



Town of Paradise Valley

Fiscal Year 2020/2021

FINANCIAL MANAGEMENT POLICIES

OPERATING BUDGET POLICIES

1. Ongoing operating expenditures will be supported by ongoing, stable revenue sources.
(Adopted 02/26/2009)
2. Unless designated by Town Council action revenues will not be dedicated for specific purposes unless required by law, grantor or generally accepted accounting practices (GAAP).
(Adopted 02/26/2009; Amended TBD)
3. The Town shall not rely on a local property tax to pay for its expenditures.
(Adopted 02/26/2009)
4. The Town's compensation policy shall provide for regular review of salary ranges and include a provision for merit-based salary adjustments.
(Adopted 02/26/2009; Amended 04/28/2016)
5. Governmental and Enterprise operations will not be funded by debt issuance.
(Adopted 02/26/2009; Amended TBD)
6. Cost recovery fees, where appropriate, may be established, by the Town Council or the Presiding Municipal Court Judge, to offset the cost of providing specific services. Cost recovery fees will be reviewed at least on an annual basis.
(Adopted 02/26/2009; Amended TBD)
7. All non-enterprise user fees and charges for services will be examined annually to determine the direct and indirect cost of service recovery rate. Recommendations for changes to the fees and charges will be set for Town Council consideration.
(Adopted 02/26/2009; Amended TBD)
8. Enterprise fund rate structures will be reviewed annually to ensure they are adequate for the funds to remain separately self-supporting, including the costs of operation, capital outlay, debt service, depreciation, and interdepartmental charges for services where practical and appropriate.
(Adopted 02/26/2009)

(Adopted 02/26/2009)
9. Budget amendments within a fund among departments that is less than \$50,000 may be done administratively on the written authority of the Town Manager.
(Adopted 02/26/2009; Amended TBD)
10. Budget amendment procedures and the delegation of budget responsibility shall be set by the Town Manager.
(Adopted 02/26/2009; Amended TBD)

11. Budget amendments within a single department may be done administratively on the written authority of the Town Manager, or Town Manager designee.
(Adopted 02/26/2009; Amended TBD)
12. Electronic funds transfer may be used to pay payroll expenditures and employee benefits previously authorized by Council or required by law.
(Adopted 02/26/2009)
13. All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.
(Adopted 02/26/2009)
14. When an expenditure / expense is allowed under two or more funding sources, departments shall use the most restrictive and stringent first and the general fund last.
(Adopted TBD)
15. The Town's Financial Management policies reviewed at least every two (2) years by the Town Manager and the Chief Finance Officer with recommendations brought to Town Council. This applies even if no changes are being recommended. All policy amendments shall be adopted by resolution.
(Adopted TBD)

CAPITAL BUDGET POLICIES

1. A five-year capital improvement plan shall be prepared and updated each year.
(Adopted 02/26/2009; Amended 04/26/2016)
2. The five-year capital improvement plan will be developed within the constraints of the Town's ability to finance capital improvements.
3. The capital improvement plan shall differentiate between those projects which will be financed from designated, recurring revenues and those which will be financed from future resources.
(Adopted 02/26/2009; Amended 04/26/2016; TBD)
4. Operating costs to maintain capital improvements and any additional resource needs will be estimated and identified as part of the capital project review process.
(Adopted 02/26/2009)
5. The Town Council may designate revenue sources for financing recurring non-capital maintenance, such as street resurfacing, in the 5-year financial plan.
(Adopted 02/26/2009; Amended TBD)
6. Capital projects shall be segregated based on whether they are funded by governmental funds, bond financing, or enterprise funds.
(Adopted 02/26/2009; Amended TBD)
7. Project appropriations and amendments shall be consistent with the capital improvement plan and must be approved by the Town Council.
(Adopted 02/26/2009)
8. Construction sales tax over \$0.5 million will be assigned to fund capital improvement projects and capital improvement debt obligations.
(Adopted 04/28/2016; Amended TBD)

9. Budget appropriations are only for the current budget year, and lapse at year end. All carry-over amounts needed to complete a capital improvement project will need to be re-appropriated each fiscal year until the project is completed.
(Adopted TBD)

CONTINGENCY AND RESERVE POLICIES

1. The General, Alarm, Fire/EMS, and Wastewater Funds shall contain an operating contingency budgets in an amount of no less than 1% and no more than 3% of the adopted budget total and is preferably funded from current revenues. Use of Contingency appropriations that are less than \$25,000 and supported by current revenues may be made administratively under the written authority of the Town Manager. Contingency appropriations not supported by current revenues must be approved by the Town Council.
(Adopted 02/26/2009; Amended 02/25/2010; 04/26/2016; TBD)
2. An emergency reserve for unforeseen emergencies, such as a significant loss of revenues or catastrophic occurrences, that impact the Town will be maintained at no less than 90% to 110% of the General fund and HURF estimated operating expenditures for the subsequent fiscal year. Should Town Council approve setting the reserve below 90% a time period over which the reserve will be replenished to above 90% will be identified.
(Adopted 02/26/2009; Amended 02/25/2010; 04/26/2016; TBD)
3. The Town assigns funds for the replacement of major Town assets such as streets, facilities, vehicles, major equipment and technology through its 5-year financial plan and subsequently appropriates the replacement funds annually in each respective departments' budget.
(Adopted 04/28/2016; Amended TBD)
4. Reserves equal to a minimum of 90 days of the estimated subsequent years' operating expenses will be maintained by each Enterprise fund in order to promote revenue stabilization and finance major repairs.
(Adopted 04/28/2016; Amended TBD)
5. All fund reserves will be evaluated annually for long-term adequacy and designated use requirements in conjunction with development of the Town's five-year financial plan.
(Adopted 02/26/2009; Amended 04/26/2016; Amended TBD)

DEBT SERVICE POLICIES

1. Long-term debt shall not exceed the Town's resources for repaying the debt.
(Adopted 02/26/2009)
2. Lease purchasing should only be used for financing equipment, land purchases and building improvements in order to exempt the expenditures from the State imposed expenditure limitation, or when a lease is more advantageous to the Town.
(Adopted 02/26/2009; Amended TBD)
3. Bond issuance shall be limited to projects where; issuing bonds is allowed under Arizona state law and more beneficial to the Town than financing with current revenues or cash on-hand; or the project is so large that payment from current revenues will result in exceeding the State imposed expenditure limitation.
(Adopted 02/26/2009; Amended TBD)

4. Long-term debt payment schedules shall not exceed the expected useful life of the project.
(Adopted 02/26/2009)
5. Designated project staff will annually provide Council and Town Manager a status report of all projects funded by debt proceeds; including total proceeds drawn, spent and remaining.
(Amended TBD)

FINANCIAL REPORTING POLICIES

1. The Town's accounting and financial reporting systems will be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP), and the standards of the Government Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).
(Adopted 02/26/2009; Amended TBD)
2. A budgetary control system will be maintained to ensure compliance with the budget. All departments will be provided direct electronic access to their budget and actual expenditure information.
(Adopted 02/26/2009; Amended TBD)
3. Quarterly financial reports will be distributed to Council, the Town Manager and all departments for review.
(Adopted 02/26/2009; Amended TBD)
4. Financial systems will maintain internal controls to monitor revenues, expenditures, and program performance on an ongoing basis.
(Adopted 02/26/2009)
5. An annual audit will be performed by an independent public accounting firm, with an audit opinion to be included with the Town's published Comprehensive Annual Financial Report (CAFR).
(Adopted 02/26/2009)
6. The Town's CAFR will be submitted annually to the GFOA Certification of Achievement for Excellence in Financial Reporting Program. The financial report should be in conformity with GAAP, demonstrate compliance with finance related legal and contractual provisions, disclose thoroughness and contain sufficient details, and minimize ambiguities and potentials for misleading inferences.
(Adopted 02/26/2009)
7. The Town will use the same accounting basis for budgeting that is used to prepare its annual audited CAFR, and Annual Expenditure Limitation Report.
(Adopted TBD)
8. The Town's budget will be submitted to the GFOA Distinguished Budget Presentation Program. The budget should satisfy criteria as a financial and programmatic policy document, as a comprehensive financial plan, as an operations guide for all organizational units and as a communication device for all significant budgetary issues, trends and resource choices.
(Adopted 02/25/2010; omitted 04/28/2016; restated TBD)
9. A Strategic Revenue Plan will be integrated with the Town's budget process. This will provide analyses of specific revenue trends, their basis and how likely risk factors could influence their performance and would impact the Town's governmental operations, obligation repayments and capital improvement plans in adverse economic conditions. Town Management will monitor revenues and provide Town Council notice if any revenue trend or risk indicator signal an onset of materially adverse conditions.
(Adopted 06/13/2019; Amended TBD)