

RESOLUTION NO. 1156

A RESOLUTION adopting financial goals and policies for management of city funds.

WHEREAS, the City Finance Department has prepared a document entitled "City of Camas Financial Goals and Policies", which sets forth a fiscal guideline for management of city funds, and

WHEREAS, the City Council has reviewed said document and has determined that the City's interests will be furthered by adoption of such goals and policies,

NOW, THEREFORE, be it resolved by the Council of the City of Camas as follows:

Section I

There is hereby adopted as the official guidelines for the fiscal management of the City's funds that certain document entitled "City of Camas Financial Goals and Policies", a copy of which is attached hereto and by this reference incorporated herein.

ADOPTED by the Council at a regular meeting this 10th day of July, 2009.

SIGNED: Paul De  
Mayor

ATTEST: John M. Surgen  
Clerk

APPROVED as to form:

Shel Mack  
City Attorney

## City of Camas Financial Goals and Policies

1. General Fund Fund Balance
2. Long-range forecasting
3. Debt Management
4. Budget
5. Grants
6. Utility Operations
7. Real Estate Excise Taxes
8. Technologies and System Maintenance and Replacement
9. Equipment Rental
10. Emergency Rescue Fund
11. Firemen's Pension Fund
12. Capital Facilities Plan
13. Accounting Procedures
14. Cash and Investments

### 1. General Fund Fund Balance

**Goal:** *The General Fund will strive to maintain a fund balance of 17% of budgeted General Fund expenditures.*

To mitigate current and future revenue shortfalls, unanticipated expenditures, and cash flow needs due to the General Fund dependence on property taxes, an adequate fund balance in the General Fund will be maintained. The projected fund balance at year end is expected to remain at 17% of annual budgeted General Fund expenditures.

Year	Total General Fund Expenditures	17% of Expenditures	Actual at December 31
2000	\$12,142,952	\$2,064,302	\$1,670,060
2001	10,973,687	1,865,527	2,176,597
2002	11,800,896	2,006,152	2,276,309
2003	12,135,806	2,063,087	2,662,618
2004	11,990,300	2,038,351	3,465,119
2005	12,773,803	2,171,546	4,485,639
2006	14,047,280	2,388,038	4,801,484
2007	15,216,382	2,586,785	4,030,330
2008	15,697,049	2,668,498	3,485,979
2009	15,987,061	2,717,800	2,900,000 est

## **2. Long-range Forecasting**

*Goal: A long-range forecasting of revenues and expenditures for a future three-year period will be done each year by August 1.*

A financial plan that assesses long-term financial implications of current and proposed programs assists the city in developing strategies to achieve its goals. A key component is the forecasting of revenues and expenditures. As part of the budget process each year, by August 1 a long-range forecast of operating revenues and expenditures for the General Fund, Street Fund, Cemetery Fund, Emergency Rescue Fund and the utility funds will be developed for a three-year period beyond the current budget period. The underlying assumptions should be clearly stated. The forecast will be included in the final budget document that is adopted by ordinance.

## **3. Debt Management**

*Goal: General obligation and revenue debt will only be issued for capital needs and structured to limit financing costs and future commitments.*

Long-term debt will only be issued for real property, or capital projects and capital acquisitions with a life greater than three years. Long-term debt will not be issued to finance current operations. The maturity of long-term debt will be equal to or less than the expected life of the project or acquisition, and no longer than 20 years. In some utility infrastructure financing, a 30 year financing term may be considered.

Interfund borrowing for short-term cash flow needs should be considered over external borrowing for terms less than two years. A resolution adopted by the council will approve and detail the terms of the borrowing.

Loans from state agencies with favored interest rates and repayment terms should be considered whenever possible. The funding source for repayment of the loan shall be indicated.

The bond coverage is detailed in each revenue bond issue. The current requirement is gross revenues less operation and maintenance costs before depreciation equate to at least 1.25 times the maximum annual debt service.

	<u>Debt Service Coverage</u>
12/31/00	1.89
12/31/01	2.18
12/31/02	2.89
12/31/03	2.71
12/31/04	3.81
12/31/05	3.56

12/31/06	3.13
12/31/07	2.16
12/31/08	1.87
12/31/09	1.60 est.

At the first optional redemption date for each general obligation or revenue bond issue, (usually ten years after issuance) an analysis will be done to determine if exercising a call would be financially prudent at that time. If the bonds are not called at that time, this analysis will continue at least every two years.

The city will comply with IRS arbitrage regulations for bond issues, document the compliance and maintain files of documentation until 3 years after the bonds are matured.

All debt service obligations will be detailed in the Comprehensive Annual Financial Report and the annual budget document.

#### **4. Budget**

***Goal:*** *A comprehensive annual budget will be adopted that includes a concise summary of key issues and aspects of operating costs and capital components.*

A detailed budget document disclosing all anticipated revenues and authorized appropriations for operating and capital expenditures will be prepared and published. The budget establishes the level of services to be provided by each department. The budget will include title of each employee position funded, number of staff in each position and full-time equivalents. Expenditures will be monitored through the accounting system with monthly reports to assure budgetary compliance.

Discretionary revenues received on a one-time basis will be used to increase fund reserves, or used for capital expenditures or other uses that are not dependent on ongoing revenues, and will not be used for operating expenditures.

The budget summary will disclose significant changes in priorities or service levels, identify major financial factors including future debt obligations, use of fund balance, list major capital projects, and disclose if the budget is balanced or not,

The proposed annual budget will be presented on the city website for better communication of financial information to citizens and other interested parties at least two weeks before the public hearing. The adopted budget will be available on the city website before the new fiscal year begins.

## **5. Grants**

***Goal: Grants will be sought to support the city's programs.***

Grants will be sought to supplement existing programs, which support the city's plans and goals and objectives. Grants that require a local match will be carefully considered before each application is submitted. The City Administrator will be consulted and the Finance Department will be given a copy to review before the application is submitted. Grants that are funded to the city as a cost reimbursement grant will be analyzed to determine if cash flow needs can be met. The grant accounting and financial reporting will be done by the Finance Department.

The City will comply with the Common Rule, an attachment to Office of Management and Budget (OMB) Circular A-102, which sets forth uniform requirements for grants to local governments. This requires the city's financial management system to meet certain standards for financial reporting, accounting records, internal control, budgeting, allowable costs, documentation, and cash management. In addition, expenditures of federal grants and costs claimed for reimbursement or used for matching, must be in compliance with OMB Circular A-87, *Cost Principles for State and Local Governments*.

## **6. Utility Operations (Water/Sewer, Garbage, Stormwater)**

***Goal: User rates and system development charges will finance all operations, capital and debt service for utility functions.***

***Goal: A rate study of utility rates and system development charges will be completed at least every 5 years to determine if applicable rates and miscellaneous charges meet operating costs, debt obligations and provide adequate reserve levels.***

All costs of providing utility services including maintenance, depreciation, and debt service requirements shall be financed through user rates. Capital construction will primarily be financed by system development charges, or favorable rate governmental loans or revenue bond proceeds, if needed. Annual review of the user rates will be done by staff or an independent consultant by July 1<sup>st</sup> each year.

***Goal: To mitigate current and future revenue shortfalls and unanticipated expenses, retained earnings of at least 90 days of operating expenses will be maintained in the water/sewer utility.***

Revenue bond ordinances require retained earnings, cash and investments in the water/sewer bond reserve fund will be equal or greater to the highest annual debt service requirement. Interest earnings that accumulate in this fund above the highest annual debt service may be transferred periodically to the water/sewer operating fund.

**Goal:** Cash and investments of a minimum of \$500,000 should be retained for emergency capital repairs or other unforeseen events in the Water/Sewer Capital Reserve Fund.

Water/sewer system development charges are accumulated in the Water/Sewer Capital Reserve fund for future capital construction. Below is the balance of available capital:

	<u>Water/Sewer Cash and Investments</u>	<u>Water/Sewer Capital Reserve at Dec 31</u>
12/31/00	\$4,494,270	\$5,694,270
12/31/01	\$2,676,892	\$2,566,411
12/31/02	\$1,161,697	\$2,119,147
12/31/03	\$ 641,280	\$1,399,523
12/31/04	\$ 637,212	\$1,200,658
12/31/05	\$1,237,231	\$1,595,122
12/31/06	\$ 880,370	\$1,039,280
12/31/07	\$1,231,913	\$1,234,957
12/31/08	\$ 115,859	\$ 118,903
12/31/09	\$ 100,000 est.	\$ 225,000 est.

## **7. Real Estate Excise Taxes**

**Goal:** The Capital Facility Plan will detail intended uses of Real Estate Excise Taxes.

The first quarter of one percent (.25%) of the real estate excise tax (REET 1) must be used solely on capital projects that are listed in the capital facilities plan element of the City's comprehensive plan. Capital projects are defined in RCW 82.46.010 as: "those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets; roads; highways; sidewalks; street and road lighting systems; traffic signals, bridges, domestic water systems; storm and sanitary sewer systems; parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative and judicial facilities...."

<u>REET 1</u>	<u>Receipts</u>	<u>Expenses</u>	<u>Balance</u>	<u>Pledged</u>
12/30/00	\$279,664	\$ 909,541	\$ 97,822	
12/31/01	\$402,042	\$ 499,864	\$ 0	
12/31/02	\$409,054	\$ 346,159	\$ 62,895	
12/31/03	\$833,701	\$ 886,625	\$ 9,971	
12/31/04	\$651,156	\$ 301,057	\$ 360,070	
12/31/05	\$895,205	\$ 222,160	\$1,033,115	
12/31/06	\$830,603	\$2,703,297	\$ 230,724	
12/31/07	\$569,337	\$1,015,037	\$ 234,000	
12/31/08	\$364,622	\$ 423,986	\$ 680,170	\$3,423,000

**Goal:** Revenue from the second quarter of the Real Estate Excise Tax will be dedicated primarily to park improvements.

The second quarter of one percent (.25%) of the real estate excise tax (REET 2) capital projects are defined in RCW 82.46.035 as: “those public works of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks.” The acquisition of land for parks is not permitted.

<u>REET 2</u>	<u>Receipts</u>	<u>Expenses</u>	<u>Balance</u>	<u>Pledged</u>
12/30/00	\$273,664	\$ 0	\$ 273,196	
12/31/01	\$413,857	\$ 330,000	\$ 357,052	
12/31/02	\$417,211	\$ 494,708	\$ 279,556	
12/31/03	\$519,815	\$ 0	\$ 799,371	
12/31/04	\$667,433	\$ 183,077	\$1,283,427	
12/31/05	\$896,419	\$1,036,240	\$1,143,607	
12/31/06	\$866,147	\$ 333,663	\$1,676,091	
12/31/07	\$648,673	\$ 753,621	\$1,571,143	
12/31/08	\$364,622	\$ 640,799	\$1,428,244	\$862,895

## **8. Technologies and System Maintenance and Replacement**

***Goal:*** *The city will strive to provide quality, up-to-date networking technologies, maintain secure and accurate data, and provide efficient, reliable tools and resources for a productive working environment.*

The Information Systems Division oversees and maintains a replacement plan for the City’s technologies including the following criteria:

- ❖ Networking, telecommunications and other hardware resources are maintained or replaced using current warranty and depreciation measures. Strive to replace 20% of the City’s technology resources annually.
- ❖ System resources including operating and other system software, database applications, and desktop applications are upgraded and maintained to meet the technology needs of the organization and the best fit for departmental service plans.

Technology equipment necessary for the utility operations and Emergency Rescue funds will be planned by the Information System Department, but funded out of their respective funds.

## **9. Equipment Rental**

***Goal:*** *The Equipment Rental Fund will maintain rental rates sufficient to cover all operating costs and replacement reserve.*

Equipment rental rates will be sufficient to cover operating and maintenance costs, property and liability insurance coverage, plus depreciation and to establish a reserve sufficient to replace vehicles and equipment at the end of their useful lives. The reserve will include estimated replacement cost of vehicles and equipment, recognizing that replacement costs often escalate. Rates will be adopted by resolution and will be reviewed at least annually to determine if revenues cover all costs.

Equipment is depreciated over its estimated useful life. Below is a listing of the general categories of equipment and their estimated lives:

<u>Vehicle Type</u>	<u>Estimated Life</u>
Dump Truck	6 – 10 years
Pick-up Truck	6 – 7 years
Tractors	7 – 10 years
Sweepers	5 – 7 years
General automobiles	5 – 9 years
Police patrol vehicles	3 years
Sewer Cleaners	8 years
Mowers	4 – 7.5 years
Sanitation Trucks	10 years
Police Scooter	6 years
Fire Engine	20 years*
Ambulances	12 years*

\* Information only, not accounted for in the Equipment Rental Fund

## **10. Emergency Rescue Operations**

***Goal:*** *The Emergency Rescue Fund will be self-supporting for all capital and operating expenses associated with providing Advanced Life Support ambulance transport services within the participating jurisdictions.*

The Emergency Rescue Fund (Rescue Fund) was created in 1970 by Ordinance 1161. A Emergency Management Service (EMS) agreement between the City of Camas, City of Washougal, and East County Fire and Rescue provides for advanced life support ambulance transport service to all persons within the boundaries of these districts. The ambulance service area encompasses about 95 sq. mi. of southeastern Clark County and a population of about 45,000 residents. Emergency ambulance transport services from locations within the ambulance service area are provided to the closest available and appropriate medical facility.

***Goal:*** *The council in collaboration with EMS partner jurisdictions will determine the special tax levy rate to ask the voters to support the emergency services function, including operating and replacement costs for ambulances and equipment.*

	Voted Levy Approved Through
Camas	2012
Washougal	2010
ECFR	2015

**Goal:** The property tax levy will be designed to support 50% or more of the operating and capital expenses.

	Percent Levy Covered Expenses
2000	49%
2001	49%
2002	63%
2003	54%
2004	59%
2005	62%
2006	61%
2007	63%
2008	65%
2009	62% est.

**Goal:** Strive for minimum of 12% of Emergency Rescue Fund annual expenditures to be maintained in the Emergency Rescue Fund fund balance to accommodate for liquidity and cash flow needs during the year when property tax revenue collection is low.

Year	Total Emergency Rescue Expenditures	Goal: 12% of Expenditures	Actual Fund Balance	Actual Fund Balance Percentage of Expenditures
2000	\$1,463,349	\$175,602	\$537,286	37%
2001	\$1,665,683	\$199,882	\$292,315	18%
2002	\$1,398,230	\$167,788	\$511,294	37%
2003	\$1,662,227	\$199,467	\$585,403	35%
2004	\$1,557,424	\$186,891	\$222,690	14%
2005	\$1,598,444	\$191,813	\$277,231	17%
2006	\$1,727,625	\$207,315	\$389,207	23%
2007	\$2,374,255	\$284,911	\$180,992	8%
2008	\$2,318,577	\$278,229	\$163,558	7%
2009	\$3,291,480*	\$394,978		

\*Budgeted Expenses

Ambulance fees will be reviewed at least every 2 years to assure these rates and the tax levy meet amortized capital and annual operating costs. Write-off of uncollectible accounts will occur routinely and systematically following the Ambulance Billing and Collection Policy.

Contributions to the General Fund for its accounting and administration support services will be calculated using the same process as is used by other funds to contribute to the General Fund.

	<u>Contribution to the General Fund</u>
2000	\$120,000
2001	\$123,600
2002	\$ 77,600
2003	\$ 80,000
2004	\$ 96,000
2005	\$ 98,800
2006	\$101,846
2007	\$105,000
2008	\$108,000
2009	\$111,240

**Goal:** *EMS Fund will strive to replace ambulance chassis' every six years and the complete ambulance will be replaced every twelve years.*

Currently, a fleet of three primary transport ambulances and one reserve ambulance is maintained to provide transport ambulance services. Ambulance chassis are replaced on a 6-year cycle. Chassis mileage at replacement is about 130,000 miles. Patient compartments are refurbished at 6 years when the chassis is replaced and complete ambulances are replaced at 12 years. In 2009 dollars, a new ambulance is about \$150,000 and patient compartment refurbishing and chassis replacement cost is about \$90,000.

### **11. Firemen's Pension Fund**

**Goal:** *The Firemen's Pension Fund assets will be sufficient to cover all benefit obligations for retirees and their beneficiaries.*

Chapter 41.16 RCW required the establishment of a Firemen's Pension Fund for firefighters hired prior to March 1, 1970. Cash and investments in this fund will be sufficient to cover all benefit obligations for retirees and their beneficiaries. All investment earnings will be retained in this fund. The annual fire insurance premium tax from the state will also be deposited into this fund.

### **12. Capital Facilities Plan**

**Goal:** *The Capital Facilities Plan will be comprehensive and updated every two years.*

As part of the Growth Management Act Comprehensive Plan, the City will adopt a Capital Facilities Plan element and update and extend it not less frequently than two years and adopted prior to August 1. This plan is a long-range plan that will

forecast facility needs and requirements citywide for each year for the next six years, and then project additional needs for the next 14 years for a total of a twenty-year forecast. It will also forecast projected revenues and resources required to finance the capital improvement plans. In addition to facilities listed in the plan, it will include projections for major equipment requirements valued over \$50,000.

Before a capital facility is approved and budgeted for construction or remodeling, impacts of annual operating costs of the new or expanded facility will be estimated and disclosed.

### **13. Accounting Procedures**

*Goal: The city's accounting principles will follow General Accepted Accounting Principles.*

The city will maintain a high standard of accounting practices and follow General Accepted Accounting Principles (GAAP) for its accounting procedures and financial statement presentation. The city will comply with the Washington State Budgeting, Accounting and Reporting System (BARS) manual prescribed by the Washington State Auditors Office. Each year the city will prepare and publish a Comprehensive Annual Financial Report (CAFR) in addition to the annual report required by the BARS manual. The CAFR will be presented on the city website each year for better communicating financial information to citizens and other interested parties.

### **14. Cash and Investments**

*Goal: The city's investment program will maximize the security of principal while conforming to state statutes.*

The city will conform to state statutes that govern the investment of public funds. Cash will be invested in a diverse portfolio and in a manner that will provide the maximum security with the best investment return. Sufficient cash shall be maintained to provide adequate funds for current operating expenditures before cash is invested. A formal investment policy adopted by resolution will guide the management of the portfolio. A review of this policy will be completed every three years and updated accordingly.

Bank account fraud protection measures will be used to the extent that the cost does not exceed the benefit. Consideration of using fraud protection features by the bank will be implemented if the fees are reasonable. Reconciliation of bank statements will be done each month and reconciled by an employee that has no authorization to write checks,

Cash collected will be deposited daily into the city's bank account and all electronic transactions will be reconciled and documented daily. Two party authorizations will be required for all wire and ACH transactions over \$500,000.