The City Council for the City of Junction City, met in special session at 6:30 p.m. on Wednesday, February 20, 2013, in the Council Chambers of City Hall, 680 Greenwood Street, Junction City, Oregon.

PRESENT: Mayor, David Brunscheon; Councilors Karen Leach, Bill DiMarco, Jim Leach, Randy Nelson, and Laurel Crenshaw; (Excused Absence, Herb Christensen); City Administrator, Kevin Watson; Community Services Director, Melissa Bowers; and City Recorder, Kitty Vodrup.

I. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Mayor Brunscheon called the meeting to order at 6:30 p.m. and led the Pledge of Allegiance.

II. CHANGES TO THE AGENDA

None.

III. FISCAL POLICIES

Director Crocker presented a draft of 9 fiscal policies and reviewed the following:

- **Purpose:** Establish City's budget philosophy and base set of policies and enhance the public's confidence in the City's ability to oversee finances. These are overarching guidelines and not absolutes and will assist the City in securing bonding for upcoming projects, such as the wastewater facility.

- **Application:** The process is similar to a goal setting process and future councils may enhance or adjust the policies to reflect the tone of the community and Council.

- **Fiscal Policies Function**: These do not replace staff's day to day operation and procedures manuals and are not meant to be a detailed authority source. Oregon Budget Law, Generally Accepted Accounting Principles (GAAP), and the Government Accounting Standards board provide the details.

- **Benefits:** Internal control, assistance on obtaining financing, and enhances financial stability.

Fiscal Polices Draft

1. **Operating Budget Policy** – City will annually adopt a balanced budget where operating revenues are equal to or exceed operating expenditures in all operating funds. Any year end operating surpluses will be calculated as ending fund balance and become part of the beginning fund balance in the following year.

2. **Accounting, Auditing, and Financial Reporting Policies** – The City will comply will GAAP, GFOA auditing and reporting standards, Oregon state law, external audit requirements, and Oregon Revised Statutes relating to municipal finance. The Finance Director will issue a Comprehensive Annual Financial Report (CAFR) each year and file the report with the Secretary of State. The Finance Department will issue monthly financial reports and any other reports necessary to facilitate full and transparent reporting.

3. **Revenues** – The City will estimate its annual revenues by an objective, analytical process. The City will work aggressively to collect all delinquent accounts receivable and when necessary, will include the termination of services, submission of accounts to collection agencies and other available remedies. User fees and charges will be established and maintained for service provided that benefit specific individuals or organizations. User fees and charges will be set at a sufficient level to recover the full cost of service whenever practical to minimize subsidization by tax payers. The City will systematically review user fees and charges to take into account the effects of additional service costs and inflation.

4. **Expenditures** – Expenditures will be controlled through appropriate internal controls and procedures. Management must ensure expenditures comply with the legally adopted budget. Each department manager or director will be responsible for the administration of his/her department budget. The City will make every effort to control

expenditures to ensure City services and programs provided to its citizens and taxpayers are cost effective and efficient.

5. **Purchasing** – All purchasing of goods, services, and capital improvements must comply with the City's purchasing policies, guidelines and procedures, and with state laws and regulations.

6. **Capital Improvement Plan (CIP) Policies** – The City will monitor and periodically assess the City's capital equipment and infrastructure, setting priorities for its renovation and replacement based on needs and available resources. The City will develop a multi-year program for capital improvements that will be reviewed as part of the annual budget process. Projects in the CIP will be labeled as either funded or unfunded in the current budget process.

7. **Cash Management and Investment Policies** – All City funds shall be invested to provide safety of principal, a sufficient level of liquidity to meet cash flow needs, and the maximum yield possible. The City will consolidate or pool cash balances from various funds for investment purposes and will allocate investment earnings to each participating fund.

8. **Debt Management Policies** – All bond issuances and long term debt will be authorized by the City Council. The city will not use long-term debt to fund current operations or to balance the budget. The City will incur debt only when necessary for capital improvements too large to be financed from current available resources. Capital projects financed through long term debt will be financed for a period not to exceed the useful life of the project. The City shall ensure that its general obligation debt margins are within the 3% true cash value limitation as set forth in ORS 287.004. General obligation debt will not be used for self-supporting enterprise activity.

9. **Fund Balance** – Measurement of the General Fund ending balance will occur annually on June 30^{th}. The minimum targeted unassigned General Fund balance shall be 25% of next year's budgeted expenditures (exclusive of transfers and contingency). For purposes of this calculation, the expenditures shall be the budget as originally adopted for the subsequent year. The unassigned fund balance amount shall be in addition to non-spendable, restricted, committed, or assigned fund balance amounts. In addition, the City will appropriate an amount for contingency in the General Fund of not less than 3% of budgeted expenditures. These procedures will also be applied to the enterprise funds with a 25% minimum fund balance requirement.

Discussion occurred on Policy #1 and if it met the community's intended definition of a balanced budget. Concerns were expressed that the language could allow operating expenditures and revenues to be balanced, but overspending could still occur with transfers or depletion of reserves. Also missing was language on what to do in the event of a deficit.

It was noted that the Council had previously approved Policy #1 and these policies provided a minimum base guideline, as per national and state accounting standards. The Council could then work on providing a more detailed overlay of local budget philosophy.

Discussion followed on Policy #9 and that the 3% contingency amount should be changed to 2%, in anticipation of limited funding in the General Fund (GF). The 2% amount is approximately $62,000, which is $10,000 to $15,000 more than in the current GF contingency. The Enterprise Funds currently budget more than 3% in their contingency line items.

Also discussed in Policy #9 was the language that the GF ending balanced "shall be" 25%. It was noted that last year's budgeted amount was over 60%. Concerns were expressed about the word "shall" and that having such a low percentage could allow for depletion of the Ending Fund Balance reserve in the GF that the City has worked so hard to preserve and build upon for many years. The 25% would provide only 3 months of operating expenditures for the GF, yet property taxes are not received until month 5; thus, this could set the City up for needing to borrow money for operations. Director

Crocker noted that a “rainy day” or a stabilization reserve fund could be created for GF resources that are over the 25% ending fund balance amount.

Further discussion followed, including the possibility of making the 25% a higher number. A concern was expressed about not making that number too high, as historically the GF has savings from unanticipated employee vacancies, and the City would not want to have a policy that was too restrictive. Director Crocker noted that other cities typically set this amount between 12% and 30%.

Also reviewed was a possible discrepancy between Policy #1 and Policy #9, as #1 reads that any surpluses would go into the ending fund balance, yet #9 reads that there “shall” be a 25% balance of unassigned funds.

Discussion occurred on if the City would use the 25% ending balance in the proposed FY 13-14 budget. Director Bowers responded that she and Director Crocker would not use 25% and that was not the direction she would take away from the purpose of these policies or from Council discussion.

It was suggested that the Council adopt these general guidelines and then have the Budget Committee provide the overlay of detailed local budget philosophy during the budget process.

Director Bowers noted that the Budget Committee would probably hear things that would add to the discussion on the overlay of local budget philosophy that could then be further discussed after the budget process. She added that the primary focus of the Budget Committee would be to approve the upcoming budget, and discussions on a local budget philosophy would require more work than that allotted time period.

The Council consensus was to adopt a general set of policies and to also work on a more detailed overlay of local budget policy. Staff was directed to change the 3% contingency in Policy #9 to 2% and to bring the draft polices to the next Council meeting for review and consideration of approval.

IV. ADJOURNMENT

As there was no further business, the meeting was adjourned at 8:12 p.m.

ATTEST: APPROVED:

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Kitty Vodrup, City Recorder David S. Brunscheon, Mayor