

RESOLUTION NO. 37-2007

A RESOLUTION ADOPTING FINANCIAL POLICIES

WHEREAS, the Budget Officer and Finance Director worked with the citizen members of the Budget Committee to draft financial policies governing major City financial issues; and

WHEREAS, the Budget Officer and citizen members of the Budget Committee recommended adoption of the financial policies attached to this Resolution as Exhibit A; and

WHEREAS, the said Financial Policies were presented to the full Budget Committee for its consideration and adoption during the FY 2007-2008 budget process; and


WHEREAS, the full Budget Committee recommended adoption of the said Financial Policies at its May 7, 2007 public hearing.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Milwaukie, Oregon as follows:

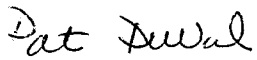
Section 1. That the Financial Policies attached to this Resolution as Exhibit A be adopted.

Section 2. That this Resolution becomes effective upon its adoption.

Introduced and adopted by the City Council on June 5, 2007.


James Bernard, Mayor
Dated: 6/5/2007

Attest:


Pat Duval, City Recorder

Approved as to Form:
Ramis, Crew, Corrigan, LLP




EXHIBIT A



Financial Policies

The City of Milwaukie has an important fiduciary responsibility to its citizens to properly account for public funds, manage municipal resources wisely and plan adequate funding for services and facilities desired and needed by the community. The City Council is ultimately responsible for decisions concerning the fiscal management of the City. The City Council, Budget Committee, boards and commissions and city staff must take into consideration the City Charter, ordinances, strategic plan and all applicable state and federal laws in determining how best to allocate and manage the available resources.

These policies are designed to establish guidelines for the fiscal stability of the City of Milwaukie and to provide guidance for the City Manager in the roles of Budget Officer and Chief Executive Officer for the City.

These policies shall be duly adopted by resolution of the City Council and can be changed only through subsequent resolutions adopted by the City Council. These policies shall be reviewed annually as part of the budget planning process by the Budget Officer and Budget Committee to determine whether any changes are necessary. Any additions or deletions shall be reviewed by the Budget Committee prior to review and approval by the City Council.

Annual Budget

The City shall prepare, adopt and amend its annual budget in accordance with Oregon Local Budget Law. It is the responsibility of the City Manager as the City's Budget Officer to prepare and present the annual budget to the Budget Committee. The Budget Committee considers the proposed budget, makes any adjustments it deems necessary and approves the budget. The City Council has the final responsibility for adopting the budget, levying taxes and making the necessary appropriations.

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Minimum Fund Balances

The City shall target an unreserved fund balance in the General Fund and all operating funds of at least ten percent of the annual expenditures of the fund. The unreserved balance shall be used to avoid cash flow interruptions, generate interest income and reduce the need for any short-term borrowing.

Contingencies and Reserves

The City shall maintain contingency and reserve accounts to respond to unforeseen circumstances and to preserve resources for future budgets. The accounts shall be in the amounts and for the purposes described below:

1. Operating Contingencies. **The General Fund shall have a target operating contingency of \$1,000,000.00 and each operating fund shall have a target contingency of at least ten percent of the operating expenditures of the fund. During the budget year, the City Council may, by ordinance or resolution, transfer up to a cumulative 10% of the appropriation authority from the contingency account to another existing appropriation category to address circumstances that were unforeseen at the time the budget was adopted. Transfers greater than a cumulative 10% must have review and recommendation of the Budget Review Committee before the City Council takes action to transfer appropriation authority.**
2. Special Purpose Contingencies. Contingency accounts for special purposes such as Public Education and Government Access and Payments in lieu of Improvements shall be in the amounts and for the purposes for which they are established.
3. Capital Reserves. Capital reserve accounts shall be maintained in capital budgets in the amounts and for the purposes of accumulating resources for future capital projects.
4. Unappropriated Reserves. **The General Fund shall maintain a target unappropriated reserve of at least three months of general operating expenditures. The reserve shall be given priority for one time and previously uncommitted revenues until the target amount is established.** The reserve account provides available cash in the subsequent budget year before budgeted revenues become available and is key in maintaining an investment grade bond rating capacity.

Revenues

All revenues shall be managed in a way to best achieve the following objectives:

1. Revenue sources shall be diversified and stable in order to shelter the City from short-term fluctuations in any single revenue.
2. One-time revenues shall be used only for one-time expenditures and temporary revenues shall not be used for ongoing services.
3. Dedicated revenue sources shall be used only for the purpose for which they are collected.
4. Conservative estimates shall be used for all revenue forecasts.

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5. All idle cash shall be invested in accordance with the City Council adopted investment policy, resolution 35-2004, in order to maximize, in priority order, safety, liquidity and yield.
6. The Finance Department shall quarterly report budget to actual revenues to department directors, the City Manager, City Budget Review Committee and City Council.

Interest Income

Interest earned from the investment of idle cash shall be distributed to the appropriate fund in accordance with the equity balance of the particular fund from which the money was available for investment.

Expenditures

All contracting, purchasing and disposing of surplus property shall be in accordance with the Public Contracting Rules and Findings as adopted by the City Council in resolution 2-2006.

Employee salary and benefit costs and all materials and equipment purchases shall be considered in terms of current year and future year budgets. As much as possible, ongoing costs will be considered in terms of quality and level of service provided to the community.

The Finance Department shall regularly report budget to actual expenditures to department directors, the City Manager, City Budget Review Committee and City Council.

Debt

Debt shall not be used for operating purposes. Long-term borrowing will be limited to capital improvements too large to be financed from current revenues. No debt shall be in existence for longer than the useful life of the capital investment for which the debt was incurred.

The City will examine all financial alternatives in addition to long-term debt. These alternatives will include pay-as-you-go, joint financing, reserve funds, lease-purchase, local improvement districts, special assessments, state and federal tax increment, borrowing from other funds, systems development charges and developer contributions. Before a decision is made, the Finance Department will generate a cost benefit analysis for each alternative being considered with the goal of minimizing the cost of the financing to the City.

The City will limit bonded debt to 3% or less of total assessed value, as required by ORS 287.004. Repayment sources will be identified for every debt prior to issuance.

The City will adhere to recommended disclosure guidelines as endorsed by the Public Securities Association, the Government Finance Officer Association, the

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Municipal Securities Rulemaking Board and the Governmental Accounting Standards Board. The City will maintain and seek to improve its current bond rating of A1 (Moody's Rating) so that future borrowing costs are minimized and access to the credit market is preserved.

Accounting

The City shall establish and maintain an accounting and financial reporting system in accordance with Generally Accepted Accounting Principles (GAAP) and shall adhere to the principles and standards promulgated by the Government Finance Officers' Association (GFOA), Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

The Finance Department will issue a Comprehensive Annual Financial Report (CAFR) each fiscal year. The CAFR will show fund expenditures and revenues on both a GAAP and budget basis for comparison purposes.

An independent annual audit will be performed by a certified public accounting firm. The audit will include an official opinion on the annual financial statements and a management letter detailing areas needing improvement, if necessary. The annual audit report shall be presented to the City Council by the independent public accounting firm.