appropriations result in an increase of more than 10% of the budget fund, the Council must prepare and publish a supplemental budget. A public hearing must be held prior to adoption of the supplemental budget but the Budget Committee is not required to participate in this supplemental budget process.

Year Round

- Management monitors & manages spending and revenue receipts, adjusting as needed, in order to ensure a sound beginning fund balance
- Mayor & City Council review monthly & quarterly financial reports
- Council invites citizens to attend Council, Board & Committee meetings ⓘ
- City administration, financial planning staff & departments provide updates on current and long-term items related to the Strategic Plan, facility plans, & new infrastructure issues

November through December

- Annual audit and update of beginning fund balances versus budgeted provided to Council
- First Quarter financial review: Council invites Budget Committee and citizens ⓘ

December through January

- Council Goal Setting & Work Plan development: Council invites advisory boards, commissions, committees & other stakeholders to provide input ⓘ
- City Manager appointed as Budget Officer, budget expectations based on Council's Strategic Plan provided to program managers
- Council & management review and reaffirm fiscal policies ⓘ

January through February

- Budget Committee orientation conducted
- City Manager conducts 6-month review of current year budget
- Staff prepares new year budget recommendations
- Finance Department prepares revenue projections

February through April

- Budget Officer and Finance Director review department recommendations
- Departments incorporate revisions

April through May

- Budget Committee meets as needed
 - Elects chair
 - Adopts review schedule
 - Receives public testimony ⓘ

May through June

- Budget Committee votes to send Committee Approved Budget to Council
- Publish Hearing Notice & Summary (5-30 Days)
- Council holds budget hearing, adopts budget ⓘ

July

- New budget takes affect
- Submit Levy to Assessor & File Appropriations (By July 15)
- Submit Adopted Budget to the Government Finance Officers Association Distinguished Budget Award program to ensure prepared in accordance with best practices in citizen involvement and transparency



ⓘ Opportunity for citizen input

The Table of Contents is the index to the budget. It provides the reader with locations of all of the major features and programs. The purpose of this segment is to help the reader sort through the pieces of the budget and see how the entire budget is assembled.

Our budget begins with the *Budget Message / Financial Summary* section where key budget changes and drivers are discussed and summaries and charts are presented to help the reader understand the total budget. This section provides an overview of the budget including where resources come from and their appropriation, a historic look at the summarized budget, and the financial policies that guide the annual budget process.

There is a separate section towards the beginning of the budget book for the Council's *Strategic Plan* which staff uses to set anticipated goals and performance measures which drive the budget creation. The Strategic Plan also prioritizes and guides the special capital and other projects that are to be a focus of available capital dollars and staff time in the two years presented in the budget. The Strategic Plan is followed by the section *City Overview* where readers can learn more about the City, its government processes, and its organizational make-up. In this section, readers have the opportunity to learn specifically about the budget process and key financial policies.

The financial plan is divided into major programs for budget presentation. In each program area, we begin the budget presentation with a summary of the contents of the program, the source for financing the program, a description, and a financial summary of the total contents of the program. The resources are divided into two general categories, Program Generated Resources and General Support.

Program Generated Resources are those revenues created by an activity or exclusively dedicated. Several examples are Public Safety, the Public Safety Levy, Fines and Forfeitures, Licenses, and the ordinance dedicated portion of the Transient Room Tax are revenues either exclusively generated by this activity or dedicated to the activity by Council directives.

General Support is the total of the Business Tax revenues, Franchise Fees, State Shared Revenues, and miscellaneous revenues generated by the City generally. The total of all general resources can be found in the *Summary of Resources and Expenditures - Operating Budget*, in the Financial Summaries immediately following the Budget Message in the first part of the budget book. These are the monies we utilize to offset those costs of service provisions that are not generated by a specific activity. General Support resources are shared by all operating divisions in the General Fund to some extent and can also be used as discretionary resources for capital projects.

Following the program overview, each activity is presented with an activity analysis that shows the basic function of the activity, highlights in the budget, and the indicators of performance that can be expected from the activity. Each performance measurement references the Strategic Plan Goal which it supports. The Goals are found in the Strategic Plan section of this book.

For our major activities, we follow the activity analysis with a financial summary that includes a table showing expenditures by summary line items, a personnel chart indicating employment history and recommendations, and a detail listing of any capital outlay contained in the activity. Most activities will also show a table detailing the revenues for the activity by source.

The final feature of the budget is the Appendix. Here the reader can find total combined budget summaries, additional financial summaries, salary and compensation charts, an analysis of the total cost for selected positions, debt management information, and a glossary.

Generally all presentations begin with summaries, with greater levels of detail following each summary. It is also helpful to note, all our programs and activities include all costs allocated to the operation. This means, the cost of administration of the City, the costs for building space and use, the cost of insurance, finance, vehicle rental, and similar costs are all contained in each activity.

We are required by Oregon budget law to present a budget that contains all the details of potential expenditures. Thus, a charge for property management paid by the transportation program will show as an expenditure in transportation and will again show as a revenue and an expenditure in property management. If we are funding a capital project, that same dollar may show up again as a transfer from property management, and a revenue and expenditure in a capital projects fund. Although this system allows the full cost of each activity to be accurately accounted, it does make our “Total Budget” appear much larger than actual resources. It can also be challenging to the first time reader.

We use capital projects to allow us to plan for the life of an entire project. A capital project fund shows the total expected project in the first column, relates historic information, and shows what is planned for the current fiscal year. In the capital projects funds, all revenues that are anticipated for a particular project are shown on the project budget. The source of funds may be from transfers, grant funds, sale of assets, or a similar source. Most of our capital projects are partially funded from transfers from another activity, resulting in an appropriated transfer in one location in the budget with the revenue and expenditure appearing in the capital project. The practice of using capital projects helps our management track a project over time and many times capital projects span multiple fiscal years so the resources need to remain earmarked for that project until completion.

We use internal service funds for each of the services found in the Administrative Services Program and the Support Services Program. Internal service funds derive some or all resources from billing other divisions of the organization for services provided. When the reader of the budget finds the lines for **Direct Charges**, they will see the expected charges that are being planned to purchase internal service from Engineering, Community Development Management, or a similar internal service. The Workers' Compensation internal service fund charges for risk insurance and Garage Operations and Equipment Replacement are internal service funds that assure we are able to replace depreciated equipment and maintain our fleet. Vehicle charges are found in the **Contractual / Professional Services** category.

The line **Indirect Charges** is a percentage fee levied on all activities to fund the administration of our City. The Administrative Services fee is 8% on operations and 2% on capital outlay in the capital projects funds. This internal service fund assures that each activity shows the portion of administrative overhead needed to keep managing our city, paying our bills, handling personnel, providing legal assistance, and similar costs. Information technology, which is an activity in the Support Services Fund, uses a 2% indirect charge on operations to provide technical services to all departments in the organization.

The Auxiliary Services section accounts for general debt, local improvement district debt, trust proceeds, and special reportable accounts such as Transient Room Tax. Several of our activities are from an exclusive financing source, and are expendable for identified purposes only. A check of the activity description provides the intent of the activity.

We hope this section will help people understand how our budget fits together and how to find answers to their questions. Our staff is dedicated to making our financial plan be understandable, yet, accurate and complete. We hope this section has added to the readability of the document. If we can provide any further information, please contact the staff to respond to your inquiries.

BUDGET BASICS

Most local governments in Oregon, from the smallest cemetery district to the largest city, must prepare and adopt an annual budget. (The only exceptions are local governments specifically exempted.) Schools, counties, cities, ports, rural fire protection districts, water districts, urban renewal agencies, and special districts are all subject to the same budget provisions.

This is not unusual. Many states have specific laws which require units of local government to prepare and adopt annual operating budgets. Yet, Oregon's budgeting system is considered one of the most progressive in the nation. Why?

Look at Oregon's Local Budget Law. (You'll find it in Chapter 294 of the Oregon Revised Statutes.) The law does two important things:

1. It establishes standard procedures for preparing, presenting, and administering the budget.
2. It requires citizen involvement in the preparation of the budget and public disclosure of the budget before its formal adoption.

Many people rely on you, as an elected or appointed official, to see that the annual budget is prepared correctly. State officials check to see that the budget is prepared and administered according to law, and citizens in your district check to see that programs they want and need are adequately funded. This makes budgeting in Oregon a joint effort between the people affected by the budget and the appointed and elected officials responsible for providing the services.

To give the public ample opportunity to participate in the budgeting process, local budget law requires that a budget officer be appointed and a budget committee be formed. The budget officer draws together necessary information and prepares the first draft of the budget. The budget committee then reviews and revises the proposed budget before it is formally approved. Notices are published, budgets are made available for public review, and at least two opportunities for public comment are provided. These requirements encourage public participation in the budget-making process and give public exposure to budgeted programs and fiscal policies before their adoption.

Naturally, citizen involvement varies from one community to the next. If the patrons in your district are active and involved, you may find citizens asking for information not specifically required under local budget law. It is up to your local government to prepare a budget that clearly outlines its fiscal policies and is satisfactory to the voters of the district. If you can make your budget clear and concise, you'll find that taxpayers have a better understanding of the purposes for which their tax dollars are spent. You may also find the citizen input informative and beneficial.

What is a budget?

A budget is a financial plan containing estimates of expenditures and revenues for a single fiscal year (July 1 through June 30).

Besides outlining programs for the coming year, the budget controls the local government's spending authority. Since the budgeting process encourages citizen input, the budget is also a vehicle for obtaining public opinion about proposed programs and fiscal policies of your district.

The content and detail of each budget will vary substantially because of differences in the purpose, size, and complexity of local governments.

Who is on the budget committee?

The budget committee consists of the members of the local governing body (City Council Members) and an equal number of citizens at large. The citizens are appointed by the governing body and serve terms of three years. Terms are staggered so that about one-third of the appointed terms end each year.

The budget cycle

Budgeting is not something you do once a year. It's a continuous operation, and it takes 12 months to complete a cycle. The budgeting process is actually in three parts: The budget is prepared, approved, and finally adopted. Your budget must be prepared far enough in advance so that it can be adopted before June 30. After approving the budget, the governing body adopt the budget and will make the necessary appropriations and certify the tax levy to the county assessor.

To simplify this rather complex process, we've divided budgeting into nine steps.

Preparing the budget

1. **Budget officer appointed.** Each local government must have a budget officer, either appointed by the governing body or designated in the local government's charter. The budget officer is under the supervision of either the executive officer or the governing body.
2. **Proposed budget prepared.** The budget officer is responsible for preparing or supervising the preparation of the proposed budget for presentation to the budget committee.

Approving the budget

3. **Budget officer publishes notice.** When the proposed budget and the budget message are anticipated to be ready, the budget officer publishes a "Notice of Budget Committee Meeting." If notice is only published in a newspaper of general circulation, it must be published at least twice, 5 to 30 days before the scheduled budget committee meeting date. The notice may be published once in a newspaper (5 to 30 days prior to the scheduled budget committee meeting) as long as it is also published on the local government's website at least 10 days before the meeting. The newspaper notice must include the website address. If notice is hand delivered or mailed, only one notice is required not later than 10 days prior to the meeting.
4. **Budget committee meets.** At least one meeting must be held to 1) receive the budget message and budget document, and 2) hear the public. The budget officer provides a copy of the proposed budget to each member of the budget committee. The copies may be distributed any time before the advertised budget committee meeting. It is also acceptable to wait and distribute the budget at the advertised meeting. When the budget is given to the budget committee, it becomes a public record and must be made available to the public.

The budget committee members cannot get together in person, by telephone, or e-mail before the advertised meeting to discuss the budget. All budget discussions must be held at public meetings.

At the budget committee meeting, the budget message is delivered. The budget message explains the proposed budget and significant changes in the local government's financial position. At this meeting, the budget committee may provide members of the public the opportunity to ask questions

about or comment on the budget. If public comment is not allowed at this meeting, the budget committee must provide the public with the opportunity at subsequent meetings.

After the initial meeting, if needed, the budget committee may meet as many times as needed to revise and approve the budget. If two or more meetings are held to take comment from the public, only the first meeting to do so must meet the publication requirements explained in step 3. Notice of additional meetings for this or any other purpose may be provided in the same time frame and manner as notices of meetings of the governing body. Notice of other meetings of the budget committee must be provided as required by Oregon public meeting law. All meetings are open to the public.

5. **Committee approves budget.** When the budget committee is satisfied with the proposed budget, including any additions to or deletions from the one prepared by the budget officer, the budget is approved. If the budget requires an ad valorem tax to be in balance, **the budget committee must approve an amount or rate of total ad valorem property taxes to be certified to the assessor.**

Advertising and holding hearings

6. **Budget summary and notice of budget hearing published.** After the budget is approved, a budget hearing must be held by the governing body. The budget officer must publish a summary of the budget approved by the budget committee and notice of budget hearing 5 to 30 days before the scheduled hearing. This information must either appear in a newspaper of general circulation, be mailed, or be hand delivered.

If no newspaper is published in your district and estimated expenditures for the ensuing year do not exceed \$100,000, you may provide the budget summary and notice of budget hearing by posting it in three conspicuous places within the district for at least 20 days prior to the date of the hearing.

7. **Budget hearing held.** The budget hearing must be held by the governing body on the date specified on the public notices.

The purpose of the hearing is to receive citizens' testimony on the budget approved by the budget committee. Additional hearings may be held. All hearings are open to the public.

Adopting the budget

8. **Budget adopted, appropriations made, tax levy declared and categorized.** By law, the governing body may make changes in the approved budget before or after it is adopted, but no later than the beginning of the fiscal year to which the budget relates. However, without first publishing a revised budget summary and holding another budget hearing:
 - Taxes may not be increased beyond the amount approved by the budget committee, and
 - Estimated expenditures in a fund may not be increased by more than \$5,000 or 10 percent, whichever is greater.

After the budget hearing, and after considering relevant testimony, the governing body adopts the budget.

It should not be formally adopted until the latter part of June so last-minute revisions to revenue or expenditure estimates can be incorporated.

The governing body must enact a resolution or ordinance to 1) formally adopt the budget, 2) make appropriations, and if needed, 3) levy, and 4) categorize any tax. The budget is the basis for making appropriations and certifying the tax levy. The resolution or ordinance must be adopted no later than June 30.

9. **Budget filed and levy certified.** The final step in the budget cycle is to certify any necessary property tax levy.

Districts levying a property tax must submit to the county assessor's office on or before July 15:

- Two copies of notice of levy and the categorization certification, and
- Two copies of the adopted resolutions.

Each local government that does not levy a property tax must send a copy of the resolution adopting its budget and making appropriations to the Department of Revenue on or before July 15. Others send a copy of the complete budget to the county clerk.

The section titled "Oregon Budget Law" is generally an excerpt taken from the Oregon Department of Revenue publication *Local Budgeting in Oregon 2012 Edition*.

RESOLUTION NO. 16-6441

A RESOLUTION OF THE COUNCIL OF THE CITY OF GRANTS PASS ADOPTING THE BUDGET AND MAKING APPROPRIATIONS FOR FISCAL YEAR 2016-2017.

RESOLUTION ADOPTING THE FY'17 BUDGET

WHEREAS the City of Grants Pass hereby adopts a budget for Fiscal Year 2016-2017 in the sum of \$128,678,568 now on file at the Grants Pass Municipal Building.

RESOLUTION MAKING APPROPRIATIONS

NOW, THEREFORE, BE IT RESOLVED, that the amounts for the fiscal year beginning July 1, 2016 and for the purposes shown below are hereby appropriated as follows:

<u>General Fund</u>	
Mayor and Council	286,528
Public Safety Police Division	10,194,721
Public Safety Support Division	3,376,638
Public Safety Fire Rescue Division	5,857,131
Crisis Support Services	95,400
Sobering Center	130,000
Park Maintenance Services	1,882,117
Aquatic Services	122,359
Recreation Services	158,305
Planning Services	825,566
Building and Safety Services	585,299
Economic Development Services	220,250
Downtown Development Services	460,629
Tourism Promotion Services	394,348
General Program Operations	1,337,040
Inter-fund Transfers	2,110,500
Contingency	<u>2,914,971</u>
 Total General Fund Appropriation	 <u>\$30,951,802</u>
 <u>Transportation Fund</u>	
Street & Drainage Maintenance	1,367,340
Customer Services	200,851
Street Lighting	385,500
General Program Operations	432,533
Inter-fund Transfers	1,665,000
Contingency	<u>707,069</u>
 Total Street Utility Fund Appropriation	 <u>\$4,758,293</u>

<u>Transportation Projects Fund</u>		
Capital Outlay	7,469,327	
Inter-fund Transfers	<u>30,000</u>	
Total Transportation Projects Fund Appropriation		<u>\$7,499,327</u>
<u>Storm Water and Open Space Fund</u>		
Storm Water Maintenance	0	
Customer Services	0	
General Program Operations	0	
Contingency	<u>0</u>	
Total Storm Water and Open Space Appropriation		<u>\$0</u>
<u>Storm Water & Open Space Projects Fund</u>		
Capital Outlay	<u>305,558</u>	
Total Storm Water & Open Space Projects Fund Appropriation		<u>\$305,558</u>
<u>Water Fund</u>		
Water Treatment	1,744,726	
Water Distribution	1,428,495	
Customer Services	395,277	
Debt Service	504,420	
General Program Operations	392,000	
Inter-fund Transfers	3,560,000	
Contingency	<u>1,104,363</u>	
Total Water Fund Appropriation		<u>\$9,129,281</u>
<u>Water Projects Fund</u>		
Capital Outlay	<u>9,255,007</u>	
Total Water Projects Fund Appropriation		<u>\$9,255,007</u>
<u>Wastewater Fund</u>		
Wastewater Collection	840,052	
Wastewater Treatment	2,306,465	
Customer Services	457,928	
Debt Service	491,063	
General Program Operations	397,900	
Inter-fund Transfers	3,143,300	
Contingency	<u>1,121,639</u>	
Total Wastewater Fund Appropriation		<u>\$8,758,347</u>

<u>Wastewater Projects Fund</u>		
Capital Outlay	8,422,689	
Total Wastewater Projects Fund Appropriation		<u>\$8,422,689</u>
<u>Solid Waste Fund</u>		
Field Operations	34,821	
Post Closure Operations	156,340	
General Program Operations	3,600	
Contingency	<u>232,832</u>	
Total Solid Waste Fund Appropriation		<u>\$427,593</u>
<u>Solid Waste Projects Fund</u>		
Capital Outlay	1,477,754	
Inter-fund Transfers	29,000	
Total Solid Waste Projects Fund Appropriation		<u>\$1,506,754</u>
<u>Administrative Services Fund</u>		
Management Services	701,222	
Finance Services	1,717,435	
Legal Services	313,576	
Human Resources	501,279	
General Program Operations	366,880	
Inter-fund Transfers	60,000	
Contingency	<u>909,491</u>	
Total Administrative Fund Appropriation		<u>\$4,569,883</u>
<u>Support Services Fund</u>		
Community Development Management Services	1,044,722	
Engineering Services	1,007,302	
Property Management Services	725,023	
Information Technology	824,102	
Inter-fund Transfers	40,000	
Contingency	<u>1,038,460</u>	
Total Support Services Fund Appropriation		<u>\$4,679,609</u>
<u>Fleet Operations Fund</u>		
Garage Operations	962,020	
Equipment Replacement	1,343,200	
Inter-fund Transfers	554,000	
Contingency	<u>337,912</u>	
Total Fleet Operations Fund Appropriation		<u>\$3,197,132</u>

<u>Insurance Fund</u>	
Workers' Compensation Insurance Services	393,594
General Insurance Service	653,145
Benefits Administration	45,310
Contingency	<u>592,853</u>
Total Insurance Fund Appropriation	<u>\$1,684,902</u>
<u>Transient Room Tax Fund</u>	
Materials & Services	10,900
Contingency	50,000
Inter-fund Transfers	<u>1,571,800</u>
Total Transient Room Tax Fund Appropriation	<u>\$1,632,700</u>
<u>Debt Service/Bancroft Fund</u>	
Materials & Services	18,000
Debt Service	150,000
Inter-fund Transfers	2,000,000
Contingency	<u>15,350</u>
Total Debt Service/Bancroft Bond Appropriation	<u>\$2,183,350</u>
<u>Debt Service/General Obligation Bond</u>	
Debt Service	<u>1,135,100</u>
Total Debt Service/General Obligation Bond Appropriation	<u>\$1,135,100</u>
<u>Industrial & Downtown Loan Fund</u>	
Materials & Services	475,000
Contingency	474,100
Total Downtown & Industrial Loan Fund Appropriation	<u>\$949,100</u>
<u>Community Development Block Grant Fund</u>	
Materials & Services	<u>400,000</u>
Total Community Development Block Grant Appropriation	<u>\$400,000</u>
<u>Environmental Waste Fees Fund</u>	
Materials & Services	<u>341,050</u>
Total Environmental Waste Fees Fund Appropriation	<u>\$341,050</u>

Agency Fund

Materials & Services

37,500

Total Agency Fund Appropriation

\$37,500

Lands and Building Projects Fund

Capital Outlay

11,923,701

Debt Service

1,460,000

Total Lands & Buildings Projects Fund Appropriation

\$13,383,701

Total Appropriations, All Funds

\$115,208,678

Total Un-appropriated Amounts, All Funds

13,469,890

Total Budget

128,678,568

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Grants Pass that the budget for fiscal year 2016-2017 is hereby adopted and appropriations are authorized by the Council.

EFFECTIVE DATE of this Resolution shall be immediate upon its passage by the City Council and approval by the Council President.

ADOPTED by the Council of the City of Grants Pass, Oregon, in regular session this 15th day of June, 2016.

SUBMITTED to and approved by the Council President of the City of Grants Pass, Oregon, this 22 day of June, 2016 to be effective on the date indicated as adopted by the City Council.

Daniel E. DeYoung
Dan DeYoung, Council President

ATTEST:

Karen Frerk
Karen Frerk, City Recorder

Date submitted to Council President: 6/17/16

Approved as to Form, Mark Bartholomew, City Attorney [Signature]

RESOLUTION NO. 16-6440

**A RESOLUTION OF THE COUNCIL OF THE CITY OF GRANTS PASS
LEVYING TAXES AND CATEGORIZING TAXES FOR FISCAL YEAR 2016-2017**

RESOLUTION LEVYING AD VALOREM TAXES AND CATEGORIZING TAXES

BE IT RESOLVED that the Council of the City of Grants Pass hereby levies the taxes provided for in the adopted budget:

1. At the rate of \$4.1335 per \$1,000 of assessed value for the General Fund Permanent Rate Levy; and
2. At the rate of \$1.7900 per \$1,000 of assessed value for the General Fund/Public Safety Local Option Levy; and
3. \$1,163,102 total bond levy for the Debt Service Fund/Public Safety General Obligation Bond.

AND, that these taxes are hereby imposed and categorized for tax year 2016-2017 upon the assessed value of all taxable property within the City as follows:

CATEGORIZING TAXES

	Subject to the General Government Limitation	Excluded from the Limitation
General Fund Permanent Tax Rate Levy	\$4.1335/\$1,000	-0-
General Fund/Public Safety Local Option Levy	\$1.7900/\$1,000	-0-
Debt Service Fund/Public Safety General Obligation Bond (total bond levy)	\$ -0-	\$ 1,163,102

EFFECTIVE DATE of this Resolution shall be immediate upon the passage and signature by the Council President in accord with the Grants Pass City Charter.

ADOPTED by the Council of the City of Grants Pass, Oregon, in regular session this 15th day of June 2016.

SUBMITTED to and approved by the Council President of the City of Grants Pass, Oregon, this 22 day of June, 2016.

Daniel E. DeYoung
Dan DeYoung, Council President

ATTEST:

Karen Frerk
Karen Frerk, City Recorder

Date submitted to Council President: 6/17/16

Approved as to Form, Mark Bartholomew, City Attorney [Signature]

GENERAL SUPPORT RESOURCES: *are those revenues that can be allocated to any program according to need.*

Property Tax

Property Tax: is a tax levied against all taxable land and structures in the City. The tax requirement is based on the assessed value of the property. Approximately 93 percent of the tax levy is collected in the current fiscal year and the balance is collected over the next several years as delinquent taxes.

Delinquent Taxes: are those taxes that are not paid in the fiscal year in which they were levied.

Taxes Other Than Property

Franchise: is a tax collected from public service agencies for the use of the City owned right-of-way. The major franchise agreements are for electric, gas, cable television, garbage collection and telephone.

Business License: a tax levied against all businesses operating within the City based on the number of employees.

Licenses and Permits

Liquor License: a license required of all establishments serving alcoholic beverages.

Peddlers License: a license required of all retailers temporarily marketing goods and services in the city.

Revenue from Other Agencies

State Revenue sharing: a dedicated portion of state liquor tax, which is distributed to local governments to be used at their discretion. It is distributed on the bases of population and the local taxing effort.

Cigarette Tax: a state shared revenue collected through a state tax on the sale of cigarettes. It is distributed to cities on the basis of population.

Liquor Tax: a state shared revenue collected through a state tax on the sale of alcoholic beverages. It is distributed to cities on the basis of population.

Use of Assets

Interest: is earned on temporarily idle funds in accordance with the investment policy adopted by Council. These funds are made available when the income is received, before it needs to be dispersed.

Fees and Charges

Business License Transfer Fee: is charged to businesses that are transferring their business license to another location or business name.

Environmental Program Fee: is paid by the Solid Waste franchise haulers on each ton of refuse collected to be used for environmental clean-up.

Other Revenue

These revenues are ones not appropriately charged elsewhere.

PROGRAM GENERATED RESOURCES: *are those revenues that are directly attributable to programs, efforts or activities. They are allocated to that program.*

Taxes: are those property taxes which are collected and allocated for a specific program. This includes special levies, bonded debt and other program taxes.

Licenses and Permits: are those fees required by programs. A majority are for the various building permits.

Fines and forfeitures: are those fines collected by programs, primarily parking and court fines.

Revenue from other Agencies: are those revenues collected for services to other agencies, primarily the 911 Agency that serves the whole County.

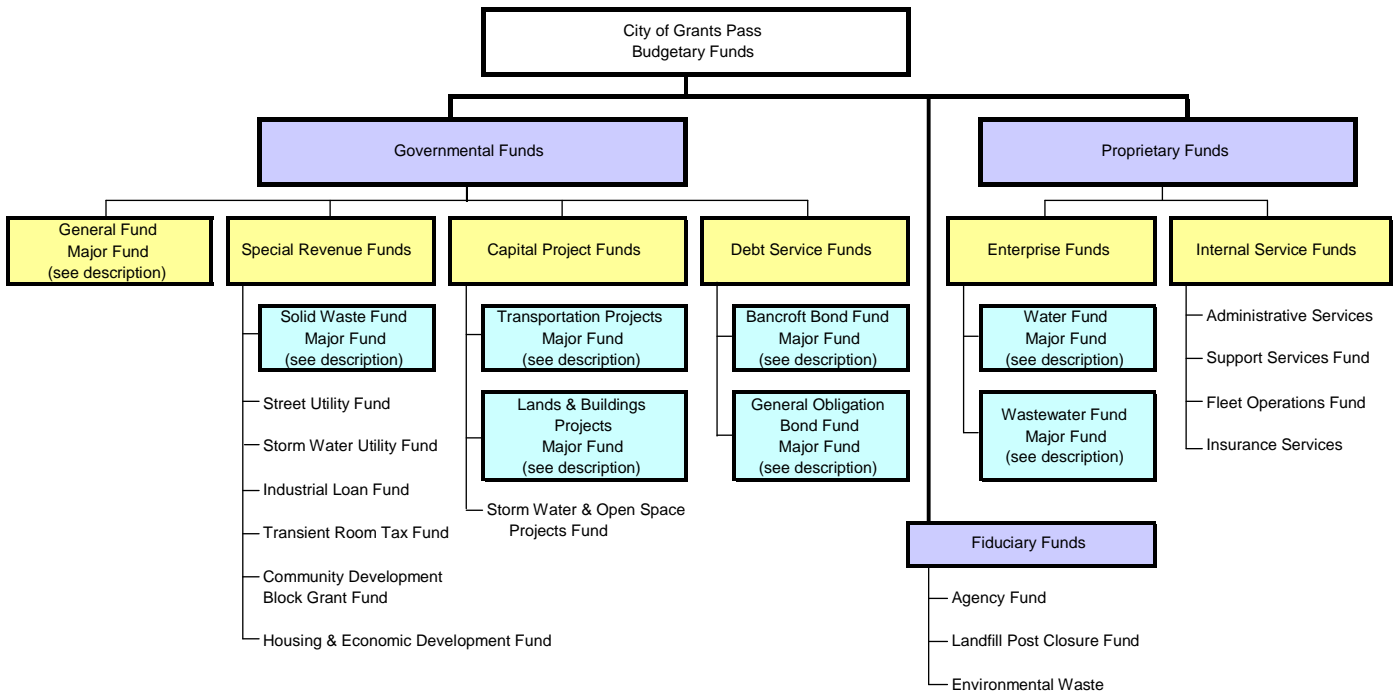
Use of Assets: are the revenues from rent or sale of city property and interest on funds.

Fees and charges: are the charges for services provided by programs. A majority of these revenues are in the Water, Wastewater, Solid Waste, Streets and Storm Water Utility programs.

Other Revenues: are those revenues which cannot be appropriately charged elsewhere.

Direct Charges for Services: are the charges from one operating program to another program for services.

Transfers: are interfund accounting transactions made only on Council approval. Generally, they are transfers of resources from an operating fund to a capital projects fund or from a special revenue fund to an operating fund.



A key function of fund accounting is to segregate resources. With governments having too many funds to include information on each individual fund, GAAP has required that governmental fund data be presented separately for each individual *major* governmental fund (definition of major fund is found in the glossary). By definition, the general fund is always considered a major fund. The City’s audited financial statement also considers the Solid Waste Fund, the Bancroft Fund, the Transportation Projects Fund (found in the Street Utility Fund) and the Lands and Buildings Projects Fund, major governmental funds.

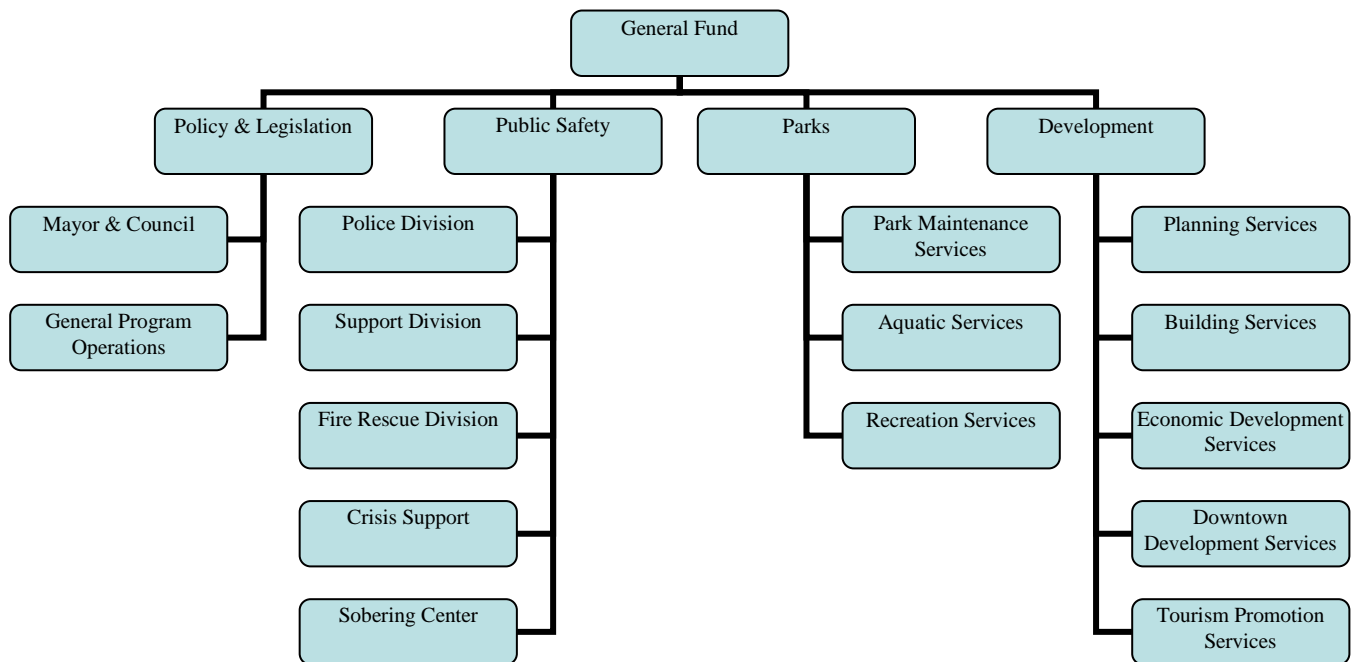
Governmental funds use a current financial resources measurement focus and the modified accrual basis of accounting. This means revenues are recognized when measurable and available. Expenditures are recognized when a current liability is incurred. Long-term liabilities such as debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Proprietary and fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of a related cash flows. The enterprise proprietary funds are also subject to the classification standards for major funds. Currently the City presents both the Water and Wastewater funds as major funds.

Individual funds are described below by fund type. The definition of each major governmental fund has been included in the appropriate fund type.

General Fund

This fund accounts for all financial resources except those to be accounted for in another fund. Resources include beginning fund balance, taxes, licenses and permits, intergovernmental revenue, fines and forfeitures, charges for services, interest on investments, miscellaneous revenues and inter-fund transfers. Expenditures are for the programs of Policy & Legislation, Public Safety, Parks and Development. Activities include: Mayor & Council, Public Safety Police Division, Public Safety Fire Division, Public Safety Support Division, Crisis Support, Street Lighting, Park Maintenance, Aquatics, Recreation, Planning, Building and Safety, Economic Development, Tourism and Downtown. This fund uses the modified accrual method of accounting.



Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for transactions using the modified accrual method of accounting.

Community Development Block Grant Fund. This fund was created in the nineteen-seventies to account for Block Grants, both HUD and State funded and related expenditures.

Housing and Economic Development Fund. This fund accounts for the activity of the Industrial Loan and Downtown Loan programs.

Solid Waste Fund. This fund accounts for the administration of franchise collection service for solid waste, planning, development and oversight responsibilities for closure and post-closure activities at the landfill and recycling programs.

Storm Water Utility Fund. This new fund will account for revenues from a yet to be adopted storm water utility fee. Once adopted, initial expenditures will be for implementation and administration costs associated with the billing and collection of fees. Once established, revenues are anticipated to be sufficient to provide for maintenance and repair of storm drain facilities.

Street Utility Fund. Formerly called State Gas Tax, this fund accounts for revenues from the state road tax, street utility fees, charges for services and miscellaneous sources. Expenditures are for the maintenance, repair and surfacing of streets and administrative costs associated with the billing and collecting of fees.

Transient Room Tax Fund. This fund was created in 1982 to account for the receipt and disbursement of room tax revenues.

Capital Projects Funds

Capital improvement funds are established to account for financial resources that are used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds, internal service funds, special assessment funds and trust funds). Capital projects funds use the modified accrual method of accounting.

Lands and Building Projects Fund. This fund accounts for the purchase of property, construction of buildings and major repair and replacement projects for the City's parkland and facilities. Revenues are derived from grants, donations, sale of assets and transfers from various funds.

Transportation Projects Fund. This fund accounts for new construction, major repair and maintenance of road surfaces, sidewalks, traffic control devices and bike paths. Revenues are dependent upon the street utility fees and state gas tax, as well as system development charges, grants and transfers from various funds.

Storm Water and Open Space Projects Fund. This fund accounts for the planning, acquisition and capital development of facilities to accommodate and control storm water runoff. Revenues will be derived from anticipated system development charges and storm water utility fees.

Debt Service Funds

The Debt Service Fund accounts for the accumulation of receipts from property owners to satisfy assessments against their property for improvement projects such as street construction and water line installation. Expenditures and revenues are accounted for on the modified accrual method of accounting.

Bancroft Bonds. These revenues come from Bancroft (Local Improvement District) bonded assessments. They are expended for the retirement of local improvement district bonded debt principal and interest until such debts have been fulfilled.

General Obligation Bonds. These revenues come from levied property taxes. They are expended for the retirement of general obligation bonded debt principal and interest until such debts have been fulfilled.

Enterprise Funds

Enterprise Funds account for operations: (a) that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided 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 financial statement presentations. 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.

Water Fund. This fund accounts for water operations. Revenues are from sales of water, system development charges, other charges for services and miscellaneous sources. Expenditures are for water treatment, water distribution, customer service, debt service and general operations. In addition, the Water Capital Projects Fund is included in this presentation.

Wastewater Fund. This fund accounts for wastewater treatment and collection, JO-GRO™, customer service, debt retirement and general program operations. Revenues are from charges for services, interest on investments, fees and miscellaneous sources. System development fees are shown separately in the Wastewater Capital Projects Fund.

Internal Service Funds

Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis. Internal service funds use full accrual accounting methods for financial statement presentations as well as for budgetary purposes.

Administrative Services Fund. This fund is divided into Management, Legal, Finance, Human Resources and General Program operations. Expenditures are for personnel, materials, services and capital outlay for these activities. These functions are supported by a fixed administrative charge of 7.6% on all operating activities and 2% on all capital projects construction. (In FY'16 the overhead rate for Administrative Services and Information Technology was changed from 8% and 2% to 7.6% and 2.4%, for an unchanged total of 10%.)

Insurance Services Funds. These funds account for the payment of workers' compensation, general insurance and health insurance premiums to insurers and for the fees charged for those services to other City activities.

Fleet Operation Funds. These funds account for the maintenance and operation of City equipment and the collection of user charges for services received. A portion of the user fees is used to build a reserve for equipment replacement.

Support Services Funds. These funds account for direct management services provided to planning, developing, operating and maintaining City facilities and for the collection of charges for services for those activities. Activities include the maintenance of eleven buildings, eleven parking lots and of the downtown core area. In addition, engineering and project administration are accounted for in this fund. Information Technology is supported in this fund by a 2.4% charge on all operating activities.

Fiduciary Funds

Fiduciary funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, or governmental units and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, (c) pension trust funds and (d) agency funds. Fiduciary funds use the modified accrual basis of accounting.

Agency Fund. This fund accounts for funds received which are held in trust pending final disposition. Revenue sources include: retainage on capital construction projects, grants and deposits.

Landfill - Post-Closure Fund. This fund accounts for monies being accumulated and held in reserve for anticipated costs for the monitoring and maintenance requirements of the landfill for at least thirty years following closure.

Environmental Waste Fees Fund. This fund accounts for fees received from the Environmental Program Fee (EPF) and must be used for environmental cleanups at solid waste sites and other solid waste program activities.

Component Units

The audited financial statements of the City include all of the above mentioned funds in addition to a discretely presented component unit, an entity for which the City is considered to be financially accountable. Component units are legally separate entities. Each conducts a budget process similar to the City, identifying resources and needs, adopting its own budget.

Josephine County-City of Grants Pass Solid Waste Agency (Discretely Presented). This fund accounts for revenues and capital expenditures related to clean-up of former waste sites. Franchise fees and debt issuance are the primary source of revenue. It uses modified accrual basis of accounting for budgetary purposes.

REVIEWED AND ADOPTED BY THE COUNCIL NOVEMBER 2, 2011

These policies have been developed to:

1. Provide financial stability for the city;
2. Ensure that the financial system is administered fairly; and
3. Provide for the interests of both present and future Citizens of our community.

REVENUE**Flexibility**

1. The City will maintain a diversified income base in order to minimize the short run impact of fluctuations in any one income source.

Discussion: A diversified revenue base will protect the City from over dependence on any single revenue source. Any one revenue source can be subject to economic fluctuations, voter attitudes, or user preference. A diversified revenue base, therefore, provides stability in both the short and long-term.

2. The City will seek to utilize income sources that are available for general expenditures and will not normally designate income sources for specific purposes. The Council may, however, choose to earmark certain income for specific purposes after determining that such action would serve a public policy purpose that is more important than the loss of fiscal flexibility.

Discussion: Designating (earmarking) revenues limits flexibility. Although, occasionally, public policy will dictate that this be done, it is more appropriate to keep as many revenue sources as possible available for all types of legitimate general expenditures rather than for special purposes.

FINANCIAL BURDEN

1. The City will consider the overlapping tax burden created by multiple taxing jurisdictions on City property owners when it establishes property tax levels.

Discussion: The City wishes to continue to be responsible in its requests for property tax funding, cognizant that City property owners pay taxes to other local jurisdictions and that City services are only a part of the total tax supported service package.

2. The City will provide for an equitable sharing of the costs of services by charging the direct beneficiaries fees, which will recover all or a portion of the costs to provide those services. These fees will be reviewed periodically to ensure that they remain equitable, as appropriate.

Discussion: Many City services directly benefit selected individuals. When these services are subsidized by tax dollars, those resources are not available for general City services. With discretionary services, the customer has the opportunity to determine the level of services desired, and part of his/her decision could be made through the market pricing system.

3. The City will use non-recurring income for capital projects and other one-time expenses so that no long-term financial burden is placed on the organization.

Discussion: Revenue from outside sources should not be used to build programs that the City will not be able to support if that revenue should cease to exist. Rather, such funds should be used for projects that can be rapidly halted without severe disruption if the source should disappear.

BUDGET POLICIES

Goals and Services

1. The City organization will carry out the Council’s goals and policies through a service delivery system financed through the Operating and Capital Budgets.

Discussion: The Council has the authority and responsibility to adopt City goals. The City organization is committed to implementing the Council goals through the budgeting process.

2. The City will routinely evaluate its service delivery system in terms of established efficiency and effectiveness criteria to determine whether a service or project should be provided by City staff or by contract.

Discussion: A number of the services performed by the City can also be provided by the private sector. The decision regarding whether to perform a service with City staff or by contract involves evaluating cost, quality of service, continuity of service, response time, conformance with regulatory requirements and a variety of other considerations. The City routinely tests the market to determine if a service can and should be provided through a contractor rather than through the use of City staff.

Fund Balances

1. The City will maintain adequate fund balances to meet seasonal cash flow, support a good credit rating, to have resources to meet emergency or unanticipated expenses, and to have sufficient resources to begin the next fiscal year. The budget shall provide for an appropriate beginning/ending fund balance.

Discussion: An adequate fund balance should be sufficient to provide for any anticipated cyclical variations in revenues and expenditures, and to provide working capital for ongoing operations for a period of at least 120 days. In the General fund, because of the cyclical nature of property taxes, the majority of which are not received until November, the targeted beginning balance should be between 30% to 40% of the budget’s annual expenditures. The fund balance shall be exclusive of all reserves not anticipated to be readily available for use in emergencies and contingencies. The following fund balance guidelines shall be used for specific City operational funds:

<u>Fund Name</u>	<u>Ending Fund Balance Target Range</u>
General Fund	30% to 40% of expenditures
Utility Funds (operating funds only)	25% to 35% of expenditures
Administrative Services Fund	15% to 25% of expenditures
Information Technology Fund	15% to 25% of expenditures
Garage Operations Fund	25% to 35% of expenditures
Engineering Services Fund	25% to 35% of expenditures
Property Management Fund	10% to 20% of expenditures

Generally, the fund balance levels are dictated by:

1. Cash flow requirements to support operating expenses;
2. Relative rate stability from year to year for enterprise funds;
3. Susceptibility to emergency or unanticipated expenditure;
4. Credit worthiness and capacity to support debt service requirements;
5. Legal or regulatory requirements affecting revenues, disbursements and fund balances; and
6. Reliability of outside revenues.

Should the fund balance fall below an appropriate level (i.e. 30% of requirement in the General fund) a plan for expenditure reductions and/or revenue increases shall be submitted to the City Council via the City Manager. In the event the fund balance is above an appropriate target (i.e. 40% in the General fund) the difference may be used to fund the following activities: Following the budget process the balance can be used for one-time capital expenditures that do not increase ongoing City costs; one-time debt defeasance, and/or other one-time costs. For Utility operating funds, generally the entire fund balance will be considered a contingency balance and a fund balance in excess of 35% of annual expenditures would lead to future budget provisions of additional transfers to the Utility's capital project fund. If, at the end of a fiscal year, the fund balance falls below the targeted level, then the City shall attempt to rebuild the balance within a period of three fiscal years.

The City's projected ending fund balance should include any known un-utilized contingency along with any un-appropriated ending fund balance and the balance available in excess of operational costs for the year.

FINANCIAL PLANNING

1. The City will estimate operating income and expenses over a three-year horizon and update those projections annually.

Discussion: Long-term financial planning is a tool which can aid the City organization in making more informed decisions which can affect the community's future and the City's ability to provide services on a long-term basis.

2. Each fund will maintain a contingency account to meet unanticipated requirements during the fiscal year, as appropriate.

Discussion: The Budget is prepared 6 to 18 months prior to implementation. The range of City services and the environment in which they are delivered make it difficult to anticipate every expenditure requirement. The contingency can also be used as a planning tool to buffer the impact of receiving revenue at a level that is lower than the budget projected. Therefore, contingency funds are established to meet emergency requirements necessary to maintain the service delivery system. Amounts provided in contingency will depend upon the size and expenditure characteristics of each fund.

DEBT MANAGEMENT POLICIES

1. Debt incurred to finance capital improvements will be repaid within the useful life of the project.

Discussion: Debt is most appropriately used when large capital facilities with long lives are financed to spread the costs over the period in which future residents will use those facilities. Today's taxpayers (or rate payer) need not pay for benefits enjoyed by others in the future, nor should current residents burden their successors with costs for facilities that have outlived their usefulness.

2. General obligation debt issued by the City will not exceed 3% of the total market value of property in the City.

Discussion: This is consistent with State law. Compliance ensures that the City will not be overburdened with long-term debt.

3. Debt will not be used to pay current operating expenses, unless borrowed funds can be obtained at an interest rate that is lower than the City could earn on its own invested funds (arbitrage).

Discussion: Debt should not be used to finance ongoing operations, a sign that the City is financially over committed. However, borrowing when financial market conditions are favorable can be considered financially prudent.

4. The City will maintain good communication with bond rating agencies about its financial condition in order to maintain and improve its ability to borrow money at favorable interest rates.

Discussion: To maintain and improve its bond rating, the City will follow a policy of full disclosure to Bond Rating Agencies. All significant financial reports affecting the City will be forwarded to the Rating Agencies.

CAPITAL IMPROVEMENT POLICIES

1. The City will prepare a five-year Capital Improvements Plan and a one-year Capital Improvements Budget.

Discussion: Multi-year capital improvement plans ensure that financing programs for capital construction are in place.

2. The Operating Budget will provide for adequate maintenance and the regular replacement of capital plant and equipment.

Discussion: Deferring maintenance on the City's assets causes accelerated deterioration. This is more expensive in the long-term and adversely affects the City's productivity.

3. The City will recognize the cost of equipment and infrastructure depreciation through the maintenance of the Equipment Replacement Fund for vehicle and other major equipment needs. Regular contributions will also be transferred to Capital Project Funds for future equipment and infrastructure needs.

Discussion: Regular contributions to Capital Project Funds and the Equipment Replacement Fund can help prepare the City for future capital expenditures and can help limit the amount of debt required for future capital expenditures. All City vehicles will be tracked through the Equipment Replacement Fund to prepare for their eventual replacement.

For City Governmental Funds, when a future capital need is identified, resource contributions will be made to the Capital Project Fund or Equipment Replacement Fund to provide for the majority of the estimated purchase cost by the planned year of purchase. Generally Governmental Funds will plan for all future capital purchase needs for projects or equipment with costs in excess of \$100,000.

For Utility Funds, depreciation costs as measured in the City's Comprehensive Annual Financial Report shall be used to judge the adequacy of annual contributions to equipment replacement and capital project funds. Transfers from Utility operating funds to Utility capital project funds each year should be equal to or greater than the Utility's annual depreciation costs as measured in the City's annual audited financial report.

FINANCIAL MANAGEMENT POLICIES

1. The City will maintain an accounting system that is consistent with generally accepted accounting practices for local governments in order to (1) promote an atmosphere of trust in its financial management system and to (2) provide full disclosure of its financial condition.

Discussion: The City maintains a financial information system to monitor and report on income and expenditures for all municipal programs. Regular financial reports are given to the Council and management staff.

2. Each year, an independent public accounting firm will perform an audit and issue an opinion and recommendations regarding the financial practices of the City. Staff will prepare a response to nay recommendations made by the auditor and provide progress reports on any actions regarding those recommendations.

Discussion: An independent audit of City financial records is a State requirement. In addition, the City will use the expertise of the independent audit firm to improve financial operations.

INVESTMENTS

1. The City's investments will be authorized and controlled by written investment policies that address diversification, liquidity, maturity, return and staff capabilities.

Discussion: The City has and will maintain an investment policy approved by the State Treasurer's Office to guide investment decisions. Quarterly reports will be prepared for the Council to measure the portfolio performance against the investment policy.