

RESOLUTION NO. 446

**A RESOLUTION OF THE CITY OF GRANITE SHOALS,
TEXAS, ADOPTING FINANCIAL PERFORMANCE
GOALS AND POLICIES FOR THE CITY**

WHEREAS, the City Council of the City of Granite Shoals, Texas ("Council") seeks to provide for the health, safety and welfare of its citizens; and

WHEREAS, Section 3.06 of the Granite Shoals City Charter provides that the Council shall determine all matters of City policy; and

WHEREAS, Article VII of the City Charter provides the Council with general authority to make decisions regarding the City's budget, capital program, borrowing, taxes, and other financial matters; and

WHEREAS, the Council finds that it is in the best interest of the City to adopt a set of financial performance goals and policies that will help to ensure prudent financial management and investment of the City's resources;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GRANITE SHOALS, TEXAS, THAT:

The Council hereby adopts the attached Exhibit A, "Financial Performance Goals and Policies," as the official financial goals and policies of the City.

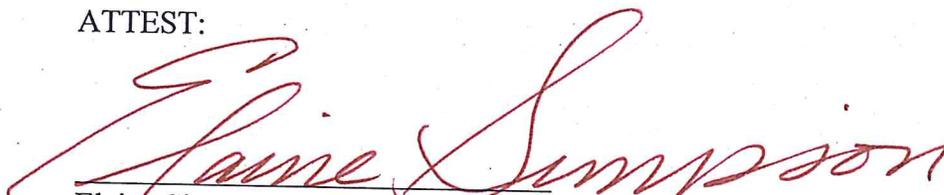
EFFECTIVE DATE. This RESOLUTION shall be in full force and effect from and after its date of approval.

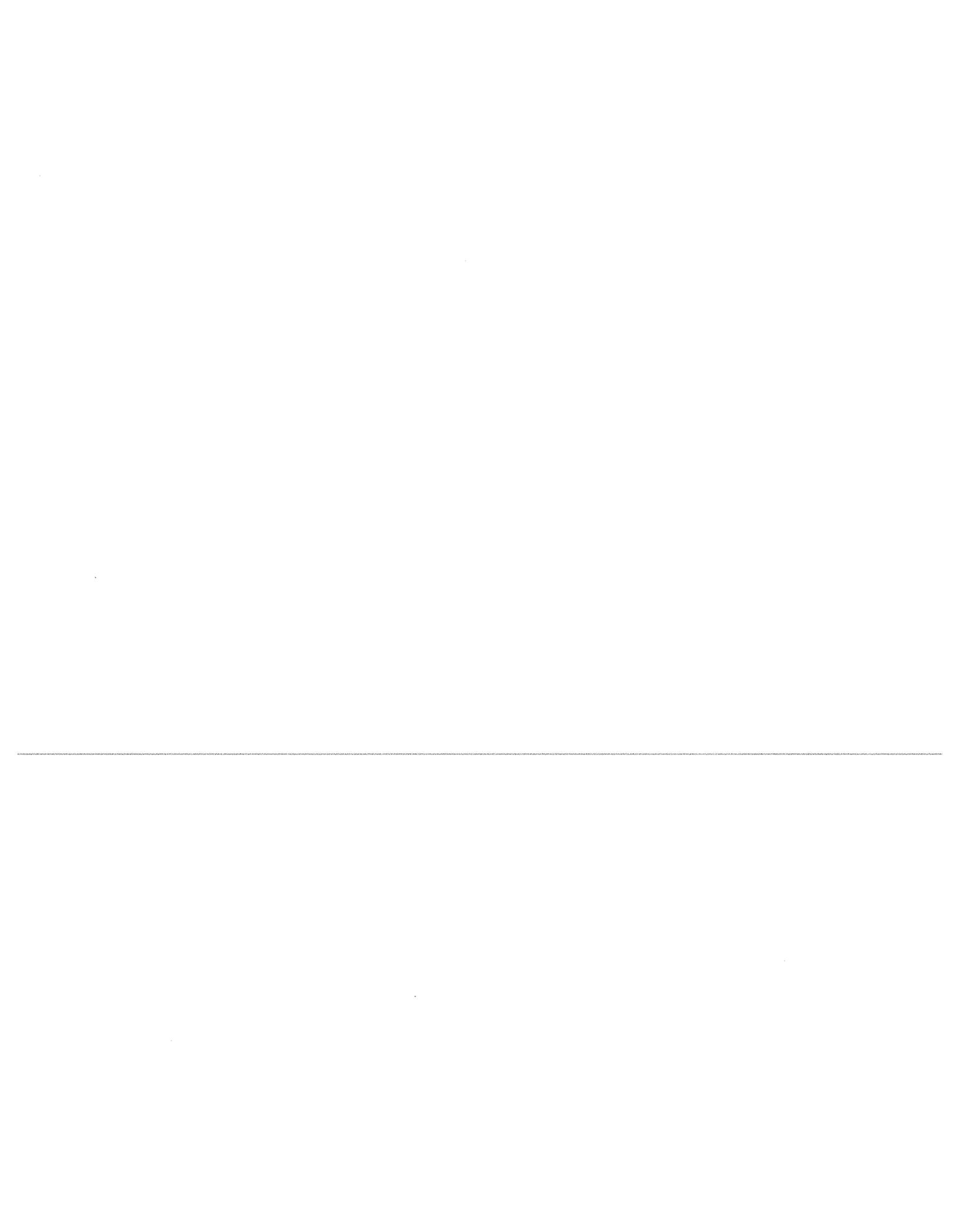
APPROVED: this 13th day of May, 2014.

APPROVED:


Dennis A. Maier, Mayor

ATTEST:


Elaine Simpson, City Secretary



FINANCIAL PERFORMANCE GOALS and POLICIES

Annual Financial Performance Goals

1. The City Council shall adopt a structurally balanced budget for the ensuing fiscal year pursuant to the prevailing state and local law.
2. The City will maintain a general fund balance at a minimum reserve level of 25% and a maximum of 50% of budgeted operations and maintenance expenditures. The General Fund budget shall allow for annual growth in the fund balance until minimum reserve levels are reached.
3. The City will maintain a utility fund retained earnings balance at a minimum reserve level of 25% of budgeted operations and maintenance expenditures.
4. The City of Granite Shoals will be conservative rather than aggressive in its budgeting of revenues and expenditures.
5. The City Council shall not appropriate funds for any new programs or projects without a complete evaluation of current and future cost.
6. City services shall be reviewed annually in order to identify appropriate budget funding necessary for the City to perform in a professional and business-like manner.
7. City Council program priorities will be reviewed annually. These identified priorities will become the basis for funding in the annual budget.

FINANCIAL POLICIES

Budget Policies

1. The City Council shall adopt a structurally balanced budget for the ensuing fiscal year pursuant to the prevailing state and local law. A structurally balanced budget is defined as recurring revenues funding recurring expenditures and adherence to fund balance policies. Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques.
2. The City shall use non-recurring resources and fund balances to fund non-recurring expenditures. Only recurring revenues shall be used to fund recurring expenditures.
3. All budget appropriations (except for capital expenditures and non-appropriated funds) lapse at fiscal year-end (September 30) to the extent it has not been expended or encumbered. Any funds not expended, disbursed or encumbered shall be deemed excess funds.
4. The City Manager is authorized to transfer budgeted amounts within a department. Any revisions that alter the total appropriations of any department or fund must be approved by the City Council.
5. The City Council may amend the adopted budget by ordinance and shall become an attachment to the original budget, but shall not delete or decrease appropriations required for debt service.
6. Budgets of the Utility Fund shall be self-supporting (i.e. current revenues will equal or exceed current expenditures, excluding depreciation).
7. Financial control systems shall be in place to monitor compliance with the adopted budget, including the use of monthly reporting and control of expenses at the line-item level.

Capital Expenditure Policies

1. Any item costing \$5,000 or more and having an estimated useful life of at least 2 years will be classified as a capital outlay expenditure.

FINANCIAL POLICIES

2. All capital assets shall be inventoried annually.
3. Computer software, regardless of cost, will not be capitalized.
4. The City Council may issue bonds, certificates of obligation, warrants, or other evidences of indebtedness for the purpose of buying or constructing capital assets.
5. All capital projects shall be financially monitored to ensure compliance with the approved budget for the project. Any changes to the total appropriation to a capital project budget will be approved by the City Council.
6. Capital assets will be depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Infrastructure	20-40
Buildings	30
Improvements	30
Equipment	7
Vehicles	5

7. The City Manager shall submit a five-year capital program as an attachment to the annual budget. The program as submitted shall include:
 - a. A clear general summary of its contents;
 - b. A list of all capital improvements which are proposed to be undertaken during the five fiscal years succeeding the budget year, with appropriate supporting information as to the necessity for such improvements;
 - c. Cost estimates, method of financing and recommended time schedules for each improvement; and
 - d. The estimated annual cost of operating and maintaining the facilities to be constructed or acquired.

Cash & Investment Policies

1. The City will enter into a depository agreement with one or more banks for a specified period of time and specified fees for banking services. The term of each depository agreement shall not exceed five years, unless otherwise approved by the City Council.

FINANCIAL POLICIES

2. In accordance with the Public Funds Investment Act, the City Council shall adopt by ordinance a formal investment policy. Such policy shall be reviewed annually.

Debt Policies

1. General Obligation Bonds payable from ad valorem taxes, other than refunding bonds, shall not be issued unless the bonds have been authorized by a majority vote at a City election held for that purpose. Certificates of Obligation and Tax Notes payable from ad valorem taxes may be issued at the direction of City Council.
2. The total tax supported debt of the City shall never exceed ten percent (10%) of the net taxable value of property on the tax rolls of the City.
3. Long-term debt shall not be incurred to finance current operations. Short-term debt may be used to fund purchases of machinery, equipment and vehicles.
4. When any debt is issued to finance capital improvements or assets, the City shall retire the debt within a period not to exceed the expected useful life of the asset or improvements being financed.

Expenditure Policies

1. Use of Fund Balance/Working Capital/Retained Earnings: Fund Balance/Retained earnings should be used only for emergencies, non-recurring expenditures/expenses, or major capital purchases that cannot be accommodated through current year savings and must be authorized by City Council. Should such uses reduce balances below the level established as the objective for that fund, restoration recommendations will accompany the request/decision to utilize said balances.
2. Avoidance of Operating Deficits: The City shall take immediate corrective actions if at any time during the fiscal year expenditure and revenue re-estimates are such that an operating deficit is projected at year-end.

Corrective actions are not limited to, but may include any or all of the options listed below, and will be considered individually on a case by case basis:

- a. Deferral of capital purchases and capital maintenance
- b. Reduce non-personnel operating expenditures

FINANCIAL POLICIES

- c. Hiring freezes
 - d. Freeze compensation adjustments
 - e. Use of other fund balances where allowable
 - f. Evaluate increased fees
 - g. Personnel restructuring
3. Provision shall be made in the annual operating budgets and in the appropriation ordinance for a contingency appropriation, to be used in the case of unforeseen items of expenditures. Appropriations for a contingency shall not exceed 3% of the total general fund expenditures. This appropriation shall be under the control of the City Manager and distributed by him/her only after prior approval by the City Council. The proceeds of the contingent appropriation shall be disbursed only by transfer to other departmental appropriation, the spending of which shall be charged to the departments or activities for which the appropriations are made.

Purchasing Policies

1. The City Council may, by ordinance, give the City Manager general authority to contract for expenditures without further approval of the City Council or all budgeted items not exceeding limits set by the City Council within the ordinance.
2. The Director of Finance shall be responsible for maintaining written purchasing procedures. These administrative procedures must be approved by the City Manager and adopted by City Council.
3. Lease purchase agreements shall only be used to finance capital items with a useful life of at least three years.
4. Preference may be given to local businesses if the purchase meets Texas Local Government Code statutes. All purchases must adhere to the guidelines outlined in the written purchasing procedures.
5. The City will enter into inter-local agreements, when advantageous to the City, with entities such as the State of Texas Procurement and Supply Services (TPASS), Houston Galveston Area Council (HGAC), and the Texas Association of School Board (TASB BuyBoard).

FINANCIAL POLICIES

Reporting Policies

1. The budget will be prepared based upon recommended practices by GASB (Governmental Accounting Standards Board) and GFOA (Governmental Finance Officer's Association). Copies of the budget will be available for public viewing at City Hall and on the City's website.
2. Timely interim financial reports will be produced for department managers for internal purposes. Financial statements shall be prepared and submitted to the City Council on at least a quarterly basis.
3. Quarterly investment reports will be presented at City Council meetings.
4. An annual independent financial audit shall be performed by a properly licensed independent public accounting firm, and results of this audit will be presented to the City Council.
5. The City will issue requests for proposals to choose an auditor for a period not to exceed five years, unless otherwise approved by the City Council.

Reserve Policies

1. The City will maintain the General Fund unreserved fund balance at a level sufficient to provide for emergency expenditures and unanticipated revenue shortfalls. The City will maintain a fund balance at a minimum reserve level of 25% and a maximum of 50% of budgeted operations and maintenance expenditures. The right is reserved by the City Council to change the targeted reserve level by resolution, ordinance or budget adoption. The General Fund budget shall allow for annual growth in the fund balance until minimum reserve levels are reached. When the reserve exceeds the maximum limits, opportunities should be identified to use the excess reserves to fund one-time expenses within the General Fund or may be used to "buy-down" future debt service payments.
2. The City will maintain the Utility Fund unreserved retained earnings balance at a level sufficient to provide for emergency expenditures and unanticipated revenue shortfalls. The targeted reserve level will be a minimum 25% of budgeted operations and maintenance expenditures. This amount is in addition to amounts that have been set

FINANCIAL POLICIES

aside or are being accumulated for Capital Expenditures. The right is reserved by the City Council to change the targeted reserve level by resolution, ordinance or budget adoption. The Utility Fund budget shall allow for annual growth in the fund balance until minimum reserve levels are reached.

3. The City of Granite Shoals will set a debt service rate necessary to collect a full year's debt service payment on all outstanding and proposed debt. As a result, the Debt Service Fund will maintain a reserve equivalent to fund 25% of total annual debt requirements. When the reserve level exceeds the target amount, opportunities should be identified to use the excess reserves to fund capital expenses of the General Fund or may be used to "buy-down" future debt service payments.

Revenue Policies

1. Annual estimates of revenue in both the General Fund and Proprietary (Utility) Fund shall be based on historical trends and a reasonable expectation of growth. A conservative approach shall be observed in estimating revenues in an effort that revenues not be overstated.
2. The City should endeavor to maintain a diversified and stable revenue base in order to prevent overall revenue shortfalls as a result of periodic fluctuations in any one revenue source.
3. Tax Rate:
 - a. In determining the City's debt service portion of the tax rate from year to year the City shall consider any applicable constitutional and state law requirements in addition to taking into consideration:
 - i. The amount of ad valorem tax debt coming due,
 - ii. Any ad valorem tax debt that is callable and economically feasible to redeem,
 - iii. Additional ad valorem tax debt projected to be issued (including particularly any voter authorized general obligation bonds remaining authorized but unissued),
 - iv. Existing debt service fund balance, and
 - v. Minimizing overall tax rate volatility.
 - b. The City of Granite Shoals will budget ad valorem tax revenue at 100% of the total amount of current taxes levied.

FINANCIAL POLICIES

4. User charges and rates shall be established at a level related to the cost of providing the services. These charges and rates shall be reviewed periodically in order to determine the appropriate level of funding anticipated to support the various related activities.
5. Rates and fees for water activities shall be maintained at levels sufficient to ensure that annual revenues will be available to pay all direct and indirect costs of the enterprise activities, including costs of operation, capital improvements, maintenance, and principal and interest requirements on outstanding debt, and interest and sinking fund and reserve fund requirements.
6. The Utility Fund will pay to the General Fund a monthly charge for services. This transfer will incorporate a Franchise Fee, Payment in Lieu of Taxes, and reimbursement of General Fund expenses in support of the Utility Fund.
 - a. The Franchise Fee will equal 20% of the Utility Fund's operating revenues.
 - b. Payment in Lieu of Taxes (PILOT) will equal the value of the Utility Fund's assets multiplied by the City's tax rate.
 - c. General Fund expenses in support of the Utility Fund will be calculated each year using a cost allocation model.
7. Uncollectable Revenues:
 - a. The City will use its best effort to collect past due revenues. These efforts may include internal and external processes.
 - b. In the City's Utility Funds, revenues will be considered uncollectable and may be written off as such after 12 months of delinquency. Outstanding receivables and write-offs will be adjusted at minimum one time per fiscal year.
 - c. In all other funds, uncollectable revenues will be considered on a case by case basis, and decisions related to write-offs will be made as deemed appropriate by city administration.

Definitions

Appropriation – An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is limited by the time it may be expended.

FINANCIAL POLICIES

Balanced Budget – A budget adopted by the legislative body and authorized by ordinance where the proposed expenditures are equal to or less than the proposed revenues.

Capital Equipment – Equipment purchases that exceed \$5,000 and have a useful life of greater than two years.

Encumbered – To be committed by the City to use funds for a specific purpose. (i.e. A purchase order has been issued)

Fund – An accounting entity that has a set of self-balancing accounts and that records all financial transactions for specific activities or government functions. Commonly used funds in public accounting are: general fund, enterprise funds, special revenue funds, debt service funds, capital project funds, and internal service funds.

Fund Balance – The excess of assets over liabilities.

General Fund – Fund that accounts for most of the financial resources of the government. General Fund revenues include property taxes, licenses and permits, local taxes, service charges and other types of revenue. This fund usually includes most of the basic operating services, such as fire and police protection, finance, data processing, park and recreation, public works, and general administration.

Proprietary Fund Types – Also known as enterprise funds, the classification is used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business activities are accounted for through proprietary funds (such as water and sewer operations).

