

City of Gresham Financial Policies

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City of Gresham Financial Policies

Contents

Purpose Statement	2
1. Long-term Financial Planning	3
2. Revenues	4
3. Economic Development.....	6
4. Expenditures	8
5. Operating Budget	10
6. Structurally Balanced Budget	11
7. General Fund Reserves	12
8. Reserves in Other Funds	13
9. Capital.....	16
10. Debt.....	19
11. Grants	22
12. Investments	23
13. Procurement	24
14. Risk Management	25
15. Accounting and Financial Reporting	26

City of Gresham Financial Policies

Purpose Statement

The City is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability and full disclosure. The broad purpose of the Financial Policies is to enable the City to achieve and maintain a long-term stable and positive financial condition to serve as a foundation for service to the community. These policies are adopted by Council as the basic framework for overall financial management of the City. The policies are designed to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

1. Provide an adequate financial base to sustain a sufficient level of municipal services to maintain the social well-being and physical conditions of the City.
2. Deliver cost effective and efficient services to community members.
3. Provide and maintain essential public facilities, utilities, and capital equipment.
4. Protect and enhance the City's credit rating so as to obtain the lowest cost of borrowing and also to assure taxpayers and the financial community that the City is well managed and financially sound.
5. Provide the financial stability needed to navigate through economic downturns, adjust to changes in the service requirements of the community and respond to other changes as they affect the City's residents.
6. Adhere to the highest standards of financial management and reporting practices as set by the Government Finance Officers Association, the Governmental Accounting Standards Board and other related professional financial standards.
7. Fully comply with finance-related legal mandates, laws and regulations.
8. Promote intergenerational equity for the City's taxpayers and ratepayers by spreading the cost of new or upgraded City infrastructure over time so that generations benefiting from such infrastructure contribute to its cost.
9. To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, accounting and financial reporting, reserves and internal controls.
10. These policies are to be reviewed and updated on a regular basis in coordination with the City Council, the Finance Committee and City Management.

(Purpose statement is new, based on Bend language)

City of Gresham Financial Policies

1. Long-term Financial Planning

Purpose: The City Council and City Management recognize the importance of long-term financial planning to support the stable delivery of services now and into the future.

- A. The City will prepare long-term financial forecasts for all appropriate funds to promote responsible planning for the use of resources and to provide sustainable service delivery into the future. The long-term financial forecasts will include projected revenues, expenditures and reserve balances. *(New – based on Bend’s Financial Planning #1 – consistent with current practice)*
- B. Financial forecasts will be for a minimum of the next five years. Financial forecasts may extend beyond five years for business-related funds or in cases where specific issues call for a longer time horizon. Financial forecasts for infrastructure-related funds will extend at least ten years, typically longer, consistent with the duration of existing or planned debt obligations or other long-term projects. *(New – based on Bend’s Financial Planning #1 – consistent with current practice)*
- C. Financial forecasts will be updated annually to reflect actual fund balances consistent with the most recent Annual Comprehensive Financial Report. *(New – consistent with current practice)*
- D. Financial forecasts will be used during development of the City Manager’s Proposed Budget. The Proposed Budget process should include an assessment of the ability for current services to be sustainable for the duration of the forecast. Financial challenges will be identified, and potential solutions will be presented for consideration. *(New – mixed sources – reasonably consistent with current practice)*
- E. The City’s financial plans should be strategic, meeting regulatory requirements and reflecting the Council’s and the community’s priorities for service while providing resources that realistically fund routine operations. *(New – based on Bend’s Financial Planning #2)*

Note: Gresham has no existing policies in this category. Including these practices in policy serves to establish expectations and transparency.

City of Gresham Financial Policies

2. Revenues

Purpose: Efficient and effective revenue systems provide a foundation to guarantee the generation of adequate public resources to meet expenditure obligations.

- A. The City will maintain a diversified revenue system to prevent undue or unbalanced reliance on any one source of funds and to protect from short-term fluctuations in any one revenue source. *(Existing policy C2 with no changes – consistent with current practice)*
- B. When evaluating new revenue sources, the following elements will be taken into consideration: sustainability of the revenues, relation to the programs they are intended to support, administrative costs, and acceptability to the community. *(New – based on Bend Revenue #2)*
- C. The cost of revenue-collection efforts should not exceed the marginal additional revenue obtained and should not absorb a large percentage of the amount collected. *(New – Bend Revenue #12)*
- D. Distinction will be made between revenues generated through operating activities (activity generated), and those not related to specific operations (general support). Whenever practical, activity-generated revenues will be linked with the operating activities responsible for their generation. *(Existing policy C3 with minor edits)*
- E. Distinction is made between those operating programs that serve limited interest and those that provide a general community benefit. Where prudent, user fees and charges will be established for those services that benefit specific individuals or organizations, with a goal of full cost recovery unless otherwise desired. *(Existing policy C4 with edits)*
- F. User fees and charges will be based on a cost-of-service analysis and will be set at a level sufficient to recover the full cost of service whenever practical to minimize subsidization by taxpayers. The full cost of service includes both direct and indirect charges. Cost of service analyses will be periodically reviewed and updated to consider changes such as the number of customers served, methods or levels of service delivery, the cost of living/inflationary increases, or regulatory requirements. *(Existing policy C4 with edits and combines with language from Bend Revenue #4)*
- G. Programs categorized in the Adopted Budget as Infrastructure Funds or Business Funds will strive to be fully self-sufficient if possible. For those programs where full self-sufficiency is not feasible, cost-recovery goals will be given strong consideration. *(Existing policy C4 with revisions to better reflect current budgetary structure)*
- H. Revenues will be estimated realistically and prudently. Revenues of a volatile nature will be estimated conservatively; explanations of the underlying assumptions and risks to the forecast, including both upside and downside risks, will be provided. The City will estimate its revenues by an objective, analytical process. *(New – Bend, Revenue #11)*

City of Gresham Financial Policies

- I. All fees, charges or assessments that are deferred for later payment will be evidenced by a promissory note or agreement. The City may charge periodic interest, processing fees and additional interest and penalties for delinquencies as appropriate. *(New – Bend, Revenue #6 – consistent with current practice)*
- J. The City will pursue an aggressive policy of collecting delinquent accounts. Administrative procedures for the collection of these accounts will be maintained. When necessary, collection processes will include termination of service, foreclosure, and any other available legal action. *(Existing policy C5 with no edits - consistent with current practice)*
- K. SDCs shall be a reimbursement fee, an improvement fee, or a combination of the two.
 - i. *Reimbursement fees* shall reimburse the current users for the costs they have incurred to provide capacity in the system to serve future users.
 - ii. *Improvement fees* will be spent on capital improvements that increase capacity after the adoption date of the fee. An increase in system capacity may be established if a capital improvement increases the level of performance or service provided by existing facilities or provides new facilities. *(Existing policy F2 with no changes)*
- L. The City may choose not to impose the full cost of capital improvements upon those developments that increase the demands of the City's facilities or infrastructure. When the City adopts an SDC that does not fully recover the cost of capital improvements, alternative funding sources shall be identified to fully finance them. *(Existing policy F4 with no changes)*

Note: The following item is worded as a policy statement from Council, so Council will be asked to provide policy direction on this policy. Recommended new language included below.

- M. The City Council has determined that Public Safety is critical to the community. For many years, tax base property tax revenues have not been sufficient to fund Police and Fire services. Therefore, the City will continue to use all permanent rate property taxes and other General Fund revenue sources, as necessary, to fund the total costs of Police and Fire operations. The total costs include overhead, administrative, and support costs. Any voter approved Local Option Tax Levy or General Obligation Bond Levy would be used consistently with the language in the ballot measure. *(Existing policy C1 with updates)*

City of Gresham Financial Policies

3. Economic Development

Purpose: Jurisdictions benefit from having policies on the appropriate parameters for use of economic development incentives as these tools have the potential to strengthen a community's economic viability, although not without potentially substantial risk. Establishing policies in advance provides a foundation for calm and thoughtful deliberations and encourages consistency and transparency in decision-making processes.

- A. Unless otherwise formally approved by City Council, new development should pay for the entire cost of the permit process and, if feasible, any other related city service costs. *(Existing policy A5 with edits)*
- B. In general, development fees, including Land Use, Building, and Engineering, shall not be waived. Fees may be paid or waived by the City after legal review and upon formal consent of the City Council. *(Existing policy A9 with edits)*
- C. The City will sustain Systems Development Charges (SDCs) for the cost of demand-created facilities or infrastructure for the following systems:
 - i. Wastewater: Wastewater collection, transmission, treatment and disposal systems.
 - ii. Water: Water supply, treatment and distribution systems.
 - iii. Stormwater: Drainage and flood control systems.
 - iv. Transportation Impact: Transportation systems.
 - v. Parks: Parks and Recreation systems. *(Existing policy F1 with no changes)*
- D. The City may employ economic development incentives to encourage value-added development and accrue public benefits to the City. Public benefits may include but are not limited to:
 - i. A benefit that increases the City's employment base or materially enhances the financial position of the City by increasing assessed valuation.
 - ii. A contribution to the basic infrastructure of the City that is greater than that which would be required of the development alone
 - iii. A benefit that increases access to other public services *(New - Bend, Economic Development #1)*
- E. Economic development incentives may include the formation of improvement or redevelopment districts, reimbursement, exemption or deferral of certain fees and charges, use of discount lease rates or other forms of financial incentives. All such incentives will be fully evaluated by the Budget & Finance Department and Economic Development Department as to the costs, risks and level of benefit as well as the financial impact of such incentives on the City's operating and capital budgets. *(New - Bend, Economic Development #2 - consistent with current practice)*
- F. The fiscal impact evaluation will be presented to Council along with City Manager's recommendation. The City Council shall make the final decision concerning proposed economic development incentives including any repayment of incentives if performance requirements are not met. *(New - Bend, Economic Development #3 - largely consistent with current practice)*

City of Gresham Financial Policies

- G. Funding for economic development incentives must be identified before the approval of all such incentives. *(New - Bend, Economic Development #4 – largely consistent with current practice)*
- H. A development incentive shall not be provided if the development does not provide sufficient public benefit or if the cost and risks to the City will have a materially adverse impact on the City's finances or operations. *(New - Bend, Economic Development #5 – largely consistent with current practice)*

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City of Gresham Financial Policies

4. Expenditures

Purpose: The City Council and City Management recognize the importance of prudent oversight of expenditures, demonstrated transparency and value in order to provide efficient and effective services. These policies address a range of issues around how city funds are spent in areas such as personnel, outsourcing, and funding of long-term liabilities.

- A. The City will make every effort to control expenditures to ensure City services and programs provided to its community members and taxpayers are cost effective and efficient. *(New - Bend, Expenditures #6 – consistent with current practice)*
- B. Expenditures will be controlled through appropriate internal controls and procedures. Management must ensure expenditures comply with the legally adopted budget. Each Department or Division Manager or Director will be responsible for the administration of their department/division/program budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department/division/program budget for compliance with spending limitations. Internal controls over payment requests include a review by the Budget and Finance Department. Payment requests are not considered approved and authorized for payment until the Budget and Finance Director or their designee has approved the disbursement. *(New – based on Bend, Expenditures #1 – consistent with current practice)*
- C. Before the City purchases any major asset or undertakes any operating or capital arrangements that create fixed costs or ongoing operational expenses, the implications of such purchases or arrangements will be considered for current and future years. *(New – based on Bend, Expenditures #4)*
- D. The City will take positive steps to improve the productivity of its programs and employees, and will seek ways to eliminate or avoid duplicative functions within the city government and between the City of Gresham and other public agencies in the community. Outside professional review of the efficiency and effectiveness of certain City services may be periodically undertaken to provide guidance to City Council and City Management and/or to support transparency and communication with the public. Avenues to report and highlight the service efforts and accomplishments of the City's major services will also be explored and utilized when appropriate. *(Existing policy A3 with updated language)*
- E. Whenever feasible, government activities will be considered enterprises if doing so will increase efficiency of service delivery or recover the cost of providing the service from the benefiting entity by a user fee or charge. *(Existing policy A4 with no changes)*
- F. Personnel Services budget projections will incorporate market salary adjustments to maintain labor market competitiveness for non-represented employees. Market adjustments are adjustments to the salary ranges and do not necessarily imply increases to employees' actual pay. These adjustments will be either higher or lower based on generally accepted practices regarding market survey data. Personnel Services assumptions will also include all union and other contract obligations, as well as other reasonably anticipated salary adjustments. *(Existing policy D2 with updated language)*

City of Gresham Financial Policies

- G. SDC revenues shall first be applied to expenses in the following order: (a) debt-service requirements; (b) the direct cost of complying with state statutes regarding SDCs; (c) infrastructure master plans, facility studies (CIP-related.); and (d) capital improvement expenses. *(Existing policy F7 with no changes)*

Note: The following items are worded as a policy statement from Council, so Council will be asked to provide policy direction on these policies. Potential edits/new language included below.

- H. Council desires a market-based approach to both City Manager and City Attorney compensation. ~~Evaluation and compensation~~ Compensation policies and procedures should be similar to those for Department Directors and Division Managers. Annual performance evaluations will be completed in accordance with Section 10 of the adopted Council Rules. *(Existing policy G1 with edits – markup indicates policy language not reviewed by the Finance Committee)*
- I. Total compensation including base salary and benefits should be competitive with market rate average of labor market survey agencies. An annual market adjustment mechanism based on “indexing and meeting Council expectations” should allow the City Manager and City Attorney to have a market adjustment similar to that received by other managers within the City. *(Existing policy G2 with minor updates)*
- J. When recruiting for a City Manager or City Attorney, the primary focus of compensation should ensure that base salary is competitive with the labor market.

Goals of City Manager and City Attorney Compensation Policy:

- i. To attract and retain quality employees, the base salary and total compensation will be at least at the market rate average of public agencies that are geographically proximate and of similar size and complexity within the more urbanized regions of the Pacific Northwest. ~~An annual survey of these agencies in addition to participation in a regional public/private survey will be done by August of each year to provide information to the Council as the basis for the evaluations to be performed in September.~~ *(existing policy G3a with edits – markup indicates policy language not reviewed by the Finance Committee)*
- ii. ~~Salary ranges for each of the respective positions will be established with the mid-point of the salary range being at the market average with a total range spread of 20% to account for job growth and performance expectations. The range will be indexed annually based on public/private sector market survey results.~~ *(existing policy G3b proposed for deletion – markup indicates policy language not reviewed by the Finance Committee)*

City of Gresham Financial Policies

5. Operating Budget

Purpose: The City Council and City Management recognize the importance of a robust and transparent budget development process that results in a legally compliant budget that accurately reflects the cost of services provided by the City and is in alignment with City Council's goals and priorities.

- A. The City will prepare an annual budget with the participation of all departments. *(New – based on Bend, Operating Budget #1 – consistent with current practice)*
- B. The City Council shall adopt the budget for each fund as required by budget law. *(New – based on Bend, Operating Budget #7 – consistent with current practice)*
- C. All budgetary procedures will conform to existing state and local regulations. Oregon budget law requires each local government to prepare a balanced budget and Oregon Administrative Rules state the budget must be constructed in such a manner that the total resources in a fund equal the total expenditures and requirements for that fund. Budgets for all City funds will be prepared on a modified accrual basis consistent with Generally Accepted Accounting Principles. *(New – based on Bend, Operating Budget #2 – consistent with current practice)*
- D. The budget process will allocate resources to achieve Council goals and city-wide strategic plans. Department goals and objectives will be identified and incorporated into the budget. *(New – Bend, Operating Budget #3 – consistent with current practice)*
- E. The budget will use a cost allocation plan to determine the collection of internal service costs from other funds. The allocation of internal services allows the budget to reflect the full cost of providing direct services. The allocation methodology will be based on measurable usage factors or other sound rationale. The methodology, including any changes, will be documented for transparency. *(New – mixed sources – consistent with current practice)*
- F. Oregon budget law provides legal avenues to adjust the budget for emergency expenditures or unforeseen circumstances. All such budget adjustments, including contingency transfers or supplemental budget actions, will be prepared by the Budget & Finance Department in coordination with the City Manager to ensure compliance with budget laws. Adjustments will be reviewed by the Finance Committee for a recommendation prior to presentation to Council unless insufficient time is available due to the urgent nature of the request or the impending end of the fiscal year. *(New – based on Bend, Operating Budget #11 and #12 – consistent with current practice)*
- G. Staffing levels are a measurement of the ability to provide adequate services. Information by service or program area, in particular for public safety services, will be provided on a regular basis regarding the number of FTE per thousand population (or other metric as appropriate given the specific service). Benchmarks, such as comparisons with similar jurisdictions or with industry best practices, will also be provided when reasonably available. *(Proposed replacement for existing policy A10)*

City of Gresham Financial Policies

6. Structurally Balanced Budget

Purpose: The City Council and City Management recognize the distinction between satisfying the statutory definition of a balanced budget versus achieving a true structurally balanced budget where ongoing expenditures are supported by ongoing revenues. Achieving a true structurally balanced budget supports financial sustainability for multiple years into the future.

- A. The City's long-term financial plans will consider recurring versus non-recurring revenues and expenses and will acknowledge when one-time spikes or drops are identified. *(New – consistent with current practice.)*
- B. The budget will clearly identify when reserves are being budgeted to fund ongoing operations. *(New)*
- C. The Budget & Finance Department will annually report to the City Council and Finance Committee a reconciliation of budgeted and actual fund balance usage to support ongoing operations after the fiscal year has been audited. *(New)*

Note: There are no existing policies in this category.

City of Gresham Financial Policies

7. General Fund Reserves

Purpose: General Fund reserves, or Budgetary Fund Balance, includes the budgeted amounts for Unappropriated and Contingency. Together, these serve to provide stable resources for times when service levels might otherwise be adversely affected by taxes or fees that temporarily underperform, or to cover one-time unexpected expenditures. This policy category is intended to:

- Mitigate short-term (two years or less) volatility in revenues.
- Mitigate short-term economic downturns.
- Absorb unanticipated operating needs that arise during the fiscal year but were not anticipated during the budget process.
- Sustain City services in the event of an emergency.
- Meet operating cash flow requirements before the collection of property taxes; licenses and permits; fees; county, state, and federal funding sources; and other operating revenues.
- Meet unanticipated facility and equipment repair needs.
- Maintain the City's credit ratings and bond ratings. *(New - based on Beaverton and Bend policies)*

- A. The annual budget for the General Fund will include a beginning fund balance. This resource is the funding for contingency and ending fund balance and will be consistent with Financial Policies for General Fund contingency and ending balance as a percentage of ongoing operating expenditures. When the annual beginning fund balance is not adequate to fund both contingency and ending fund balance, the deficiency may be funded with available on-going resources.

When the General Fund's beginning fund balance exceeds the amount needed for contingency and ending fund balance, the remainder may be used for:

- i. one-time items such as capital purchases
- ii. prioritized ongoing expenditures such as operating expenses
- iii. retain for future unexpected loss of revenue or unanticipated needs. *(Existing policy D-3 with updates)*

Note: Council will be asked to provide policy direction on these policies.

- B. The City's goal for the General Fund reserves is to provide resources for:
- i. Contingency: The annual budget for the General Fund will include a contingency reserve of not less than **X**% of operating expenditures, to offset unexpected increases to operating requirements. Contingency may be utilized upon council approval. A higher level of contingency should be reserved annually when uncertainties or economic conditions warrant such actions. *(Existing policy D-9-A with changes)*
 - ii. Ending Fund Balance: The annual budget for the General Fund will include an ending fund balance of not less than **X**% of ongoing operating expenditures. The ending fund balance is a resource that mitigates cash flow shortages early in the ensuing fiscal year and helps to modify annual fluctuations in revenues and expenditures. A higher level of ending fund balance should be reserved annually when future uncertainties or economic conditions warrant such actions to be taken. *(Existing policy D-9-B with changes)*

City of Gresham Financial Policies

8. Reserves in Other Funds

Purpose: Like the General Fund, most other funds also require reserves, or Budgetary Fund Balances. Again, these include the budgeted amounts for Unappropriated and, where relevant, Contingency. As the purpose of the reserves, the appropriate target amounts, and recommended usage policies vary widely by type of fund, this policy category will consider these in related subgroups.

- A. Use of beginning fund balance in funds other than the General Fund is determined on an individual basis related to the purpose of the fund and circumstances that are specific to that fund. *(Portion of existing policy D3)*
- B. Each operating fund will maintain a contingency account sufficient to meet unanticipated requirements during the budget year. A maximum contingency of 15% and minimum amount of 5% will typically be budgeted. *(Existing policy D5 with minor edits)*
- C. Reserve targets for each fund will be maintained and monitored by the Budget & Finance Department. *(New - reasonably consistent with current practice)*
- D. Insurance-related Funds – (Workers Compensation/Liability and Health/Dental)
 - i. Reserve balances for insurance-related funds will be maintained at a level sufficient to comply with all state and/or federal regulations applicable to that fund. *(New, consistent with current practice)*
 - ii. Reserve balances will be guided by an annual actuarial analysis of the relevant program. *(New, consistent with current practice)*
 - iii. Targets should consistently be tied to a reasonably conservative confidence level in order to provide long-term stability and to avoid fluctuations in revenue collection needs. *(New, consistent with current practice)*
 - iv. The Budget & Finance Director will coordinate with the City Manager and City Attorney/Risk Management prior to making any change to the selected confidence level. *(New, consistent with current practice)*
- E. Business Funds
 - i. Reserve balances should consider the unique nature of the fund, including the volatility of the primary revenue sources, timing of the revenue collection versus related expenses, recruitment and retention of specialized staff, and other program specific considerations. *(New, consistent with current practice)*
 - ii. Reserve balance targets will be guided by the long-term financial plans. Balances should be adequate to maintain service levels during a limited-duration downturn in revenue. Fund balances of at least 6-months of operating expenses are likely, with targets between 12 and 24 months possible. *(New, consistent with current practice)*
- F. Infrastructure Funds
 - i. Reserve balances for infrastructure funds are an important tool to support on-going sustainable and cost-effective delivery of services. Adequate reserves provide the ability to plan for and address repair and replacement of infrastructure and equipment, mitigate

City of Gresham Financial Policies

economic downturns, absorb unanticipated operating needs, maintain or enhance credit and bond ratings and support stable and predictable rates and charges. *(New, consistent with current practice)*

- ii. Utility funds (Water, Stormwater and Wastewater) will maintain a restricted balance equivalent to at least 60 days of rate-based revenue to ensure that reserves address any outstanding balances due to the timing of billing cycles. Additional reserves should be maintained in a manner adequate to respond to potential volatility in revenues such as the loss of a large industrial customer or a significant change in consumer habits. *(New, consistent with current practice)*
- iii. Targets for repair and replacement reserves should be guided by asset management plans to limit the growth of deferred maintenance where feasible within long-term financial plans. *(New, consistent with current practice)*
- iv. Reserve balances for infrastructure funds should be established in a manner that supports future planned projects and continuity of service delivery throughout the life of the long-term financial plans. *(New, consistent with current practice)*
- v. Fund balance reserves within infrastructure funds should also be established to support any debt service or other mandatory balances not otherwise addressed within the associated capital fund or debt fund. *(New, consistent with current practice)*

G. Capital Funds

- i. Reserve balances should provide adequate cash flow to facilitate construction expenditures. Projects funded by grants or other reimbursement-based revenues warrant larger reserve balances to maintain adequate working capital. Timing of project expenses should be monitored with consideration given to ensure a positive cash balance at year-end. Large construction projects with significant cash outlays will typically warrant higher reserve balances. *(New, consistent with current practice)*
- ii. Reserve balances for capital funds will be guided by the 5-Year Capital Improvement Program and by long-term financial plans. *(New, consistent with current practice)*
- iii. The relevant operating fund will typically hold most of the reserves for future projects beyond the upcoming fiscal year, unless there are benefits from including reserve balances within the capital fund. For example, any unspent financing proceeds that have been issued for capital construction or other specially designated proceeds should be included in the relevant capital fund to ensure appropriate segregation and facilitate accurate usage of cash. *(New, consistent with current practice)*

H. Debt Service Funds

- i. Reserve balances for each debt service fund will be maintained at a level sufficient to ensure compliance with all existing covenants and applicable requirements. *(New - consistent with legal requirements and current practice)*

I. Other Funds

- i. Reserve balances in the Equipment Replacement Fund will be targeted to align with future needs for equipment that will be replaced with operating funds. Levels of balances will be guided by long-term financial plans. *(New, consistent with current practice)*

- H. Internal Service funds will maintain sufficient balances to fund contingency and to respond to potential volatility in revenues such as grants. Additional balances may be held to address

City of Gresham Financial Policies

future one-time expenditures that are not being reserved in other funds such as the Equipment Replacement Fund. *(New, consistent with current practice)*

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City of Gresham Financial Policies

9. Capital

Purpose: The City Council and City Management recognize the need to responsibly plan for the full lifecycle of capital assets, including capital improvement planning, capital budgeting, project management, and asset maintenance.

- A. The City will plan for capital improvements over a multi-year period of time. The Capital Improvement Program (CIP) will directly relate to Council's goals, departmental operation plans, other long-range plans such as the Comprehensive Plan, and the policies of the City. *(Existing policy D6 with no changes – consistent with current practice)*
- B. The 5-Year CIP will be updated annually and will be incorporated into the City's budget and long-range financial planning processes. The CIP will be balanced; estimated resources will be available for capital spending as identified in the five-year plan. The adoption process will include a public hearing to provide for public input on the CIP. *(New, based on Bend Capital #1 – consistent with current practice)*
- C. Funding sources for each capital project will be identified and, where feasible, all operating costs associated with a capital project will be quantified. *(Existing policy D4 with minor edits)*
- D. Projects included in the CIP shall have complete information on the need for the project, description and scope of work, total cost estimates, how the project will be funded, and where feasible future operating and maintenance costs and. *(New – Bend, Capital #2)*
- E. Every CIP project will have a project manager who will prepare the project proposals, coordinate as necessary with operations and maintenance staff, ensure that required phases are completed within schedule and budget, authorize project expenditures, ensure that all regulations and laws are observed, and periodically report project status. *(New – based on Bend, Capital #5)*
- F. Bids for CIP projects will be reviewed and approved by the Budget & Finance Department prior to contract award to ensure that project expenditures are within the adopted budget and consistent with the adopted CIP. Should substantive adjustments be needed to provide consistency with the budget and/or CIP, changes will follow the Council authorized mid-year adjustment process or be addressed in the annual budget and CIP update. *(New – loosely based on Bend Capital #4 and #7, adjusted to align with Gresham process.) (Moved from 9-O in draft Financial Policies)*
- G. The City will strive to utilize the least costly funding method for its capital projects and will obtain grants, contributions and low cost state or federal loans whenever possible. The determination to use debt financing versus "pay-as-you-go" funding will consider project type, project timing, revenue availability, market conditions and the City's credit rating. *(New, blend of Bend, Capital #8, #10 & #11) (Moved from 9-H in draft Financial Policies)*
- H. Long-term debt issued to finance capital projects will be structured to match the useful life of the project. Current operations will not be financed with long-term debt. *(Existing policy B2 with no changes)*

City of Gresham Financial Policies

- I. The City will maintain its infrastructure at a level adequate to protect the City's capital investment, meet any and all regulatory requirements and minimize future operating maintenance and replacement costs. The City recognizes that deferred maintenance increases future capital costs, thus placing a burden on future residents. Therefore, the budget will seek to provide for adequate maintenance and the orderly replacement of capital, plant and equipment. *(Replaces existing policy D7, based on Bend, Capital #6)*
- J. The City will plan for vehicle replacement, equipment replacement, and maintenance of City facilities, to ensure that resources are available at the appropriate time. The replacement needs will be identified in appropriate replacement schedules. *(Existing policy D8 with no changes)*
- K. System Development Charges shall be proportionate to the cost of facilities or infrastructure created by development. *(Part of existing policy F3 with no changes)*
- L. Reimbursement SDC fees shall be set so that future systems users shall contribute no more than an equitable share of the cost of the present facilities they use. Upon complete reimbursement for the capacity of the City's existing infrastructure, this fee will end. *(Part of existing policy F3 with no changes)*
- M. Improvement SDC fees shall consider the cost of projected capital improvements needed to increase the capacity of the City's facilities or systems. Upon full receipt of fees required to increase the facility to planned capacity, this fee will end. *(Part of existing policy F3 with no changes)*
- N. The City uses its facility master plans, such as water or wastewater, to calculate the amount of improvement SDC revenue required. These master plans show capital improvements needed to provide for an adequate infrastructure for growth, typically over a 20-year period. The projects listed in the master plan are regional and would therefore not typically include the facilities in or adjacent to a development. *(Part of existing policy F3 with edits)*
- O. Public Facility Master Plans list the Improvement Fee-funded capital improvements; the estimated cost and timing for each improvement; and the proportion of the improvement funded with Improvement Fees. Projects are completed as listed in the five-year Capital Improvement Plan. *(Existing policy F5 with minor edits changes)*
- P. The City will establish capital equipment reserves to provide for the funding of vehicles and equipment. The City will also establish major repairs and replacement (R&R) reserves to provide for funding of major repairs and replacements. R&R reserves will be used for significant system or facility repairs, replacement or maintenance costs that are unanticipated and exceed ongoing repair and maintenance expenditures in the fund's operating budget. Long-term forecasts will be used to determine the available capacity to fund repair and replacement of capital assets and infrastructure and avoid a significant unfunded liability from deferred maintenance. *(New - based on Bend, Capital #9)*
- Q. The City's asset capitalization policy is to capitalize and depreciate assets greater than \$10,000 with a useful life beyond two years. Capital assets costing less than \$10,000 or having a useful life of two years or less will be treated as operating expenditures unless otherwise required. The

City of Gresham Financial Policies

asset capitalization threshold will be applied to individual assets rather than to groups of assets (i.e. office furniture, computer equipment, radio equipment, etc.) *(New – based on Bend, Capital #9, consistent with current policy with updated capitalization threshold)*

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City of Gresham Financial Policies

10. Debt

Purpose: The debt management policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policies that:

- The City obtain financing only when prudent,
 - The process for identifying the timing and amount of debt or other financing be as efficient as possible,
 - The most favorable interest rate and other related costs be obtained,
 - When appropriate, future financial flexibility be maintained. *(New, Bend Debt #1)*
- A. All debt issuances, except for minor or routine leases, will be reviewed by the Finance Committee and authorized by City Council action. *(New, based on Bend Debt #9, consistent with practice and statutes)*
- B. In conjunction with the City's debt financing team, including but not limited to bond counsel and financial advisors, the Budget & Finance Director structures and recommends to the City Manager and City Council all debt issuances and oversees the on-going management of all City debt. Debt includes voter approved general obligation bonds, tax increment financing, full faith and credit bonds, lease purchase obligations, revenue bonds, special assessment obligations, promissory notes, lines and letter of credit, interfund borrowings, variable rate debt, equipment financing agreements and any other contractual arrangements that obligate the City to make future principal and interest payments. *(New, Bend Debt #2)*
- C. No debt will be issued for which the City is not confident that a sufficient specifically identified revenue source is available for repayment. The Budget & Finance Director will prepare an analysis of the source of repayment prior to issuance of any debt. Safeguards will be established as appropriate, including within long-term finance plans, to ensure the identified revenue source is not redirected to other uses. *(New, based on Bend Debt #3)*
- D. The City will not use long-term debt to fund current operations, to balance the budget or to fund projects that are more appropriately funded from current resources. *(New, Bend Debt #4)*
- E. The City will periodically review existing debt issuances for possible refunding opportunities. Refunding may be undertaken when legally permissible, prudent and the net benefit is sufficient and in the best interests of the City. *(New, based on Bend Debt #5 but allows flexibility based on current/specific circumstances)*
- F. The City may utilize short-term debt or interfund loans as permitted, including addressing temporary issues with cash flow timing or to delay the issuance of long-term debt. *(New, based on Bend Debt #6)*
- G. When issuing long-term debt, the City will ensure that the debt is soundly financed by:
- i. Incurring debt only when necessary for capital improvements not appropriate to be financed from current available resources
 - ii. Ensuring that capital projects financed through long-term debt shall be financed for a period not to exceed the useful life of the project. This precludes future generations of rate payers

City of Gresham Financial Policies

- or taxpayers from paying debt service on an asset that no longer provides benefit and prevents debt capacity from being tied up by servicing a defunct asset in the event the asset needs replacing.
- iii. Determining that the benefit of financing exceeds the cost of financing
 - iv. Analyzing source of repayment, debt service coverage ratios and the impact of debt service on annual fixed costs prior to issuance of long-term debt. *(New, based on Bend Debt #7)*
- H. The City may issue debt on either a competitive or negotiated basis. Bank placements and other private offerings are authorized under circumstances such as interim financings or to avoid the cost of a public sale for smaller issuances. The Budget & Finance Director will recommend the most appropriate method of sale in light of financial, market, transaction specific, and issuer-related conditions. If a negotiated public sale is determined to be in the City's best interest, a competitive process should typically be used. *(New, based on Bend Debt #8)*
- I. The City will comply with all statutory debt limitations imposed by the Oregon Revised Statutes, including ORS 287A.050, which establishes a limitation on the amount of general obligation bonds the City may issue. This limitation is 3% of the City's Real Market Value as certified by the Multnomah County Assessor. *(Blend of Bend Debt #10 and existing policy B1)*
- J. General obligation debt will not be issued for enterprise activity. *(Existing policy B3 with no changes)*
- K. City direct debt sold by public sale will have demonstrated feasibility prior to sale by receiving a rating from either Moody's or Standard & Poor's, or if unrated, by a comprehensive feasibility report. The City will strive to maintain and improve its current bond rating so its borrowing costs are minimized and its access to credit is preserved. *(Existing policy B5 with minor edits)*
- L. The City will strive to maintain debt service coverage ratios and percentages that uphold the City's credit rating. *(New, Bend Debt #13)*
- M. The City, through the Budget and Finance Department, will comply with all bond covenants, arbitrage requirements, disclosure and other requirements specified by law including all Post Debt Issuance Tax Compliance and Continuing Disclosure Policies. *(New, Bend Debt #14, incorporates existing policy E3)*
- N. Bond anticipation debt will be retired within 12 months after project completion. In no event will bond anticipation notes be outstanding more than three years. *(Existing policy B4 with no changes)*
- O. All conduit bonds sold by public sale must be credit enhanced and have demonstrated feasibility prior to sale by receiving a rating of "A" or better from either Moody's or Standard & Poor's. Conduit financing is a mechanism which allows a non-municipal entity to issue tax exempt debt through a municipal corporation such as the City of Gresham. The City is the "conduit" issuer which "passes through" tax-exempt debt that is the obligation of another entity. The security for these transactions is always that of the borrower and not the issuer. *(Existing policy B6 with no changes)*
- P. All leases as reported in the City's annual financial report under Long-Term Debt will be limited as follows:
- i. Annual lease payments recorded in the respective funds will be limited to 10% of the current revenues of the fund supporting the lease payment.

City of Gresham Financial Policies

- ii. All leases will be limited to the economic life of the equipment or facilities to be purchased, and in no case shall be extended beyond 25 years.
- iii. Lease purchases of equipment and facilities will be limited to fit within the City's stated mission, goal or governmental role. Any exceptions must show an economic gain and be approved by City Council.
- iv. All annual lease-purchase payments must be included in the originating department's approved budget.

(Existing policy B7 with no changes)

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City of Gresham Financial Policies

11.Grants

Purpose: The City seeks to leverage grant funding from Federal, State, Local or other sources when feasible. This policy category reflects guidance for decisions regarding seeking, securing and managing grant funds.

- A. The City will maintain a grants manual to support the administration of grants received from Federal, State, Local and other sources. *(New – consistent with current practice)*
- B. The City will maintain an Indirect Cost Rate Proposal and Central Service Cost Allocation Plan in compliance with Federal regulations to allow for full cost recovery of overheads where possible. *(New – consistent with current practice)*
- C. All potential grants shall be coordinated with the Budget and Finance Department and evaluated for matching requirements and on-going resource requirements and balanced with the benefits of the grant before acceptance. Grants may be rejected to avoid commitments beyond available funding or in cases where compliance requirements outweigh benefits. *(New – based on Bend Revenue #9 policy)*
- D. Internal controls over Grants are designed and maintained to demonstrate compliance with the purpose of the grant award, as well as all applicable Federal, State and Local laws. Evidence of compliance and effective internal controls must be retained to satisfy applicable statutes of limitations. *(New – based on Hillsboro policy)*

Note: There are no existing policies in this category.

City of Gresham Financial Policies

12. Investments

Purpose: City Council and City Management recognize their responsibility to prudently manage and invest the funds of the City of Gresham.

- A. The City will maintain and comply with a written Investment Policy that has been approved by City Council. The Investment Policy will establish investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures. The Investment Policy is a standalone document from these fiscal policies. *(New – consistent with current practice and Oregon statutes, incorporates existing Policy A8)*
- B. The City will review and adopt the Investment Policy annually, or as otherwise needed, to comply with the requirements of Oregon statutes. The adoption process will include review by the Finance Committee prior to Council adoption. *(New – consistent with current practice and Oregon statutes)*
- C. The City will consolidate or pool cash balances from various funds for investment purposes and will allocate investment earnings proportionately to each participating fund. *(New – consistent with current practice)*
- D. The City will retain the services of outside professionals to support its investment program, within required procurement procedures and budgetary appropriations and consistent with Oregon statutes. *(New – consistent with current practice)*
- E. Semi-annual Investment updates will be provided to the Finance Committee. *(New – consistent with current practice/GRC 2.40.020)*

City of Gresham Financial Policies

13. Procurement

Purpose: Policies in this category are intended to encourage efficient, effective and fair public procurement in support of the delivery of services to the community.

- A. The City will comply with the City's Purchasing Policies, guidelines and procedures and with State and Federal laws and regulations. These include, but are not limited to: *(New – based on Bend, Expenditure #3)*
 - i. Gresham Revised Code Chapter 2.80
 - ii. Gresham Administrative Procedures Chapter 6.05 – 6.15
 - iii. Oregon Revised Statutes Chapter 279A, 279B, and 279C
 - iv. Oregon Administrative Rules Chapter 137-045 through 137-049
 - v. Code of Federal Regulations Title 2, Part 200 (specifically for federally funded projects)
- B. The City will seek to use a reasonable process for the selection of vendors, suppliers, contractors, and consultants, with consideration of open, transparent and competitive process while considering cost effectiveness, efficiency and timeliness. *(New – consistent with current practice)*
- C. Purchases of goods and services will comply with the City's Buy Local Policy as adopted by Council. *(New – consistent with current practice)*
- D. The City will not allow purchases to occur or services to commence without proper authorization, which could take the form of a purchase order or fully executed contract depending on the cost and type of goods and services procured, as defined in Gresham Revised Code and associated administrative rules, or as authorized by the City Manager and the Budget & Finance Director. *(New – consistent with current practice)*
- E. Procurement staff in the Budget and Finance department should be informed of and review all procurement activities requiring formal or informal competitive process, even if an operating department is leading the process. *(New – consistent with current practice)*
- F. Most purchases requiring formal or informal competitive process should be solicited at least every five years. Certain types of purchases will be solicited less frequently due to factors such as integrations with existing systems or significant disruptions to city operations or employees. Exceptions require approval from the Budget & Finance Director and the City Manager. *(New – largely consistent with current practice)*
- G. Budget availability will be evaluated prior to initiating procurement activities. *(New – consistent with current practice)*
- H. The City will reimburse directly for elected or appointed officials' and employees' expenses and will not reimburse expenses indirectly through any vendor working for the City. Proposals for services should not include expenses for elected or appointed officials or for employees. *(Existing policy A7)*

City of Gresham Financial Policies

14. Risk Management

Purpose: The City Council and City Management recognize their responsibility to provide stewardship of public assets, including the need to deter fraudulent or risky activities and to establish and maintain practices that enhance resilience.

- A. Adequate reserves will be maintained for all known liabilities, including employee leave balances. The amount in the reserves will follow generally accepted accounting principles. *(Existing policy A6)*
- B. Adequate reserves and/or insurance coverage will be maintained for general liability, workers' compensation, health, and dental liabilities. *(Existing policy E1 with minor edits)*
- C. Annual actuarial studies will be conducted for each program by a knowledgeable 3rd party to identify reserve and/or insurance coverage levels and associated confidence levels. *(New – consistent with current practice.)*
- D. The City will provide bond coverage for the designated City employees in an amount and with surety determined by the Risk Manager. *(Existing policy E6 with minor updates)*

City of Gresham Financial Policies

15.Accounting and Financial Reporting

Purpose: City Council and City Management recognize their responsibility to manage the City's finances lawfully and in the best interest of the City and its constituents. This policy category provides guidance and clarity regarding accounting and reporting practices.

- A. The City will comply with the following accounting and reporting standards:
 - i. Generally Accepted Accounting Principles (GAAP) developed by Governmental Accounting Standards Board,
 - ii. Government Accounting, Auditing and Financial Reporting standards prescribed by the Government Finance Officers Association (GFOA),
 - iii. Government Accounting Standards, issued by the Comptroller General of the United States,
 - iv. Oregon Revised Statutes relating to municipal finance and
 - v. Uniform grant guidance found in Code of Federal Regulations Title 2, part 200. *(based on existing policies E2 and E5 and on Bend, Accounting & Reporting #1)*
- B. The City will maintain an accounting and financial reporting system that conforms to Local Budget Law and ensures adherence to the budget. *(Existing and New, potential merging of existing policies E2 and E5 to focus on budget, since the GAAP item is addressed above and Bend, Operating Budget #15)*
- C. Reports comparing actual to budgeted expenditures will be prepared by the Budget & Finance Department and distributed to the City Manager, and City Council and Finance Committee on a regular basis. Significant budget to actual variances will be investigated and explained. *(Existing and New – based existing policy E5 and Bend, Operating Budget #15)*
- D. In accordance with State law, a comprehensive financial audit including an audit of federal grants will be performed annually by an independent public accounting firm with the objective of expressing an opinion on the City's financial statements and assessing the accounting principles used and evaluating the internal controls in place. *(New - Bend, Accounting & Reporting #5)*
- E. The City will prepare its financial statements and maintain its accounting and internal control systems in accordance with applicable standards with the goal of obtaining an unmodified opinion from its auditors. *(New - Bend, Accounting & Reporting #6)*
- F. The City will publish an audited Annual Comprehensive Financial Report (ACFR) each year and will submit the report to the GFOA's "Certificate of Achievement for Excellence in Financial Reporting" program. The ACFR will be made available on the City's website. *(Existing policy E4 with updated language)*
- G. While the primary responsibility for the City's financial reporting and internal controls rests with the Budget & Finance Department and senior management, accountability for financial oversight is a shared responsibility throughout all departments and all levels of the City organization. *(New, mixed sources)*

City of Gresham Financial Policies

- H. A system of internal controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions and compliance with applicable laws and regulations. *(Bend, Accounting & Reporting #4)*
- I. Financial systems, including account structures and project tracking, will be maintained to provide reasonable assurance that dedicated or restricted funds are used in compliance with applicable laws and regulations. Specific examples include but are not limited to: *(New introduction that provides context for items listed below, which include several existing policies)*
 - i. The City's water utility, wastewater utility, and stormwater utility are enterprise funds that are considered to be closed funds. The revenue sources of utility funds are dedicated to pay for costs associated with providing the utility's purpose and may not be used in a way that does not qualify as an expense in support of the utility's function. *(Existing policy A12 with no change)*
 - ii. System Development Charges (SDCs) will be deposited in a separate fund apart from other City resources. Each type of SDC or SDC credit (Water, Wastewater, Stormwater, Transportation and Parks) shall have its own separate account. Interest earnings will be credited accordingly. Usage of one account type by another (Water for Wastewater for example) is not allowed. *(Existing policy F6 with updates)*
 - iii. The City will provide an annual accounting for SDCs showing the total amount collected, the projects funded, any remaining balance, and growth projection for the balance of the planning period for City Council to adjust SDC amounts accordingly. *(Existing policy F8 with no changes)*
 - iv. Funds where usage is restricted by statute, regulation or other contractual agreements, including property tax levies, gas taxes, building fees, transient lodging taxes, or grants. *(New – consistent with current practice)*