

1. 10:00 A.M. Agenda

Documents:

[2020-11-18 Finance Committee Agenda.pdf](#)

2. Meeting Materials

Documents:

[2020-10-21 Summary Finance.pdf](#)

[2020-11-18 Quarterly Report Example.pdf](#)

[2020-11-18 Financial Policy Review.pdf](#)



**CITY OF YACHATS
FINANCE COMMITTEE MEETING
Yachats OR
Wednesday, November 18, 2020 at 10:00am
To Be Held Via Zoom
Join Zoom Meeting**

Join Zoom Meeting

<https://us02web.zoom.us/j/89644698467?pwd=bnZ1cGs1ZEdoVE1kamZDZk96WkNtdz09>

Meeting ID: 896 4469 8467

Passcode: 457020

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AGENDA

- I. Call Meeting to Order
- II. Minutes
 - A. Update on Minutes per Council direction
- III. New Business
 - A. Review Financial Indices compared to Budget
 - B. Discussion of City Hall interfund rent payment to Commons
- IV. Old Business
 - A. Update on FY20 Audit
 - B. Discussion on Committee member review of Financial reports from other cities
 - C. Discussion of Commission feedback on quarterly report, timing of financial reports, roles and responsibilities discussed at October meeting
 - D. Discussion of Financial Policy review

This meeting is open to the public and all interested persons are invited to attend. This meeting will be audio taped. All items to be considered by the Commission must be submitted to City Hall no later than one week prior to the meeting. Minutes of all public meetings are available for review at City Hall, or on the City website at www.yachatsoregon.org

In accordance with ORS 192.630, City of Yachats will make a good faith effort to provide accommodations for any person desiring to attend a public meeting, if the request is made at least 48 hours in advance of the meeting time. The meeting room is physically accessible to persons with mobility devices; a sign language or foreign language interpreter may be available, with advance notice. Call City Hall at 541- 547-3565 or Oregon Relay 1-800-735-2900 (TDD) two days in advance.

POSTED 11/13/20

- V. Other Business
 - A. From the Committee
 - B. From the Staff
 - C. From the Floor

2020 Committee Goals

1. Review Financial Reports and Economic Indices
2. Update Financial Policies
3. Review capital project progress and budgets
4. Develop PERS unfunded liability plan and water protection goals during the budget process

NOTICE OF POSSIBLE CITY COUNCIL QUORUM

The Mayor and City Councilors may be attending the meeting and there may be a quorum of the Council during the event. However, this is not as City Council meeting: no City business, Council deliberation or decision-making will be conducted during the event.

This meeting is open to the public and all interested persons are invited to attend. This meeting will be audio taped. All items to be considered by the Commission must be submitted to City Hall no later than one week prior to the meeting. Minutes of all public meetings are available for review at City Hall, or on the City website at www.yachatsoregon.org

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POSTED 11/13/20



CITY OF YACHATS

FINANCE COMMITTEE MEETING

Date: October 21, 2020 at 10:08am

Meeting Summary

Audio will be uploaded the following business day for review of entire meeting

Meeting Call to Order

Members Present or Absent

Mayor/Chair: Shannon Beaucaire, Chair called the (date)October 21, 2020
(time)10:00am

Council/Commission/Committee members present:

- | | |
|---|--|
| 1. <u>Mayor Moore</u> | 5. <u>Danos, Planning Commission</u> |
| 2. <u>Berdie, Parks & Commons</u> | 6. <u>Shannon Beaucaire, Finance Chair</u> |
| 3. <u>Groth, Public Works & Streets</u> | 7. <u>Vaaler, Councilor</u> |
| 4. <u>West, Yachats Library</u> | 8. _____ |

Absent:

- | | |
|----------------------------|----------|
| 1. _____ | 3. _____ |
| 2. <u>Tooke, Councilor</u> | 4. _____ |

Staff present:

- | | |
|-----------------------------------|----------------------------|
| 1. <u>Deputy Recorder Jackson</u> | 4. <u>Janet Cline, COG</u> |
| 2. <u>Admin Sites</u> | 5. _____ |
| 3. <u>Sue Forty, COG</u> | 6. _____ |

Audience: 11

REGULAR MEETING

I. Announcements and Correspondence

- a. None

1 **II. Public Comments:**

2 a. None

3 **III. Consent Agenda**

4 1. Meeting Summary

5 a. Approve Minutes of February 12, 2020 and September 23, 2020
6 meetings:

7 ➤ Aye: Moore, Groth, Beaucaire, Berdie, West, Danos

8 ➤ Nay: None

9 ➤ Absent: Tooke
10

11 **Summary:**

- 12 • Monthly Financial Report discussion on the intent and the cash to accrual
- 13 • Operations vs. Policy
- 14 • CIP projects – Little Log Church & Museum project should send out the RFI by
- 15 November/December and report back to the committee in December
- 16 • CIP pages have been created on the website for transparency and will continue
- 17 to update
- 18 • FY20 Audit will be in process in November
- 19 • Debt & Interfund loan repayment discussion
- 20 • Budget transfer resolutions can be done in December/January
- 21 • Savings account for the City – work With Janet Kline, COG in the upcoming year
- 22 • Water Protection & Security
23
24
25
26

27 **Action Steps**

- 28 • Review financial policy with COG and bring a draft back to the committee
- 29 • Add Planning Budget to the November agenda
30

31 Shannon Beaucaire adjourned the meeting at 12:05pm.

32 PREPARED BY:

33 _____
34 Kimmie Jackson, Deputy Recorder

35 Date: _____

Consolidated City Funds
Quarterly Financial Summary Report
SEPTEMBER 2020

Printed: 11/13/2020

Period 3 - 3

Fiscal Year 2021

		Budgeted					Actual					% of Budget
Account Number	Description	Fund 100 Fund 150 Fund 155 Fund 160	Fund 660 Fund 670	Combined City	Fund 900	Combined City & URD	Fund 100 Fund 150 Fund 155 Fund 160	Fund 660 Fund 670	Combined City	Fund 900	Combined City & URD	
300101	Beginning Balance	4,037,296	1,467,321	5,504,617	418,357	5,922,974	4,168,578.98	1,362,857.29	5,531,436.27	432,234.52	5,963,670.79	100.69%
300105	Beginning Balance-Hall Bequest	150,000	-	150,000	-	150,000	150,000.00	-	150,000.00	-	150,000.00	100.00%
	Subtotal Beginning Balance	4,187,296	1,467,321	5,654,617	418,357	6,072,974	4,318,578.98	1,362,857.29	5,681,436.27	432,234.52	6,113,670.79	100.67%
	Current Revenue Activity	2,140,050	1,680,634	3,820,684	364,000	4,184,684	390,666.73	679,675.29	1,069,617.63	3,904.35	1,073,337.67	25.65%
	REVENUE	6,327,346	3,147,955	9,475,301	782,357	10,257,658	4,709,245.71	2,042,532.58	6,751,053.90	436,138.87	7,187,008.46	70.06%
	PERSONNEL	371,149	797,250	1,168,399	-	1,168,399	64,662.91	150,251.85	214,914.76	-	214,914.76	18.39%
	MATERIALS AND SERVICES	846,468	634,806	1,481,274	3,000	1,484,274	142,012.68	118,111.24	260,123.92	-	260,123.92	17.53%
	TRANSFERS	435,907	212,780	648,687	209,000	857,687	153,866.75	53,195.00	207,061.75	52,250.00	259,311.75	30.23%
	CAPITAL OUTLAY	859,605	715,000	1,574,605	220,000	1,794,605	271,380.93	52,063.18	323,444.11	55,000.00	378,444.11	21.09%
	DEBT SERVICES	730,714	-	730,714	-	730,714	246,605.19	-	246,605.19	-	246,605.19	33.75%
	EXPENSE	3,243,843	2,359,836	5,603,679	432,000	6,035,679	878,528.46	373,621.27	1,252,149.73	107,250.00	1,359,399.73	22.52%
	Current Net Activity	(1,103,793)	(679,202)	(1,782,995)	(68,000)	(1,850,995)	(487,861.73)	306,054.02	(182,532.10)	(103,345.65)	(286,062.06)	15.45%
	Ending Fund Balance	3,083,503	788,119	3,871,622	350,357	4,221,979	3,830,717.25	1,668,911.31	5,498,904.17	328,888.87	5,827,608.73	138.03%
									3,700,000.00	420,000.00	4,120,000.00	LGIP Bal
									2,000,000.00	-	2,000,000.00	Wash Fed Bal
									5,700,000.00	420,000.00	6,120,000.00	total cash balance



DATE: November 18, 2020

TO: Finance Committee

FROM: Shannon Beaucaire, City Manager

SUBJECT: Financial Policy Review

At the October 21, 2020 meeting, the committee left with the intention of reviewing the following materials for discussion of updating Yachats Financial Policies at its November 18 meeting

Yachats Financial Administrative Policies

<https://www.yachatsoregon.org/DocumentCenter/View/220/Administrative-Policy-05---Donations--Recognition-PDF>

<https://www.yachatsoregon.org/DocumentCenter/View/203/Administrative-Policy-11---CIP-Budget-PDF>

<https://www.yachatsoregon.org/DocumentCenter/View/207/Administrative-Policy-15---System-Development-Charges-PDF>

<https://www.yachatsoregon.org/DocumentCenter/View/209/Administrative-Policy-17---AR-AP--Reporting-PDF>

<https://www.yachatsoregon.org/DocumentCenter/View/211/Administrative-Policy-19---Water-Bill-Relief-PDF> Public works and streets is reviewing this right now and will have some feedback.

<https://www.yachatsoregon.org/DocumentCenter/View/212/Administrative-Policy-20-Debt--CIP-Management-PDF>

<https://www.yachatsoregon.org/DocumentCenter/View/213/Administrative-Policy-21---Use-of-City-Credit-Card-PDF>

<https://www.yachatsoregon.org/DocumentCenter/View/214/Administrative-Policy-22---Notarization-Policy-PDF>

Review and provide feedback on good policies from other communities to incorporate:

Coral Springs, FL (grant policy, etc.) <https://www.coralsprings.org/government/other-departments-and-services/budget-strategy/financial-policies>

Corvallis, OR – following

Modified COG policies – following. Because we use the same processes for internal controls and software, this is a good base to modify.

City of Yachats

**FINANCIAL MANAGEMENT POLICIES
and PROCEDURES**

September 25, 2020

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FINANCIAL MANAGEMENT POLICY AND PROCEDURES

General Purpose

City of Yachats, also referred to as the City throughout this document will maintain a current financial management policy and procedures manual (Manual).

The purpose of this Manual is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of the City, and managing and monitoring City funds.

Authority

The City Manager or Council designee are responsible for the development and implementation of financial management policies and procedures and updating this Manual.

It is the responsibility of the City's governing City Council to adopt City policies and review City operations and activities on a periodic basis.

The City Finance Committee is responsible for reviewing the Manual and recommending changes and/or additions to the City's governing City Council for adoption.

FINANCE and ACCOUNTING PROCEDURES

Authority

Financial reporting and accounting for the City shall be carried out by the Finance Department of the City. The City Manager is designated as the Fiscal Officer of the City.

Procedure

In order to ensure effective internal controls and manage risk to the City, accounting tasks are assigned to staff in the Finance Department as well as City staff as designated by the City Manager.

ACCOUNTS PAYABLE

Policy

Accounts payables (expenditures) are paid by check, credit card, and direct bank account withdrawal through an automated clearing house (ACH).

Authority

Program Directors/Managers or designated staff approve expenditures and authorize payments as determined by the City adopted budget.

Procedure

City Manager/Managers or designated staff will review all bills/invoices for payment and initial the bill/invoice to authorize payment. City Manager/Managers or designated staff identify the line item to be charged, and project management code if needed, to track expense for contract purposes. Finance Staff will provide a current Chart of Accounts and a Project Management list to all City Manager/Managers or designated staff, annually or any time there has been a significant change, to ensure proper coding of all accounts payable.

Finance Staff may consult with City Manager/Managers or designated staff to assign line items as determined by appropriate accounting procedures, budget and the cost allocation plan.

Finance Staff processes the bills/invoices for payment on a regular basis. All bills/invoices properly coded and authorized for payment, will be paid on a schedule approved by the City Manager. A schedule of payable dates are for City staff. If there is a change in the timelines there will be an email notification sent to all internal staff. If the change is significant and not temporary, a notice will be mailed with all checks issued to external clients to notify of the impending change. The line item expensed, authorization and any information required for payment are attached to the invoice and filed with the check stub or invoice copy when Automated Clearing House (ACH) payment is made. As technology is enhanced in the City, if applicable and the bill/invoice is paid via ACH, the bill/invoice is stamped with the ACH stamp that includes the accounts payable batch number, transmit date and approval line. All ACH accounts payable batches will be reviewed by a designated Finance Staff prior to upload in the bank software.

Checks are reviewed and signed by the two (2) City Council members or designated staff. In the instance that there are not two (2) City Council members available to sign the City Manager and one (1) Council Member may sign. Designated program staff prepare the checks with the required documentation to be mailed. No checks will be left in outgoing mail at the end of the work day. If the daily mail has been picked up,

designated program staff will secure check for mail the next business day. Finance Staff files all documentation in the vendor files for audit purposes.

All ACH batches processed are reviewed and transmitted by the Finance Staff, There are the only three (3) staff that have authorization to transmit ACH payment, the Finance Staff, contracted Finance Staff and the City Manager. The Finance Staff will send the majority of the ACH batches.

Check Signing

All City checks require two (2) signatures. As stated in the above section all City checks are reviewed and signed by the two (2) City Council members or designated staff. In the instance that there are not two (2) City Council members available to sign the City Manager and one (1) Council Member may sign. No person can be first or second signer on any check made out to them.

Issuing Checks

Checks are numbered in sequential order. Checks are never to be written for "Cash". The Finance Staff makes every effort to issue checks bi-monthly. Any change will be communicated as described in the Accounts Payable section of this Manual.

Special Check Requests

Finance Staff may process special check requests, if appropriately authorized by the City Manager/Manager or designated staff. A request for special check and/or payment is to be submitted to the Finance Staff by the City Manager/Manager or designated staff. Finance Staff will coordinate with requestor as to the timing required. Finance Staff processes special request checks through the accounting system the same as all accounts payable checks are processed. All budget coding and project management coding must be on special request check requested.

Manual/typed checks will only be prepared and/or utilized if the electronic financial system is unavailable. Once the electronic system is available, the information and transaction detail associated with any manual/typed check will be entered into the computerized financial system.

Monthly Payments

Regular monthly payments (rent, janitorial contracts, health insurance, all payroll related checks, and any pre-authorized billings) are authorized once by the City/Manager or designated staff in writing and are processed monthly (as designated in the contractual or written agreement). The Finance Staff will have a copy of the written agreement or contract as required for back-up documentation.

ACCOUNTS RECEIVABLE (Billing)

Policy

To ensure timely payment of contracts, billings and invoices due to the City, the following procedure will be followed.

Authority

City Manager/Manager or designated staff determines billing/invoicing based on contracts and/or agreements signed by the City. The City's City Manager may delegate authorization to bill/invoice contractors based on the terms of the contract to the designated program staff.

Procedure

All billings/invoices based on approved contracts or agreements are prepared by the Finance or a designated program staff. The Finance Staff will obtain all required signatures on all billing/invoices prior to being sent to contracting agencies. The Finance Staff, appropriate project manager or designated Finance Staff will submit billing/invoice, monthly, quarterly and/ or semi-annually to agencies based on the terms of the approved contract or agreement. All accounts billings/invoices will be billed in a timely manner within the terms of the approved contract or agreement.

Copies of all billing/invoices coded with revenue account and project management code, if applicable, sent to contracting agencies are submitted by the City Manager or designated staff to the City or Finance Staff responsible for accounts receivables entry into the City's electronic financial system. All accounts receivables will be entered in the City's electronic financial system in a timely manner and in the appropriate fiscal period.

Accounts Receivable is reconciled by the contracted Finance Manager or designated City Staff on a monthly basis and at year end for the City's audit. The contracted Finance Manager will work with staff responsible for entering accounts receivable in the City's electronic financial system when completing the reconciliation. An Excel spreadsheet is used as a subsidiary ledger by program and is used to balance Accounts Receivable. The reconciliation will consist of a review of all outstanding accounts receivable and sending notification to the City Manager and Project/Program Manager of any receivables outstanding for a period of longer than two (2) months. The City Manager or Project/Program Manager will notify Finance Staff responsible for accounts receivable of any items that need to be adjusted or written off timely.

ANNUAL BUDGET AND WORK PROGRAM

Policy

The City complies with the State of Oregon Budget Law as it applies to City Government, by June 30 of each fiscal year. A Work Program and Budget is prepared and adopted in accordance with ORS 294.900 to 291.90.

Authority

The City Manager acting as the Fiscal Agent for the City, and in coordination with the Finance Staff, supervise the preparation of the City Work Program and Budget and recommends it to the Budget Committee. The Budget Committee reviews the document and recommends it to the City Council for adoption. The City Council approves the adoption of the annual budget and work program, and all subsequent amendments in a manner consistent with State budget law.

The City's Budget Committee is established in accordance with Oregon Budget Law.

Procedure

The annual budget document is developed in two formats: one to meet the requirements of the Oregon Budget Law; and, a more detailed line item operating budget for the City.

The City Manager provides recommendations for salary and fringe benefits if there is no Union contract in place for the budget year.

The City Manager in coordination with the Contracted Finance Staff develops an internal staff calendar and City Council calendar for the Work Program and Budget. The City Council calendar is presented to the City Council for review and adoption.

City Manager/Managers are responsible for preparing annual work plans that coordinate with their prepared budgets. City Manager/Directors will compile a balanced budget that includes the current year estimated actual, and the proposed new fiscal year budget numbers within the timeline provided in the internal calendar.

See the Appendix section of this Manual for examples of calendars.

The City Manager and/or Finance Staff provides each Manager two (2) budget templates and Work Program narrative text from the previous year. The narrative will be provided in late **October**, early **November** and the two (2) budget templates will be provided in late **December**. City Manager/Manager may request program staff to complete various sections of the budget, however City Manager is responsible for all programs in the City.

The first Budget template is a fully formatted Excel spreadsheet downloaded from the City's electronic financial accounting software that includes all account numbers available to budget, i.e. revenue, personnel, expenditures and capital projects. The formatted template includes all estimated personnel cost for the current year, estimates for the new budget year based on original full-time equivalence (FTE) spreadsheets prepared by Finance, calculated rent costs, license costs required for technology identified by the City Manager. City Manager/Manager or designated staff are responsible for completing the estimated actual numbers for the current year and all new years budget revenue and expenses, other than the ones addressed above.

The second template is a full-time equivalence (FTE) spreadsheet that includes all current positions staffed in the City by staff name, anniversary date, FTE, rate of pay calculated as close to actual as possible at the time of completion, known vacancies in each department and program with the estimated personnel cost for the new budget year, all benefit costs including insurance and vacation. These totals, by budget line are included in the budget template. This FTE sheet is edited as needed by City Manager/Managers or designated program staff to include any new positions or additional staffing in current positions that the Finance Staff would not know at the time of original distribution. If edited, City Manager/Managers are responsible for updating the budget template accordingly.

Narrative text will be in Word format and are edited based on the coming years' Work Program.

See Appendix for sample of templates.

The City Manager will schedule separate meetings in early February with Managers after they have had an opportunity to review, edit and enter budget numbers in the budget template. These meetings will be full-day working meetings to address any questions, issues or concerns with each department. Back-to-back meetings will be scheduled to complete the draft budget for department, if needed.

The City Manager prepares the draft budget to present to the Budget Committee.

A Budget Committee hearing will be published in local newspapers and City's website. The Budget Committee meets in accordance with public meeting law to approve and recommend the draft budget to the City Council for adoption.

Once the City Budget is adopted by the City Council, the City Manager in coordination with Finance Staff will submit the approved Budget to the Oregon Department of Revenue by the required deadline.

AUDIT

Policy

Each year, CITY OF YACHATS financial records are audited in accordance with Oregon State law, appropriate federal program guidelines, and generally accepted auditing standards.

Auditor Selection Process

The City Manager develops a Request for Proposal (RFP) for selection of an auditor. The City Manager, Finance Staff, XXXXXXXX reviews responses to the RFP.

The City enters into a three (3) year contract, however, upon recommendation of the Finance City Manager, the Finance Committee may authorize the City Manager to extend the audit contract for a second three (3) year period. Under no circumstance will the City contract for more than six (6) years with the same auditor or with an auditor who employs the same staff as the previous auditor.

Contracting with previous auditors may occur after a three (3) year period from termination of the contract.

Procedure

The audit process begins when the City's financial statements are completed for the fiscal year end. The City Manager in coordination with Finance Staff prepare the required year-end statements for the auditors and assists in the preparation of the audit report.

The auditor provides the City Manager and Finance Staff with a list of required year-end statements and other required information.

Managers and appropriate staff may be requested to provide information to the Finance Staff as required by the auditors during the audit process.

A copy of the draft audit is submitted to the City Manager for review and questions before the final report is completed. After review, the auditor prepares the necessary number of copies of the audit as requested.

The auditor and City Manager present the audit to the Finance Committee. The Finance Committee recommends acceptance of the audit to the City Council.

BANK ACCOUNTS

Policy

City funds are deposited in banks that have a local branch, are interest bearing, Federal Deposit Insurance Corporation (FDIC) insured, meets the contractual requirements and which is collateralized in an amount deemed adequate to cover current balances (not less than \$200,000). Additional accounts are opened as necessary. The City is required to maintain separation of funds for various types of contracts, requiring several bank accounts to be open.

Authority

The City Manager, acting as the Fiscal Agent for the City is authorized to open additional bank accounts as required by executed contracts and agreements. All check signers are authorized by the City Council through resolution.

Procedures

Operating Account. An operating account is established at one or more local bank(s) by the City Manager as authorized by the City Council. There may need to be several operating accounts open, due to contractual requirements.

Oregon Local Governments Investment Pool. Investment accounts for the operating account(s) and Urban Renewal fund are established with the Oregon Treasury as authorized by the City Council.

Designated Check Signers. The City Council and City Manager are the authorized check signers. A resolution is adopted at a City Council Meeting to authorize signers. Two authorized signatures are required on each check as set out in the Accounts Payable section of this Manual.

BANKING PROCEDURES

Policy

All funds received by the City will be deposited into the appropriate account as determined by the Bank Account section of this Manual.

Authority

The City Manager establishes banking procedures to account for appropriate internal control process and fiscal accountability.

Procedures

Operating funds and special funds are deposited in the appropriate operating account. Special funds and operating funds not required to be used immediately are transferred to the Oregon Local Government Investment Pool, or designated account.

Each day the City is open for business, the City may accept funds at various City owned Locations. Funds received at remote locations are deposited every day or when the amount reaches \$25.00. This amount may change to a lesser amount but will never be more than \$25.00. All funds being held for deposit at remote city owned locations and City Hall will be locked in a secure location, until the deposit is made.

At no time and under no circumstance will any City staff designated to deposit funds in any City bank leave any bank bag, prior to or after deposits are made, in an unattended vehicle or unsupervised location.

Each day, the designated Finance Staff prints and reviews the previous day's activity for the City's main operating account. Printed reports are kept in a binder for a period of six (6) months in the Finance Office.

At the end of each month when the bank statements arrive, a designated staff, clears all checks, electronic accounts payable and deposits listed on the bank statements.

All bank accounts are reconciled to the bank statement and the financial statement monthly by the Finance Staff, prior to the books being closed. If reconciliations cannot be completed by the close of the month, all adjusting journal entries will be entered in the next month.

The City Manager or designee reviews and signs off on the completed reconciliations.

CASH RECEIPTS

Policy

All funds received by the City are receipted and deposited into the City bank account at least once a week. If month end is mid-week or the City receives a large check, a special deposit is made on the last day or day the large deposit was received.

Authority

The City Manager establishes procedures for tracking cash receipts.

Procedure

All funds received at City Hall or other remote City facilities are counted in the presence one (1) or more staff members. The individual recording the funds in the electronic finance system, cannot be part of this process.

All cash, checks and vouchers received at City Hall are turned in to the designated City Staff where they are recorded on a weekly log and secured in the safe, along with the log until the deposit is written. If cash is turned in, it is counted in the presence of the individual turning it in and signed for on a cash transmittal form.

If the receipt is for a billing/invoice generated by the Finance Staff, the Finance Staff will review the cash, check or voucher received in City Hall and code accordingly, before securing the funds in the safe.

All cash, checks, and vouchers received at the City owned remote locations that need to be recorded in the City's electronic financial system, should be recorded the same way as the City Hall. One staff will record the cash, checks, and vouchers on a weekly log and secure in the safe, until the cash, checks, and vouchers and be taken to City Hall.

The City uses a check scanner to deposit all checks directly to the designated bank. Copies of scanned checks should be attached to the daily cash receipts batch. All deposit slips are prepared in duplicate. A cash receipts batch is created in the electronic financial system and one copy of the deposit slip is attached to the corresponding cash receipts batch. These cash receipt batches provide a detailed listing of checks deposited. The official bank receipt is attached to the cash receipt for each batch.

All cash receipt batches and deposits are reconciled monthly with the bank statements. At the time of bank reconciliation the attached scanned checks will be filed for a period of 3 months then destroyed.

BUILDING

Policy

The building located at XXXXXX, is owned by CITY OF YACHATS, and serves as the administration office for the City. The buildings XXXXXX, are also owned by CITY OF YACHATS and used for business in the community.

Authority

The City Manager is responsible for the management of the City's facilities and may designate appropriate staff to oversee the day-to-day management of the buildings and office space, as needed.

City Manage in coordination the City Council have the authority to negotiate facility leases. The City Manager is the only authority to sign lease agreements.

Procedure

The City owned facilities are primarily occupied by various departments of the City. Any unoccupied space may be leased to other tenants on an availability basis.

The City occupants will be charged at a rate per square foot to occupy the building. Charges will be computed monthly, billed to the departments and reported as rental income in the appropriate building fund.

Excess income in the building accounts may be used to establish and/or replenish City Council-approved reserves, refund to programs, use as match, or for other purposes.

A City Council-adopted Reserve Policy for buildings has been established for both City owned buildings that is included in the annual budget under "Restricted Funds" and is to be set aside for building replacement costs.

The City Manager or designated staff will create and keep current a five-year maintenance plan for replacement and/or upgrade of the City owned buildings. The cost associated with the five-year maintenance plan will be recovered in the rent or lease cost charged per square foot.

CONTRACTS

Policy

The City Manager shall enter into appropriate contracts, Personal Service Agreements, Professionals Services Agreements, Intergovernmental Agreements and Memorandum of Understanding on behalf of the City Council to carry out the functions and purposes of the City.

Authority

The City Manager or designee is responsible for the preparation, review, and execution of all other contracts entered into by the City. The City Manager may delegate the preparation and initial review to a designated staff. The City will have all contracts, Personal Service Agreements, Professionals Services Agreements, Intergovernmental Agreements and Memorandum of Understanding templates approved by the City's Legal Counsel.

At any time, the City Manager or designated staff may request the contracts be reviewed by the City's Legal Counsel.

Procedure

The City Manager or designee is responsible for the monitoring and tracking of the various contracts and grants coming and going through the City. The City uses an excel spreadsheet to track all contracts with regards to expiration date, reporting requirement and billing requirement. City Manager or designee is responsible for recording all contracts, grants, Intergovernmental Agreements and Memorandum of Understanding in the electronic contract management system. City Manager/Manager or designated staff will write the purpose statement, scope of work, terms, and consideration before submitting the draft to the City Manager. The Finance Staff involvement in the process is to ensure the contract is fiscally prudent, for the good of the City and included in the annual budget.

Once a final document is prepared, the designated staff will start the routing process, which will involve the City Manager/Manager, Finance Staff, and City Manager. The designated City staff will then return the signed document to the appropriate entities.

The **City Manager** negotiates the labor contract and recommends any financial action to the Finance Committee for review and recommendation to the City Council for approval. The Finance Committee Chair and/or CITY OF YACHATS Council Chair may participate in the labor contract development process.

The City will maintain hardcopy and electronic files for each contract, agreement and grant. The designated staff will monitor and track each contract for maturity, insurance and bill the appropriate City for services. Tracking of deliverables and match funds will be the responsibility of the various departments or individual Project Manager.

COPY MACHINES

Policy

Copy machine usage is tracked by utilization codes. The expenses are charged to the appropriate program and booked as revenue into the copy fund.

Authority

On an annual basis, the copy fund is reviewed by the City Manager. This is to determine the rate of earnings and cost per copy needed to pay for machine maintenance and replacement expenses.

Procedure

The designated Finance Staff will run a monthly report from each copier to determine the number of copies made for each department and/or program. The designated staff will also write a journal entry (JE) to charge each program for their copies. The gross amount will be reflected in the monthly financial statement for each fund.

Personal copying by staff is discouraged. However, when a personal copy is made the staff must reimburse the City immediately based on the current copy cost. Each department will have a secure collection place for these reimbursements. Each program within the City will assign staff to be responsible for collection and forwarding the funds to City Hall monthly. The designated staff will log the funds into the folder for deposit and secure in the designated area, in the same manner for all checks and cash received into City Hall. The appropriate procedure will be followed as addressed in the Cash Receipts section of this Manual.

The funds received from the staff's copies are recorded as income.

FINANCIAL STATEMENTS

Policy

The City will prepare and distribute a monthly financial statement to all interested parties. The financial statement is a public record.

Authority

The City and/or Finance Staff is responsible for the preparation of the monthly financial statement.

Procedure

The Finance Staff will prepare a monthly financial statement as soon as the necessary information has been collected and the monthly books are closed. The financial statement will be set up by department based on the annual Work Program and Budget. The financial statement will include budget, expenses and income by month and year-to-date. The financial statement will be designed to facilitate budget monitoring, planning and report preparation. All City financial activity will be posted and managed to comply with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards as established by the Governmental Accounting Standards Board (GASB).

Bank Reconciliation. All bank accounts are reconciled monthly by the Finance Staff. Bank reconciliation includes random verifying endorsement on cancelled checks to ensure checks are received and deposited by the intended recipient. Any questionable activity will be researched and reconciled in a timely manner.

Payroll Posting. This is carried out through the City's electronic financial system. Payroll is posted and reconciled to benefit payments, deductions, employer tax requirements, and cash disbursements on a monthly basis.

Interest Earned. Interest earned on funds in the banks is allocated to the appropriate fund where the revenue is budgeted. All bank fees imposed will reduce the interest earned.

Indirect Charges. Monthly indirect charges are computed based on the indirect allocation plan and by body employed in each department. This process is used to adequately distribute the expenses. Indirect charges are posted to the financial statement monthly via recurring journal entry.

Journal Entries. The Finance Staff are responsible for preparing and recording the necessary monthly journal entries.

Distribution. The monthly financial statement will be distributed electronically to the City Manager for distribution. The financial statement is a public document.

INDIRECT COST PLAN

Policy

The City will have an Indirect Cost Plan.

Authority

The Finance Staff in coordination with the City Manager, is responsible for the development of the annual Indirect Cost Plan.

Procedure

The Finance Staff creates the Indirect Cost Plan annually in accordance with the City's Work Program and Budget.

The Indirect Cost Plan will be allocated based on budgeted staff count.

The annual plan is filed in accordance with Federal Indirect Cost Plan procedures and requirements.

Amendments may be made to the plan periodically as necessary.

The completed Indirect Cost Plan is kept in a binder in the Finance Staff's office with all back up information.

INSURANCE

Policy

The City shall maintain adequate insurance coverage to protect the City's assets, and the City Council and staff from liability and financial misconduct.

Authority

The City Manager or designee in coordination with the City Council is responsible for obtaining adequate and appropriate insurance coverage.

Procedure

The City Manager and Insurance Agent of Record, will determine the type, level of coverage and provider for all City insurance and bonding.

The City Manager presents, at time of renewal, insurance and bonding choices to the Finance Committee for their review and comment.

INVENTORY/ASSETS

Policy

For insurance purposes, an inventory record will be kept of all equipment and furniture with an expected life of more than one year. This record will include replacement value for each item. For accounting or audit purposes, purchases of capital items less than \$5,000 will not be recorded as assets and will be posted as materials and supplies.

Authority

The Facilities Staff, under supervision of the City Manager be responsible for the upkeep of the inventory related to building equipment and furniture, computer, network, telephone and related technology inventory.

Procedure

The Facilities staff will maintain a physical inventory of each City office/site in a database. The database will be updated on an on-going basis as items are purchased or disposed. A physical inventory is required annually. The values by location will be reported to the insurance agent during each fiscal year's annual insurance renewal process.

Items lost or worn out will be deleted from the list as they are disposed of. Items that are to be sold or transferred to another city or nonprofit are presented to the City Council for approval when State law requires such action. A record will be kept of all items no longer in the City inventory for review during the annual audit.

Money received from the sale of obsolete equipment and furniture is recorded as miscellaneous income to the program that originally purchased the item. If that is not known, the income will be posted to General Fund.

Capital purchases (over \$5,000) shall be posted to the capital outlay category. Purchases of equipment and furniture shall be posted to materials and supplies. An annual inventory/asset report will be generated for review during the annual audit.

For tracking purposes, all building equipment and furniture, computer, network, telephone and related technology inventory items will have bar code tags placed on them at the time of purchase. For items that cannot accommodate the bar code tag, the bar code tag will be kept in the inventory binder used to identify the equipment.

PAYROLL

Policy

All City staff will be paid twice a month in the 15th and the last business day of each month. All staff are paid via check or ACH direct deposit. The payday falls on a Saturday, Sunday, or a Monday holiday pay will be released the Friday before.

Authority

The City Manager negotiates the Labor contract and recommends the salary schedules for represented and non-represented personnel to the Finance Committee. The Finance Committee recommends to the City Council. The City Council adopts the salary schedule as part of the Labor contract or as the compensation plan for non-represented staff.

Procedure

The personnel/payroll information for new staff is prepared by the City Manager or designated staff and given to the Finance Staff with all the required forms.

The City Manager or designated staff prepares a Personnel Action Form (PAF) for new staff and/or for any changes in status for current staff as needed. The form is signed by both the City Manager and Manager prior to the forwarding to the Finance Staff

The Finance Staff inputs all new staff in the computerized payroll system.

No changes can be made to a staff's payroll or benefits status until a signed payroll change form is received from the staff requesting the change, or a PAF is received from the City Manager. No other form of payroll changes will be acceptable.

Timesheets. A timesheet is required from every staff. Timesheets are entered by individual staff onto a provided timesheet, by the timesheet due date. Once entered, staff prints, signs and submits their timesheet to their direct supervisor for review and approval. Timesheets and approved leave request forms are submitted by the supervisor to the City Manager for review. The City Manager submits approved timesheets to the Finance Staff by the timesheet due date. The Finance Staff makes every effort to give the latest date possible to allow staff adequate time to complete their timesheet, while still enabling payroll to be processed timely.

Amended Timesheets. If a staff's timesheet has been submitted incorrectly or needs to be changed, the staff will prepare, print and sign an amended timesheet and forward to their direct supervisor to be reviewed and approved. The supervisor will forward all amended timesheets and approved leave request forms to the City Manager for

approval and on to the Finance Staff by the monthly timesheet due date. The Finance Staff will make the required change in the records and correct any payment changes in the next payroll cycle.

Withholdings. All required deductions and benefits will be withheld from the staff's gross pay and reported to the appropriate agencies.

Payroll Processing. Payroll is uploaded into the electronic financial system based on the approved timesheet. Prior to the completion of payroll, the Finance Staff or designated staff balance payroll. At no time will the individual completing the monthly payroll batch balance payroll. All payroll related accounts are balanced and reconciled monthly. Taxes associated with payroll are paid the next business day and all costs associated with payroll are paid within five (5) business days after payday.

Leave Slips. Leave slips will be prepared in accordance with CITY OF YACHATS Personal Policies and submitted with the timesheet. Any absence reported on the timesheet without a leave slip will be followed up on with staff and the supervisor and a leave request will be submitted.

Direct Deposit. All staff are provided the option for electronic deposit offered by the City in the form of direct ACH, or a paper check. Net payroll will be electronically deposited into staff's personal checking account by 10:00 a.m. on the designated payday.

POSTAGE

Policy

City satellite offices have a mail service, or are provided a postage meter, that will track expenditures by program.

Authority

The Finance Staff in coordination with the City Manager and determine the best service that meets the postage needs of the office.

Procedure

For offices utilizing a mail service, daily mail is deposited by designated staff in a central location in the City. All departments have designated staff to process mail for pick up by the mail service. The mail service bills monthly by program area. Offices that have a postage meter will request a check or have postage replenished through direct withdrawal from the appropriate bank account. Any direct withdrawal transaction for postage meters will be included with the bank charges JE at the end of each month.

PURCHASING

Policy

Purchasing is controlled by the City budget and policies.

Authority

The City Manager and Managers are authorized to purchase equipment, materials and supplies within the constraints of their programs' adopted budget and public purchasing policies.

Procedure

Expenditure control is the responsibility of the Program Director(s) and is subject to their program's budget. City Manager/Managers or designated staff can order items as they are deemed necessary for their program. It is recommended that bulk purchasing and taking advantage of State contract arrangements to reduce costs be utilized. Best efforts will be made to complete and receive orders in a timely manner, purchasing the most appropriate supply solutions, considering cost and quality parameters. All purchases shall be pre-approved by the appropriate Manager before requests are submitted to the Finance Staff for processing. Any invoices and statements will follow the Accounts Payable section of this Manual.

Office Supplies. The City Clerk is responsible for office supply purchasing and negotiating pricing with supply vendors. Each department will send purchase requests to the City Clerk for ordering. Ordering is done on a monthly basis. When the supply orders are received the City Clerk will review and code the invoice and forward to Finance for payment.

Janitorial Supplies. The purchase of janitorial supplies is the responsibility of the Facility staff. The Facility staff will communicate with the janitorial/cleaning service for usage and needs.

Printing. The City Manager in coordination with the Finance Staff and other departmental staff, are responsible for print purchasing and negotiating pricing with printing vendors. Requests for print projects can be made on an individual case-by-case basis. City Manager/Manager, gives approval to print, considering cost and quality parameters.

Office Equipment/Significant Purchases. Office equipment and significant purchases will be purchased by the City Manager with the Manager having approval decision rights based on cost, quality, needs, and budget parameters.

The City Manager and Finance Staff reviews monthly financial reports and detail for any unusual or exceptional budget issues due to purchases. These are discussed as required with the appropriate Program Director for reconciliation.

TRAVEL EXPENSE

Policy

Staff will be reimbursed at the cents-per-mile rate established annually by the Internal Revenue Service. Any change in rate will go into effect January 1st or at any time the Federal mileage rate changes. Travel expenses will be reimbursed at the actual expense. Volunteers are reimbursed at \$0.25 per mile for all required travel.

Authority

Travel Expense is also outlined in the CITY OF YACHATS Personnel Policies Handbook. Changes to travel expense policies may be recommended by the City Manager to the Finance Committee for review and recommended City Council adoption.

Procedure

Authorized use of a private vehicle for City business shall be reimbursed at the policy rate. Overnight travel will be reimbursed for meals and lodging. Itemized receipts are required for reimbursement. At no time will the City reimburse for the purchase of alcohol, marijuana or pornography. Time and monetary minimums for reimbursement are three (3) months or \$30, whichever minimum is reached first. All travel expenses must be authorized in writing by the appropriate Program Director/Manager.

The Accounts Payable procedure in this Manual will be followed for travel and expense reimbursements.

VENDOR CHARGE ACCOUNTS

Policy

Managers may request the City Manager to establish charge accounts with vendors they use on a regular basis.

Authority

The City Manager or designated Finance Staff will establish an account requested by a Manager.

Procedure

The Manager or designated staff can obtain a charge account application from the vendor or provide a vendor contact name and number to the City Manager and Finance Staff.

The Finance Staff will complete the application and send City Manager for approval prior to sending to the vendor. The Finance Staff will inform the Manager when the account is approved and open.

Invoices received for charge accounts will follow the Accounts Payable section of this Manual.

CITY CREDIT CARD ACCOUNTS

Policy

Based on a thorough review of credit and purchase card companies, the City selected the Washington Federal credit card the City's credit card. This card is attached to the City's assets not an individual's, offers a no fee program that has online cardholder and limit management. The cards are not person specific, but program specific. Cards are authorized in various amounts based on the following but cannot exceed \$5,000:

- Program/office staff \$200.00
- Managers and Supervisors \$2000.00
- City Manager \$5000.00.

Program Staff and Managers can request a temporary increased limit for a specific period of time. Charges are to be made for employment related expenses only.

Authority

The City Manager authorizes positions that will be issued Credit Cards. Managers can request in writing that an additional credit card be issues to a department as needed. The City Manager will review the request and consult with the Manager. If an additional card is approved the Finance Staff will contact the bank and secure the additional card.

Procedure

Credit Card requests are made to the City Manager in writing from the Manager. Credit Card charges are billed directly to the City monthly. The Finance will supply all card holders an envelope monthly to keep receipts in. The Finance will send each card holder a statement of their charges monthly for reconciliation.

Credit Card holders will indicate the account and project management code to be charged on each receipt and submit to City Manager for review and approval before submitting to the Finance Staff. The specifications on authorized purchases are listed on a Letter of Understanding that is signed by the Credit card recipients upon being issued their card.

Card holders will not charge personal expenses to the City's Credit Card. When, in the course of travel for training, a mixture of personal and employment expense is billed together, (e.g. on a hotel bill), all personal expenses on the bill will be paid directly at the time of check-out and subtracted from the bill before the City's Credit Card is used. If for any reason beyond the staff's control, there are personal charges made on the Credit Card, these charges will be reimbursed to the City immediately.

If staff travels with a companion not employed by the City, and additional costs are incurred for the companion, the difference will be paid directly at time of check-out and subtracted from the bill before the City's Credit Card is used.

Billings are paid by the due date to avoid interest charges following the Accounts Payable process in this Manual.

When a staff terminates, the Credit Card must be immediately returned to the City Manager. Returned cards are cancelled and destroyed.

APPENDIX



1400 Queen Ave SE • Suite 201 • Albany, OR 97322
(541) 967-8720 • FAX (541) 967-6123

DATE: December 7, 2017
TO: CITY OF YACHATS City Council
FROM: City Manager
RE: **FY 2018-2019 Work Program and Budget Schedule**

Below is the recommended schedule to follow regarding the development of the *FY 2018-2019 Work Program and Budget*.

December 7, 2017	City Council establish budget calendar, appoints Budget Committee members
March 5, 2018	(Week of) Publish Budget Meeting Notice
March 8, 2018	Proposed Budget distributed (City Council meeting packet, website)
March 15, 2018	Proposed Budget presented to City Council
May 7, 2018	(Week of) Publish Budget Hearing Notice
May 10, 2018	Proposed Budget distributed (City Council meeting packets, website)
May 17, 2018	Budget Committee reviews and approves budget City Council holds budget hearing, adopts budget, makes appropriations City Council adopts work program and budget

**INTERNAL SCHEDULE FOR
FY 2018-2019 WORK PROGRAM & BUDGET**

- | | |
|--|---------------------|
| 1. Email current text documents to Managers for revisions | November 29, 2017 |
| 2. Meeting with Manager and Point Person to review draft budget process | November 30, 2017 |
| 3. Draft FTE sheets to Managers | December 15, 2017 |
| 4. Meet with Manager to review budget numbers | January 3 - 9, 2018 |
| 5. Draft Text from Manager | January 22, 2018 |
| 6. Draft Text to City Manager/Budget staff | January 26, 2018 |
| 7. Text back from City Manager/budget staff | February 5, 2018 |
| 8. Second meeting with managers, if needed | February 1-12, 2018 |
| 9. Draft Numbers to City Manager for Review | February 12, 2018 |
| 10. Budget #'s finalized for Draft & insert into Budget Document | February 21, 2018 |
| 11. Budget compiled, finalized, formatted Ready to Print (<i>To printers on Mar 3</i>) | February 26, 2018 |
| 12. Printed Budget put into folders, tabbed, etc. | March 5, 2018 |
| 13. Mailed in Council Packet & Available for Public review | March 8, 2018 |
| 14. Council Meeting on Draft Budget | March 15, 2018 |
| 15. Final Budget #'s (<i>Changes from Draft</i>) | April 18, 2018 |
| 16. Changes Distributed in Council Packets | May 10, 2018 |
| 17. June Council Meeting to Adopt Budget | May 17, 2018 |

FTE Worksheet Template

CED - Planning												0.26580		TOTAL	
1020-201												0.2001		TOTAL	
TITLE	ANN.	1-Jul	Hrly/Salary	FTE	COLA	0.00%		0.0765	SAF	UNEMP	FRINGE	PERS	INS	TOTAL	COST
CED Planner II	1-Feb	5	33.53	1.00	0	71,753	5,489	524	431	6,443	14,358	9,183	4,024	105,761	
CED Planner	1-Jan	6	32.18	1.00	0	69,169	5,291	505	415	6,211	13,841	25,823	3,089	118,134	
CED Planner	1-Sep	6	32.18	1.00	0	70,565	5,398	515	423	6,337	18,756	21,907	3,089	120,554	
CED Planner II		1	27.17	1.00	0	57,639	4,409	421	346	5,176	11,534	26,415	2,608	103,372	
Executive Asst	1-Nov	7	23.80	0.41	0	50,112	1,572	150	123	1,845	4,111	7,200	1,639	35,341	
Contract Coordinator	1-Jul	7	28.86	0.30	0	60,028	1,378	131	108	1,617	3,603	7,925	1,039	32,193	
SUBTOTAL LINE STAFF				4.71	0	307,680	23,538	2,246	1,846	27,630	66,203	98,353	15,489	515,355	
					0.00%										
					COLA										
Program Mgr	1-Aug	8	38.30	0.10	0	79,662	609	58	48	715		954	735	10,371	
Director	1-Oct	3	44.58	0.45	0	95,236	3,278	313	257	3,848	11,391	12,077	3,852	74,025	
SUBTOTAL MANAGEMENT				0.55	0	50,822	3,888	371	305	4,564	11,391	13,031	4,587	84,396	
TOTAL PLANNING				5.26	0	358,503	27,425	2,617	2,151	32,194	77,594	111,385	20,076	599,751	
SUMMARY			Salary		Fringe	PERS	Ins.	Leave	Total Cost						
1020-201-031CDP	Planner	2.00	139,734		12,548	32,597	47,630	6,179	238,688						
1020-201-013CDP	Planner II	2.00	129,392		11,619	25,891	35,599	6,632	209,134						
1020-201-0004PD	Director	0.45	42,856		3,848	11,391	12,077	3,852	74,025						
1020-201-0010PM	Program Manager	0.10	7,966		715	0	954	735	10,371						
1020-201-0067CEA	Executive Asst	0.41	20,546		1,845	4,111	7,200	1,639	35,341						
1020-201-0053CC	Contract Coord	0.30	18,008		1,617	3,603	7,925	1,039	32,193						
		5.26	358,503		32,194	77,594	111,385	20,076	599,751						

Budget Template

1020-201 CED Planning							
2015-2016 Actuals	2016-2017 Actuals	2017-2018 Adopted	2017-2018 Estimated Actuals	Account Number	Description	FTE	2018-2019 Proposed
\$70,033.44	\$45,601.68	\$6,301.00	\$0.00	1020-201-000750	Beg Bal-Unrestricted		\$0.00
\$91,501.00	\$94,966.13	\$100,084.00	\$100,084.00	1020-201-000801	Dues		\$104,411.00
-\$1,000.00	\$120.00	\$0.00	\$0.00	1020-201-000802	Fee For Service		\$0.00
\$1,534.71	\$215.00	\$0.00	\$0.00	1020-201-000804	Miscellaneous Revenue		\$0.00
\$34,390.38	\$90,907.65	\$872,525.00	\$0.00	1020-201-000805	Contract Revenue		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000806	Grant Revenue		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000808	Grant Revenue		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000809	Transfers In		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000810	PERS Reserve		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000842	Oregon Bus. Dev. Dept.		\$0.00
\$163,414.12	\$98,252.79	\$239,597.00	\$0.00	1020-201-000843	ODOT		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000844	DLCD		\$0.00
\$75,000.00	\$75,000.00	\$75,000.00	\$0.00	1020-201-000860	Economic Development Admin		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000863	Title XIX		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000865	USDA		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000866	Dept. of Energy		\$0.00
\$434,873.65	\$405,063.25	\$1,293,507.00	\$100,084.00		REVENUE		\$104,411.00
\$8,231.97	\$11,795.98	\$17,535.00	\$15,040.00	1020-201-000410	Leave Benefits		\$19,943.00
\$78,562.14	\$75,408.00	\$27,744.00	\$12,209.00	1020-201-000420	Fringe Benefits		\$32,194.00
\$0.00	\$0.00	\$83,285.00	\$73,138.00	1020-201-000421	Insurance Benefits		\$120,177.00
\$0.00	\$34,307.28	\$83,988.00	\$55,258.00	1020-201-000425	PERS Benefits		\$78,924.00
\$0.00	\$1,486.54	\$3,160.00	\$2,405.00	1020-201-000430	PERS Reserve		\$3,585.00
\$50,421.46	\$41,956.17	\$40,554.00	\$44,549.00	1020-201-0004PD	Program Director	0.45	\$42,856.00
\$21,105.23	\$0.00	\$8,202.00	\$0.00	1020-201-0010PM	Program Manager	0.20	\$12,725.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-0028BO	Business Officer	0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-0040TP	Transportation Coordinator	0.00	\$0.00
\$17,825.76	\$15,034.50	\$16,809.00	\$14,955.00	1020-201-0053CC	Contracts Coordinator	0.30	\$18,008.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-0058AP	Assistant Planner	0.00	\$0.00
\$5,343.69	\$23,002.64	\$26,683.00	\$17,591.00	1020-201-0067EA	Executive Assistant	0.52	\$26,058.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-0076AA	Administrative Assistant	0.00	\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-007EPD	Economic Program Manager	0.00	\$0.00
\$13,275.19	\$0.00	\$58,792.00	\$15,800.00	1020-201-013CDP	CED Planner II	1.75	\$117,800.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-013MDR	MPO Director	0.00	\$0.00
\$48,317.86	\$103,170.04	\$164,942.00	\$136,530.00	1020-201-031CDP	CED Planner	2.00	\$139,734.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-058MAP	MPO Assistant Planner	0.00	\$0.00
\$0.00	\$480.66	\$0.00	\$19,316.00	1020-201-099EXH	Extra Hire	0.10	\$1,328.00
\$243,083.30	\$306,641.81	\$531,694.00	\$406,791.00		PERSONNEL	5.32	\$613,332.00

\$482.60	\$20.00	\$1,600.00	\$0.00	1020-201-000504	Advertising		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000506	Auto Expense		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000510	Bank Charges		\$0.00
\$2,279.96	\$1,207.61	\$1,600.00	\$0.00	1020-201-000513	Board/Comm/Meeting Expense		\$0.00
\$29,698.17	\$0.00	\$0.00	\$0.00	1020-201-000514	CED Administration		\$0.00
\$0.00	\$1,919.89	\$0.00	\$0.00	1020-201-000516	Computer Maintenance/Equipment		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000519	Contingency		\$0.00
\$57,923.68	\$34,260.50	\$609,750.00	\$0.00	1020-201-000522	Contract Expense		\$0.00
\$2,770.20	\$1,198.05	\$1,650.00	\$0.00	1020-201-000525	Copying		\$0.00
\$1,015.00	\$2,260.00	\$2,500.00	\$0.00	1020-201-000531	Dues and Memberships		\$0.00
\$0.00	\$379.98	\$0.00	\$0.00	1020-201-000532	Equipment Expense		\$0.00
\$11,225.10	\$15,654.02	\$20,514.00	\$20,514.00	1020-201-000533	Finance Indirect		\$23,810.00
\$16,787.40	-\$12,811.30	\$41,011.00	\$41,011.00	1020-201-000534	Indirect Expense		\$47,172.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000535	Furniture & Fixtures		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000537	Insurance		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000540	Interest Expense		\$0.00
\$216.50	\$0.00	\$450.00	\$0.00	1020-201-000542	Legal Expenses		\$0.00
\$2,301.87	\$1,190.62	\$5,500.00	\$0.00	1020-201-000543	Licenses and Fees		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000549	Maintenance and Repair		\$0.00
\$2,566.98	\$1,218.97	\$900.00	\$0.00	1020-201-000550	Marketing Expense		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000552	Other Operating		\$0.00
\$574.05	\$368.83	\$700.00	\$0.00	1020-201-000555	Postage		\$0.00
\$16.71	\$36.64	\$500.00	\$0.00	1020-201-000558	Printing		\$0.00
\$11,239.32	\$15,888.00	\$17,220.00	\$17,220.00	1020-201-000561	Rent		\$25,124.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000564	Resource Reserve		\$0.00
\$4,105.67	\$1,758.49	\$1,150.00	\$0.00	1020-201-000567	Supplies		\$0.00
\$11,986.08	\$17,432.05	\$24,910.00	\$24,910.00	1020-201-000570	Technology Indirect		\$30,290.00
\$2,301.04	\$3,778.58	\$7,000.00	\$0.00	1020-201-000573	Telephone		\$1,650.00
\$6,585.71	\$6,974.86	\$7,600.00	\$0.00	1020-201-000576	Training		\$0.00
\$4,162.59	\$4,949.45	\$3,300.00	\$0.00	1020-201-000579	Travel		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000580	Transfers Out		\$0.00
\$0.00	\$0.00	\$13,958.00	\$0.00	1020-201-000583	Operating Contingency		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000585	Unappropriated EFB for future		\$0.00
\$0.00	\$0.00	\$0.00	\$0.00	1020-201-000595	Capital Purchase		\$0.00
\$168,238.63	\$97,685.24	\$761,813.00	\$103,655.00		MATERIAL & SUPPLIES		\$128,046.00
\$411,321.93	\$404,327.05	\$1,293,507.00	\$510,446.00		TOTAL EXPENSES		\$741,378.00
\$23,551.72	\$736.20	\$0.00	-\$410,362.00		GAIN/ (LOSS)		-\$636,967.00

	City of Corvallis Financial Policies - Council Policy Policy # 10 Financial Policies	
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Policy:

The City Council's Financial Policies serve to:

- ❖ protect the policy making ability of the City Council by ensuring that important policy decisions are not controlled by financial problems or emergencies.
- ❖ enhance the policy making ability of the City Council by providing accurate information on program costs.
- ❖ assist sound management of the City by providing accurate and timely information to the City Council and public on the City's financial condition.
- ❖ provide sound principles, reports and analyses to guide the important decisions of the City Council and of management which have significant fiscal impact.
- ❖ set forth operational principles which minimize the cost of government and financial risk, and safeguard the City's assets.
- ❖ employ revenue policies which prevent undue or unbalanced reliance on certain revenues, which distribute the costs of municipal services fairly, and which provide adequate funds to operate desired programs.
- ❖ provide adequate resources to operate and maintain essential public facilities and the City's infrastructure.
- ❖ protect and enhance the City's credit rating and prevent default on any debt issue of the City.
- ❖ ensure the legal use of all City funds through a sound system of administrative policies and internal controls.
- ❖ strike a balance between the community's desire for service and asking for money from community members.

Purpose:

To underscore the responsibility of the City of Corvallis to its residents for the long-term care of public funds, wise management of municipal finances, providing adequate funding for the services desired to achieve a sense of well-being and safety by the public, and maintaining the community's public facilities and infrastructure to enhance the long-term livability and economic vitality of Corvallis.

Scope:

Municipal financial operations have a wide variety of oversight or standard setting agencies, including multiple departments within both State and Federal governments, the Securities and Exchange Commission, and the Governmental Accounting Standards Board. The City of Corvallis manages public funds within all of these oversight agency requirements. These financial management policies, designed to ensure the fiscal stability of the City of Corvallis municipal corporation, provide guidance in financial management when oversight agencies are otherwise silent or to reiterate best practices that may be codified by another entity. The City Council's Financial Policies have been reviewed and updated each year since they were first adopted to ensure the policy direction is current.

	City of Corvallis Financial Policies - Council Policy Policy # 10 Financial Policies	
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Goals: To achieve and maintain the goals outlined in these policies, the Finance Department will conduct an annual analysis of projected financial condition and key financial indicators. This budget capacity analysis shall be used to inform the next budget development process.

It is the focus of this analysis to:

- A. identify the areas where the city is already reasonably strong in terms of protecting its financial condition;
- B. identify existing or emerging problems in revenue sources, management practices, infrastructure conditions, and future funding needs;
- C. forecast expenditures and revenues for the next three to seven years, with consideration given to such external factors as state and federal actions, the municipal bond market, management options being explored and used by other local governments; and
- D. review internal management actions taken during the last budget cycle.

Financial Policies 10.1 through 10.9 are attached and together define the complete Financial Policies of the City Council.

Review/Update: The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Review
24	N. Brewer	March 2013	Review
25	N. Brewer	April 2014	Review
26	J. Chenard	March 2015	Review
27	J. Chenard	June 2015	Review
28	N. Brewer	October 2016	Replace "citizen" with "resident".
29	N. Brewer	December 2017	Review
30	N. Brewer	April 2019	Review

	City of Corvallis Financial Policies - Council Policy Policy # 10.01 Financial Policies – Fund Balance	
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Policy: This policy is designed to provide guidance for maintaining an ending fund balance that is adequate to manage risk while maximizing the services provided to community members.

The budgetary ending fund balance describes the net financial assets of governmental funds; in lay terms it represents the net revenues in excess of expenditures since the fund’s inception. Actual fund balances for each fund shall be reported in the Comprehensive Annual Financial Report, issued as of June 30 of each fiscal year. Budgetary fund balances shall be reported in the annual budget, and shall be projected for each operating fund as part of the financial planning process to prepare the budget each year.

Purpose: Fund balance is used to provide stable resources for times when service levels might otherwise be impacted by taxes or fees that temporarily underperform, or to cover one-time unexpected expenditures. Maintaining a positive ending fund balance is a best financial management practice, and is important to maintain the City’s credit rating, and to meet state law requirements for no deficit spending.

Scope: Budgetary fund balance is a critical component of the City’s financial management policies. Large ending fund balance targets may be viewed as reducing resources that could be used to provide direct services to community members; small ending balances may be viewed as leaving the City open to too much risk from emergencies or temporary economic downturns and may result in downgrades to the City’s credit rating that would increase the cost of borrowing. Residents’ sense of well-being is enhanced when the City is able to provide a consistent level of service from year-to-year.

Guidelines: General Fund – Budgetary Fund Balance for Financial Planning Purposes

1. The City endeavors to operate on a Financial Sustainability model, where current on-going revenue equals or exceeds current on-going expenditures. In this model, fund balance is not used for current operating expenditures or to add services which will need funding in future years.
2. The City Council has established the fund balance reserve target for the General Fund to total three months of payroll expenses.
3. The City Council shall appropriate 10% of the target fund balance amount each fiscal year as a contingency to be used for unanticipated expenditures such as costs associated with a response to a disaster, or to meet unanticipated increases in service delivery costs. Use of the contingency is expected to be infrequent. The City Council must authorize expenditure of any contingencies via a resolution.
4. The City Manager will review the City’s financial status each year and develop a budget process that is designed to meet Oregon Local Budget Law requirements,



City of Corvallis

Financial Policies - Council Policy

Policy # 10.01

Financial Policies – Fund Balance



taking into account the City's projected financial status for the budget year, including:

- a. the current budgetary fund balance;
- b. cash flow requirements within the fund to support expenditures, including up to three months of payroll costs;
- c. future capital needs;
- d. significant revenue and expenditure trends;
- e. susceptibility of the fund's operations to emergency or unanticipated expenditures;
- f. credit worthiness and capacity to support debt service requirements and covenants;
- g. legal or regulatory requirements affecting revenues, expenditures, and fund balances;
- h. reliability of outside revenues; and
- i. any other factors pertinent to the fund's operations.

5. Should the projected ending fund balance reserve for the budget year be lower than the City Council's target, the following strategy will be implemented:
 - a. For times when the fund balance reserve is lower than the target as the result of structural/systemic changes, the fund balance shall be re-built over a period of no more than:
 - i. five years if the fund balance reserve is less than 50 percent of the target. The balance shall be re-built to achieve an ending fund balance of no less than 10 percent of the target in the first year; 25 percent in the second year; 45 percent in the third year; 70 percent in the fourth year; and 100 percent in the fifth year. This strategy is specifically designed to allow for consideration/development of a new revenue source prior to significant service reductions taking effect should the City Council wish to consider revenue alternatives.
 - ii. three years if the fund balance reserve is between 50 percent and 100 percent of the target. The balance shall be rebuilt to achieve an ending fund balance of no less than 60 percent at the end of the first year; 75 percent at the end of the second year, and 100 percent at the end of the third year.
 - b. For times when the fund balance reserve is lower than the target as the result of short-term poor experience (i.e., costs to respond to a natural disaster; use of contingencies for unanticipated expenditures), the City Manager shall recommend a strategy for re-building the fund balance reserve taking into account the following criteria:
 - i. the cause of the poor experience;
 - ii. the City's ability to control/change the causing factor(s);
 - iii. the impact to services to achieve an immediate re-build of fund balance;
 - iv. the likelihood the causing factor(s) will end and revenues/expenditures will return to normal levels within one year; and
 - v. the likely amount of time required to re-build the fund balance if no additional changes in services/revenues occurred and/or one-year is not a viable time frame for proposed solutions.



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Financial Policies - Council Policy

Policy # 10.01

Financial Policies – Fund Balance



6. Should the projected ending fund balance be above the target, the City Manager will make a recommendation to the City Council whether to reserve those monies above the target for:
 - a. one time capital expenditures or reserves for future capital expenditures which do not significantly increase ongoing City costs;
 - b. assigned or committed reserves balances for future one-time costs;
 - c. other current one-time costs; and/or
 - d. ongoing or new City programs, provided such action is considered in the context of Council approved multi-year projections of revenue and expenditures.

Non-General Fund Appropriate Budgetary Fund Balance

1. Each operating fund shall have a positive budgetary ending fund balance for the budget year under discussion.
2. The Finance Director shall recommend the appropriate ending budgetary fund balance for each fund as part of the budget development process. The Finance Director shall take into account the same criteria considered for the General Fund, and add consideration of rate stability in the enterprise funds.
3. The minimum fund balance targets for special revenue funds shall be no less than five percent of current revenue, and for enterprise funds a minimum of 45 days of working capital.

Non-General Fund Ending Budgetary Fund Balance Below Recommended

If the annual budget is recommended by the Budget Commission and accepted by the City Council to be adopted with a budgetary fund balance below either the minimum or the recommended ending budgetary fund balance in any fund, the budgetary ending fund balance for the then current fiscal year will be re-calculated as soon as the audit work for the prior fiscal year is complete. If at that point, the audited ending fund balance contributes to a budgetary fund balance which is lower than this policy would dictate, staff shall develop a plan for City Council consideration that addresses the shortfall.

Non-General Fund Ending Budgetary Fund Balance Above Recommended

In the event the ending budgetary fund balance is higher than either the minimum or recommended level, the difference may be used to fund the following activities:

1. one time capital expenditures or reserves for future capital expenditures which do not significantly increase ongoing City costs;
2. assigned or committed reserves for future one-time costs;
3. other current one-time costs; and/or
4. ongoing or new City programs, provided such action is considered in the context of Council approved multi-year projections of revenue and expenditures.

	City of Corvallis Financial Policies - Council Policy Policy # 10.01 Financial Policies – Fund Balance	
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Review/Update: The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Create Fund Balance Reserve equal to 3 months payroll and build over five years.
24	N. Brewer	March 2013	Review
25	N. Brewer	April 2014	Review
26	J. Chenard	March 2015	Review
27	J. Chenard	June 2015	Review
28	N. Brewer	October 2016	Update to remove references to Administrative Services Committee, replace “citizen” with “community member” and remove redundant language.
29	N. Brewer	December 2017	Review
30	N. Brewer	April 2019	Added language regarding sustainable budget; clarified use of one-time monies are for targeted reserves.

	City of Corvallis Financial Policies - Council Policy Policy # 10.02 Financial Policies – Revenue	
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Purpose: This policy provides direction in the management and oversight of existing revenue sources and for the development of new revenue sources.

Scope: A significant portion of the City’s revenue comes from taxes, charges for service and fees. Some of these revenue sources are governed by the Oregon Constitution/Statutes, federal law, or regulations promulgated by a state, federal, or other agency; others are assessed solely through the City’s home rule authority. Revenues are critical to the City’s financial operations as they provide the resources necessary to provide services at the level the community desires.

The City Council also recognizes that the majority of the revenue received by the City comes from its own residents and the ability to pay increasing amounts may make Corvallis less livable, especially for low income residents. Revenue decisions are complex and must take into account a variety of factors. The Revenue Policies are designed to provide guidance to staff and the City Council as new revenue sources or rate increases for existing revenues are considered.

Guidelines: Revenue Diversity and Stability – The City will strive to maintain a diversified and stable revenue system to shelter the government from short term fluctuations in any one revenue source and ensure its ability to provide ongoing service. In particular, the City will seek alternatives to the property tax for general government services.

Restricted Revenues -- Restricted revenue shall only be used for the purposes legally permissible and in a fiscally responsible manner. Programs and services funded by restricted revenue will be clearly designated and accounted for as such.

Capital Improvement Funding -- Revenue for capital improvements shall be used to finance only those capital improvements identified in the funding plan (i.e., bond or grant funded projects) that are consistent with the capital improvement program and local government priorities, and where the operating and maintenance costs have been included in operating budget forecasts. Revenue restricted for specific purposes will be expended consistent with those restrictions.

One-time Revenue -- One-time revenue includes fund balances and grants or other sources which have a specific time limit and/or reason for expenditure. One-time revenue will be used for one-time expenses whenever possible; in some cases, one-time revenue may be used for costs the City would have incurred for a program or service, regardless of the receipt of the one-time revenue. If one-time revenue is considered for ongoing expenditures (such as adding staff) the Budget Commission or City Council will balance the need for the additional ongoing expenditures with the on-going ability to pay prior to approving the program.

	City of Corvallis Financial Policies - Council Policy Policy # 10.02 Financial Policies – Revenue	
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Unpredictable Revenue -- Unpredictable revenue, which includes development related revenue such as Systems Development Charges (SDC), Public Improvement by Private Contractor fees, Development Review, Plan Review and Inspection Permit revenue, will be closely monitored through the year. Capital projects to be constructed with SDC monies will not be initiated until SDC revenue is available or another financing alternative is developed.

Revenue Monitoring -- Revenues will be monitored monthly for performance compared to both the annual budget and the anticipated timing of revenue receipts. Operations funded partially or wholly from unpredictable revenue will be monitored monthly and mitigating action will be taken if revenues are not received as expected.

Collections -- The City shall manage its revenue collections through a policy that actively pursues collection of all revenues owed to the City.

Charges for Services -- Fees and charges for service are assessed to specific users where the user pays all or a portion of the costs to provide the service. When assessed as a fee, the charge generally grants the payer permission or a license to do a specific activity (i.e., franchise fees authorize use of the public right-of-way; a liquor license fee authorizes the license holder to sell liquor). When assessed as a charge for service, the charge is for a specific service, directly used by the payer (i.e., admission at the swimming pool is only assessed to the person going swimming).

1. Fees and charges other than those identified elsewhere in City Council policy or via Corvallis Municipal Code will use the following criteria to determine the ratio of cost recovery:
 - a. Whether the person paying the fee can avoid it;
 - b. Whether the program supported by the fee is designed to benefit the entire community or only a small segment of the population;
 - c. Whether the fee is set high or low to incentivize something (i.e., change behavior);
 - d. Whether the fee should be earmarked for a specific use or should be treated as a general revenue available for operations;
 - e. Whether there are extenuating circumstances where the Council believes the fee should not cover all of the costs associated with the service; and
 - f. Whether the fee costs less to collect/administer than the revenue it brings in.
2. Fees and charges are reviewed annually, and are updated via Council action when necessary. A revenue manual listing all such fees and charges of the City shall be maintained by the Finance Department and updated concurrent with the review.
3. A fee shall be charged for any service that benefits limited interests within the community, except for basic, unavoidable human needs type services provided to persons with limited ability to pay.
4. Historically, the City Council has provided very limited tax and fee exemptions; rather, the City Council has elected to use General Fund monies to pay the

	City of Corvallis Financial Policies - Council Policy Policy # 10.02 Financial Policies – Revenue	
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fees/charges for non-profit entities that request exemptions when the cause matches the City's goals.

Systems Development Charges (SDC) – SDC rates are set via resolution and are designed to cover the costs of infrastructure necessary to provide services for future growth. The list of projects eligible for SDC funding shall be updated when facility plans are updated or amended, or when a project not listed in a facility plan is identified and will provide additional capacity to serve growth. The overall SDC program methodology and population service scenario shall be reviewed approximately every ten years.

PROPERTY TAXES

The City levies property taxes for operations and for general obligation debt service in compliance with the Oregon Constitution and Oregon Revised Statutes. The City has a permanent tax rate of \$5.1067 per \$1,000 of assessed value; the City may have a local option property tax levy for a limited period of time. Revenue for a local option levy will be accounted for according to the ballot language for the levy. Revenue from property taxes levied for general obligation debt service shall be for specific series of debt, levied and accounted for in accordance with state legal requirements. Revenue from the City's permanent tax rate shall be accounted for in the General Fund.

UTILITY FEES (WATER, WASTEWATER, STORM WATER)

- A. Utility Fee Basis -- Utility user charges for each of the three City utilities will be based on the total cost of providing the service (i.e., set to fully support the total direct, indirect, and capital costs) and are established so that the operating revenues of each utility are at least equal to its operating expenditures, reserves, debt coverage and annual debt service obligations, and planned replacement of the utility's facilities.
- B. Annual Rate Review -- Staff shall conduct an annual comprehensive rate review each fall for the Water, Wastewater and Storm Water funds for Council review and adoption. Rate increases will be targeted for implementation in February. Council will balance the need for sound management of the City's infrastructure with the burden utility fees can place on the community.
- C. Rate Adoption -- Utility rates will be adopted by resolution.
- D. Franchise Fees -- The City's Water, Wastewater, and Storm Water utilities will pay a franchise fee to the City's General Fund to compensate for the use of the public right-of-way. The franchise fee will be equal to 5% of the utility's gross monthly billed revenue.

PARKS AND RECREATION DEPARTMENT CHARGES

- A. Cost Recovery -- Charges shall be assessed in an equitable manner in accordance with the following schedule. Services that provide opportunities for populations with the fewest alternatives (youth, limited income, senior adults, and families)



City of Corvallis

Financial Policies - Council Policy

Policy # 10.02

Financial Policies – Revenue



may be more heavily supported by grants, donations, or property taxes than charges for service. Tier percentages shall be considered as guidelines; however, special circumstances, the nature and cost of each program, and persons to be served will be taken into consideration.

- B. Charge Schedule -- the following lists represent all categories of services currently provided or those which may be provided in the future by the Parks & Recreation Department. The model is based upon the degree of benefit to the community or individual of the service provided, the values of the Corvallis community, and the vision and mission of the Parks & Recreation Department. This model and policy form the basis for setting fees and charges.
1. Tier 5 -- Revenue positive cost recovery (services targeted to recover a minimum of 200 percent of direct costs):
 - a. concession/vending
 - b. merchandise for resale
 - c. private/semi-private lesson
 - d. rentals – private/commercial
 - e. long-term leases
 - f. equipment rentals
 - g. trips
 - h. organized parties
 - i. drop-in childcare/babysitting
 - j. leased services – private/commercial
 - k. permitted services
 2. Tier 4 -- Totally fee supported with no tax investment (targeted to recover a minimum of 100 percent of direct costs; some of these services may be appropriate for use of alternative funding sources such as grants, donations, and use of volunteers):
 - a. classes and programs – intermediate/advanced
 - b. leased services – non-profit/governmental agency
 - c. preschool
 - d. social clubs
 3. Tier 3 -- Primarily fee supported with little or no tax investment (targeted to recover a minimum of 90 percent of direct costs; some of these services may be appropriate for use of alternative funding sources such as grants, donations, and use of volunteers):
 - a. health services, wellness clinics, and therapeutic recreation
 - b. classes and programs – beginning/multi-ability
 - c. tournaments and leagues
 - d. rentals – non-profit/governmental agency
 - e. specialized events/activities
 - f. camps/after school care
 - g. leased services – affiliates
 - h. work study/internship/community service program
 4. Tier 2 -- Partial tax investment with minimal to partial fee support (targeted to recover a minimum of 45 percent of direct costs; many of these services may be appropriate for use of alternative funding sources such as grants, donations and use of volunteers):



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- a. life/safety classes
 - b. rentals – affiliates
 - c. supervised park/facility
 - d. community-wide events
 - e. volunteer program
5. Tier 1 -- Full tax investment with little or no fee support (targeted to recover zero percent of direct costs; some of these services may be appropriate for use of alternative funding sources such as grants, donations, and volunteers):
 - a. non-supervised park/facility
 - b. inclusionary services
 - c. support services
- C. Setting Fees -- The Parks & Recreation Department Director shall set fees for programs and services in compliance with the targets listed above. Fees shall be adjusted during the course of each year as needed to ensure the cost recovery targets are achieved. The following pricing strategies will be used by the Parks & Recreation Director in setting fees:
 1. Market pricing: a fee based on demand for a service or facility or what the target market is willing to pay for a service. One consideration for establishing a market fee is determined by identifying all providers of identical service (i.e., private sector providers, other municipalities), and setting the highest fee. Another consideration is setting the fee at the highest level the market will bear.
 2. Competitive pricing: a fee based on what similar service providers or close proximity competitors are charging for service. One consideration for establishing a competitive fee is determined by identifying all providers of an identical service (i.e., private sector providers, other municipalities), and setting a mid-point or lower fee.
 3. Cost recovery pricing: a fee based on cost recovery goals within market pricing ranges.
- D. Fee Review -- The Park and Recreation Department shall conduct an annual comprehensive review of cost recovery targets in compliance with these policy targets; this review will be forwarded to the Parks, Natural Areas and Recreation Advisory Board which will forward their comments to City Council.
- E. Use of Volunteers -- Through an aggressive volunteer recruitment and retention program, the Parks and Recreation Department shall seek to minimize the amount required for full tax investment by offsetting costs through volunteer support.
- F. Alternate Funding Sources -- Solicitation of funds through donations, fund raising events, non-traditional sources, and various other modes shall be encouraged by the Parks, Natural Areas and Recreation Advisory Board and other advisory committees. Funds collected for any special purpose shall be earmarked for that purpose.

	City of Corvallis Financial Policies - Council Policy Policy # 10.02 Financial Policies – Revenue	
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AMBULANCE FEES

It is the intent of the City to provide responsive, efficient and self funded emergency medical services as the Benton County designated service provider to the Benton County Ambulance Service Area, including all residents of the City.

Rate Changes -- Staff shall review ambulance rates annually no later than February 28 to ensure the rates reflect changes in the direct costs of service. In reviewing rates, staff will consider the historic and projected costs of service, service demands, changes in fixed and variable costs, market rates, and changes in service requirements or mandates. The City shall notify Benton County of proposed fee increases or decreases in conjunction with the fee review.

1. Proposed rate changes will be submitted to the City Council no later than April 1 of each year. If no rate change is recommended, staff will note the fact in a Council Report.
2. The Council shall adopt rate adjustments by resolution. Following Council adoption, the new rates will go into effect July 1 of the next fiscal year.
3. Notification will be issued to the public 30 days prior to the July 1 deadline. Customers will be notified of rate changes via advertisements in the local newspaper.

Special Rate Reviews -- If, at any time during the fiscal year, estimated costs of service exceed available revenue, the City Manager may conduct a special rate review. In conducting such reviews, the City Manager would follow the above procedures. In this instance, rate adjustments could take place at any time within the fiscal year, with 30 days' public notice.

GRANTS

Grant Opportunities -- The City shall aggressively pursue grant opportunities; however, before applying for or accepting grants, the City will consider the current and future implications of accepting the monies.

Federal Funds -- Federal funds shall be actively sought by the City. The City will use these funds to further the applicable national program goal. Because federal funds are not a guaranteed revenue source and are intended for a specific purpose, they will not be relied upon as a source of capital improvement funds unless the federal grant is specifically for capital projects. Use of federal funds shall support City goals and services.

Grant Review -- In reviewing grants the department director and Finance Director shall evaluate each grant offer and make their recommendation to the City Manager after considering:

1. the amount of the matching funds required;
2. in kind services that are to be provided;



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Financial Policies – Revenue



3. length of grant and consequential disposition of service (i.e., is the City obliged to continue the service after the grant has ended?); and,
4. the related expenditures including administration, record keeping, and auditing expenditures.

Single Audit -- The annual audit by the City's independent auditors will include all required audit procedures for grant compliance as specified in the federal government's Office of Management and Budget OMB Circular A-133.

GIFTS, DONATIONS AND BEQUESTS

Use of Gifts, Donations & Bequests -- Gifts, donations and/or bequests given to, and accepted by, the City for the use of any of its departments or divisions shall be used solely for the purpose intended by the donor. Unrestricted gifts will be expended on the recommendation of the related advisory board.

Evaluation -- Gifts, donations, and bequests will be evaluated to determine what, if any, obligations are to be placed upon the City. Gifts, donations, and bequests will be considered as "over and above" basic City appropriations unless the gift, donation or bequest is for an already planned and budgeted service or program.

Review/Update: The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Review
24	N. Brewer	March 2013	Consolidate property tax funds into one General Fund.
25	N. Brewer	April 2014	Review
26	J. Chenard	March 2015	Review
27	J. Chenard	June 2015	Review
28	N. Brewer	October 2016	Update to remove references to Administrative Services Committee, change "citizen" to "community member" and remove rate increase limits for utility rates.
29	N. Brewer	December 2017	Review
30	N. Brewer	April 2019	Review

	City of Corvallis Financial Policies - Council Policy Policy # 10.03 Financial Policies – Expenditures	
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Purpose: To provide direction for developing the annual budget, monitoring the City’s financial status throughout the year, and ensuring that the City’s monies are expended to provide services to community members.

Scope: The City expends a significant amount of money each year to provide services that are important to resident’s sense of well being and safety and to improve the livability of the community. The largest portion of expenditures is for the operating costs of the organization. These costs include all of the salaries/wages and related benefits for City staff, along with materials, services and capital outlays necessary to perform the basic functions of the City. Additional costs associated with capital projects (infrastructure investments) and debt service are part of the annual budget, based on specific plans for both.

Guidelines: SUSTAINABLE BUDGET
The City develops a sustainable budget each year, where revenues equal or exceed expenditures. To achieve the sustainable budget, the City operates under the following guidelines:

- A. Pay-As-You-Go -- The City shall attempt to conduct its operations from existing or foreseeable revenue sources. Achieving pay-as-you-go requires the following practices:
 - 1. current direct and indirect costs for operations and maintenance will be controlled and will be funded with current revenues,
 - 2. revenue and expenditure forecasts will be prepared annually for all operating funds prior to budget discussions, and
 - 3. significant one-time maintenance costs will be projected via long-term financial projections and monies will be set aside, where possible, to cash fund the costs.
- B. Cost Allocation Plan -- The Finance Director shall prepare a full cost allocation plan triennially to provide accurate, complete estimates of indirect service costs. The plan will be updated annually during budget development.
- C. Mandated Costs -- Costs attributable to mandates of other government agencies shall be included in the annual budget.

BUDGET BALANCE

The City Manager will prepare a budget for each fund each year where resources on a modified accrual basis either equal or exceed all expenditures in compliance with ORS 294.388.

- A. Resources available include all revenue anticipated in the budget year, including taxes, fees, charges for service, fines, intergovernmental payments, miscellaneous revenue, transfers, other financing sources, expendable reserves, and beginning fund balances.

	City of Corvallis Financial Policies - Council Policy Policy # 10.03 Financial Policies – Expenditures	
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- B. Expenditures include all planned expenditures for operations, inter-fund transfers, capital budget, debt service, and contingencies.

BUDGET PERFORMANCE REPORTING

- A. Quarterly Reports -- The Finance Director shall submit a Quarterly Operating Report (QOR) to the Budget Commission within 45 days of the close of the fiscal quarter. The QOR will be published on the City's web site for public review. The QOR will be reviewed and accepted by the City Council. At a minimum, the QOR will include income statements developed on the modified accrual (budgetary) basis for all operating funds of the City, and may include other pertinent information.
- B. Performance Indicators -- Where practical, the City shall develop and employ performance indicators that are tied to the Strategic Operational Plan to be included in the budget. Status of the measures will be reported in each QOR.

MAINTENANCE, REPAIR & REPLACEMENT

- A. Master Plans -- The City shall maintain master plans for all major infrastructure systems. Master plans provide direction about system needs (such as pipe size and reservoir locations) for predicted population build out of the community. Infrastructure master plans are required for Parks, Transportation, Water Plant, Water Distribution system, Wastewater Plant, Wastewater Collection system, Storm Water system, and the Airport.
- B. Master Plan Projects -- Projects identified via an infrastructure master plan will be scheduled based on the priority of the project as identified in the master plan and will be budgeted in the Capital Improvement Program (CIP) when resources are available to implement the project and the project will result in the acquisition of a new or an addition to an existing capital asset; master plan projects that do not result in capital assets shall be included in the operating budget.
- C. Annual Inventory -- The City will conduct an inventory of all capital assets in conjunction with the annual audit. During the inventory, any excess wear and tear will be noted by staff and used to update replacement plans during the following budget preparation cycle.
- D. Equipment Replacement Plans -- Assets which are not part of a major infrastructure system or buildings and land, including vehicles, computers, and specialized equipment required for normal work (i.e., defibrillators, bullet proof vests), will be tracked by each department with replacement plans made for at least the financial planning period. These schedules will be updated annually in conjunction with the budget process.
- E. Stable Spending plans -- Every effort will be made to develop an equipment replacement schedule that results in a stable annual spending level. If spending levels cannot be stable and would result in a significant dollar amount variance year-over-year, staff will set aside in reserves an amount each year adequate to fully fund the project in the future. If monies are not set aside in reserves due to financial shortfalls:



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Financial Policies – Expenditures



1. reserves will be re-built within three fiscal years to the level required to meet future replacement plans; or
 2. staff will develop a plan to borrow monies for critical equipment replacement.
- F. Equipment Replacement Budgeting -- Equipment to be replaced will be budgeted considering:
1. Age of the asset and its manufacturer's recommended useful life;
 2. Wear and tear on the asset;
 3. Environmental conditions which may shorten or lengthen the useful life of the asset;
 4. The cost/benefit to complete routine maintenance and delay replacement;
 5. Availability of service and/or parts; and
 6. The cost/benefit of early replacement with more efficient and/or less expensive technology.
- G. Facility Maintenance -- The facility maintenance schedule for major maintenance or replacement projects for all City-owned buildings will be updated annually. The primary goal of the plan is to complete maintenance projects prior to system failures that would cause a decrease in service levels to community members. Criteria for including projects are the same as those identified above in F.
- H. Maintenance Costs from the CIP -- Projects included in the proposed Capital Improvement Program (CIP) will identify the anticipated operating costs or savings associated with the project. Estimated operating costs from CIP projects will be included in all years of the financial plan for the appropriate fund prior to approval by the Budget Commission and City Council.

COMPENSATION

- A. Compensation -- The City's Charter requires the Council to set compensation for all employees. Additional guidance for compensation is included in ORS 243.650 to 243.782, known as the Public Employee Collective Bargaining Act (PECBA).
1. Total compensation, which includes the City's costs for wages and benefits as defined by PECBA, shall be used in making compensation comparisons in labor negotiations.
 2. When negotiating compensation, the City Council shall direct staff to:
 - a. work within the fiscal constraints of the City's economic ability to pay;
 - b. set reasonable limits on the cost to provide City services; and
 - c. work within the budgetary restrictions established by the City Council.
 3. Setting total compensation comparators shall be in compliance with PECBA.
 4. The City will target total compensation at +/- 5% of the mean of comparator cities to achieve external equity.
- B. Compensation Budget -- total projected compensation shall be budgeted in compliance with approved bargaining unit agreements. Compensation for



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exempt employees shall be budgeted in compliance with the City Manager's recommendation for these positions. City Council approval of the budget each year shall constitute Council confirmation of the compensation levels.

- C. Changes in Full Time Equivalents (FTE) --Changes in the FTE shall be identified in the summary financial data in the Budget each year. This summary will include data by department, and a list of positions added, deleted, or approved but unbudgeted for the year.
- D. Vacant Positions -- The City shall not carry vacant budgeted positions for more than one fiscal year without the Department Director identifying a strategy for the position.

TRANSFERS

- A. General Fund Transfers -- To the maximum extent feasible and appropriate, General Fund transfers to other funds shall be defined as payments intended for the support of specific programs or services. Amounts not needed to support such specific program or service expenditures shall be returned to the General Fund, unless Council directs the transfer to be used for other purposes.
- B. Transfer Reconciliation & Cash Flow -- Transfers for specific programs or projects, or to support special operations, should occur on the basis of cash flow needs of the program or service being supported. A reconciliation of actual transfers against budgeted transfers will be included in the year-end audit process.
- C. Advances -- Where it is necessary to make a one-time advance of General Fund monies to another fund, this action shall occur under the following conditions:
 - 1. The advance is reviewed, prior to the transfer of funds, by the City Council.
 - 2. All excess cash balances in the fund receiving the advance shall be invested for the benefit of the General Fund, if allowed by federal and state law and regulations, as long as the advance is outstanding.
 - 3. Should the borrowing fund accumulate an unexpected unrestricted balance, this excess shall be used first to repay the advance.
 - 4. If the receiving fund is subsequently closed, assets net of liabilities of the fund equaling the unpaid portion of the advance revert to the General Fund, if allowed by federal, state or local law.
 - 5. For short term cash deficits in funds other than the General Fund during the course of the year, short term loans are preferred to advances, except in cases where the receiving fund is legally precluded from paying interest on loans, or where loan transactions would be too numerous and costly to be cost effective.

CONTINGENCIES

- A. Contingency Amount -- To meet emergency conditions, the budget shall provide for an appropriated contingency in each fund other than the General Fund of at least 2% of estimated annual operating revenues. All governmental and enterprise funds shall maintain a contingency. The contingency shall be exclusive of all reserves.

	City of Corvallis Financial Policies - Council Policy Policy # 10.03 Financial Policies – Expenditures	
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- B. General Fund contingencies – Ten percent of the General Fund Fund Balance Reserve shall be appropriated each year as contingency. If used, the Fund Balance Reserve will be replenished as identified in Council Policy on Fund Balance (CP 10.01).
- C. Contingency Use -- Use of the contingency should be infrequent and for unanticipated expenditures such as costs associated with a response to a disaster, or to meet unanticipated increases in service delivery costs. The City Council must authorize expenditure of any contingencies via a resolution.
- D. Contingency in Excess of 2% -- The Finance Director may recommend a contingency in excess of 2% of current revenue in specific funds to address specific needs. When this occurs, the Finance Director will provide the Budget Commission and City Council with information regarding the reasons for the recommendation.
- E. Contingency Below 2% -- Where correction of a fund balance deficit causes the contingency to be budgeted below 2% of operating revenue, a gradual correction of the problem over several years is preferable to a one time jump in rates, or substantial decreases in other expenditure plans.

Review/Update: The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Review
24	N. Brewer	March 2013	Review
25	N. Brewer	April 2014	Review
26	J. Chenard	March 2015	Review
27	J. Chenard	June 2015	Review
28	N. Brewer	October 2016	Update to remove references to Administrative Services Committee and add language about compensation.
29	N. Brewer	December 2017	Review
30	N. Brewer	April 2019	Minor edits.

	City of Corvallis Financial Policies - Council Policy Policy # 10.04 Financial Policies – Accounting and Financial Reporting	
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Purpose: To provide Council leadership for the organization by stating the importance of a system of internal controls to be implemented and maintained to meet the goals of providing accurate and timely financial reports to the community and financial markets, and mitigate the risk of fraud

Scope: Best practices state that the City Council must lead the organization’s commitment to excellence in financial management through the adoption of policies stating clear expectations. The City of Corvallis maintains a financial management system that ensures transactions are appropriately recorded, assets are managed for the benefit of the community, and risk of fraud or financial loss is identified and minimized through a set of internal controls designed to manage the risk. The financial markets and other interested parties rely on the City’s annual financial statements to ensure Corvallis bondholders the City’s financial condition will allow the City to continue to make all required debt payments and meet all covenants.

Guidelines: INTERNAL CONTROLS

A. Internal Control System -- The City shall establish and maintain a process that is designed to provide reasonable assurance that the City is achieving the following objectives:

1. effective and efficient operations,
2. reliable and accurate financial information,
3. compliance with applicable laws and regulations, and
4. safeguard assets against unauthorized acquisition, use, or disposition.

B. Annual Audit -- The City shall hire an independent external auditor to perform an annual audit of the financial statements, including tests of the internal controls. It is the City's objective that the financial statements receive an unmodified opinion, an opinion in which the auditor can state, without reservation, that the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

FINANCIAL SYSTEM

A. Purpose of the Financial System -- The financial system shall be used as the means of recording and reporting financial transactions in a way that will assist users in assessing the service efforts, costs and accomplishments of the City.

B. Financial System Characteristics -- The City's accounting and reporting system shall demonstrate the following characteristics:

1. reliability,
2. accuracy,
3. consistency,
4. timeliness,
5. efficiency,



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Financial Policies – Accounting and Financial Reporting



6. responsiveness,
 7. compliance with legal requirements, and
 8. conformance with GAAP.
- C. Funds -- The City shall establish and maintain only those funds that are necessary by law and for sound financial administration. The funds shall be structured in a manner consistent with GAAP, to maximize the City's ability to audit, measure and evaluate financial performance. The fund structure will be reviewed annually and the Finance Director will recommend changes to improve compliance with Council policies, financial planning, resource allocation and service delivery will be made to the City Manager at the beginning of the annual budget process. Adding, closing, or making significant changes to a fund shall be done by the City Council by adopting a resolution.

EXTERNAL FINANCIAL REPORTING

- A. Comprehensive Annual Financial Report (CAFR) -- The City shall annually prepare and publish, by December 31st of each year, a CAFR in conformity with generally accepted accounting principles. The CAFR shall include but not be limited to:
1. an explanation of the nature of the reporting entity,
 2. the extent of activities conducted by the City,
 3. comparison of actual activity to adopted budget,
 4. an explanation of the City's fiscal capacity,
 5. disclosure of short and long term liabilities of the City,
 6. capital assets reporting,
 7. cash policies and compliance reporting,
 8. accounting policies, controls and management responsibilities, and
 9. all other disclosures required by GAAP.

Review/Update:

The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Review
24	N. Brewer	March 2013	Review
25	N. Brewer	April 2014	Review
26	J. Chenard	March 2015	Review
27	J. Chenard	June 2015	Review
28	N. Brewer	October 2016	Update to current audit terminology
29	N. Brewer	December 2017	Review
30	N. Brewer	April 2019	Review

	City of Corvallis Financial Policies - Council Policy Policy # 10.05 Financial Policies – Capital Improvement Program (CIP)	
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Purpose: To maintain the City’s investment in infrastructure, this policy provides direction for the development and implementation of the annual CIP.

Scope: The City has a significant investment in the infrastructure necessary for the general public’s use. The infrastructure systems – streets, bikeways and sidewalks, water treatment plants and distribution system, wastewater treatment plants and collection system, storm water conveyance system, airport, parks, recreation facilities, open spaces, and municipal facilities – are important to the general well-being of the community. The City maintains and enhances the infrastructure systems by developing long-term plans to meet the service needs of the community and by securing the funding necessary to implement the plans. The CIP is developed to advise the community of the projects proposed over a five-year period to protect the public investment.

Guidelines: CAPITAL IMPROVEMENT PROGRAM

- A. Definition of a Capital Project -- A capital project must:
 1. cost more than \$25,000, and
 2. be a permanent addition to the capital assets of the City, and
 3. purchase land, or
 4. construct a new building, or
 5. remodel or add to an existing building, or
 6. construct/install public infrastructure, or
 7. replace existing infrastructure.
- B. Full Costs Included -- For any project which meets the definition of a capital project, all costs for the project, including design, land or right-of-way acquisition, appraisals, construction, construction management, furnishings, and legal or administrative costs will be included in the project budget.
- C. Five-year CIP -- A five-year Capital Improvement Program (CIP) shall be developed annually by staff. The plan will be presented to and reviewed by the Planning Commission for compliance with the Comprehensive Plan, reviewed by the Budget Commission for compliance with long-term financial plans, and approved by the City Council. This plan shall contain the planned capital improvements from all funds and departments of the City.
- D. Existing Assets -- A high priority shall be placed on repair or replacement of capital assets when such assets have deteriorated to the point of becoming hazardous, incur high maintenance costs, are negatively affecting property values, and/or are no longer functionally serving their intended purposes.
- E. Construction Standards -- Capital improvements constructed in the city shall be designed and built based on published construction standards which shall be periodically updated by the City Engineer. The construction standards will assure projects are built with an acceptable useful life and minimum maintenance costs.

	City of Corvallis Financial Policies - Council Policy Policy # 10.05 Financial Policies – Capital Improvement Program (CIP)	
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CAPITAL IMPROVEMENT MAINTENANCE

Operating Budget Impacts -- Future operating budget impacts for maintenance of new capital facilities will be analyzed and estimates included in all years of the financial plans as part of considering a proposed capital project.

CAPITAL IMPROVEMENT FINANCING

- A. Appropriate Funding -- Within the limitation of existing law, various funding sources may be used for capital improvements. When capital projects are proposed, funding sources will be identified.
- B. Unspent Funds -- Upon completion of capital projects, the Finance Director shall certify any unspent funds from the project. The most restrictive project revenues shall be used first so that unused funds will have the fewest restrictions on future use. Unspent capital project funds, except bond funds, shall be returned to their original source. If there are unspent funds from a bond issue, those monies will be allocated according to stipulations in the bond indenture. In no case shall projects incur a funding deficit without the express approval of the City Council.
- C. Interest Earnings in the Capital Construction Fund (governmental fund) -- Interest earnings shall be allocated to each project based on the project's proportion of the cash balance in the fund. Projects which have a negative cash balance due to timing of reimbursements of grants or loans will not accrue interest revenue or an interest expense.
 1. Interest earnings which are restricted due to the funding source (i.e., grant, bond issue) shall be spent in compliance with those restrictions.
 2. Interest earnings not otherwise limited will be considered the most restricted City funds in the project and will be spent first in compliance with section B on Unspent Funds.
- D. Interest Earnings in the Proprietary Fund Construction Components -- Interest earnings which are restricted due to the funding source (i.e., grant, bond issue) shall be spent in compliance with those restrictions. All non-restricted interest earnings will be accrued to the operating fund and will be available to spend on either operations or future capital projects.

Review/Update:

The Finance Director will prepare this Council Policy review every year for City Council approval.



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Policy # 10.05

Financial Policies – Capital Improvement Program (CIP)



Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Review
24	N. Brewer	March 2013	Review
25	N. Brewer	April 2014	Review
26	J. Chenard	March 2015	Review
27	J. Chenard	June 2015	Review
28	N. Brewer	October 2016	Update to clarify language
29	N. Brewer	December 2017	Review
30	N. Brewer	April 2019	Review

	City of Corvallis Financial Policies - Council Policy Policy # 10.06 Financial Policies – Debt	
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Purpose: To proactively manage the City’s existing and future debt issues in compliance with state and federal laws in order to maintain the City’s capacity for future debt issues that may be required for infrastructure investment.

Scope: From time-to-time the City plans for a capital improvement project or a significant long-term operating expenditure (such as pension obligations) which is too expensive to finance with cash reserves or which needs to be completed before reserves can be developed. When this occurs, the City borrows monies. The City is conservative in its borrowing practices, and strives to maintain low debt-per-capita ratios when compared to similar sized cities.

Guidelines: USE OF DEBT FINANCING

- A. Long-term Debt -- The City of Corvallis shall only use long-term debt for capital projects that cannot be financed out of current revenues within the Revenue Policy guidelines for rate increases. Debt financing shall generally be limited to one-time capital improvement projects or to leverage a future significant cost the City must bear (such as pension obligations) and only under the following circumstances:
 - 1. when the project's useful life is greater than or equal to the term of the financing;
 - 2. when resources will be sufficient to service the debt; and,
 - 3. when analysis demonstrates that the debt will smooth or reduce costs over multiple years or the project is expected to benefit the residents of Corvallis.
- B. Use of Debt Financing -- Debt financing shall not be considered appropriate for:
 - 1. Current operating and maintenance expenses (except for issuing short term instruments such as revenue anticipation notes or tax anticipation notes or interfund loans as per State law limitations); and
 - 2. Any recurring purpose (except as indicated above).
- C. Tax/Revenue/Bond Anticipation Notes -- Tax and revenue anticipation debt will be retired within the fiscal year issued, and bond anticipation notes will be retired no later than six months after securing permanent funding.
- D. Short-term Debt -- Debt issued with a final maturity of one year or less from the time of issuance, which is outstanding at the end of the year, will not exceed 5% of net operating revenues (including tax anticipation notes but excluding bond anticipation notes.)

LIMITS ON DEBT ISSUANCE

- A. Vote to Issue General Obligation Debt -- General obligation bonds require an affirmative vote prior to issuance. Constitutional limitations require a simple majority of votes for elections in May or November; for all other elections, a simple majority of registered voters must vote in the election, and of those voting a simple majority must vote affirmatively.

	City of Corvallis Financial Policies - Council Policy Policy # 10.06 Financial Policies – Debt	
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- B. Statutory General Obligation Bond Debt Limits -- Oregon Revised Statutes chapters 287A limit the outstanding general obligation principal indebtedness of the City other than bonds issued for water, sanitary or storm sewers to 3% of the true cash value of the taxable property within the City.
- C. Council Imposed Debt Limits -- The annual general obligation debt service for long-term issues (greater than five years), where the debt service is paid from property tax sources, shall not exceed 15% of the combined operating and capital budgets in the Governmental funds.
- D. General Fund Backed Obligations/Bonds -- The outstanding principal debt for Limited Tax General Obligation Bonds (LTGO), Full-Faith and Credit Obligations/Bonds (FFC), non-self-supporting leases, and full faith and credit lease purchases, where the intended re-payment is not from utility rates, is limited to 1% of the true cash value of the taxable property in the City. Furthermore, annual debt payments for General Fund supported LTGO and FFC debt shall not exceed 5% of the combined operating and capital budgets in the Governmental Funds.
- E. Revenue Bonds -- Revenue secured debt obligations will be undertaken only after assessing the impact of the projected operating, maintenance, debt service and coverage requirements on user rates. The assessment will be shared with the City Council prior to issuing the debt.

DEBT ISSUANCE

- A. Timing of Debt Issuance -- The timing for each debt issue in association with the construction schedule will be carefully considered, using the following criteria:
 - 1. Projected cash flow requirements for the capital project;
 - 2. Cash reserves on hand to temporarily fund preliminary project expenses;
 - 3. Spend down schedules identified by the Internal Revenue Service (IRS) to meet arbitrage limitations; and
 - 4. Market conditions.
- B. Competitive Sale -- All bonds will be sold at competitive sale unless it is in the City's best interest to sell at a negotiated sale. The City reserves the right to reject any and all bids at a competitive sale and sell the bonds at a negotiated sale if it is in the best interest of the City of Corvallis to do so.
- C. Refunding Bonds -- Refunding or advanced refunding bonds may be authorized by the City Council providing the issuance complies with the rules adopted by the State Treasurer and outlined in Oregon Revised Statutes.
- D. Annual Debt Payment Limits -- To maintain the City's credit rating and expenditure flexibility, the annual debt service payments the City must make on net direct long term general obligation debt shall not exceed 10% of operating revenue. To achieve this goal, on a per issue basis, the City will structure its debt to pay no less than 33% of the principal on bonds sold during the first half of the repayment term.
- E. Overlapping Debt -- City staff shall endeavor to notify the City Council of the debt issuance plans of the City's overlapping taxing jurisdictions and the possible impact such debt plans may have on the City's debt capacity.

	City of Corvallis Financial Policies - Council Policy Policy # 10.06 Financial Policies – Debt	
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- F. Investment of Bond Proceeds -- Receipt of bond proceeds will be timed to occur in conjunction with construction. However, in most cases bond proceeds will not be fully expended as soon as they are received. The City shall invest the proceeds from debt issuance in the legally authorized investment instruments for local governments in Oregon to maximize interest earnings available for the capital project. Prior to choosing an investment instrument, staff will take into consideration projected cash flow of the project and the likelihood that IRS spend down targets will be met or exceeded. The investment instrument(s) shall be chosen to maximize interest earnings and minimize any arbitrage penalties which may accrue within the established IRS regulations.

LEASING

Lease purchase financing shall be considered only when the useful life of the item is equal to or greater than the length of the lease, and a lease purchase is the most economical method of purchasing available. If the item may become technologically obsolete or is likely to require major repair during the lease purchase period, then the item should be either purchased with cash or placed on an operating lease.

CREDIT RATINGS AND COMPLIANCE

- A. Reporting -- The City shall maintain good communication with bond rating agencies concerning its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.
- B. Compliance with Securities and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB) Rules -- The City will comply with all aspects of the SEC rule 15c2-12 pertaining to secondary market disclosure, and with MSRB regulations regarding maintaining disclosures and professional advisor relationships.
- C. Post Issuance Compliance – City staff will adhere to the SEC or MSRB rules for post-issuance compliance.

DEBT MANAGEMENT

- A. Debt Management Analysis – City Council will review staff’s assessment of debt prior to any issuance. The assessment shall encompass a review of all debt of the City which draws on the same financial resources, including, but not limited to:
 - 1. detail of the sources of funding for all debt;
 - 2. current and future debt capacity analysis;
 - 3. issues to be addressed for sound debt management;
 - 4. a contingency debt plan should any of the funding sources become unavailable in the foreseeable future; and
 - 5. reporting as to the City’s compliance with its debt policies.
- B. Advisors/Counsel – For bonded debt, City staff will work with a contracted fee for service Municipal Advisor (MA) and Bond Counsel (BC) to ensure current market knowledge is applied consistently for documentation facilitation,

	City of Corvallis Financial Policies - Council Policy Policy # 10.06 Financial Policies – Debt	
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optimizing rates and issuance costs, and other related matters. Staff, the MA and BC must comply with this Debt Policy and post-Issuance compliance requirements. The MA may only act on a non-discretionary basis. Therefore, the MA must present debt recommendations and receive approval to execute such recommendations from the Finance Director, or designee, prior to transacting with other entities as related to City debt issuance.

Review/Update: The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Review
24	N. Brewer	March 2013	Review
25	N. Brewer	April 2014	Review
26	J. Chenard	March 2015	Update
27	J. Chenard	June 2015	Review
28	N. Brewer	October 2016	Update to remove references to Administrative Services Committee, and strengthen language associated with secondary market disclosure
29	N. Brewer	December 2017	Review
30	N. Brewer	April 2019	Review

	City of Corvallis Financial Policies - Council Policy Policy # 10.07 Financial Policies – Risk Management	
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Purpose: These policies set forth the over-arching guidance for the City’s risk management program which is designed to identify risk of incidents where damage could occur to community members, employees, or the City’s infrastructure or assets. Anticipating, managing and mitigating these risks is critical to protecting the community’s assets and the organization’s financial position.

Scope: The City of Corvallis’ basic operations have certain risks associated with them, which could have a significant financial impact if the risks were not managed. Risk Management policies are designed to identify and assess the risks, influence variables that can be controlled to reduce risks, ensure that risk is transferred to others when appropriate, and provide insurance coverage to mitigate against losses. The Risk Management program is comprehensive and addresses risks to City employees through appropriate training, and risks to staff and the general public through proactive maintenance and insurance coverage as well as holding adequate reserves for uninsured losses and programs designed to reduce factors associated with claims.

Guidelines: **RISK MANAGEMENT REPORT**

- A. Annual Report -- Risk management staff shall prepare annually a Comprehensive Risk Management Report for City Council, including but not limited to:
 1. a summary of the past year's risk management claims,
 2. a summary of the insurance policies purchased by the City including coverage, deductibles and costs,
 3. identification and discussion of current and potential liability risks or activities that could impact City finances or operations,
 4. specific strategies to address the risks identified, and
 5. a summary of the past year’s safety and violence in the workplace activities/trainings.
- B. Quarterly Report – Risk management staff shall prepare quarterly a Risk Management Assessment report for the Executive Risk Management Team, including but not limited to:
 1. a summary of the prior quarter's risk management claims including workers’ compensation, tort liability and property claims,
 2. identification of current and potential liability risks or activities impacting the City's finances or operations, and
 3. discuss specific strategies to address the risks identified.

RISK MANAGEMENT PROGRAM

- A. Program -- The City shall implement and maintain a Risk Management program designed to decrease exposure to risk. At a minimum, the program shall include:
 1. a safety program that emphasizes reducing risks through training and safe work habits,

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2. an annual examination of the City’s insurance program to evaluate how much risk including deductible, the City should assume, and
3. other risk management activities, including review of all City contracts with respect to indemnification and insurance provisions.

RISK MANAGEMENT FUND

- A. Purpose -- The Risk Management Fund shall be used to provide for insurance coverage, uninsured losses in excess of deductible amounts, safety program expenses, and prudent reserves, contingencies and fund balances.
- B. Catastrophic Reserves -- The targeted balance for unappropriated catastrophic reserves shall be \$1,000,000 each year. Appropriated catastrophic reserves which are drawn down will be rebuilt within two years, or sooner if practical. Unappropriated catastrophic reserves which are drawn down below the recommended target will be re-built at the rate of a minimum of 33% of the deficit balance per year over three years, or sooner if practical.
- C. Unreserved Fund Balance Target -- The unreserved fund balance target for the Risk Management Fund shall be \$60,000. Should the ending fund balance drop below \$60,000 in any fiscal year, it will be re-built the following year. Ending unreserved balances in excess of \$60,000 will be used as a dividend to departments if the catastrophic reserves are fully funded or can be used as funding for additional expenditures in the safety program as directed by the City Manager and appropriated within the following budget year. If the excess is used as a dividend to departments, the funds will be returned to departments based on the prior year’s experience.

Review/Update: The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Review
24	N. Brewer	March 2013	Review
25	N. Brewer	April 2014	Review
26	J. Chenard	March 2015	Update
27	J. Chenard	June 2015	Review
28	N. Brewer	October 2016	Update to add executive risk management team and increase contingency reserve.
29	N. Brewer	December 2017	Review
30	N. Brewer	April 2019	Review

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Purpose: To minimize risk associated with investing the City’s monies and ensure cash is available to meet expenditures, while maximizing earnings opportunities and minimizing idle funds. These policies provide direction for managing the City’s investments.

Scope: The City holds cash balances as part of its operations. The City invests balances in excess of daily needs in a variety of investment instruments as authorized by Oregon Revised Statutes on local government investments. Investing monies has inherent risks; these risks are managed through the application of appropriate risk assessments and diversification, and following prudent rules for investing governmental funds. These policies establish and provide guidelines for the safe and efficient management of City funds, and the purchase and sale of investment instruments.

These investment policies apply to all cash-related assets within the scope of the City’s audited financial statements and held directly by the City. Funds held and invested by trustees or fiscal agents are excluded from these policies; however, such funds are subject to regulations established by the State of Oregon for public funds.

Guidelines: OBJECTIVES

The City’s investment objectives are listed below, and can be summarized as primarily concerned with safety, legality and liquidity, with a secondary objective of return:

- A. Safety: Preserve capital and protect investment principal by implementing diversification and risk management practices;
- B. Legality: Conform with federal, state and other legal requirements;
- C. Liquidity: Maintain sufficient liquidity to meet operating needs by managing cash flow requirements; and
- D. Return: Attain a market rate of return throughout budgetary and economic cycles by implementing an investment strategy.

RESPONSIBILITY

- A. Governing Body – The City Council has a fiduciary responsibility for invested City funds. The City Council shall review this policy at least annually and shall receive monthly reports with sufficient detail to comply with ORS Chapter 294 requirements.
- B. Delegation of Authority - The authority for investing City funds is vested with the City Manager, who, in turn, may designate the Finance Director as Treasurer to manage the day to day operations of the City’s investment portfolio, place purchase and sell orders with dealers and financial institutions, and prepare reports as required. The Finance Director may choose to use the services of a

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professional investment advisor if they believe that is most beneficial to the organization.

- C. Investment Advisor -- The City may enter into contracts with third-party, fee only, investment advisory firms when such services are deemed to be beneficial to the City. The advisor must comply with this Investment Policy and the City Manager's Investment Administrative Procedures. The advisor may only act on a non-discretionary basis. Therefore, the advisor must present investment recommendations and receive approval to execute the recommendation from the Finance Director, or designee, prior to making buys or sells on behalf of the City. The following items are required minimum criteria for the approved Investment Advisor:
1. The Investment Advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon;
 2. All Investment Advisor firm representatives conducting investment transactions on behalf of the City must be registered representatives with Financial Industry Regulatory Authority (FINRA) and licensed to do business/trades in the state of Oregon;
 3. An engaged Investment Advisor must provide notification within 30 days of any formal investigation or disciplinary action initiated by Federal or State regulators.
 4. Investment Advisor services will be sought through the City's normal competitive procurement process.
- D. Governing Authority -- Funds of the City will be deposited and invested in accordance with statutes, ordinances, and policies governing the City of Corvallis and will be in compliance with the provisions of Oregon Revised Statutes (ORS) 294, and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of any tax-exempt borrowing proceeds and of any debt service funds will comply with the relevant provisions of the Internal Revenue Code in place at the time of investment.

STANDARDS OF CARE

Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. Investment decisions shall be made within the objectives outlined in this investment policy.

The standard of prudence to be used by investment officials shall be the "prudent person," as described above, and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

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ADMINISTRATION AND OPERATIONS

A. Safekeeping and Collateralization

Safekeeping Custodial Bank: Investment securities purchased by the City will be delivered by book entry and held in a segregated account for the City's benefit by one financial institution designated as custodian. The purchase and sale of all securities will be on a delivery-versus-payment basis.

Collateralization of Re-Purchase Agreements: Re-purchase agreement collateral is limited in maturity to three years by ORS and should be priced according to the adopted policy of the Oregon Investment Council:

United States Treasury Securities	102%
United States Agency Discount and Coupon Securities	102%

The City further limits the allowable collateral to only US Treasury securities and US Agency securities. Mortgage Backed and other securities are not allowed. All re-purchase agreements require a master re-purchase contract with the approved broker dealers.

Collateralization of Certificates of Deposits and Bank Deposits: At a minimum, time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the state collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS 295. All depositories must be on the State of Oregon's qualified list. Additional collateral may be required if staff deems increased collateral is beneficial to the protection of the monies under the City's management. The City will report annually to the Oregon State Treasury the financial institutions that are transacting business with the City as required by ORS.

B. Internal Controls

The Finance Director shall maintain a system of written internal controls, which shall be reviewed by the independent auditor, who shall provide an annual review to assure compliance with ORS and the City's policies and procedures. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions. The internal controls will be updated at a minimum biennially or as necessitated by system changes.

QUALIFIED INSTITUTIONS

The City's Investment Advisor shall maintain a listing of authorized broker/dealers and financial institutions which are approved for investment purposes. Approval of Qualified Institutions can occur in one of the following two circumstances:

- A. Investment Advisor Approved List -- The Investment Advisor shall provide a list of brokers/dealers which the Advisor has vetted for meeting ORS and City standards for local government investments.

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- B. Financial Institution -- The State of Oregon Treasurer’s Office maintains a list of financial institutions for deposits and certificates of deposits which are approved for local government investment purposes. Any financial institution on the Treasurer’s list shall be acceptable for City investment purposes.

AUTHORIZED AND SUITABLE INVESTMENTS

A. Legal Investments

1. All investments of the City shall be made in accordance with Oregon Revised Statutes Chapter 294. Any revisions or extensions of this chapter of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted, and will be formally incorporated at the next annual update of this policy.
2. This policy recognizes Standard and Poor’s (S&P) and Moody’s as the major Nationally Recognized Statistical Ratings Organizations (NRSRO).

In the case of split ratings, where the major NRSROs issue different ratings, the highest rating shall apply. Minimum credit ratings and percentage limitations apply to the time of purchase.

B. Suitable Investments (Specific Types)

US Treasury Obligations: Direct obligations of the United States Treasury whose payment is guaranteed by the United States. [ORS Section 294.035(3)(a)]

US Agency Primary Securities: Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE) that have actively traded markets and provide a higher level of liquidity. These include: Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), and the Federal Farm Credit Bureau (FFCB).

US Agency Secondary Securities: Other US government sponsored enterprises that are less marketable are considered secondary GSEs. They include, but are not limited to: Private Export Funding Corporation (PEFCO), Tennessee Valley Authority (TVA), Financing Corporation (FICO) and Federal Agricultural Mortgage Corporation, (Farmer Mac)

Municipal Bonds: Lawfully issued debt obligations of the States of Oregon, California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating on the settlement date of AA- or better by S&P or Aa3 or better by Moody’s.

Corporate Bonds: Corporate domestic bonds issued by a commercial, industrial, or financial institution registered with the Securities and Exchange

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Commission and not listed on the FFICU report¹. Corporate indebtedness must be rated on the settlement date AA- or better by S&P or Aa3 or better by Moodys. All corporates must be dollar denominated and have US subsidiary operations.

Commercial Paper: Commercial Paper that is rated A1+/P1 at the time of purchase. Issuer constraints for commercial paper combined with corporate notes will be limited by statute to 5% of market value per issuer.

Bank Time Deposit/Savings Accounts: Time deposit open accounts or savings accounts in insured institutions as defined in ORS Section 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

Certificates of Deposit: Certificates of deposit in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

Bankers' Acceptances: A short-term credit investment created by a non-financial firm and guaranteed by a qualified financial institution whose long-term letter of credit rating is at least AA- by S&P or Aa3 by Moody's. For the purposes of this paragraph, "qualified financial institution" means: (i) A financial institution that is located and licensed to do banking business in the State of Oregon; or (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon. [ORS 294.035(3)(h)]

Oregon Short Term Fund (Local Government Investment Pool): State Treasurer's local short-term investment fund up to the statutory limit per ORS Section 294.810.

C. Collateralization

Time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the state collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS 295.018. All depositories must be on the State of Oregon's qualified list. Additional collateral requirements may be required if the Finance Director deems increased collateral is beneficial to the protection of the monies under the City's management.

D. Investment Parameters

1. Investment Diversification

¹ Fossil Free Index Carbon Underground 200 annual listing.

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- a. The City will diversify the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. Diversification to avoid undue risk is achieved by varying the type of investment to ensure liquidity, investing in securities from several different financial institutions to reduce the chance of loss, and varying maturity length to ensure availability of funds to meet cash needs.

Issue Type	Maximum % of Holdings	Maximum % per Issuer	Ratings S&P	Ratings Moody's
US Treasury Obligations	100%	None	N/A	N/A
US Agency Primary Securities FHLB, FNMA, FHLMC, FFCB	100%	40%	N/A	N/A
US Agency Secondary Securities FICO, Farmer Mac, Etc.	10%	5%	Security must be rated	Security must be rated
Oregon Short Term Fund	Maximum allowed per ORS 294.810	None	N/A	N/A
Bank Time Deposits/Savings Accounts	25%	15%	Oregon Public Depository	Oregon Public Depository
Corporate Bonds	20%	5%*	AA-	Aa3
Commercial Paper	10%		A1+	P1
Municipal Bonds (OR, CA, ID, WA)	10%	10%	AA-	Aa3
Certificates of Deposit	10%	5%	Oregon Public Depository	Oregon Public Depository
Banker's Acceptance	25%	5%	Aa+ AA- Underlying	P1 Aa3 Underlying

- Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

2. Investment Maturity

- a. The City will not directly invest in securities maturing more than five (5) years from the date of purchase.
- b. The maximum weighted maturity of the total portfolio shall not exceed 18 months. This maximum is established to limit the portfolio to excessive price change exposure.
- c. Liquidity funds will be held in the LGIP or in money market instruments maturing one year and shorter.
- d. Core investment funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between one day and five years and will be only invested in higher-quality and liquid securities that meet suitable investment criteria outlined above.
- e. Total Portfolio Maturity Constraints:



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Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	10%
Under 1 year	25%
Under 5 years	100%
Weighted Average Maturity	1.50
Security Structure Constraint	Maximum % of Total Portfolio
Callable Agency Securities	25%

3. Competitive Selection and Pricing -- The City shall seek competitive pricing when buying or selling investments, and will buy or sell the offer that provides the optimal price for the risk of the term/instrument.
4. Securities shall generally be held until maturity with the following exceptions:
 - a. A security with declining credit may be sold early to minimize loss of principal.
 - b. A security exchange that would improve the quality, yield, or target duration in the portfolio.
 - c. Liquidity needs of the portfolio require that the security be sold.
 - d. As needed for Guideline Compliance (below).

PROHIBITED INVESTMENTS:

Oregon Revised Statutes allow several other investment types for municipalities that are not appropriate for the City's portfolio and are not included within the scope of these administrative procedures, including: general obligation securities of the states of Idaho and California, share accounts and saving accounts in credit unions for a deferred compensation plan, life insurance and annuity contracts with insurance companies for funding deferred compensation, and trusts for deferred compensation. The City prohibits:

- A. mortgage-backed securities;
- B. Securities lending; and
- C. Private Placement or "144A" Securities.

INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE:

- A. Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this Policy. Bond proceeds shall be invested in accordance with the parameters of this Policy and the applicable bond covenants and tax laws.
- B. Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for re-sale and are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 are not subject to this Policy's liquidity risk constraints.

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MONITORING; GUIDELINE MEASUREMENT AND ADHERENCE

- A. Monitoring -- The Finance Director shall routinely monitor the contents of the portfolio, the available markets, and the relative value of competing instruments and will adjust the portfolio accordingly.
- B. Guideline Measurement -- Guideline measurements will be market value of the investments.
- C. Guideline Compliance
 - 1. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this Policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
 - 2. Violations of portfolio guidelines as a result of transactions, actions to bring the portfolio back into compliance, and reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the City Council.
 - 3. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.
- D. If a corporate bond is downgraded below corporate rating criteria established at purchase, the Finance Director will immediately notify the City Council of the downgrade and provide an analysis and the course of action taken at the next City Council meeting.

REPORTING REQUIREMENTS

- A. Annual Reports -- The Finance Director shall submit an annual statement certifying compliance with this Investment Policy to the City Council, noting compliance throughout the most recently completed fiscal year. This statement shall be filed as soon as practical, but no later than August 31 of each year.
- B. Quarterly Reports -- The quarterly operating report (QOR) will include a summary on the investment portfolio reflecting investment activity for each of the immediately preceding three months, using the objectives outlined above.
- C. Monthly Reports -- The Finance Director shall provide a Monthly Investment Report reviewing the compliance with this Investment Policy and providing data on investment instruments being held, as well as any narrative necessary for clarification. The Monthly Investment Report shall include summary information about all investments held in the City's portfolio as of the end of the month, and shall be issued and posted on the City's web site within 21 days after the end of the monthly reporting period.

Review/Update:

The Finance Director will prepare this Council Policy review every year for City Council approval.



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Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Review
24	N. Brewer	March 2013	Review
25	N. Brewer	April 2014	Update Investment Policy section for sunset of Investment Council
26	J. Chenard	March 2015	Review
27	J. Chenard	June 2015	Update Investment Policy section for fossil fuel companies' exclusion
28	N. Brewer	October 2016	Update to remove references to Administrative Services Committee and align investment types with State law.
29	N. Brewer	December 2017	Minor edits to be sure terminology is the same.
30	N. Brewer	April 2019	Edits for terminology and to clarify constraints on corporate and commercial holdings.

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Definitions:

Accountability - The condition, quality, fact or instance of being obliged to reckon or report for actions or outcomes.

Accrual Basis of Accounting - The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

Ad Valorem Tax - A tax based on the assessed value of taxable property.

AFSCME - American Federation of State, County, and Municipal Employees.

Annexation - The incorporation of land into an existing city with a resulting change in the boundaries of that city.

Appropriation - Legal authorization granted by City Council to make expenditures and incur obligations.

Appropriation Resolution - The official enactment by the legislative body establishing the legal authority for officials to obligate and expend resources.

Assessed Value - The value set by the County assessor on real and personal taxable property as a basis for levying taxes.

Assessments - An amount levied against a property for improvements specifically benefiting that property.

Balanced Budget - A budget in which the resources are equal to or greater than the requirements in each/every fund.

Benefits - Employee benefits mandated by state and federal law, union contracts, and/or Council policy. The most common forms of benefits are pension plans, health and life insurance, vacation, sick and holiday leave, deferred compensation, disability insurance, and educational and incentive pay.

Bonds - A written promise to pay a sum of money (principal or face value) at a future date (maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used to finance long-term capital improvements.

Budget - A plan of financial operation, embodying an estimate of proposed expenditures for a given period (typically a fiscal year) and the proposed means of financing them (revenue estimates). Upon approval by the City Council, the appropriation resolution is the legal basis for expenditures in the budget year.

Budget Calendar - The schedule of key dates or milestones which a government follows in the preparation and adoption of the budget.

Budgetary Control - The monitoring or oversight of expenditures against budget at the level of appropriation, which is by department within funds.

CAFR (Comprehensive Annual Financial Report) - Prepared at the close of each fiscal year (June 30) and published no later than December 31 of each year to show the actual audited condition of the City's funds and serve as the official public record of the City's financial status and activities.

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Capital Budget - A plan of proposed capital expenditures and the means of financing them. The capital budget is usually enacted as part of the complete annual budget which includes both operating and capital outlays. The capital budget is based on the capital improvement program.

Capital Improvement Program (CIP) - A plan for capital expenditures to be incurred each year over a fixed period of several future years, setting forth each capital project, identifying the expected beginning and ending date for each project, the amount to be expended in each year, and the method of financing those expenditures.

Capital Outlay - Expenditures for operating equipment drawn from the operating budget. Capital outlay items normally include equipment that will last longer than one year and have an initial cost above \$5,000. Capital outlay does not include capital budget expenditures for construction of infrastructure such as streets, buildings, or bridges.

Cash Basis of Accounting - A basis of accounting under which transactions are recognized only when cash changes hands.

CDBG - Community Development Block Grant.

Contingencies - An appropriation category to cover unforeseen events which occur during the budget year. City Council must authorize the use of any contingency appropriations.

Contractual Services - A professional service provided by an outside individual or agency in accordance with contractual specifications.

Cost Allocation - A costing of local government services to identify the full cost of municipal services.

Council Goals - Broad goals established by the City Council at the outset of each two-year term to guide the organization in its activities and focus.

CPOA - Corvallis Police Officers Association.

CR (Current Revenue) - Those revenues received within the present fiscal year.

CRCCA - Corvallis Regional Communications Center Association

Debt Service - The amount of principal and interest that a local government must pay each year on long- term debt plus the interest it must pay on direct short-term debt.

Deficit - (1) The excess of an entity's liabilities over its assets. (2) The excess of expenditures or expenses over revenues during a single accounting period.

DEQ - Department of Environmental Quality.

Depreciation - the systematic and rational distribution of the cost of a tangible capital asset (less salvage value) over its estimated useful life.

Direct Cost - A cost directly related to producing and/or providing related services. Direct costs consist chiefly of the identifiable expenses such as materials and supplies used to provide a service, the wages and salaries of personnel working to provide a

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service, and facility costs. These expenses would not exist without the program or service.

EMS - Emergency Medical Services.

Enterprise Fund Accounting - Accounting used for self-sufficient government operations financed and operated in a manner similar to business enterprises, and for which preparation of an income statement is desirable.

EPA - Environmental Protection Agency

Equipment Replacement Schedule - A schedule of annual purchases to replace major equipment and vehicles that have met or exceeded their useful life to the City.

Expenditure - Total amount incurred if accounts are kept on an accrual basis; total amount paid if accounts are kept on a cash basis.

Financial Audit - A systematic examination of resource utilization concluding in a written report. It is a test of management's internal accounting controls and is intended to:

- ascertain whether financial statements fairly present financial position and results of operations,
- test whether transactions have been legally performed,
- identify areas for possible improvements in accounting practices and procedures,
- ascertain whether transactions have been recorded accurately and consistently, and
- ascertain the stewardship of officials responsible for governmental resources.

Financial Condition - The City's ability to pay all costs of doing business and to provide services at the level and quality that are required for the health, safety, and welfare of the community, and that its residents desire.

Financial Plans - A schedule that provides information about the expected future fiscal stability of City operations. The projections are for the operating funds of the City.

Financial Policies - Council policies established to govern the City's financial operations, and the associated Administrative policies and procedures used to implement Council direction.

Fixed or Mandated Costs - These include expenditures to which the government is legally committed (such as debt service and pension benefits), as well as expenditures imposed by higher levels of government (such as for wastewater treatment facilities).

Fund - An independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or resources together with all related liabilities, obligations, reserves, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

Fund Balance - The difference between fund assets and fund liabilities of governmental and similar trust funds. The equivalent terminology within proprietary funds is Retained Earnings. When the term "Fund Balance" is used in reference to Proprietary Funds, it is normally referring to the estimated budgetary-basis amount available for

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appropriations for budgeting purposes. The City of Corvallis uses the GASB definitions of Fund Balance for the CAFR and for all other financial reporting. For all financial planning purposes, the term Budgetary Fund Balance will be used and will include any portion of the fund balance that is available for appropriation. The portion of the fund balance that is not available for appropriation will be identified as a Reserved Balance. The GASB has defined fund balance segments as follows:

- A. Non-spendable: Amounts inherently non-spendable or that must remain intact according to legal or contractual restrictions.
- B. Restricted: Amounts constrained to specific purposes by externally enforceable legal restrictions, such as those provided by creditors, grantors, higher levels of government, through constitutional provisions, or by enabling legislation.
- C. Committed: Amounts constrained by the City Council via a resolution or ordinance.
- D. Assigned: Amounts the City intends to use for a specific purpose. The authority to assign resources lies with the City's Finance Director.
- E. Unassigned: Amounts that are not categorized into one of the aforementioned classifications; these resources may be used for anything.

GAAP - Generally Accepted Accounting Principles.

GASB – Governmental Accounting Standards Board

General Obligation Bonds - When a government pledges its full faith and credit to the repayment of the bonds it issues, then those bonds are general obligation (GO) bonds. Sometimes the term is also used to refer to bonds which are to be repaid from taxes and other general revenues.

Governmental Funds - These funds subscribe to the modified accrual basis of accounting and include the following types:

- A. *General Fund* - The major source of revenue for this fund is taxes. There are no restrictions as to the purposes in which the revenues in this fund can be used
- B. *Special Revenue Funds* - The resources received by these funds are limited to a defined use, such as the Street Fund.
- C. *Debt Service Funds* - Funds used for paying principal and interest of debt on non-enterprise funds.
- D. *Capital Project Funds* - Resources from these funds are used for purchase or construction of long-term capital assets.
- E. *Permanent Funds* - The resources received by these funds are limited to a defined use and only earnings may be spent.

Grant - A contribution of assets by one entity to another. Grants are generally designated for a specific expenditure.

IAFF - International Association of Firefighters.

ICMA - International City/County Management Association.

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Indirect Cost - A cost incurred in the production and/or provision of related services that usually cannot be directly associated with any one particular good or service. Indirect costs encompass overhead including administrative costs such as wages of supervisory and administrative personnel, occupancy and maintenance of buildings, and utility costs. These costs would exist without the specific program or service.

Intergovernmental Revenue - Revenues received from another governmental entity.

Internal Service Charges (ISC) - Various, specific charges set to recover the cost of providing goods and/or services to particular funds or departments within the organization. Examples include administrative service charge, IT charge, and telephone charges.

Investment - Cash balances, securities and real estate purchased and held for the production of income in the form of interest, dividends, rentals, or base payments.

Liabilities - The sum of all amounts that are owed at the end of the fiscal year, including all accounts payable, accrued liabilities, and debt.

Long-Term Debt - Present obligations that are not payable within a year. Bonds payable, long-term notes payable, and lease obligations are examples of long-term debt.

Master Plan - A comprehensive plan, normally covering a five to ten-year period, developed to guide delivery of specific services, identify future needs and challenges, and identify future infrastructure needs.

Modified Accrual Basis of Accounting - The accrual basis of accounting adapted to the governmental fund type under which revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are generally recognized when the related fund liability is incurred.

One-Time Revenue - Revenue that cannot reasonably be expected to continue, such as a single-purpose federal grant, an interfund transfer, or use of a reserve. Also referred to as a non-recurring revenue.

OPERS - The Oregon Public Employee Retirement System, the State office that oversees the PERS and OPSRP retirement plans for public employees.

OPSRP - Oregon Public Service Retirement Program, the pension plan for employees hired after August 28, 2003.

Operating Budget - The appropriated budget supporting current operations. Most operations are found in the General, Special Revenue, Enterprise, and Internal Service Funds.

Operating Deficit - When current expenditures exceed current revenues.

Overlapping Debt - The net direct bonded debt of another jurisdiction that is issued against a tax base within part or all of the boundaries of the community.

Pay-As-You-Go Basis - A term used to describe the financial policy of a government which finances all of its capital outlays and/or improvements from current revenues rather than by borrowing.

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Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City's programs for the benefit of the City or its community members.

PERS - Public Employee Retirement System, the pension plan for employees hired before August 28, 2003.

Personnel Services - A category encompassing all salaries, benefits, and miscellaneous costs associated with employee expenditures.

Property Tax Levy - The tax levy combining the general operating levy and the debt service levy imposed by the City.

Proposed Budget - The financial and operating document submitted by the City Manager to the Budget Commission and the governing body for consideration.

Proprietary Funds - These funds subscribe to an accrual basis of accounting and include the following types of funds:

- A. *Enterprise Funds* - Account for distinct, self-sustaining activities that derive the major portion of their revenue from user fees.
- B. *Internal Service Funds* - Account for goods and/or services provided to other funds or departments within the organization.

Reserved Balance - For budgetary purposes, this is the amount of fund balance that is not available for appropriation except for the uses defined for the specific reserve.

Resolutions - A legal document adopted by the City Council that directs a course of action. In relationship to the budget, resolution refers to the document that levies taxes and sets legal appropriation levels.

Restricted Revenue - Legally earmarked for a specific use, as may be required by state law, bond covenants, or grant requirements.

Revenue - Monies received or anticipated by a local government from either tax or non-tax sources.

Revenue Estimates - A formal estimate of how much revenue will be earned from a specific revenue source for some future period; typically, a future fiscal year.

Revenue Shortfalls - Differences between revenue estimates and revenues actually received during the fiscal year.

Supplies and Services - A category of operating expenditures which include items such as contractual services, conference and training, charges for service, office supplies, and operating supplies.

System Development Charge (SDC) - A charge levied on new construction to help pay for additional expenses created by growth or to compensate for already existing capacity in key facilities and systems already in place which support the new development.

Transfer - Amounts distributed from one fund to finance activities in another fund. Shown as an expenditure in the originating fund and a revenue in the receiving fund.

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UAL/OAS – Unfunded actuarial liability or overfunded actuarial surplus; pertains to an OPERS employer rate increment to amortize the difference between benefits and contributions plus earnings.

Unfunded Liability - A liability that has been incurred during the current or a prior year, that does not have to be paid until a future year, and for which reserves have not been set aside. It is similar to long-term debt in that it represents a legal commitment to pay at some time in the future.

Review/Update: The Finance Director will prepare this Council Policy review every year for City Council approval.

Rev #	Name	Change Date	Character of Change
0		November 1989	Adopted
23	N. Brewer	February 2012	Review
24	N. Brewer	March 2013	Review
25	N. Brewer	April 2014	Review
26	J. Chenard	March 2015	Review
27	J. Chenard	June 2015	Review
28	N. Brewer	October 2016	Update to add terms.
29	N. Brewer	December 2017	Review
30	N. Brewer	April 2019	Review