

**City of Stayton
Fiscal Policies
Revised June 2025**



Purpose

The City of Stayton is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability and transparency. The broad purpose of the Fiscal Policies is to enable the City to achieve and maintain a long-term stable and positive financial condition. These policies are adopted by the City Council as the basic framework for overall financial management of the City, to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

1. Provide an adequate financial base to sustain the desired level of municipal services to maintain the social wellbeing, infrastructure, and assets of the City.
2. Deliver effective and efficient services to citizens.
3. Provide and maintain essential public facilities, utilities, and capital equipment.
4. Protect and enhance the City's credit rating to obtain the lowest cost of borrowing and assure taxpayers and the financial community that the City is well managed and financially sound.
5. Provide the financial stability needed to navigate through economic downturns, adjust to changes in the service requirements of the community and respond to other changes as they affect the City's residents and businesses.
6. Adhere to the highest standards of financial management and reporting practices as set by the Government Finance Officers Association, the Governmental Accounting Standards Board and other professional standards.
7. Fully comply with finance related legal mandates, laws and regulations.

To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, pension funding, accounting and financial reporting, reserves, and internal controls. These policies are reviewed by management, the Budget Committee, and City Council and amended as necessary, as part of the budget development process.

Policies are addressed in ten areas:

- **Revenue**, which deals with taxes, user fees and other revenues by which the city generates income to fund programs and services.
- **Operating expenditures**, which relates to budgeting guidelines.
- **Expenditure control**, which addresses the City's efforts to ensure spending is consistent with the City's fiscal plans.
- **Capital equipment and improvements**, which relates to establishing long-term capital equipment and improvement plans for all major equipment and infrastructure systems provided and maintained by the city.
- **Accounting and financial reporting**, which relates to accounting and reporting financial transactions and preparing financial reports.
- **Financial planning**, which addresses longer term financial forecasting to help inform decisions.
- **Debt**, which addresses long-term financing of the city's capital needs and maintaining its bond rating.
- **Pension funding**, which addresses the funding policies of the City's pension obligations.
- **Reserves**, which establish minimum fund balances, required reserves and operating contingency as needed for routine cash flow and responding to unexpected expenditures or increases in service delivery costs.

- **Management of fiscal policy**, which sets forth the administration of fiscal policies on a continuing basis.

1 Revenue Policies

- 1.1. The City will strive for and maintain diversified and stable revenue sources to prevent undue or unbalanced reliance on any one source of funds. Diversified revenue sources will also reduce risk to the City from short-term fluctuations in any one revenue source.
- 1.2. Significant one-time and or temporary revenue sources will not be used to fund continuing programs and services, but rather to fund one-time expenditures or fund reserves.
- 1.3. The maximum allowable system development charges (SDCs), for each of the public infrastructure systems the City operates and is allowed by state law to impose, shall be determined on a periodic basis (approximately every five years).
 - 1.3.1. The Council will determine what amount of SDCs to impose.
- 1.4. The City will use users' charges in lieu of property taxes and subsidies from other non-obligated (i.e., generally available) City funds, for services that can be identified and where costs are directly related to the level of service provided.
 - 1.4.1. Charges for providing utility services shall be sufficient to finance all operating, capital outlay and debt service expenses of the City's utility funds, including operating contingency, reserve requirements, and capital replacement. Consideration will be given to return on investment and existing and or anticipated debt to ensure debt coverage ratios are sufficient to meet or exceed the requirements of lenders and rating agencies to maintain a desired credit rating.
 - 1.4.2. User charges shall be sufficient to finance all City costs to perform development review and building activities. User charges include, but are not limited to, land use, engineering inspection, building permit and building inspection fees.
 - 1.4.3. Other reimbursable work performed by the City (full labor costs, overhead, contracted services, equipment and other indirect expenses) shall be billed at total estimated cost.
 - 1.4.4. Charges for services shall accurately reflect the total actual or estimated total cost of providing a specific service. The cost of providing specific services shall be recalculated periodically, and the fee adjusted accordingly. The City shall maintain a current schedule of fees, indicating when the fees were last reviewed and/or recalculated.
- 1.5. The City shall pursue a timely and firm policy of collecting delinquent accounts. When necessary, discontinuing service, small claims court, collection agencies, foreclosure, liens and other methods of collection, such as imposing penalties, collection and late charges, may be used.
- 1.6. All potential grants that require matching funds, on-going resource requirements, or include new or additional continuing compliance requirements shall be evaluated and considered before submitting the application. Grant applications will be approved as follows prior to their submittal: a. By the City Manager for grants that require matching funds up to the amount of the City Manager's spending authority, and b. By the City Council for grants with matching requirements above the City Manager's spending authority. The City Council will be provided with the evaluation with a request for their acceptance of the grant.
- 1.7. Revenues will be estimated realistically and prudently. Revenue of a volatile nature will be estimated conservatively. The City will estimate its revenues by an objective, analytical process using best practices as defined by the Government Finance Officers Association.

2 Operating Budget Policies

- 2.1 The City will prepare a budget guided by City Council goals and work plan to accomplish goals. Budget development will be coordinated with all departments and will incorporate Government Finance Officers Association (GFOA) recommendations relative to budgeting for results and outcomes. The budget process will include the following steps:
 - 2.1.1 The amount of funding available will be determined for each fund. The budget will be built on expected balances and revenues. This includes base revenues, any new revenue sources, and the potential use of existing resources.
 - 2.1.2 An analysis to determine what strategies, programs, and activities will best achieve desired results will be conducted.
 - 2.1.3 The available dollars will be budgeted to the most significant programs and activities. The objective is to maximize the benefit of the available resources.
- 2.2 All budgetary procedures will conform to existing state 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 entity must equal the total expenditures and all requirements for the entity.
- 2.3 The budget process will be coordinated so that major policy issues and department goals and objectives are identified and incorporated into the budget.
- 2.4 The cost allocation plan of fund transfers will be reviewed and updated and serve as the basis for distributing general government and internal service costs to other funds and capital projects.
- 2.5 The City Council shall adopt the budget at the fund, departmental or program level as a total dollar amount for all appropriations except contingency, unappropriated ending fund balance and reserves, which shall be stated separately.
- 2.6 Long-term debt or bond financing may be used for the acquisition of land, capital improvements, vehicles, and equipment with a cost greater than \$100,000, if current and or existing resources are insufficient. Long-term debt or bond financing shall not be used to finance current operating expenditures.
- 2.7 Every City fund, department, program or activity shall start each budget cycle with no predetermined appropriation amount. Budget appropriation decisions and the allocation of resources shall be based on direction provided by the City Council and implementation of that direction by the City Manager.
- 2.8 The City will submit the Adopted Budget document to the GFOA for application of the Award for Distinguished Budget Presentation.
- 2.9 A budget calendar will be prepared detailing the key elements in the development of the budget.

3 Expenditure Control Policies

- 3.1 Expenditures will be controlled through appropriate internal controls and procedures. Management must ensure expenditures comply with the legally adopted budget. Each Department or Division Manager or Director will be responsible for the administration of his/her department/program budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department/division budget for compliance with spending limitations.
- 3.2 The City Manager is to administer budgetary expenditure control at the appropriation level. Any increase in a budget appropriation requires City Council approval.

- 3.3 All purchases of goods and services must comply with the City's Purchasing Policies, guidelines and procedures and with State laws and regulations.
- 3.4 All compensation planning and collective bargaining will include analyses of total cost of compensation, which includes analysis of salary increases, health benefits, pension contributions, and other fringe benefits. City management will only propose operating personnel costs that can be supported by continuing operating revenues.
- 3.5 City staff shall make every effort to control expenditures to ensure City services and programs provided to its citizens and taxpayers are cost effective and efficient. Expenditures that will reduce future costs will be encouraged.
- 3.6 When available, restricted funds must be spent prior to spending unrestricted funds.

4 Capital Improvement Policies

- 4.1 The City will approve a long-term (at least six years) Capital Improvement Plan (CIP), congruent with the adoption of its budget. The CIP shall provide details on each capital project: its estimated costs, sources of financing and a description, including a statement identifying: (a) the needs, conditions and circumstances that have caused the project's creation and (b) the expected results if the project is approved and implemented.

5 Accounting and Financial Reporting Policies

- 5.1 The City shall establish and maintain its accounting systems according to generally accepted accounting practices and shall adhere to generally accepted accounting principles and standards promulgated by the GFOA and Government Accounting Standards Board (GASB).
- 5.2 An annual audit shall be performed by an independent public accounting firm, which will issue an opinion on the annual financial statements, along with a management letter identifying areas needing improvement, if necessary.
- 5.3 Full disclosure shall be provided in the financial statements and bond representations.
 - 5.3.1 Upon request, all departments will provide notice of all significant events and financial and related matters to the Finance Director for the City's annual disclosures to the municipal markets as required by SEC Regulation 15-C-2-12. Full disclosure will be provided in the financial statements and bond representations. Significant events include delinquencies and defaults related to the City's bonds, adverse tax opinions or events affecting the tax-exempt status of bonds, the release, substitutions or sale of property securing repayment of bonds and other events having a significant impact on the City's finances and outstanding bonds. The Finance Director will notify all Nationally Recognized Municipal Securities Information Repositories of these significant events.
 - 5.3.2 The City's asset capitalization policy applies to assets that both cost more than \$10,000 and have a useful life beyond one year. Purchases of a group of assets that bring the total cost to more than \$10,000 are generally not to be capitalized. Routine repairs or maintenance (for example large motor rebuilds) costing more than \$10,000 that does not improve the original asset by adding functionality or capacity is not capitalizable.
- 5.4 Up-to-date accounting and budgeting information is available online to all management and authorized support staff. Quarterly actual-to-budget reports showing the status of revenues and expenditures shall be prepared and distributed to the governing body, appropriate staff, and management personnel in a timely manner and made available for public inspection.

- 5.5 The City shall maintain an automated accounting system to monthly monitor expenditures and revenues, relative to budget, with a thorough analysis and adjustment (if required) no less than quarterly.

6 Financial Planning Policies

- 6.1 The Finance Department, collaborating with other departments, will prepare a long-term financial plan for each fund to promote responsible planning for the use of resources. The long-term financial plans will include projected revenues, expenditures and reserve balances for the next six years for all funds.
- 6.2 The City's financial plans should be strategic, reflecting the City Council and community priorities for service while providing resources that fund the desired service levels.
- 6.3 Long-term projections of revenues and expenditures will be based upon disclosed assumptions and prepared consistently with best practices established by the Government Finance Officers Association.
- 6.4 The long-term financial plans will be integral to the development of the budget.

7 Debt Policy

- 7.1 The City may use debt proceeds to finance costs associated with capital infrastructure, equipment, vehicles and other purposes that provide long-term benefits to the community, i.e., benefits that extend more than one year.
- 7.2 Capital projects financed through the issuance of bonds shall not be financed for a period which (a) exceeds the expected useful life of the project or (b) is less than five years.
- 7.3 Financing for non-capital purposes shall not extend beyond the amortization period available for the respective type of obligation, e.g., retirement unfunded liabilities include an amortization period of twenty-five years.
- 7.4 The Finance Director will structure all debt issuances and oversee the on-going management of all City debt. Debt includes general obligation bonds, lease purchase obligations, revenue bonds, special assessment obligations, promissory notes, equipment financing agreements and any other contractual arrangements that obligate the City to make future principal and interest payments.
- 7.5 No debt shall be issued for which the City has not identified specific revenue sources sufficient for repayment. Such revenue sources can include internal sources, such as charges to personnel costs, that are transferred to a debt service fund for debt repayment. The Finance Director shall prepare an analysis of the source of repayment prior to the issuance of any debt.
- 7.6 The City will not use long-term debt to fund current operations, to balance the budget or to fund projects that can be funded from current resources, unless the use of debt is otherwise determined to be in the best interest of the City.
- 7.7 The City may utilize short-term debt or inter-fund loans as permitted, to cover temporary cash flow deficiencies due to timing of cash flows, such as may result from delay in receipting grant proceeds or other revenues and delay in issuance of long-term debt.
- 7.8 When issuing long-term debt, the City will ensure that the debt is soundly financed by:
- 7.8.1 Incurring debt only when necessary for capital improvements too large to be financed from currently available resources.

- 7.8.2 Ensuring that capital projects financed through long-term debt shall be financed for a period not to exceed the useful life of the project.
- 7.8.3 Determining that the benefits of the project financed exceed the cost of financing including interest costs.
- 7.8.4 Analyzing the source of repayment, debt coverage ratios and the impact of debt service on annual fixed costs prior to issuance of long-term debt.
- 7.9 All bond issuances, promissory notes, and capital leases will be authorized by resolution of the City Council.
- 7.10 The City shall maintain its bond rating at the highest level fiscally prudent, so that future borrowing costs are minimized and access to the credit market is preserved.

8 Pension Funding Policies

- 8.1 The City participates in two separate retirement programs: The Police Department participates in the State of Oregon Public Employees Retirement System (PERS) and is a member of the State and Local Government Rate Pool. All other eligible City employees participate in a Defined Benefit Plan.

The City will fund its required pension contributions to each plan timely.

9 Reserve Policies

- 9.1 Reserves provide protection from risk such as revenue shortfalls during recessions and losses from natural disasters or major accidents. The City shall maintain minimum fund balance reserves in each fund to cover any required debt service reserves, plus emergency repair reserves, plus a reserve as follows:
 - 9.1.1 The general fund and other funds relying on tax levies shall maintain a fund balance reserve to allow the City to adequately fund operations until property taxes are received in November of each year, without borrowing.
 - 9.1.2 The City's enterprise funds shall maintain a fund balance reserve between 15 percent to 25 percent of the budgeted operating expenses plus operational transfers out. If necessary, this amount must be increased to meet an adequate amount for emergency repairs.
 - 9.1.3 The City's internal service funds shall maintain a fund balance reserve between 10 percent to 20 percent of the budgeted operating expenses plus operational transfers out.
 - 9.1.4 The City's debt service funds shall maintain a reserve to pay the required debt service without borrowing.
 - 9.1.5 The City's special revenue funds shall maintain a fund balance reserve between 15 percent to 25 percent of the budgeted operating expenses plus operational transfers out. Capital project funds and all SDC funds do not have minimum balance requirements.
 - 9.1.6 The City shall establish a contingency budget to provide for unanticipated expenditures of a nonrecurring nature. The contingency shall be a minimum of five percent (5%) of a fund's budgeted materials and services and capital expenditures. (Personal services can be excluded from the contingency calculation if they are budgeted at full capacity without a vacancy factor. Capital expenditures that are funded by grants or other outside funding designated for budgeted projects can be excluded from the calculation.) The budgeted contingency does not apply to the following fund types: debt service, internal service, trust and agency, capital projects, serial levy, temporary or certain special purpose funds.

- 9.2 If reserve funds decrease to levels below the ranges desired by this policy, City management will develop a plan to restore reserves to the desired levels within three years. If reserves exceed the desired ranges, City management shall consider options to reduce the reserves including paying down debt, one-time expenditures that do not obligate long term costs, or reducing taxes or income fees.

10 Management of Fiscal Policy

- 10.1 Fiscal policies and changes in policies shall be approved by the City Council and adopted by resolution after a public hearing is held (the approval may be inclusive of the budget adoption process and the associated resolutions to that process).

10.1.1 The City Manager or designee shall prepare a report explaining the substantive impact of all recommendations and their impact on the City's operations, service levels and/or finances.

10.1.2 The Budget Committee shall review the City's fiscal policies each budget cycle.

- 10.2 The City Manager shall implement fiscal policies and monitor compliance.

10.2.1 If the City Manager discovers a material deviation from policy, he/she shall report it in writing to the City Council in a timely manner.

10.2.2 As a part of the City's budget document, the City Manager's budget message shall identify: (a) all major changes in policy since the previous budget and (b) any material variations from policy in the ensuing budget.

11 Investment Policies

11.1 The Finance Director, in agreement with the City Manager, can invest City funds per ORS 294.035. Consideration shall be given to safety (preservation of capital) and liquidity (to meet cash flow needs) before return. The City shall avoid investments with a credit rating below Aa3 (Moody's) and AA- (S&P). The minimum investment return target shall be the higher of either the Local Government Investment Pool or the money market account at the City's local bank. The status of investments will be reported to the City Council at least quarterly.

Definition of Terms

Budget Committee – is a committee consisting of the governing body plus an equal number of legal voting citizen members appointed by the city council.

Government Finance Officers Association (GFOA) – is the national finance officer’s organization whose purpose is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices and promoting their use through education, training, facilitation of member networking, and leadership.

Category level – for budget control purposes, categories include personal services, materials and services, capital outlay, debt service, transfers, contingency, reserves and unappropriated.

Program level – for budget control purposes, programs may include library services, community services, administration, finance, human resources, etc.

Divisional level – for budget control purposes, divisional level would include water, street, storm water, and wastewater divisions within the public works department. Other divisions may include the police field services, police administration, and police support services within the police department.

Capital Improvement Plan (CIP) – The CIP is a schedule of capital projects including estimated cost and timing. There is a separate CIP for each major infrastructure system in the City, e.g., water, streets, sidewalks, storm water, wastewater, information technology, City facilities and vehicles.

Debt Coverage Ratio (DCR) – represents the ratio of “net revenues” available to pay scheduled debt service. A ratio of 1.0 reflects “net revenues” equal to scheduled debt service. A ratio greater than 1.0 reflects “net revenues” in excess of scheduled debt services and a ratio less than 1.0 indicates “net revenue” is less than scheduled debt service.

Oregon Revised Statutes (ORS) – Oregon’s compilation of state laws including rules of civil procedure.

All work assigned to a specific job title is the responsibility of that organizational position. In absence the duties would fall on the direct supervisor of the position. The City Manager has the responsibility and oversight of these policies. These policies are adopted during each Budget Adoption by the Budget Committee. The last revision was in June 2025.