



LONG RANGE FINANCIAL PLANNING COMMITTEE AGENDA
THURSDAY, SEPTEMBER 8, 2016
5:30 P.M. MEETING
CITY HALL FIRST FLOOR CONFERENCE ROOM (414 E. FIRST STREET)

Mission Statement

The City of Newberg serves its citizens, promotes safety, and maintains a healthy community.

Vision Statement

Newberg will cultivate a healthy, safe environment where citizens can work, play and grow in a friendly, dynamic and diverse community valuing partnerships and opportunity.

I. CALL MEETING TO ORDER

II. ROLL CALL & INTRODUCTIONS

III. OVERVIEW OF LONG RANGE FINANCIAL PLANNING PROCESS

IV. FINANCIAL POLICIES

1. Presentation of draft financial policies

V. PUBLIC COMMENTS

(30 minutes maximum, which may be extended at the Chair's discretion, with an opportunity to speak for no more than 5 minutes per speaker allowed)

VI. FUTURE MEETINGS

1. Continuation of financial policy review
2. Preliminary financial information/analysis

VII. ADJOURNMENT

ACCOMMODATION OF PHYSICAL IMPAIRMENTS: In order to accommodate persons with physical impairments, please notify the City Recorder's office of any special physical or language accommodations you may need as far in advance of the meeting as possible and no later than 48 hours prior to the meeting. To request these arrangements, please contact the City Recorder at (503) 537-1283. For TTY services please call (503) 554-7793.

The Committee accepts comments on agenda items during the meeting. Fill out a form identifying the item you wish to speak on prior to the agenda item beginning and turn it into the Secretary. The Chair reserves the right to change the order of the items on this agenda.

City of Newberg

Long-Range Financial Plan Process Overview

August 1, 2016

Purpose

The purpose of this report is to provide an overview of the long-range financial plan (LRFP) process from beginning to end. The development of a 5-year financial plan is one of the six strategic priorities adopted by Council on January 4, 2016, specifically stated as follows:

Within 18-24 months, develop a 5-year financial plan to guide long term fiscal health for the City. Within one year, create a fiscal policy that addresses use of debt, preservation of contingencies and reserves, and insures that fee structures are consistent with service levels. These policies will be used to help develop the financial plan.

The overview provides the details of the process and timeline. This is a unique and dynamic process that the City has not done before, so this is a living document, not a cookbook off a shelf. However, the process is modeled on best practices as promulgated by the Government Finance Officers Association (GFOA). The process can take between six to ten months, with February 2017 being the target date for this initial process.

The LRFP will benefit the City's decision-making process by providing a larger framework than any one fiscal year or any specific individual. It provides guidance and efficiency for the annual budgeting process. It also benefits Council and management in evaluating the myriad of planned and unplanned opportunities and challenges that arise more frequently throughout the year by providing a model to assess the impact of various options.

Step 1 - Long Range Financial Planning Committee

The purpose of the committee is as advisory to the Finance Director and City Council. It will meet twice a month in public meetings between September and November 2016 (specific schedule on page 4) to provide advisory input from the perspective of private industry and standard best practices. It will also help shape the financial policies proposed by staff. The committee would be comprised of management, elected officials, and members of the community with experience in banking/financial sector, business ownership, and general financial expertise. The following members would include as follows:

- Finance Director (Lead) – Matt Zook
- Mayor Andrews
- City Manager – Joe Hannan
- City Councilor – TBD
- Banking/financial community member – TBD
- Business owner – TBD
- General community member – TBD

Project Time – The commitment to this process will take time on the part of each person involved, above and beyond the existing status quo. The initial path through the planning process makes rough assumptions regarding the amount of time required. A clear commitment is required to stay on task within a reasonable timeframe. The emphasis on this initial planning cycle will be to keep the process moving forward through each of the steps, recognizing that successive cycles will improve upon the process and the product.

Preliminary Financial Analysis

Environmental Issue Scan – A collaborative brainstorm and SWOT analysis involving the LRFP Committee to identify the key issues facing the City with a financial impact. The list of issues helps define the scope of the plan to specific deliverables. Specific issues identified may include any number of the following issues and should be agreed upon early in the process:

- Rising personnel costs, including retirement and health benefits
- Transportation infrastructure funding
- Dispatch operating and capital funding requirements
- Potential TVF&R consolidation and effect on property tax levy
- Others?

Interface with other planning processes – Examples of related planning processes that will feed information into the LRFP planning as well as be fed by the LRFP include:

- Pavement Maintenance Committee
- Capital Improvement Plans
- Facilities Master Plans
- Equipment Replacement Plans
- Citizens' Rate Review Process
- Economic Development Plan
- Tourism Plan
- Annual budget process – Financial plan feeds annual budget process

Financial Policies

Financial policies define minimum standards and best practices specifically for the City of Newberg. They serve as additional key indicators that monitor fiscal health and long-term sustainability, much like the lights on a dashboard inform the driver aiming for a specific destination that factors such as fuel, oil, temperature, and speed dictate the condition of the vehicle upon arrival. It has been some time since the certain policies have been address at the City, so staff will be creating draft policies for the Ad Hoc committee to review. This will begin early in the LRFP process and run concurrently with the entire process and be presented to Council for review and approval with the final LRFP. In the analysis phase, staff will measure the City's compliance against these policies and report this compliance with the LRFP. Polices that will be reviewed include:

- Fund Balance, Contingency, and Reserve Policy
- Revenue Policy
- Debt Policy
- Operating Budget Policy
- Capital Improvement Policy
- Purchasing Policy

Plan Scope

The scope of the plan should ensure that the specific issues identified in the Environmental Issues Scan are addressed.

- Specific Funds included within the plan analysis – While the City has roughly 30 separate funds in various stages of usage, only the key operational funds will be considered in the scope of the LRFP. Traditional programs associated with City services, such as Public Safety, Community Development, and Administration, often involve multiple funds. The list of funds proposed includes the following :
 - General Fund
 - Administrative Support Services Fund
 - 911 Emergency Fund
 - Public Safety Fund
 - Street Fund
 - Wastewater Funds (Rates and SDCs)
 - Water Funds (Rates and SDCs)
 - Stormwater Funds (Rates and SDCs)
 - Transient Lodging Tax Fund
 - Building Fund
- Time Horizon – The plan will address a rolling, five-year horizon and updated annually.
- Integration with the Annual Budget Process – The conclusion of the LRFP annual update will inform the annual budget process.

Step 2 - Analysis Phase – Turning information into measureable and meaningful trends, projections, and analysis for making strategic decisions.

Information Gathering

Sources for data come from within the City, such as historical revenue and expenditure numbers, as well as from outside the City, such as financial, economic, population factors. Staff performs this task with input from the Committee

Trend Projections

Three types of trend analyses occur at this stage – revenue projections, expenditure projections, and long-term debt analysis. A critical task is the development of the financial model. The financial model has not yet been developed. Staff will consider options of using existing software tools in the industry versus developing a custom program using Microsoft Excel. Building the model in Microsoft Excel allows staff to using pre-existing data, such as the City’s budget model, as a basis for long-range projections. It also allows for complete customization. On the flip side, building this model takes time. At present, the Microsoft Excel model has more advantages.

Financial balance analysis

This stage identifies potential deficiencies between projections and targets, such as differences between revenues and expenditures, differences between projections and financial policies, and any other unfavorable trends. Staff performs this stage.

Step 3 – Approval Phase

- A set of financial strategies are developed to address and improve the financial position of the organization. Often, it is advisable to include other stakeholders in the financial strategy development process. Council may consider forming a standing Finance Committee. This topic may be revisited in the future.
- Recognition of the completion of the planning process. This involves a final review of the plan to measure whether the original goals of the plan were met and the formal adoption of the plan and financial strategies by Council.

Step 4 – Execution Phase

This phase puts the LRFP into action. The annual budget process will be the first opportunity to execute the plan, as this is where the Budget Officer will allocate resources to the top priorities of the LRFP. This is where the plan becomes tried and tested, resulting in real change and direction. In addition, progress is monitored throughout the year, allowing early detection of deviations from the plan and capturing improvements to the future planning process. The financial model becomes a tool for evaluating mid-year opportunities and changes.

Schedule

August

- Finance drafts financial policies & begins building financial model
- Ad Hoc committee members appointed

September

All LRFP Ad Hoc Committee meetings will be from 5:30-7:00 pm in City Hall, 1st Floor Conference Room (subject to change).

- 8th - First Ad Hoc committee meeting : review draft financial policies, review of key issues to be addressed in LRFP
- 22nd - Second Ad Hoc committee meeting : Finalization of the key issues, ongoing policy review and development

October

- 13th - Third Ad Hoc committee meeting : Ongoing review of financial model
- 27th - Fourth Ad Hoc committee meeting : Ongoing review of financial model

November

- 7th - Council Work Session : Progress report to Council
- 10th - Fifth Ad Hoc committee meeting : Presentation of draft LRFP, review of key results, development of draft financial strategies to address the key issues
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December

- 1st - Sixth Ad Hoc committee meeting : Finalization of LRFP to be recommended to Council
- Finance prepares LRFP, policies, and strategies for presentation to Council in January

January

- 3rd - Council Work Session : Presentation to Council of LRFP, policies, and strategies.
- 16th - Council Meeting : Adoption of LRFP, policies and strategies
- Staff begins FY 2017-18 annual budget process

Conclusion

This overview is intended to provide all interested parties with a high-level view of the long-range financial planning process, including persons involved, the scope of the process, and the overall timeframe. Changes to this overview will occur as the process happens, considering this is a new process for the City. The aim is to create a process that remains simple enough to sustain yet provide an effective tool to assist in making the critical strategic decisions for the future sustainability of the City.

STAFF REPORT

To: Long Range Financial Planning Committee

From: Matt Zook, Finance Director

Meeting Date: September 8, 2016

Subject: Committee Member List, Presentation of Draft Financial Policies

Welcome to the first step in the Long Range Financial Planning (LRFP) process. I am excited that you have volunteered to join the City in this process.

Committee Members

- Matt Zook, Finance Director, staff liaison
- Joe Hannan, City Manager, ex-officio member
- Bob Andrews, Mayor, ex-officio member
- Truman Stone, City Attorney, ex-officio member
- Stephen McKinney, City Councilor, voting member
- Scott Karn, Commercial Real Estate Officer, First Federal Savings & Loan, voting member
- Gwen Gardner, Chief Financial Officer, Newberg Public Schools, voting member
- Sandra Montoya, Finance Director, City of Woodburn, voting member
- Rick Rogers, Executive Director, Newberg Area Habitat of Humanity, voting member
- Kathy Tri, citizen and former Newberg Finance Director, voting member

Draft Financial Policies

The purpose of this step is to review and establish the key policies that will affect the LRFP process. It is my aim to keep the financial policy review and establishment simple, understandable, measurable, and effective. One of the key resources for achieving this aim is the Government Finance Officers Association (GFOA), which is a professional association representing more than 18,000 members in the United States and Canada for the purpose of promoting excellence in state and local government financial management (www.gfoa.org). Included in this packet is a brief, three-page document from GFOA regarding best practices in Adopting Financial Policies, which provides a brief overview of the benefits and key considerations to consider in this process. I have included the website link here should you desire to delve deeper into the 15 individual policy categories (<http://www.gfoa.org/adopting-financial-policies-0>).

The scope of our financial policy review will focus on those financial policies that will directly impact the Long Range Financial Plan. The initial LRFP Overview included in the previous agenda item of this packet listed six specific policies. The list of policies considered relevant to the LRFP process may change as we proceed. The specific policies are as follows:

1. Reserves (will include fund balance and contingency)
2. Revenues
3. Debt
4. Capital
5. Operating budget
6. Purchasing

I have also included in this packet the existing policies of the City as articulated in the 2014-15 Budget document. The existing policies serve as a place to start. I have not reviewed all of these policies at the time of this packet, but during the September 8th and 22nd meetings, we will review these together. The financial policies will be a work-in-process through December as we work through the financial projections.

ACTIONS FOR COMMITTEE: In preparation for our September 8th meeting, please read the material in the packet. We will discussion questions and issues pertaining to the policies as they stand now. The September 22nd meeting will be a continuation of any questions, revisions, or issues to the policies.



GFOA Best Practice

Adopting Financial Policies

Background. Financial policies are central to a strategic, long-term approach to financial management. Some of the most powerful arguments in favor of adopting formal, written financial policies include their ability to help governments:

1. Institutionalize good financial management practices. Formal policies usually outlive their creators, and, thus, promote stability and continuity. They also prevent the need to re-invent responses to recurring issues.
2. Clarify and crystallize strategic intent for financial management. Financial policies define a shared understanding of how the organization will develop its financial practices and manage its resources to provide the best value to the community.
3. Define boundaries. Financial policies define limits on the actions staff may take. The policy framework provides the boundaries within which staff can innovate in order to realize the organization's strategic intent.
4. Support good bond ratings and thereby reduce the cost of borrowing.
5. Promote long-term and strategic thinking. The strategic intent articulated by many financial policies necessarily demands a long-term perspective from the organization.
6. Manage risks to financial condition. A key component of governance accountability is not to incur excessive risk in the pursuit of public goals. Financial policies identify important risks to financial condition.
7. Comply with established public management best practices. The Government Finance Officers Association (GFOA), through its officially adopted Best Practices endorsement of National Advisory Council on State and Local Budgeting (NACSLB) budget practices and the GFOA Distinguished Budget Presentation Award Program, has recognized financial policies as an essential part of public financial management.

Recommendation. GFOA recommends that governments formally adopt financial policies. Steps to consider when making effective financial policies include (1) scope, (2) development, (3) design, (4) presentation, and (5) review.

Scope. There are some basic financial policy categories (but not limited to) that all governments should consider adopting.

1. *General fund reserves.* Policies governing the amount of resources to be held in reserve and conditions under which reserves can be used.
2. *Reserves in other funds.* Policies for other funds (especially enterprise funds) that serve a similar purpose to general fund reserve policies.
3. *Grants.* Policies that deal with the administration and grants process.
4. *Debt.* Policies that govern the use of government debt, including permissible debt instruments, conditions under which debt may be used, allowable levels of debt, and compliance with continuing disclosure requirements.
5. *Investment.* Policies that provide guidance on the investment of public funds, including permissible investment instruments, standards of care for invested funds, and the role of staff and professional advisors in the investment program.

6. *Economic development.* Policies that address a local government's use of subsidies or other incentives to encourage private development.
7. *Accounting and financial reporting.* Policies that establish and guide the use of an audit committee, endorse key accounting principles, and that ensure external audits are properly performed.
8. *Risk management and internal controls.* Policies that address traditional views of risk management and internal control, as well as more modern concepts of "enterprise risk management."
9. *Procurement.* Policies that are most essential for adoption by the governing board in order to encourage efficient, effective and fair public procurement.
10. *Long-term financial planning.* A policy that commits the organization to taking a long-term approach to financial health.
11. *Structurally balanced budget.* Policies that offer a distinction between satisfying the statutory definition and achieving a true structurally balanced budget.
12. *Capital.* Policies that cover the lifecycle of capital assets, including capital improvement planning, capital budgeting, project management, and asset maintenance.
13. *Revenues.* Policy guidance through the designing of efficient and effective revenue systems that guarantee the generation of adequate public resources to meet expenditure obligations.
14. *Expenditures.* Policies addressing a range of issues around how the money is expended, including personnel, outsourcing, and funding long-term liabilities.
15. *Operating budget.* Policies that describe essential features of the budget development process and form, as well as principles that guide budgetary decision making.

Development. The following steps should be considered in the development of effective policies.

1. Define the problem the policy will address.
2. Draft the policy. Be aware of legal requirements and consider public comments. Look at the experience of peer governments.
3. Review and present the policy to government officials.
4. Formally consider and adopt policy.
5. Implement policy making sure that staff and government officials are aware of policies.

Design. Effective policies have a number of design features in common.

1. Policies must exist in written form.
2. Policies should be expressed in a manner that is understandable to the intended audiences.
3. Policies should be made available to all stakeholders, and be published in more than one medium with multiple means of access.
4. Policies should address all relevant issues and risks for that specific policy in a concise fashion.

Presentation. Effective financial policies share some of the following traits.

1. All of the financial policies are placed in the same section of the budget document.
2. The original and revision dates are shown on the individual policies.

Review. Financial policies are most successful when they are reviewed after being enacted.

1. Policies should be monitored, reviewed, and updated as needed in a systematic way.
2. Analyze the reasons if specific policies are not being followed.

Note: References listed below will be arranged separately on the GFOA website.

References to Some of GFOA Best Practices on Financial Policies

Financial Policy	GFOA Best Practice Link
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General Fund /Other Fund Reserves	<ul style="list-style-type: none"> ▪ <u>Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund</u> ▪ <u>Replenishing General Fund Balance</u> ▪ <u>Determining the Appropriate Level of Working Capital in Enterprise Funds</u>
Grants	<ul style="list-style-type: none"> ▪ <u>Establishing an Effective Grants Policy</u> ▪ <u>Establishing a Grants Administration Oversight Committee</u> ▪ <u>Administering Grants Effectively</u>
Debt	<ul style="list-style-type: none"> ▪ <u>Debt Management Policy</u> ▪ <u>Analyzing and Issuing Refunding Bonds</u>
Investment	<ul style="list-style-type: none"> ▪ <u>Local Government Investment Pools</u> ▪ <u>Investment of Bond Proceeds</u>
Economic Development	<ul style="list-style-type: none"> ▪ <u>Evaluating and Managing Economic Development Incentives</u> ▪ <u>Coordinating Economic Development and Capital Planning</u> ▪ <u>Monitoring Economic Development Performance</u> ▪ <u>Developing an Economic Development Incentive Policy</u>
Accounting & Financial Reporting	<ul style="list-style-type: none"> ▪ <u>Documenting Accounting Policies and Procedures</u> ▪ <u>Encouraging and Facilitating the Reporting of Fraud and Questionable Accounting and Auditing Practices</u> ▪ <u>Audit Committees</u> ▪ <u>Basis of Accounting versus the Budgetary Basis</u>
Risk Mgmt. & Internal Controls	<ul style="list-style-type: none"> ▪ <u>Practical Steps to Avoid, Limit, or Eliminate Internal Control Deficiencies Identified in an Audit</u> ▪ <u>Business Preparedness and Continuity Guidelines</u> ▪ <u>Creating a Comprehensive Risk Management Program</u>
Procurement	<ul style="list-style-type: none"> ▪ <u>Purchasing Card Programs</u> ▪ <u>Electronic Payment and Collection Systems</u>
Long-Term Fin. Planning	<ul style="list-style-type: none"> ▪ <u>Long-Term Financial Planning</u>
Balanced Budget	<ul style="list-style-type: none"> ▪ <u>Achieving a Structurally Balanced Budget.</u>
Capital	<ul style="list-style-type: none"> ▪ <u>Capital Planning Policies</u> ▪ <u>Incorporating a Capital Project Budget in the Budget Process</u> ▪ <u>Multi-Year Capital Planning</u> ▪ <u>Establishing Capitalization Thresholds for Capital Assets</u> ▪ <u>Determining the Estimated Useful Life of Capital Assets</u>
Expenditures	<ul style="list-style-type: none"> ▪ <u>Inflationary Indices in Budgeting</u> ▪ <u>Effective Budgeting of Salary and Wages</u> ▪ <u>Strategies for Managing Health-Care Costs</u> ▪ <u>Measuring the Full Cost of Government Service</u>
Revenues	<ul style="list-style-type: none"> ▪ <u>Establishing Government Charges and Fees</u> ▪ <u>Financial Forecasting in the Budget Preparation Process</u> ▪ <u>The Use of Trend Data and Comparative Data for Financial Analysis</u> ▪ <u>Revenue Diversification, Use of One-Time Revenues, and Use of Unpredictable Revenues</u>
Operating Budget	<ul style="list-style-type: none"> ▪ <u>A Systematic Approach to Managing Performance</u> ▪ <u>Making the Budget Document Easier to Understand</u> ▪ <u>Public Participation in Planning, Budgeting, and Performance Management</u> ▪ <u>Presenting Official Financial Documents on Your Government's Website</u>

Committee: Budget (2001, 2015)

References.

- GFOA Best Practice, "Recommended Budget Practices from the National Advisory Council on State and Local Budgeting," 1998.
- GFOA Publication, "Financial Policies," 2012 (Shayne Kavanagh).

City of Newberg

FISCAL POLICIES

As printed in the 2014-15 Adopted Budget

The City of Newberg has an important responsibility to its citizens to carefully account for public funds, manage municipal finances wisely, and plan adequate funding of services and facilities desired and needed by the community.

The purpose in establishing a set of fiscal policies is to ensure that the public's trust is upheld. With such fiscal policies, the City establishes the framework under which it will conduct its fiscal affairs, ensuring that it is and will continue to be capable of funding and providing excellent local government services. These fiscal policies are used to develop long-range financial projections and annual budget assumptions.

The Finance Committee of the City Council reviewed and approved these policies. The objectives of Newberg's fiscal policies are as follows:

- To enhance the City Council's policy making ability by providing accurate information on program and operating costs.
- To assist sound management of the City government by providing accurate and timely information on current and anticipated financial conditions.
- To provide sound principles to guide important decisions of the Council, Budget Committee, and management which have significant fiscal impact.
- To set forth operational principles which minimize the cost and financial risk of local government consistent with services desired by the citizens.
- Distribute the cost of municipal services fairly and provide adequate funds to operate desired programs.
- To provide and maintain essential public facilities, utilities, infrastructure, and capital equipment.
- To protect and enhance the City's credit rating.
- To provide public confidence in the handling of City financial matters.

Revenue Policy

- A diversified and stable revenue system will be maintained to shelter the City from short-run fluctuations in any one revenue source.
- One time revenues will be used for one-time expenditures. The City will avoid using temporary revenues to fund ongoing operating expenditures.
- All revenue forecasts shall be conservative.
- All City funds will be safely invested, in accordance with the adopted investment policy and Oregon State law, to provide a sufficient level of liquidity to meet cash flow needs and to provide the maximum yield possible.
- The City will provide for an equitable sharing of the costs of services by charging the direct beneficiaries fees, which will recover all or a portion of the cost to provide those services. User fees, such as those for water, wastewater, stormwater, ambulance and community development, will be reviewed periodically to ensure that related costs are recovered in accordance with City policy.
- The City will consider the possibility of overlapping tax burdens created by multiple taxing districts on City property owners when establishing property tax levels, as required by Oregon State law.

Operating Budget Policy

- The City Manager will prepare a balanced budget each year on a modified accrual basis where revenues equal or exceed expenses in accordance with state law.
- The Finance Director will prepare regular reports comparing actual to budget for the City Manager and City Council.
- Departmental goals, objectives, and work load indicators will be integrated into the budget.
- Before the City undertakes any agreements which create fixed costs, both operating and capital, the long-term fiscal implications of such agreements will be fully determined for current and future years.

⁸The City Council has adopted more detailed policies on investments and debt management.

- All costs related to personnel will be estimated and included in long-range forecasts. Cost analysis of salary increases will include the effect of such increases on the City's share of related fringe benefits.
- Assets, which are not part of a major infrastructure system or building and land, including vehicles, computers, major software, and other specialized equipment required for normal work, will be tracked by each department with replacement plans and will depreciate in an equipment replacement fund that results in a stable annual spending level.
- The City will set aside funds annually to replace major assets of general buildings (City Hall, Library, Public Safety Building, Fire Stations). Assets may include carpets, heat pumps, structural repairs, and re-roofing.
- The City will routinely evaluate its service delivery system in terms of establishing efficiency and effectiveness to determine whether a service or program should be provided by City staff or by contract.

Capital Improvement Policy

- The City will prepare multi-year capital improvement plans and a one-year capital improvement budget which will be segregated from the operating budget.
- Future operating costs associated with new capital improvements will be projected and included in the capital and operating budget forecasts.
- The City will determine and use the most effective and efficient method of financing all new capital projects.
- Special funds dedicated for capital improvements will be segregated in the accounting system and used only for the intended capital purposes.

Accounting Policy

- The City will maintain high standards of accounting in order to (1) promote an atmosphere of trust in its financial management system and (2) provide full disclosure of its financial condition. Generally accepted accounting principles (GAAP) will be used in accordance with the standards developed by the Governmental Accounting Standards Board and endorsed by the Government Finance Officers Association (GFOA).
- In accordance with Oregon State law, an independent annual audit will be performed by a public accounting firm which will issue an official opinion on the annual financial statements.

- As required by law, full disclosure will be provided in the financial statements and bond presentations.
- Financial systems will be maintained to monitor expenditures and revenues on a monthly basis.
- The accounting system will provide monthly information about the cash position and investment performance.
- The City will submit documentation annually to obtain the Certificate of Achievement for Excellence in Financial Reporting from GFOA.

Debt Policy

- The City will communicate with the bond rating agencies on a regular basis about its financial condition in order to maintain and improve its ability to borrow money at the most favorable interest rates.
- Capital projects financed through bond proceeds will be financed for a period not to exceed the useful life of the project.
- Long-term borrowing will be confined to capital improvements too large to be financed from current revenues and to avoid depleting the capital reserve funds.
- In accordance with ORS 287.004, outstanding general obligation debt of the City at any time is limited to three (3) percent of real market value. This limitation does not include self-supporting debt, revenue bonds, full faith and credit obligations, or water and wastewater bonds.
- Issuance of assessment bonds will be pursued to finance local improvement districts approved by the City Council.
- The City will pursue collection of all assessment payments to protect the general obligation of the City.
- Debt will not be used to pay for current operating expenses unless borrowed funds can be obtained at an interest rate which is lower than the City could earn on its own invested funds (arbitrage).

Reserve Policy

- The City will maintain a cash working capital equal to or greater than that necessary to cover general operating expenditures or expenses. The reserve will be calculated based on the adopted annual operating budget. These funds will be used to avoid short-term borrowing, generate interest income, and assist maintaining an investment grade bond rating capacity.
- The General Fund shall maintain a 120 day cash reserve including contingency and an unappropriated fund balance.
- Other operating funds reliant on user fees or monthly intergovernmental revenues shall maintain 60 days cash.