

# CITY OF JUNCTION CITY

## FISCAL POLICIES

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### **1. Budget Policy<sup>(a)</sup>**

- a.** 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: 1) 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, 2) the total of all resources of the municipality must equal the total of all expenditures and all requirements for the municipality.
- b.** The City's budget process will seek to provide useful information about the City's finances, further the users understanding of the City's budget, and promote transparency and full disclosure about the City's finances.
- c.** The Budget Committee will be appointed in conformance with state statutes. The Budget Committee's chief purpose is to review the City Administrator's proposed budget and approve a budget and maximum tax levy for City Council consideration.
- d.** The City will finance all current expenditures with current revenues. The City will avoid budgetary practices that balance current expenditures through the obligation of future resources.
- e.** The City budget will support City Council goals and priorities and the long-range needs of the community.
- f.** To maintain fund integrity, the City will manage each fund as an independent entity in accordance with applicable statutes and with generally accepted accounting principles.
- g.** The City shall adopt the budget at the fund and object level (i.e. personnel services, materials and services, capital outlay, debt service, inter-fund transfers, and contingency).
- h.** Monthly reports comparing actual to budgeted expenditures will be prepared by the Finance Department and distributed to the Council, City Administrator, and Department Directors.

- i. While the City budget is a one-year document, a multi-year approach will be used in its development to ensure the future implications of current fiscal decisions can be considered.
- j. Revenues will be estimated realistically and prudently using best practices as defined by the Government Finance Officers Association. Revenues shall be forecasted conservatively.
- k. Property tax revenue received from the County is allocated to the general government operating departments within the City. Operating departments that receive an allocation of property taxes are the Police, Court, Non-departmental, Building & Planning and Community Services departments. The allocation percentages are reviewed annually by Council and confirmed by motion for the following budget year. It is anticipated that Council review will be completed in November of each year. <sup>(g)</sup>
- l. All supplemental budget resolutions and budget transfer resolutions after the original budget is adopted will be reviewed by the Finance Director and the City Administrator. Within a reasonable time, all resolutions adjusting the budget will be prepared by the Finance Department for Council approval to ensure compliance with Oregon budget law. <sup>(e)</sup>

## **2. Accounting, Auditing and Financial Reporting Policies**

- a. The City will comply with the modified cash basis of accounting, Government Finance Officers Association auditing and reporting standards, Oregon state law external audit requirements, and Oregon Revised Statutes relating to municipal finance. <sup>(d)</sup>
- b. The Finance Department will issue an annual financial report 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. <sup>(d)</sup>
- c. Financial reporting and analysis that includes the current status of revenues and expenditures compared to budget shall be prepared and presented to the Council in a timely manner or as often as specified by Council. Reports shall be made available for public inspection. Any significant budget to actual variances will be identified, and anticipated changes to appropriations noted. <sup>(e)</sup>

## **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 termination of services, submission of accounts to collection agencies and other available remedies. User fees and charges will be established

and maintained for services 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 taxpayers. The City will systematically review user fees and charges to take into account the effects of additional service costs and inflation. <sup>(b)</sup>

#### 4. Revenue – Allocations

Allocations are set by Council for general revenues which include property taxes, state shared revenue, other taxes, franchise fees, and other general fund revenues as the Council may choose to include. Allocation rates are set by percentage of total revenue by class for each department and Community Services division. Allocations will be reviewed by Council at least every 5 years. <sup>(j)</sup>

#### 5. 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. <sup>(b)</sup>

#### 6. Purchasing

All purchases of goods, services and capital improvements must comply with the City's purchasing policies, guidelines and procedures, and with state laws and regulations. <sup>(b)</sup>

#### 7. 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. <sup>(b)</sup>

#### 8. 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.

**Scope:** The provisions of this Investment Policy shall apply to all investable funds of the City of Junction City, except for deferred compensation fund assets, pension fund assets, and assets of restricted trust and escrow funds. Included under the

provisions of this Policy are financial assets of general operating funds, enterprise funds, special revenue funds and any other funds not specifically excluded which are recognized in the City's Annual Financial Report.

Except for restricted and excluded funds and special accounts, all excess cash shall be pooled into one account for investment purposes. The net investment income derived from the pooled investment account shall be allocated pro-rata to the contributing funds based upon their average cash balances and in accordance with generally accepted accounting principles.

**Objectives:** The City's funds shall be invested in accordance with all applicable City, State and Federal regulations, and in a manner designed to accomplish the following objectives, in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet all operating requirements that are reasonably anticipated.
3. Attainment of a market value rate of return throughout economic and fiscal cycles.

**Collateralization:** All bank deposits, time deposits, certificates of deposit, and savings accounts held in bank depositories, which exceed the amounts insured by one or more agencies of the United States Government shall be collateralized in accordance with the provisions of ORS Chapter 295.

Per Oregon Revised Statutes Chapter 295, it is the responsibility of the State Treasurer to insure that public funds are collateralized appropriately by the public depositories holding the deposits.

**Authorized investments:** State of Oregon Local Government Investment Pool organized pursuant to ORS 294.805 through 294.895.<sup>(i)</sup>

## 9. 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.<sup>(b)</sup>

## 10. Fund Balance Policies

### a. Accumulated Fund Balances Policy <sup>(c)</sup>

Accumulated fund balances for operating departments and non-departmental may be appropriated in subsequent years under this policy.

An operating department may transfer amounts that are excess accumulated fund balances to a capital projects fund where they may be budgeted by the department. Excess accumulated fund balances are balances above the minimum fund balance requirements for that fund.

Non-Departmental excess accumulated ending fund balances in the General Fund may be transferred to a capital projects fund where they may be appropriated by Council. Excess accumulated fund balances are fund balances above the minimum fund balances requirement.

Unexpected revenue from property taxes, general revenues or other revenues at the direction of Council may be transferred to a Capital project fund where they may be appropriated by Council.

### b. Operating Funds Balance Policy <sup>(f)</sup>

Measurement of a fund's ending balance will occur annually on June 30th. For purposes of this calculation, the expenditures shall be the budget as originally adopted for the subsequent year. The minimum fund balance is the unrestricted or unassigned fund balance amount excluding non-spendable, restricted, or committed fund balance amounts.

#### i. General Fund / Non-Departmental

The minimum targeted General Fund / Non-Departmental ending fund balance shall be no less than 20% of all budgeted expenditures (exclusive of transfers and contingency) in the General Fund. <sup>(l)</sup>

#### ii. Utility Funds

The minimum targeted ending fund balance shall be no less than 25% of next year's budgeted expenditures (exclusive of transfers and contingency).

#### iii. Internal Service Funds

The minimum targeted fund balance shall be no less than 15% of next year's budgeted expenditures (exclusive of transfers and contingency).

#### **iv. Other Operating Funds**

The minimum targeted fund balances shall be no less than 15% of next year's budgeted expenditures (exclusive of transfers and contingency). Other operating funds currently include the Community Center, Viking Sal Senior Center, Police, Court, Building, Pool, Parks, and Library Funds.

### **11. Budget Stabilization Reserve Fund Policy**

#### **a. Purpose**

A reserve provides protection from risk. Junction City may face risks like revenue shortfalls during recessions and losses from extreme events, like natural disasters. Reserves help make sure that Junction City can respond quickly and decisively to extreme events. Reserves also support vital public services during revenue declines. A reserve policy describes how much we will try to retain in our reserve. It also describes acceptable uses of reserves.

#### **b. Size of Reserve**

Junction City will try to hold the following amounts in reserves. The amount of money held in reserve is stated as a percent of expenses. This is so that the City's reserve stays consistent with the size of the budget over time.

- At a minimum, the reserve will be equal to at least 5% of operating expenses in the government services funds.
- The maximum size of the reserves is 15% of operating expenses in the government services funds.

If the minimum reserve is not kept, a plan to bring the reserve to the desired amount will be developed and brought to Council for consideration.

If the maximum reserve is exceeded, the City may reduce contributions to the reserve fund.

#### **c. Acceptable Uses of Reserves**

Reserves are meant to address an unexpected short fall in revenues. Reserves should not be used for recurring annual operating costs. An exception is poor economic conditions or events that disrupt Junction City's revenues. In such cases, reserves may be used to provide short-term relief so that the City can restructure its operations in an orderly manner, if needed.

#### **d. Authority to Use Reserves**

Use of the Budget Stabilization must be approved by the City Council through the budget adoption process or by resolution.

### **e. Replenishment of Reserves**

If the City of Junction City uses its reserves and those reserves are below the allowed maximum, then the Budget Officer will propose a plan for the replacement of the reserves. The City Council will review and approve a plan. The City of Junction City will try to replace the reserves within the minimum amount of time that is practical.

## **12. Contingency – General Government Departments**

The City will appropriate in its budget an amount for contingency in each general government department and division of not less than 2% of expenditures. <sup>(h)</sup>

## **13. Contingency – General Contingency**

The City will appropriate in its budget, an amount for a general contingency in the General Fund of not less than 2% of the estimated property taxes revenue to be received in the fiscal year. <sup>(h)</sup>

- (a) Adopted: November 26, 2013
- (b) Adopted: February 26, 2013
- (c) Adopted: July 9, 2019
- (d) Adopted: February 26, 2013, Updated by Council August 26, 2014
- (e) Adopted: May 12, 2015
- (f) Adopted: August 13, 2019
- (g) Adopted: October 11, 2016
- (h) Adopted: January 10, 2017
- (i) Adopted: May 9, 2017
- (j) Adopted: January 8, 2019
- (k) Adopted: January 11, 2022
- (l) Updated & Adopted: July 9, 2024

Update: 07/9/24