



## RESOLUTION 2016-069

### REVISING THE EXISTING SET OF CITY FINANCIAL POLICIES

**WHEREAS**, the Sherwood City Council values and promotes fiscal responsibility; and

**WHEREAS**, the Sherwood City Council recognizes the importance of financial policies in providing a frame work for fiscal responsibility; and

**WHEREAS**, the Sherwood Budget Committee reviewed the City's Financial Policies and has proposed certain revisions to the verbiage in Policy 3 and Policy 5.

**WHEREAS**, the Committee's recommended revisions are attached to this Resolution as Exhibit A.

**NOW, THEREFORE, THE CITY OF SHERWOOD RESOLVES AS FOLLOWS:**

**Section 1.** The current City of Sherwood Financial Policies are amended as set forth in Exhibit A.

**Section 2.** This Resolution shall be effective upon its approval and adoption.

**Duly passed by the City Council this 29 day of November, 2016.**

  
Krisanna Clark, Mayor

Attest:

  
Sylvia Murphy, MMC, City Recorder

## Financial Policies

### Purpose

In order to carry out the mission of the City of Sherwood and support the City's values, this set of financial policies has been created by the City of Sherwood.

The purpose of these financial policies is to provide a cohesive long term approach to financial management of the City of Sherwood. These policies establish a means for guiding today's financial decisions in order to achieve the mission of the City of Sherwood in a manner that reflects the City's values.

### Goal

The goal of these policies is to provide the financial stability needed to navigate through economic changes, adjust to changes in the service requirements of the community and respond to other changes as they affect the City's residents.

### Responsibilities

1. **Stewardship:** The City of Sherwood is a steward of public funds. These funds are entrusted to the City through the payment of taxes, fees, and fund transfers from other governments. The City of Sherwood is responsible for using all funds efficiently and effectively and for the purposes for which they were intended.
2. **Asset Protection:** The assets of the City of Sherwood exist in a variety of forms. All these assets must be protected through an effective accounting and internal control System. The System must track assets and document the costs of acquisition, maintenance, and replacement.
3. **Legal Conformance:** The City of Sherwood is subject to federal, state, and local statutes and rules regarding purchasing, entering into debt, budgeting, accounting, and auditing: regulations that govern virtually all financial transactions. The City also voluntarily enters into contracts which include significant financial and operational covenants. The City of Sherwood is responsible for conforming to laws, rules, and covenants to which it is subject.
4. **Standards:** The Government Finance Officers Association (GFOA) and the Governmental Accounting Standards Board (GASB) set polices and guidelines for public sector accounting and financial reporting. The City of Sherwood is responsible for adhering to the requirements of these organizations and for seeking guidance from policies, standards and best practices set forth by these organizations.
5. **Authority:** The Sherwood City Council is the sole authority for deleting, modifying, or adding to these policies. Every two years, the Council shall engage the Budget Committee to review and update these policies'

## Policy 1 - Funds

1. The City of Sherwood will maintain an orderly and logical fund structure that provides stakeholders with ready access to financial information.
2. The City of Sherwood will conform to Generally Accepted Accounting Principles (GAAP) and the Government Finance Officers Association's best practices for establishing and maintaining funds.
3. The City of Sherwood will establish and maintain those funds required by law and sound financial administration. Acknowledging that unnecessary funds result in inflexibility, complexity, and inefficient financial administration, only the minimum number of funds consistent with legal and operating requirements will be established.
4. The criteria for establishing a new fund are variable, but include triggers such as;
  - a. Inauguration of a new dedicated revenue stream and a concurrent service.
  - b. The need for increased clarity of financial information.
  - c. The establishment of a new enterprise.
  - d. Covenants embodied in financing agreements.
  - e. Changes in state law or financial management/accounting standards.
5. Only the Sherwood City Council has the authority to create or delete funds. The Council shall create or delete funds by resolution.

## Policy 2 - Budgeting

1. The City of Sherwood budget process shall consist of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.
2. The purpose of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.
3. The City of Sherwood budget process shall:
  - a. Incorporate a long term perspective (minimum three fiscal years)
  - b. Establish linkages to broad organizational goals
  - c. Focus budget decisions on results and outcomes
  - d. Involve and promote effective communication with stakeholders
4. All budgetary procedures will conform to existing state and local regulations. Oregon budget law requires each local government to prepare a balanced budget and Oregon Administrative Rules state:
  - a. The budget must be constructed in such a manner that the total resources in a fund equal the total of expenditures and requirements for that fund, and
  - b. The total of all resources of the municipality must equal the total of all expenditures and all requirements for the municipality.
5. A cost allocation plan will be developed and incorporated into the City of Sherwood budget. The cost allocation plan will be the basis for distribution of general government and internal service costs to other funds, divisions, and capital projects.
6. The Sherwood City Council shall adopt the budget at the fund, division, or program level (as appropriate to each fund) as a total dollar amount for all appropriations except contingency, unappropriated ending fund balance and reserves, which shall be stated separately.
7. Inter-fund Transfers shall be kept to a minimum. Inter-fund loans shall be documented in a resolution that cites the terms of the loan.
8. As part of the annual budget process, the City of Sherwood will maintain a three-year revenue and expenditure forecast. This forecast will be created using an objective, analytical process incorporating applicable projections from the State of Oregon's latest Economic Forecast and conservative assumptions where State developed data is not available. Revenues will be estimated realistically and prudently using best practices as defined by the Government Finance Officers Association. Revenues shall be forecasted conservatively.

## Policy 2 – Budgeting (Continued)

9. Oregon budget law provides a means to adjust the budget for emergency expenditures or unforeseen circumstances. All resolutions adjusting the budget will be prepared by the Finance department for City Council approval to ensure compliance with budget laws.
10. Prior to submittal to City Council, the Budget Officer will convene the Budget Committee to review supplemental budget resolutions. If time does not allow for this action, Budget Committee members shall be informed of the City Council's action on the resolution promptly.
11. A mid-year review process will be conducted by the City Manager and Finance Director in order to make any necessary adjustments to the adopted budget.
12. In the City's effort to strive for excellence, the City of Sherwood will make every effort to obtain the Award for Distinguished Budget Presentation from the Government Finance Officers Association (GFOA).
13. Reports comparing actual to budgeted expenditures will be prepared quarterly by the Finance Department and distributed to the City Council, City Manager and Department Directors.

### Policy 3 - Revenue

1. City of Sherwood revenues are either unrestricted or dedicated. Unrestricted revenues can be used for any purpose. Dedicated revenues are restricted in the ways they can be used by federal or state regulations, contractual obligations, or by City Council action. The City of Sherwood will adhere to the restrictions applied to dedicated revenues.
2. The City of Sherwood will maintain a diversified revenue stream that is managed strategically to mitigate the impact of short term fluctuations in any revenue source.
3. The City of Sherwood will identify sustainable revenue levels and, to the extent possible, current operations will be funded by current sustainable revenues.
4. One-time revenues will be used for one-time expenditures or as contributions to reserves and will not be used to pay for established services.
5. The City of Sherwood will not respond to long-term revenue shortfalls with deficit financing and borrowing to support established services. Expenses will be reduced and/or revenues will be increased to conform to the long-term revenue forecasts.
6. During the budget process, the Sherwood City Council will identify those programs which are to be supported in whole or in part by cost recovery and ensure that revenue collections reflect the cost of providing associated services by adjusting fees accordingly.
7. The City of Sherwood will charge fees for services where such an approach is permissible, and where a limited and specific group of beneficiaries who can pay such charges is identifiable.
8. New or expanded unrestricted revenue streams should first be applied to support existing programs. When existing programs are adequately funded, such revenue may be used as contributions to reserves or to fund new or expanded programs.

## Policy 4 - Expenditures

### Controls

1. By resolutions, the City Council will establish a purchasing policy that conforms to state statutory requirements for purchasing and contracting and invests the City Manager with purchasing and contracting authority.
2. By Budget and Supplemental Budget Resolutions, the City Council shall establish and limit expenditure appropriations by statutory categories. The City Manager shall be responsible for limiting expenditures to those appropriation levels.

### Specific Expenditures

1. **Personal Services.** Pursuant to the City Charter, the City Manager or designee is responsible for the management of employee staffing and compensation. The City Manager or designee shall negotiate salaries and benefits for represented employee groups in conformance with the Oregon Public Employees Collective Bargaining Act and the Employee Relations Board decisions and arbitration decisions that emanate from the Act.
2. **Capital Improvement Impacts.** Whenever Capital Improvement expenditures will result in increases to future operating expenses or asset replacement contributions, estimates of those impacts shall be incorporated into the long term financial plan.
3. **Capital Outlay.** By resolution, the City Council shall define the characteristics of a capital asset by specifying the minimum purchase price and minimum term of service. The City will provide for adequate maintenance of Capital Assets.
4. **Capital Improvement Plan.** The City Manager or designee will prepare a five-year Capital Improvement Plan (CIP) annually and submit it to the City Council for approval via resolution.

## Policy 5 - Revenue Constraints and Fund Balance

### Nature of Constraints

The City of Sherwood will maintain the following categories of revenue constraints in conformance with GASB 54. Fund Balances shall be accounted for on the basis of these categories.

1. **Non-spendable.** Assets that are not in a spendable form or are required to be maintained intact.
2. **Restricted.** Cash that can be spent only for specific purposes stipulated by third parties or by statutes. Only the constraining party can lift constraints on Restricted funds.
3. **Committed.** Cash that can be used only as directed by formal action of City Council. Council action may be in the form of a motion or resolution. Only the City Council can lift constraints on committed funds. Such a change must be made using the same action that established the constraint.
4. **Assigned.** Cash the City intends to use for specific purposes. The City Council delegates the authority to create this constraint to the City Manager. In addition, for all funds except the general fund, all cash not in one of the Non-spendable, Restricted, or Committed categories, or specifically assigned under this category will, by default, be assigned to this category.
5. **Unassigned.** General Fund cash that is not otherwise categorized fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

### Other Considerations

1. **Stabilization.** The purpose of stabilization arrangements is to provide a revenue source to maintain service delivery during periods of diminished revenues. The City may choose to create stabilization arrangements either by creating new funds or dedicating revenues within existing funds. Stabilization arrangements will be created by the City Council and the authorizing legislation shall include the policies on funding and accessing the arrangement.
2. **Order of Use.** If multiple categories of fund balance are applicable to an expenditure, the City shall access funds in the following order: Restricted, Committed, Assigned, Unassigned.
3. **Purpose of Special Revenue Funds.** Special Revenue funds are general government funds created to track the use of dedicated revenues. The City legislation creating a special revenue fund will specify which specific revenues and other resources are authorized to be reported in the fund.
4. **Fund Balance.** Unrestricted fund balance is the sum of Committed, Assigned and Unassigned fund balance in any individual fund. In the General Fund, the City will maintain an Unrestricted fund balance of at least 10% of fund revenue and strive to maintain  
20%.



## **Policy 6 - Continuing Disclosure**

### **Continuing Disclosure In General**

Issuers of municipal securities and entities working on their behalf disclose material information to the marketplace such as annual financial information and material event notices. In December 2008, the Securities and Exchange Commission directed the Municipal Securities Rulemaking Board to establish a continuing disclosure service of the MSRB's Electronic Municipal Market Access (EMMA) system effective July 1, 2009. The continuing disclosure service of EMMA collects continuing disclosure documents from the issuer community and makes them available to the public for free through EMMA.

In conformance with the "Continuing Disclosure Certificate" entered into by the City of Sherwood in bond issuances, the City shall comply with Rule 15c2-12 of the Securities Exchange Act of 1934 (Exchange Act). As noted above, these disclosures generally are divided between submissions made to update financial or operating information about the issuer and notices that disclose the occurrence of specific events that may have an impact on the bonds. These disclosures are described below.

### **City Responsibility**

The Finance Director shall be responsible for adhering to the City's Continuing Disclosure Obligations.

### **Debt**

The City will borrow only to finance capital assets. The City will not borrow for operating purposes.

No bonds will mature more than 20 years from the date of issuance. No debt will be issued with a life exceeding the estimated useful life of the capital assets being financed. The City will limit bonded debt to 3% or less of total assessed value, as required by ORS 287.004. Repayment sources are identified for every debt prior to issuance.

## **Policy 6 - Continuing Disclosure (continued)**

### **Rule 15c2-12 Disclosures**

Rule 15c2-12 rule requires, for most new offerings of municipal securities, that the following types of information be provided to the MSRB's EMMA system:

1. Financial or operational information
  - a. Annual financial information concerning issuers or other obligated persons, or other financial information and operating data provided by issuers or other obligated persons
  - b. Audited financial statements for issuers or other obligated persons, if available
  
2. Event Notices
  - a. Principal and interest payment delinquencies
  - b. Non-payment related defaults, if material
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties
  - e. Substitution of credit or liquidity providers, or their failure to perform
  - f. Adverse tax opinions, Internal Revenue Service (IRS) notices or material events affecting the tax status of the security
  - g. Modifications to rights of security holders, if material
  - h. Bond calls, if material
  - i. Tender offers
  - j. Defeasances, release, substitution, or sale of property securing repayment of the securities, if material
  - k. Rating changes
  - l. Bankruptcy, insolvency, receivership or similar event;
  - m. Merger, consolidation, or acquisition, if material; and appointment of a successor or additional trustee, or the change of name of a trustee, if material
  - n. Notices of failures to provide annual financial information on or before the date specified in the written agreement