

# BUDGET 2021: FINANCIAL MANAGEMENT POLICIES AND ORDINANCE 2020-04



April 9<sup>th</sup>, 2020

# AUTHORIZING PAYMENTS

# Ordinance 2020-04

## Background

Staff has identified various opportunities for enhancing processes and workflows.

A common theme is moving from manual to secured automated processes.

Expected to be more efficient and effective, with stronger quality and internal controls.

Initially planned for later in the year; the time needs to be moved up.

Town auditor reviewed; no concern with I/C

## Purpose

The Town is facing new challenges and this recommended code amendment is to maintain continuity of operations for paying Town obligations timely and accurately, while continuing to adhere to the Town's strong set of internal controls.

## Effective Date

If approved, it is recommended to waive the waiting period for Town Ordinances and be effective immediately.



# Table 4: Survey respondents

From January 9, 2020

Municipality	Authorized Check Signers									Threshold Method
	#1		#2		#3		#4		#5	
Phoenix	City Manager	and	City Clerk	-	-	-	-	-	-	All Checks Electronic
Scottsdale	Mayor	or	Treasurer / Chief Financial Officer	-	-	-	-	-	-	All Checks Electronic
Tempe	Deputy City Manager	and	Chief Financial Officer	-	-	-	-	-	-	All Checks Electronic
Buckeye	Mayor	and	City Manager	or	Chief Financial Officer	-	-	-	-	All Checks Electronic
Yuma (County)	Board Chair	and	Clerk of the Board	or	Chief Financial Officer	-	-	-	-	All Checks Electronic
Paradise Valley	Town Manager	or	Mayor	or	Vice Mayor	or	Deputy Town Manager	or	Town Clerk	\$25,000 Requires two Electronic
Paradise Valley	Mayor	and / or	Vice Mayor	if "or" then one of	Town Manager	or	Deputy Town Manager	-	-	Greater than \$25,000 Manual Signature
Most municipalities emphasis their strong internal controls										



# AUTHORIZING PAYMENTS

Ordinance 2020-04

Authorizing Warrants to be Paid by Check or Electronic Transfers; Authority to Sign Town Checks or Electronic Signatures; Town warrants **may be in the form of checks, automated clearing house transfers, or wire transfers that are** ~~which shall be in the forms of checks~~ drawn on the Town's bank account or accounts issued by order of the Mayor and Council **and** shall be **electronically authorized or** signed as follows:

1. For any amount that is twenty-five thousand dollars (\$25,000) or less, **two signatures (either in ink or electronically) of** any combination of the Town Manager, Chief Finance Officer, Mayor, Vice Mayor, or Town Clerk ~~are authorized to sign and countersign.~~
2. For any amount greater than twenty-five thousand dollars (\$25,000), **signatures (either in ink or electronically) by either** ~~checks shall be signed by~~ the Mayor **and or** Vice Mayor, ~~or, and by one of them with countersignature~~ either the Town Manager or the Chief Finance Officer **is required.**





# GFOA DOCUMENTATION

## On the GFOA website

Government Finance Officers Association

Complete List of GFOA Best Practices and Advisories (Alphabetical)

Click to Show Best Practices Applicable to Canadian Governments

Type: Best Practice

Background:

Financial policies are central to a strategic, long-term approach to financial management.

E-Books

Publications

Other Products

Government Finance Review

TRAINING

Search for Training

CPE Guide

Guide for Instructors

GFOA Leadership

Calendar of Events

community.

3. Define boundaries. Financial policies define limits on the actions staff may take. The policy framework provides the

> Pension & Benefit Administration

> Technology

> Treasury and Investment Management

Documents are available: On line, hard copy or email



## Best Practice & Advisories

# FINANCIAL MANAGEMENT POLICIES

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## General Overview of

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Along with other Council priorities, the Town's Adopted Financial Management Policies are integral in framing the Town's financial management including budgets, financial forecasts and plans.

Staff will "highlight" recommended policy updates and available for discussion.

Note: Definitions of Accounting and Legal terms may vary.



## Investment Policy

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The Town's Investment policy is a separate document that was reviewed comments on by industry professionals. But, with the current events and market conditions, staff efforts are focused in other financial priorities.

## Questions / Clarifications

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Council action is tentative with the annual budget resolution in June 2020. Time for discussion & feedback will be available through the budget process.

# FINANCIAL 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). ~~All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.~~  
(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 ~~Operating~~ expenses will not be funded by debt issuance.  
(Adopted 02/26/2009; Amended TBD)



# FINANCIAL POLICIES

## Operating Budget Policies

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, and 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. ~~The acceptable recovery rate and any associated changes to user fees and charges will be approved by the Town Council.~~

(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)





# FINANCIAL POLICIES

## Operating Budget Policies

~~9. The Town shall prudently maximize its investment income; generally to be used for expenditures not subject to the State imposed expenditure limitation.~~

~~(Adopted 02/26/2009)~~

~~9. Shifts in appropriations~~Budget amendments within a fund and among departments s that is less than totals not exceeding \$50,000 may be done administratively on the written authority of the Town Manager by transferring budgeted funds from one department to another department to avoid contingency fund expenditure. ~~Procedures for appropriations transfers and delegation of budget responsibility will be set by the Town Manager.~~

~~(Adopted 02/26/2009; Amended TBD)~~

10. Budget amendment ~~Procedures for appropriations transfers and~~ the delegation of budget responsibility shall ~~will~~ be set by the Town Manager.

~~(Adopted 02/26/2009; Amended TBD)~~



# FINANCIAL POLICIES

## Operating Budget Policies

11. Budget amendments Shifts within a single department ~~appropriations between personnel expenditures, expenses, capital leases, and photo radar expenditures~~ 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. Construction sales tax in excess of \$0.5 million will be transferred from the operating budget to the CIP fund to provide a dedicated CIP funding.~~ {this is duplicated in the “Capital Budget Policies” Section}

13. All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.

(Adopted 02/26/2009)



# FINANCIAL POLICIES

## Operating Budget Policies

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)



# FINANCIAL POLICIES

## 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.
- ~~2.3.~~ ~~Therefore, the CIP~~ [capital improvement plan](#) shall differentiate between those projects which will be financed from designated, recurring revenues and those which will be financed from ~~the future~~ [resources](#) ~~capital project fund~~.
- ~~3.4.~~ Operating costs to maintain capital improvements and [any](#) additional resource needs will be estimated and identified as part of the capital project review process.  
[\(Adopted 02/26/2009\)](#)



# FINANCIAL POLICIES

## Capital Budget Policies

~~4.5.~~The Town Council ~~may~~shall designate revenue sources for financing recurring non-capital maintenance, ~~capital improvement projects~~ such as street resurfacing, in the 5-year financial plan. ~~These revenue sources will be available to finance such projects on an ongoing basis.~~

(Adopted 02/26/2009; Amended TBD)

~~5.6.~~A separate Capital projects shall be segregated based on whether they are funded by governmental funds, bond financing, or enterprise funds ~~capital project fund shall be created. All funds accumulated in this fund shall be used exclusively for capital projects, but only after specific authorization by the Town Council.~~

(Adopted 02/26/2009; Amended TBD)

~~6.7.~~Project appropriations and amendments shall be consistent with the capital improvement plan and must be approved by the Town Council.

(Adopted 02/26/2009)





# FINANCIAL POLICIES

## Capital Budget Policies

8. ~~Construction sales tax over in excess of \$0.5 million will be transferred from the operating budget to the CIP fund to provide a dedicated~~ be assigned to fund capital improvement projects and capital improvement debt obligations. ~~CIP funding.~~

(Adopted 04/28/2016; Amended TBD)

- ~~7.~~ 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)



# FINANCIAL POLICIES

## Contingency and Reserves

1. ~~The following adopted budgets shall contain an operating contingency: The General, Highway User Revenue, Alarm, Fire/EMS, and Wastewater Operating Funds~~ shall contain an operating contingency budgets in. ~~It shall be an amount of no less than 1% and of the adopted budget total, but no more than 3% of the adopted budget total. The operating contingency account shall be and is preferably funded from current revenues, just as any other planned operating expenses. Use of €Contingency appropriations that are less than \$25,000 and supported by current revenues which are less than \$25,000 may be made administratively under the written authority of the Town Manager do not require Town Council approval. All uses of €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)



# FINANCIAL POLICIES

## Contingency and Reserves

2. ~~A~~ An emergency reserve for unforeseen emergencies, such as a significant loss of revenues or catastrophic occurrences, that impact the Town will be maintained ~~equal to at no less than~~ least 90% to, but not more than 110% of the, ~~of the annual operating budget (General and HURF funds)~~ General fund and HURF estimated operating expenditures for the subsequent fiscal ~~will be maintained. The amount will be calculated using the budgeted expenses for the following year. The reserve is to be used for unforeseen emergencies, such as a significant loss of revenues or catastrophic impacts on the Town.~~ Should ~~At the time the Town Council approves~~ setting ~~the use of the reserve below 90%, it will also identify the~~ 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 desires to develop new reserve policies for major liabilities such as employee healthcare and risk management.~~

(Adopted 04/28/2016; Amended TBD)



# FINANCIAL POLICIES

## Contingency and Reserves

~~4.3.~~ The Town assigns funds ~~desires to develop new sinking funds to accumulate 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)

~~5.4.~~ Reserves equal to a minimum of 90 days of the estimated subsequent years' operating expenses will be maintained by each Enterprise fund ~~for the following funds: Alarm, Fire/EMS, and Wastewater Operations. The amount will be calculated using the budgeted operating expenses for the following year and will be used for~~ in order to promote revenue stabilization and finance major repairs.

(Adopted 04/28/2016; Amended TBD)



# FINANCIAL POLICIES

## Contingency and Reserves

~~6. The Contingency Fund is intended to create budget authority for the Town's remaining spending authority under the State of Arizona's Annual Expenditure Limit. Use of this authority requires approval of the Town Council.~~

~~(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)





# FINANCIAL POLICIES

## Debt Service Policies

1. Long-term debt shall not exceed the Town's resources for repaying the debt.  
(Adopted 02/26/2009)
2. ~~Capital~~ Lease purchasing shall generally should only be used for financing capital equipment, and land purchases and building improvements in order to exempt ~~remove~~ the expenditures from the State imposed expenditure limitation, or when a lease is more advantageous to the Town.  
(Adopted 02/26/2009; Amended TBD)



# FINANCIAL POLICIES

## Debt Service Policies

3. Bond issuance shall be limited to ~~capital improvement~~ projects where; issuing bonds is allowed under Arizona state law and more beneficial to the Town than ~~too large to be financed with~~ from current revenues or cash on-hand; or the project is so ~~too large~~ that payment from current revenues will result in exceeding ~~to be included in~~ 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)
- 4.5. 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 POLICIES

## 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. ~~Monthly reports will be distributed to the Town Manager and Departments for management of the budget.~~ All departments will be provided direct electronic access to their budget and actual expenditure information.

- ~~2.3.~~ Quarterly financial reports will be distributed to prepared for Council, the Town Manager and all departments for review.

(Adopted 02/26/2009; Amended TBD)

- ~~3.4.~~ Financial systems will maintain internal controls to monitor revenues, expenditures, and program performance on an ongoing basis.

(Adopted 02/26/2009)



# FINANCIAL POLICIES

## Financial Reporting Policies

- 4.5. 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 sufficiency, and minimize ambiguities and potentials for misleading inferencess.

(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)



# FINANCIAL POLICIES

## Financial Reporting Policies

8. Effective July 1, 2012 and thereafter, 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)





# OTHER PRIORITIES

## RESOLUTION NUMBER 2016-19

**A RESOLUTION OF THE TOWN OF PARADISE VALLEY, ARIZONA, DECLARING THE EXPEDIENT RESOLUTION OF THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS) UNFUNDED LIABILITY A PRIORITY;**

WHEREAS, the Town has a PSPRS unfunded liability exceeding \$18 million; and  
WHEREAS, the Town is assessed an 8% annual fee on any outstanding balance; and  
WHEREAS, the State Legislature amended state law to correct the structural issues which would generate future increases to the unfunded liability; and  
WHEREAS, the Town Council has established a Council goal of a long term balanced budget;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF PARADISE VALLEY, ARIZONA THAT:

The expedient resolution of the PSPRS unfunded liability is a Council priority. It is the Council's intent to pay off the liability as quickly as reasonably possible. The Town will plan through its budgeting processes to pay the unfunded liability over a three-year period

to avoid significant future assessment costs. Each year the Town will revisit to ensure that current revenues are sufficient to allow for the continuation of the payment schedule.

PASSED AND ADOPTED by the Town Council this 13th day of October 2016.



## STRATEGIC INITIATIVES

### ► VISION:

The Town of Paradise Valley makes every effort to enhance the community's unique character for its residents and people from around the world.

### ► MISSION:

The Town of Paradise Valley provides high quality public services to a community which values limited government.

### ► VALUES:

- ❖ Professionalism;
- ❖ High quality customer service;
- ❖ Teamwork;
- ❖ Respect;
- ❖ Accountability;
- ❖ Transparency; and
- ❖ Respect for Town Heritage.

### ► STRATEGIC INITIATIVES:

- Diligently preserve the special character of Paradise Valley by enforcing the land use policies identified in the Town's General Plan, Town Codes and SUP agreements
- Continuously provide high quality public safety services for Town residents and visitors
- Regularly invest in public facility and infrastructure projects
- Conscientiously manage the Town's financial resources
- Consistently identify opportunities to create and promote a more sustainable community

## OTHER FINANCIAL POLICIES

## Council Direction

### Policies in Development

- Investment Policy updates
- PSPRS funding policy (ARS required)
- PSPRS UAAL reserve policy
- Staff's recommendation is to align the financial management policies to the GFOA recommended structure.

### Council Direction

Council action is tentative with the annual budget resolution in June 2020. Time for discussion is available through the budget process.

### Quality Review

In January and February of 2020, The Town's recent independent auditing firm had reviewed, provided comments, and did not have accounting, financial reporting or internal control concerns.



# BUDGET 2021: FINANCIAL MANAGEMENT POLICIES AND ORDINANCE 2020-04



April 9<sup>th</sup>, 2020