

Attachment A

FINANCIAL POLICIES WITH CST CHANGE INCLUDED

Overall Goals

The overall financial goals underlying these policies are:

1. Fiscal Conservatism: To ensure that the City is at all times in a solid financial condition. This can be defined as:
 - A. Cash Solvency - the ability to pay bills.
 - B. Budgetary Solvency - the ability to balance the budget.
 - C. Long Run Solvency - the ability to pay future costs.
 - D. Service Level Solvency - the ability to provide needed and desired services.
2. Flexibility: To ensure that the City is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.
3. Adherence to the Highest Accounting and Management Practices: As set by the Government Finance Officers' Association standards for financial reporting and budgeting, by the Governmental Accounting Standards Board and other professional standards.
4. Comply with Statutory and Funding Entity Requirements in Budget Adoption: To ensure budgets are properly adopted and revenue restrictions are adhered to during planning, development, adoption, and implementation.

Budget Policies

1. Ongoing operating costs should be supported by ongoing, stable revenue sources. This protects the City from fluctuating service levels, and avoids crises when one-time revenues are reduced or removed. Some corollaries to this policy:
 - A. Ending fund balance should be used only for one-time expenditures such as CIP projects, capital outlay, increasing reserves or contingency funds, and/or paying off outstanding debt. The portion attributable to ongoing set-asides or contingencies may be used to fund those purposes.
 - B. Ongoing maintenance costs, such as street resurfacing or swimming pool re-plastering, should be financed through operating revenues, rather than through bonds.
 - C. Fluctuating grants should not be used to finance ongoing programs.

- D. ~~\$5.6~~ \$6.1 million in Construction Sales tax, to be reviewed annually, shall be treated as ongoing revenue. This recognizes the fact that based on the structure of transaction privilege taxes in Arizona there will always be a base level of activity that will occur generating ongoing revenue for the city.
2. The hierarchy from least spendable to most spendable fund balance for governmental funds is non-spendable, restricted, committed, assigned and unassigned. When funds are available from multiple classifications, the most restrictive fund is to be utilized first.
 3. Ensure growth or development activities are funded commensurate with or in proportion to revenue generated from related fees.
 4. General Fund and Enterprise Fund appropriations should include a contingency reserve account equal to or greater than 15% of the amount budgeted for ongoing revenues.
 5. Enterprise Funds should be self-sufficient. They should include a sufficient un-appropriated fund balance to absorb fluctuations in annual revenue. Wherever possible, enterprise funds should be charged directly for "overhead" services, rather than using an indirect service transfer. These services include such things as employee fringe benefits, insurance costs, and telephone charges. Provision should also be made for interdepartmental charges for services such as solid waste disposal (landfill) and vehicle repair, when this is practical. Operational revenue should be great enough to cover capital costs and replacement or debt service as established within rate planning.
 6. Asset Management reserves should be established, funded and used to replace and preserve General Fund assets consistent with department plans where ten-year average annual requirements at a minimum exceed \$250,000. Other department plan-based replacements below this threshold should be incorporated into the base budget or capital improvement program and use one-time General Funds to address unusual peaks such as a single large technology application or system replacements.
 7. Enterprise fund asset management requirements should be incorporated in multiyear forecasts and rate plans and included in the annual budget and capital improvement plan consistent with the underlying asset management plans.
 8. Carryovers of one-time capital and operating projects from one budget year into the next will be estimated in the budget and reconciled by the Finance Department based on actual spending to ensure the project budget is adjusted to the approved funding level.
 9. Debt Management
 - A. Short-term borrowing or lease-purchase contracts should be considered for financing major operating capital equipment when the Finance Director along with the City's financial advisor determines and recommends that this is in the City's best interest. Lease/purchase decisions should have the concurrence of the appropriate operating manager.

- B. Annual short-term debt payments should not exceed 5% of annual revenue or 20% of total annual debt.
- C. City of Goodyear Public Improvement Corporation - lease payments are funded by an excise tax pledge. Requires a "coverage ratio" 1.50 to 1.00 of pledged excise tax revenue to debt payment.
- D. Maintain and sell new General Obligation Bonds only when the combined Property Tax Rate of \$1.74 or lower can be achieved.
- E. Annual levy calculations should be at the maximum amount allowed for the City's primary property tax.
- F. Maintain bond rating of investment grade from at least one rating agency.
- G. Enterprise Funds should finance water and wastewater bonds sales where appropriate.
- H. Bonds should not be financed by General Funds unless necessary. If General Funds finance bonds, the combined annual debt service shall not exceed ten percent (10%) of the current three years average operating revenues of the General Funds. Construction Sales Tax revenues considered as ongoing revenue per policy 1(D) will be included in computing the applicable revenue beginning with FY19.

10. Budgetary Control System

- A. Monthly budget status reports will be reviewed by the City Manager and then presented to the full City Council.
- B. Establish a Council-adopted triennial Strategic Plan with measurable goals and objectives to provide high level direction and priorities for operations and financial planning. Updates on progress against the triennial Strategic Plan will be provided no less than twice per year.
- C. All changes to the Total Full-Time Equivalent (FTE) for ongoing positions as shown in city budget Schedule 5 and state budget Schedule G or equivalent schedules require City Council approval. This does not limit movement of budgeted positions within the organization by the City Manager.

11. Revenue Policies

- A. A diversified and stable revenue system will be maintained to ensure fiscal health and absorb short run fluctuations in any one revenue source.
- B. User fees for all operations will be examined every 3-5 years to ensure that fees cover direct and indirect cost of service. Rate adjustments for enterprises will be based on five-year enterprise fund plans.

- C. Development fees for one-time capital expenses attributable to new development will be reviewed every 3-5 years to ensure that fees match development related expenses.
- D. Cost analysis should be performed for all services in order to determine if fees collected are covering cost of service.

12. Capital Budget

- A. A long-range capital improvement plan should be prepared and updated each year. This plan may include (in years other than the first year of the plan) “unfunded” projects that carry out the City’s strategic and general plans, but it should also include a capital-spending plan that identifies projects that can be completed with known funding sources.
- B. Each department must, when planning capital projects, estimate the impact on the City’s operating budget.

13. Long Term Financial Plans

- A. The City will adopt the annual budget in the context of a comprehensive financial plan for the General Fund. Financial plans for other funds may be developed as needed.
- B. The General Fund long-term plan will establish assumptions for revenues, expenditures and changes to fund balance over a five-year horizon. The assumptions will be evaluated each year as part of the budget development process and should include operating costs anticipated for opening projects in the capital improvement plan.