

# Council Business Meeting

December 1, 2020

<b>Agenda Item</b>	Financial Policies Update	
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## **SUMMARY**

The City of Ashland has a comprehensive set of financial policies to provide guidance to staff and represent the organization to financial markets. Per recommended best practices, it is important to periodically conduct a systematic review the financial policies to ensure they accurately represent the intent and financial management philosophy of the City Council and the organization. The attached policies are intended to support the City of Ashland in its drive to long-term financial resilience.

## **POLICIES, PLANS & GOALS SUPPORTED**

Administrative/Governance goal:

*“To ensure on-going fiscal ability to provide desired and required services at an acceptable level”*

## **PREVIOUS COUNCIL ACTION**

N/A

## **BACKGROUND AND ADDITIONAL INFORMATION**

The City has Financial policies provide the backbone of the financial management system and long-term guidance for financial resiliency. Financial policies include:

- Structure,
- Management, and
- Operations.

Financial policies are implemented through Administrative Procedures. Although the City has updated portions of the financial policies as needed, it has been at least five years since the last comprehensive review and update. This update incorporates prior actions into a single document.

Significant changes in the Financial Structure include:

- Consolidation of the Central Services Fund into the General Fund for greater flexibility and reflection of resources and structure;
- Separation of Storm Drain Fund from Streets Fund; and
- Removes component unit designation as not applicable under GASB.

Significant changes in Financial Management include:

- Increases minimum balances for stability and provides for restoration of balances should circumstances require use of minimums;
- Changes definition of required balance to consistent use of “average annual expenditures for prior three years” as base for calculating balances;
- Establishes parameters for funding and use of the Reserve Fund; and
- Establishes policy for allocation of unbudgeted surpluses and sale of assets.

Significant changes in Operations include:

- Incorporation state law in Purchasing, Debt, and Investment policies;

- Incorporation of industry standards in Accounting, Budgetary, and Purchasing policies;
- Extension of capital planning with debt impacts out to 15 years; and
- Increase emphasis on risk management activities to reduce loss.

### **FISCAL IMPACTS**

No direct impacts. Establishment of and compliance with financial policies assists the City in maintaining its bond rating and financial market position.

### **STAFF RECOMMENDATION**

That the Council adopts the attached financial policies and the Reserve Fund Resolution

### **ACTIONS, OPTIONS & POTENTIAL MOTIONS**

I move to adopt the City of Ashland Financial Policies and Resolution No. 2020-26 modifying the Reserve Fund.

### **REFERENCES & ATTACHMENTS**

Attachment 1: Financial Policies December 2020

Attachment 2: Resolution No. 2020-26 Intended Sources and Uses of Funds Accumulated for and in the Reserve Fund

## **Financial Management Policies**

The Financial Management Policies apply to fiscal activities of the City of Ashland.

### **Objectives**

The objectives of Ashland's financial policies are as follows:

- To enhance the City Council's decision-making ability by providing accurate information on program and operating costs.
- 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 provide and maintain essential public programs, services, facilities, utilities, infrastructure, and capital equipment.
- To protect and enhance the City's credit rating and financial wellbeing.
- To ensure the legal use of all City funds through efficient systems of financial security and internal control.

The City of Ashland does not discriminate in providing services, purchasing goods or services, and in matters of employment.

### **Investments**

All City funds shall be invested to provide—in order of importance—safety of principal, a sufficient level of liquidity to meet cash flow needs, and the maximum yield possible. One hundred percent of all idle cash will be continuously invested in accordance with State law and recommended government finance industry standards.

### **Accounting**

- The City will maintain an accounting and financial reporting system that conforms to Generally Accepted Accounting Principles (GAAP) and Oregon Local Budget Law and in compliance with Government Accounting Standards Board (GASB) statements. The City will issue a Comprehensive Annual Financial Report (Audit report) each fiscal year. The Comprehensive Annual Financial Report shows fund expenditures and revenues on both a GAAP and budget basis for comparison purposes.
- An independent annual audit will be performed by a certified public accounting firm that will issue an official opinion on the annual financial statements and a

management letter as needed or required detailing areas that need improvement.

- Full disclosure will be provided in financial statements and bond representations.
- The accounting systems will be maintained to monitor expenditures and revenues on a monthly basis with thorough analysis and adjustment of the biennium budget as appropriate.
- The accounting system will provide monthly information about cash position and investment performance.
- The City will seek to meet all standards to obtain the Certificate of Achievement for Excellence in financial reporting from the Government Finance Officers Association (GFOA) annually.

### **Operating Budgetary Policies**

- The budget committee will be appointed in conformance with state statutes. The budget committee's chief purpose is to review the city manager's proposed budget and 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.
- The City will finance all current expenditures with current revenues. The City will avoid budgetary practices that balance current expenditures through the obligation of future resources. Appropriation of fund balance or retained earnings will be solely for the purpose of one-time expenditures such as capital projects.
- The City budget will support City Council goals and priorities and the long-range needs of the community.
- In contrast to the line-item budget that focuses exclusively on items to be purchased (such as supplies and equipment), the City will emphasize the use of goals and programs to:
  - 1) Structure budget choices and information in terms of programs or operating units and their related work activities and impact on constituents and the community,
  - 2) Provide information on what each program or operating unit is committed to accomplish in long-term goals and in short-term objectives, and
  - 3) Measure the degree of achievement of program or operating unit objectives (performance measures).
- The City will include multi-year projections in the budget document of at least three years beyond the biennium.

- To maintain fund integrity, the City will manage each fund as an independent entity in accordance with applicable statutes, generally accepted accounting principles, and government finance industry standards.
- The City will allocate direct and administrative costs to each fund based upon the cost of the other fund providing these services to the recipient fund. The City will recalculate the cost of administrative services regularly to identify the impact of inflation and other cost increases.
- If the City should receive unbudgeted revenues net of corresponding or related expenditures or proceeds from the sale of assets within any governmental fund, the City will transfer not less than 20 percent of the gain to the Reserve Fund, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less than 20 percent to fund capital projects.
- If the City should receive unbudgeted revenues net of corresponding or related expenditures or proceeds from the sale of assets within any enterprise or internal service fund, the City will commit not less than 10 percent of the gain to net earnings, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less than 20 percent to fund capital projects.
- The City will seek to meet all standards for each adopted budget to obtain the Award for Distinguished Budget Presentation from the Government Finance Officers Association.

## **Fund Balance Policy**

### **General Fund**

The General Fund accounts for all financial resources not accounted for in other funds. 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 Social Services, Economic and Cultural Development, Police Department, Municipal Court Department, Fire and Rescue Department, City Band, Cemeteries, and the Department of Community Development and payments for services provided by other funds. This fund uses the modified accrual method of accounting.

- The General Fund will maintain an unrestricted and undesignated balance no less than 20 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- At such time as the unrestricted and undesignated balance exceeds 50 percent of the average annual expenditures of the prior three years, the City will transfer not less than 20 percent of the overage to the Reserve Fund, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less

than 20 percent to fund capital projects.

- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of the average annual operating expenditures over the prior three years.

***Parks and Recreation Fund.*** The Parks General Fund is managed by the Ashland Parks & Recreation Commission per City Charter. Revenues are from property tax revenue transfers from the General Fund, charges for services, and miscellaneous sources. Expenditures are for parks, recreational, and golf course operations.

- The Parks and Recreation Fund will maintain an unrestricted and undesignated balance no less than 20 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- At such time as the unrestricted and undesignated balance exceeds 50 percent of the average annual expenditures of the prior three years, the City will transfer not less than 20 percent of the overage to the Reserve Fund, restrict not less than 10 percent for payment of future long-term liabilities, and designate no less than 20 percent to fund capital projects.
- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the Commission will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The Commission will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## Special Revenue Funds

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

***Reserve Fund.*** This fund is used to set aside funds to protect services and to stabilize the budget, and to meet any costs that may arise in the future from unexpected events. As established by Resolution 2010-18, amended by Resolution 2020-09, and clarified by Resolution 2020-xx.

**Community Development Block Grant Fund.** This fund was established in 1994-95. The fund accounts for the Block Grant and related expenditures.

- A fund balance policy is not needed since this fund works on a reimbursement basis and proceeds are restricted by federal guidelines.

**Street Fund.** Revenues are from the state road tax, grants, franchise fees, charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and surfacing of streets.

- The Street Fund will maintain a committed balance of annual revenue of at least 15 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The System Development Charges for Transportation are included in the Street Fund balance. This portion of the Street Fund balance is restricted and shall not be used in determining the minimum fund balance.
- If at any time the unrestricted and undesignated balance should fall below 15 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a nonrecurring nature. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Airport Fund.** Revenues are from airport leases, and fuel sales. Expenditures are for airport operations.

- The Airport Fund will maintain a committed balance of annual revenue of at least 10 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- If at any time the unrestricted and undesignated balance should fall below 10 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- No portion of the Airport fund balance is restricted for specific uses.
- Many of the Airport assets have restrictions placed on them by the Federal Aviation Administration. None of the current revenues are pledged to outside

lenders.

- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## 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.

**Capital Improvements Fund.** This fund accounts for revenues from grants, unbonded assessment payments, and other sources, and will account for the construction of special local improvements, usually streets, with revenues from short term borrowing and unbonded assessments. Expenditures are for construction, property and equipment acquisition and replacement, improvements and related purposes including facility maintenance, and the repayment of short-term debt principal and interest incurred in financing improvements. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum or maximum fund balance.

- The System Development Charges (SDCs) for Parks are included in the Capital Improvement fund balance. This portion of the Capital Improvements fund balance is legally restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Parks Capital Improvements Fund.** The Parks Capital Projects Fund is managed by the Ashland Parks & Recreation Commission per City Charter. This fund is used to account for resources from grants and inter-fund transfers that are to be expended for major park renovations. The purpose is to accumulate funds prior to a large construction project; therefore, there is no minimum or maximum fund balance.

## Debt Service Funds

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Expenditures and revenues are accounted for using the modified accrual method of accounting. All bond issues and notes are separated in the accounting system.

- All of the monies within the Debt Service fund are restricted for Debt service



until the specific debt is repaid in full. ORS prohibits cities from borrowing this money for any other purpose.

## Enterprise Funds

Enterprise funds account for the following operations: (a) those 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) those where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate 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, other charges for services, and miscellaneous sources. Expenditures are for operations, conservation programs, capital construction, and retirement of debt.

- The Water Fund will maintain an unrestricted and undesignated balance of at least 25 percent of the average annual expenditures of the prior three years, in addition to any amounts held to comply with debt covenants or legal requirements. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The Water System Development Charges and reserved debt service fund balances are included in the Water Fund balance. These portions of the Water Fund balance are restricted and shall not be used in determining the minimum fund balance.
- If at any time the unrestricted and undesignated balance should fall below 25 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Wastewater Fund.** This fund accounts for wastewater treatment and collection. Revenues are from charges for services and taxes. Expenditures are for operations, capital construction, and retirement of debt.

- The Wastewater Fund will maintain an unrestricted and undesignated balance of at least 25 percent of the average annual expenditures of the prior three years, in addition to any amount required to comply with debt covenants or legal requirements. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- If at any time the unrestricted and undesignated balance should fall below 25 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The Wastewater System Development Charges and reserved debt service fund balances are included in the Wastewater Fund balance. These portions of the Wastewater Fund balance are restricted and shall not be used in determining the minimum fund balance.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

***Electric Fund.*** The Electric Fund accounts for the distribution of purchased electricity according to standards set forth by the Federal Energy Regulatory Commission. Revenues are from sale of electricity and other charges for services and intergovernmental revenues. Expenditures are for related operations. Utility operations include wholesale power purchases, operating expenses, energy conservation incentives, capital outlay, retirement of debt, franchise tax, and related purposes.

- The Electric Fund will maintain an unrestricted and undesignated balance of at least 25 percent of the average annual expenditures of the prior three years, in addition to any amount required to comply with debt covenants or legal requirements. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- Debt service reserves are included in the Electric Fund balance. This portion of the Electric Fund balance is restricted and shall not be used in determining the minimum fund balance.
- If at any time the unrestricted and undesignated balance should fall below 25 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than 25 percent of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Telecommunications Fund.** The Telecommunications Fund accounts for the revenues and expenditures of the Ashland Fiber Network.

- The Telecommunications Fund will maintain a minimum balance of 20 percent of the average annual expenditures of the prior three years, in addition to any amount required to comply with debt covenants or legal requirements
- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- Debt service reserves are included in the Telecommunications Fund balance. This portion of the Telecommunications 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 non-recurring expenditure. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Stormwater Fund.** Revenues are from charges for services and miscellaneous sources. Expenditures are for the maintenance, repair, and construction of storm drains.

- The Stormwater Fund will maintain a committed balance of annual revenue of at least 20 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- The System Development Charges for Storm Drains and debt service reserves are included in the Stormwater Fund balance. These portions of the Stormwater Fund balance are restricted and shall not be used in determining the minimum fund balance.
- If at any time the unrestricted and undesignated balance should fall below 20 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated expenditures of a nonrecurring nature. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## 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. However, the internal service funds 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.

**Central Services Fund.** This fund is divided into Administration, Information Technology, Finance, City Recorder, and Public Works Administration/Engineering. Expenditures are for personnel, materials and services and capital outlay for these departments. These functions are supported by charges for services by direct service departments and divisions.

- The Central Services Fund will maintain an unrestricted and undesignated balance of at least 5 percent of the average annual expenditures of the prior three years. This is the minimum needed to maintain the City's credit worthiness and to adequately provide for economic uncertainties and cash flow needs.
- No portion of the Central Services Fund balance is restricted for specific purposes.
- If at any time the unrestricted and undesignated balance should fall below 5 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.
- As of July 1, 2021, the Central Services Fund will be closed and the respective operations, funding, balances, and activities incorporated into the General Fund. Such revenues and transfers as calculated in the Cost Allocation Plan will be applied accordingly.

**Insurance Services Fund.** Revenues in this fund are from service charges from other departments, investment income, and insurance retrospective rating adjustments. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

- The Insurance Services Fund will maintain an unrestricted and undesignated balance of 50% of the average annual expenses of the prior five years or \$500,000 whichever is more, This is the minimum needed to maintain the City's insurance programs and provide for uninsured exposures.
- If at any time the unrestricted and undesignated balance should fall below \$500,000, the City will work to restore the balance in no less than two years with not less than one third of the shortfall being restored within each year.

- No portion of the Insurance Services Fund balance is legally restricted for specific uses.
- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Health Benefits Fund.** Revenues in this fund are primarily from service charges from other departments, investment income and interfund loans as needed. Expenditures are for insurance premiums, self-insurance direct claims, and administration.

- The Health Benefits Fund will maintain a minimum balance of 10 percent of the average annual expenses of the prior three years.
- If at any time the unrestricted and undesignated balance should fall below 10 percent of the average annual expenditures of the prior three years, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- The Health Benefits Fund balance is legally restricted for the employee health benefits program.

The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

**Equipment Fund.** This fund is used to account for the maintenance and replacement of the City fleet of vehicles and specified equipment. Revenues are from equipment rental and replacement charges. Expenditures are for personnel, materials and services, and capital outlay. This fund is divided into two functions: equipment maintenance and equipment replacement. The purpose of the equipment replacement function is to accumulate adequate funds to replace equipment. This replacement schedule is updated annually.

- The Equipment Fund will maintain a minimum balance calculated to sufficiently fund equipment replacement as determined by use of the replacement value schedule and not less than 20 percent of the average annual operating expenditures of the prior three years.
- If at any time the unrestricted and undesignated balance should fall below the sum of 20 percent of the average annual operating expenditures of the prior three years and 30% of the replacement value of in-service equipment and vehicles, the City will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- No portion of the Equipment fund balance is legally restricted for specific uses. The City rents equipment at rates that include the replacement cost of the

specific piece of equipment.

- The City will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

***Parks Equipment Fund.*** This fund is used to account for the maintenance and replacement of the Parks Commission fleet of vehicles and specified equipment and managed by the Ashland Parks and Recreation Commission. Revenues are from equipment rental and replacement charges. Expenditures are for personnel, materials and services, and capital outlay. This fund is divided into two functions: equipment maintenance and equipment replacement. The purpose of the equipment replacement function is to accumulate adequate funds to replace equipment. This replacement schedule is updated annually.

- The Parks Equipment Fund will maintain a minimum balance calculated to sufficiently fund equipment replacement as determined by use of the replacement value schedule and not less than 20 percent of the average annual operating expenditures of the prior three years.
- If at any time the unrestricted and undesignated balance should fall below the sum of 20 percent of the average annual operating expenditures of the prior three years and 30% of the replacement value of in-service equipment and vehicles, the Commission will work to restore the balance in no less than three years with not less than one quarter of the shortfall being restored within each year.
- No portion of the Equipment fund balance is legally restricted for specific uses. The Commission rents equipment at rates that include the replacement cost of the specific piece of equipment.
- The Commission will budget a contingency appropriation to provide for unanticipated non-recurring expenditures. The minimum contingency will be maintained at not less than 3 percent of annual operating expenditures.

## Trust and Agency Funds

Trust and agency 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.

***Cemetery Trust Fund.*** The Cemetery Trust Fund is a non-expendable trust fund that uses the accrual basis of accounting. Revenues are from interest income and perpetual care service charges on cemetery operations. Expenditures are for the repurchase of plots and transfers of earnings to the cemetery fund for operations.

- No minimum fund balance policy is recommended.

## **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 operation 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. Rates will be adjusted as needed to account for major changes in consumption and cost increases.
- The City will identify user fees to the direct beneficiaries of City services to recover all of the full cost of providing that service and compare with existing rates. All user fees will be reviewed biannually to ensure that direct and overhead costs are recovered in the percentage approved by City Council.
- To the extent practicable, new development shall pay necessary fees to meet all identified costs associated with that development.
- The City will work aggressively to collect 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 that is competitive with comparable public jurisdictions within the relative recruitment area. 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 General Fund Budget. This appropriation will increase or decrease relative to the overall General Fund revenues.
- An Economic, Cultural Development, Tourism and Sustainability appropriation will be included in the proposed General Fund Budget. This appropriation will increase or decrease relative to the overall Transient Occupancy 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 adhere to all State of Oregon and local requirements for purchasing goods and services. The City will also review policies and procedures at least annually for adherence with industry best practices.

## **Capital**

- The City will provide for adequate maintenance of equipment and capital assets. The City will make regular contributions to the Equipment Replacement Fund and the City Facilities budget to ensure that monies will be available as needed to replace City vehicles and facilities.
- Future operating costs associated with new capital improvements will be itemized, projected, and included in the long-term budget forecast.
- 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.
- The Capital Improvement Plan (CIP) will encourage a level capital replacement schedule and anticipate future capital needs. The CIP will present identified needed capital projects for a minimum of six years into the future and include known major projects requiring debt obligations to support them for a minimum of fifteen years into the future.

## **Debts**

- The City will 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 level debt service payments over the duration of an issue and consider the level of debt obligations across funding sources when recommending types and amounts of debt instruments.



- 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 that will be limited to 30 years.
- The City will maintain a debt coverage ratio, i.e. net revenue to debt service of at least 125% for every debt issue.
- The State of Oregon limits non-self-supporting obligation debt to three percent of the real market value of all taxable property within the City boundaries.
- The City will seek to maintain and improve its bond rating to minimize borrowing costs and to ensure its access to credit markets.
- 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 reduces human suffering and protects City assets through loss prevention, insurance, and self-insurance.
- The risk management program will be reviewed at least annually to assure levels of primary and secondary coverage are consistent with City priorities and needs.
- The risk management function will conduct regular meetings of the City Safety Committee, including representatives from each operating department, to review incidents and consider activities or initiatives to reduce the City's loss experience and to enhance safety of City human and physical resources.

1 **RESOLUTION NO. 2020-26**

2 A RESOLUTION CONFIRMING THE INTENDED SOURCES AND USES OF FUNDS  
3 ACCUMULATED FOR AND IN THE RESERVE FUND

4 **RECITALS:**

5 The City of Ashland established a reserve fund in Fiscal Year 2009-2010 and identified intended  
6 sources and uses through adoption of Resolution 2010-18. Through change in the economic  
7 conditions and accounting standards affecting the City, it has become apparent that the intended  
8 sources and uses of the Reserve Fund need to be clarified.

9 **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ASHLAND, OREGON,**  
10 **RESOLVES AS FOLLOWS:**

11 SECTION 1.

12 A. Contributions to the Reserve Fund are made via four mechanisms:

- 13 a. Transfer from operating funds through the budget adoption process as approved by City  
14 Council;
- 15 b. Transfer from operating funds through the budget amendment process as approved by  
16 City Council;
- 17 c. Proceeds from windfall opportunities as directed and approved by City Council at the  
18 time the opportunity is recognized, i.e. outside the budget processes; or
- 19 d. Pursuant to the Fund Balance policy as adopted by City Council by which a portion of an  
20 individual fund's fund balance over the policy maximum is transferred automatically to  
21 the Reserve Fund.

22 B. Uses of the Reserve Fund resources can be authorized via three mechanisms

- 23 a. Declaration of a public health, safety, and welfare emergency by the City Manager and  
24 confirmed by the City Council electronically for which additional resources are needed to  
25 address immediate needs. Funds are limited to the City Manager's spending limit as  
26 identified and approved in policy by the City Council. This action including identification  
27 of the specific uses for the funds must be ratified by the City Council in open session no  
28 later than the first meeting after the declaration of emergency;
- 29 b. Appropriation of funds during the budget process to address unplanned, urgent capital  
30 project for which other funding has not been secured. This action must be adopted by  
resolution of the City Council in open session separately from adoption of the budget in

1 total and include identification of the specific project to be funded, the public purpose  
2 served, and other sources of funding identified as untenable or unavailable; or  
3 c. Appropriation of funds during the budget process to address unplanned, urgent operating  
4 needs resulting from a sudden loss of revenues or catastrophic event impacting the City's  
5 ability to raise funds from usually budgeted sources. This action must be adopted by  
6 resolution of the City Council in open session separately from adoption of the budget in  
7 total and include identification of the specific operations to be funded, the public purpose  
8 served, and other sources of funding identified as untenable or unavailable.

9 C. The unappropriated ending fund balance of the Reserve Fund identified in the budget process  
10 or audit results is restricted from use. This amount cannot be transferred by resolution or used  
11 through a supplemental budget, unless necessitated by a qualifying emergency (ORS 294.371)  
12 and as noted above in Ba.

13 SECTION 2. All prior references to an annual budget process and all concurrent references to  
14 the budget process for identifying resources and requirements or uses will refer to the two-year  
15 cycle utilized for the City's biennial budget.

16 SECTION 3. This resolution is effective upon adoption.

17 ADOPTED by the City Council this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

18 ATTEST:  
19 \_\_\_\_\_  
20 \_\_\_\_\_

21 Melissa Huhtala, City Recorder

22 SIGNED and APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

23 \_\_\_\_\_  
24 \_\_\_\_\_  
25 John Stromberg, Mayor

26 Reviewed as to form:  
27 \_\_\_\_\_  
28 \_\_\_\_\_

29 David H. Lohman, City Attorney

30 \_\_\_\_\_