

CITY OF HOMER
HOMER, ALASKA

ORDINANCE 92 - 12

AN ORDINANCE AMENDING TITLE 3, REVENUE AND
FINANCE, BY ADDING A NEW CHAPTER 3.01, FISCAL
POLICY.

WHEREAS, the City of Homer does not have an Ordinance establishing a fiscal policy; and,

WHEREAS, the City of Homer desires to provide such an Ordinance for the benefit of the public, itself, and the administration;

NOW THEREFORE, THE CITY OF HOMER ORDAINS:

Section 1. Title 3, Revenue and Finance, be amended to add the following new Chapter:

Chapter 3.01

Fiscal Policy

Sections:

- 3.01.010 Purpose:
- 3.01.020 Operating Budget Policies
- 3.01.030 Debt Policies
- 3.01.040 Revenue Policies
- 3.01.050 Investment Policies
- 3.01.060 Accounting, Auditing and Financial Reporting Policies
- 3.01.070 Capital Budget Policies
- 3.01.080 Reserve Policies

3.01.010 Purpose: a. This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practices of the City of Homer. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management.
Effective fiscal policy:

1. Contributes significantly to the City's ability to insulate itself from a fiscal crisis.
2. Enhances long term financial creditability by helping to achieve the highest bond and credit ratings possible.
3. Directs attention to the total financial picture of the City rather than single issue areas.

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4. Promotes the view of linking long-run financial planning with day to day operations, and
5. Provides the Council and the citizens of the city with a framework for measuring the fiscal impact of government services against established fiscal parameters.

3.01.020 Operating Budget Policies:

a. The budget is a plan for allocating resources. The objective is to enable service delivery with allocated resources. Services must be delivered to the citizens at a level which will meet real needs as efficiently and effectively as possible.

b. The City's goal is to pay for all recurring expenditures with recurring revenues and to use nonrecurring revenues for nonrecurring expenditures.

c. It is important that a positive undesignated fund balance and a positive cash balance be shown in all governmental and enterprise funds at the end of each fiscal year.

d. When deficits appear to be forthcoming within a fiscal year, spending during the fiscal year must be reduced sufficiently to create a positive undesignated fund balance and a positive cash balance.

e. When possible the City will integrate performance measurement and productivity indicators within the budget. This should be done in an effort to improve the productivity of City programs and employees. Productivity analysis should become a dynamic part of the City administration.

f. The budget must be structured so that the City and the general public can readily establish the relationship between expenditure and the achievement of service objectives.

g. The individual department and agency budget submissions must be prepared with the basic assumption that the City will always attempt not to increase the current tax rates.

h. Budgetary review by the city will focus on the following basic concepts:

1. Staff economy - The size and distribution of staff will be a prime concern. The City will seek to limit staff increases to areas where approved program growth and support absolutely requires additional staff and to reduce staff where this can be done without adversely affecting appropriate service levels.
2. Capital Construction - Emphasis will be placed upon

continued reliance on a viable level pay down capital construction to fulfill needs in a City approved comprehensive capital improvements program.

3. Program Expansions - Proposed expansion to existing programs and services must be submitted as budgetary increments requiring detailed justification. Every proposed program or service expansion will be scrutinized on the basis of its relationship to the health, safety and welfare of the community.
4. New Programs - New programs or services must also be submitted as budgetary increments requiring detailed justification. New programs or services will be evaluated on the same basis as program expansion plus an analysis of long term fiscal impacts.
5. Existing service costs - The justification for base budget programs costs will be a major factor during budget review.
6. Administrative Costs - In all program areas, administrative overhead costs should be kept to an absolute minimum. Functions of all departments and agencies should be reviewed in an effort toward reducing duplicate activities within the City government.

i. The budget will provide for adequate maintenance of capital plant equipment and for its orderly replacement. The administration will maintain budgetary controls at the Department level. The Department heads will maintain budgetary controls at the line item level within each respective department.

j. The preparation and distribution of monthly budget status reports, interim financial statements, and annual financial reports is required.

k. The City will remain current in payments to the retirement system and on debt service.

l. The City will develop and annually update, a long range (3 - 5 years) financial forecasting system that will include projections of revenues, expenditures, and future costs and financing of capital improvements that are included in the capital budget.

m. The City will develop, and annually update, a financial trend monitoring system which will examine the fiscal trends for the proceeding 5 years (Trends such as revenues and expenditures per capital and adjusted for inflation, liquidity, operating deficits). Where possible, trend indicators will be developed and tracked for specific elements of the City's fiscal policy.

n. The City will develop and annually update, a current

program for maintenance costs and replacement of capital assets.

o. The City will calculate the full life costs of owning, operating, and maintaining an asset in order to determine the long range costs of a liability.

3.01.030 Debt Policies:

a. The City will not fund current operations from the proceeds of borrowed funds.

b. The City will confine long-term borrowing to funding of capital improvements or projects that cannot be financed from current revenues.

c. When the city finances capital projects by issuing bonds, it will repay the debt within a period not to exceed the expected useful life of the project.

d. When the City finances equipment by use of capital leases, it will repay the debt within a period not to exceed the expected useful life of the equipment.

e. Target debt ratios will be annually calculated and included in the review of financial trends.

f. Net debt as a percentage of the assessed valuation of taxable property should not exceed 25%.

g. The ratio of debt service expenditures as a percent of governmental fund expenditures should not exceed 20%.

h. The City will maintain good communications about its financial condition with bond and credit institutions.

i. The City will follow a policy of full disclosure in every annual financial statement and bond official statement.

j. The City will avoid borrowing on tax anticipation and maintain an adequate fund balance.

3.01.040 Revenue Policies:

a. The City will try to maintain a diversified and stable revenue structure to shelter it from short run fluctuations in any one revenue source.

b. The City will attempt to maintain a diversified and stable economic base by supporting policies that promote tourism, fishing, agriculture, commercial and industrial employment.

c. The City will estimate its annual revenues by an objective analytical process.

d. The City, where possible and reasonable, will institute user fees and charges for specialized programs and services in the City. Rates will be established to recover operational as well as capital or debt service costs.

e. The City will regularly review user fee charges and related expenditures to determine if pre-established recovery goals are being met.

f. The City will maintain a sound, consistent, and equitable assessment and collection program. The City will follow an aggressive policy of collecting delinquent revenues. The annual level of uncollected revenues should not exceed 2%.

g. The City should routinely identify governmental aid funding possibilities. However, before applying for and accepting intergovernmental aid, the City will assess the merits of a particular program as if it were funded with local revenues. Local revenues will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits as a budgetary increment.

h. The City will attempt to balance its budget without the use of one-time sources of revenues, such as prior years' reserves (undesignated fund balance) or proceeds from sale of an asset.

3.01.050 Investment Policies:

a. The City will maintain an investment policy based on the Government Finance Officers Association (GFOA) model investment policy.

b. The City will conduct an analysis of cash flow needs on an ongoing basis. Disbursements, collections, and deposits of all funds will be scheduled to insure maximum cash availability and investment potential.

c. The City will obtain the best possible return on all investments consistent with the underlying criteria of liquidity and safety of principal.

d. The City will regularly review contractual opportunities for consolidated banking services.

3.01.060 Accounting, Auditing and financial Reporting Policies:

a. The City will establish and maintain a high standard of accounting practices in conformance with Generally Accepted Accounting Principals (GAAP)

b. The Accounting system will maintain records on a basis consistent with accepted standards for government accounting

according to the Government Accounting Standards Board (GASB)

c. Regular monthly financial statements and annual financial reports will present a summary of financial activity by departments and agencies within all funds.

d. Where possible, the reporting system will also provide monthly information on the total cost of specific services by type of expenditure and revenue by fund.

e. Where possible, the reporting system will also provide monthly information on the overall cash flow by type of expenditure and revenue by fund.

f. An independent firm of certified public accountants will perform an annual financial and compliance audit and will publicly issue an opinion which will be incorporated into the Comprehensive Annual Financial Report (CAFR).

g. The City will annually strive for the GFOA Certificate of Achievement for Excellence in Financial Reporting and the GFOA Distinguished Budget Presentation Award.

3.01.070. Capital Budget Policies:

a. The City will make all capital improvements in accordance with an adopted Capital Improvements Program.

b. The City will develop a multi-year plan for capital improvements which considers the City's development policies and links the development process with the capital plan.

c. The City will enact an annual capital budget based on the multi-year capital improvements program.

d. The City will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital projects will be projected and included in operating budget forecasts.

e. The City will maintain all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.

f. The City will identify the "full-life" estimated cost and potential funding source for each capital project proposal before it is submitted to the Council for approval.

g. The City will determine the total cost for each potential financing method for capital project proposals.

h. The City will identify the cash flow needs for all new projects and determine which financing method best meets the cash

flow needs of the project.

3.01.080 Reserve Policies:

a. The City will maintain a fund balance designation for fiscal cash liquidity purposes (i.e. fiscal reserve) that will provide sufficient cash flow to minimize the potential of short term tax anticipation borrowing.

b. The City will maintain appropriate contingencies to provide for unanticipated expenditures. The three contingencies and their recommended minimum funding levels are:

Emergency Contingency	1.00% of General Fund
Personnel Contingency	.50% of General Fund
Litigation Contingency	.25% of General Fund

Section 2. This is a general ordinance of a permanent nature and the provisions of Sections 1 as contained herein shall be codified for inclusion in the Homer City Code.

ENACTED BY THE CITY COUNCIL OF THE CITY OF HOMER, ALASKA, this _____ day of _____, 1991.

CITY OF HOMER, ALASKA

Harry E. Gregoire, Mayor

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:
