

RESOLUTION 06-11308

A RESOLUTION ADOPTING A FINANCIAL POLICY FOR THE CITY, CONSISTING OF BUDGETARY AND FINANCIAL PLANNING, FINANCIAL REPORTING, CAPITAL IMPROVEMENT, DEBT MANAGEMENT AND INVESTMENT; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Government Finance Officers Association encourages an active and ongoing discussion of the financial policies of the City, and requires the policies to be included in the budget; and

WHEREAS, the purpose of a set of Financial Policies is to demonstrate that the City is committed to strong financial operations, and to provide a strong precedent for future policy makers and financial managers on the city's financial goals and strategies; and

WHEREAS, the draft Financial Policies were first disclosed to Council in the 2006-07 Preliminary Budget Document; and

WHEREAS, The attached set of policy statements covers the main areas of financial policies;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NAPLES, FLORIDA:

Section 1. That the Financial Policy of the City, including policies for budgetary and financial planning, financial reporting, capital improvement, debt management and investment, is hereby adopted, a copy of which is attached hereto and made a part hereof.

Section 2. This resolution shall take effect immediately upon adoption.

PASSED IN OPEN AND REGULAR SESSION OF THE CITY COUNCIL OF THE CITY OF NAPLES, FLORIDA, THIS 6TH DAY OF SEPTEMBER, 2006.

Bill Barnett, Mayor

Attest:

Approved as to form and legality:

Tara A. Norman, City Clerk

Robert D. Pritt, City Attorney

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Date filed with City Clerk: _____



Financial Policy

The Government Finance Officers Association encourages an active and ongoing discussion of the financial policies of the City, and requires the policies to be included in the budget.

The purpose of the policies is to demonstrate to the relevant parties that the City is committed to strong financial operations, and to provide a strong precedent for future policy makers and financial managers on the city's financial goals and strategies.

I. Budgetary and Financial Planning Policies

1. The budget must be balanced for all funds. Total anticipated revenues must equal total estimated expenditures for each fund (Section 166.241 of Florida Statutes requires that all budgets be balanced.) A balanced budget requires each operating fund to have revenues fully cover expenditures. Fund balance, if used as a source of revenue, may only be used deliberately to either intentionally reduce a surplus, to fund one time capital, or to provide a short-term funding with the intent to repay.
2. The City will avoid procedures that balance current operating expenditures at the expense of meeting future year's expenses, such as postponing expenditures or accruing future years' revenues.
3. The budget will provide adequate funding for maintenance and replacement of capital, plant and equipment.
4. The budget will provide full funding for employees and their related costs.
5. Administrative Service Charges will be charged from the General Fund to the major operating funds. The calculation will use a step allocation basis, such that each fund pays its proportionate share of their administrative costs, such as Human Resources, Accounts Payable and City Clerk. At a minimum, the administrative service charge shall be reviewed biannually.
6. After adoption, the budget shall be posted to the City's website.
7. As part of the budget, the City shall review its fees for services. Fees shall be analyzed as to whether we intend to recover full cost of providing the service or when we may charge more or less than full cost. For example, certain recreation fees shall be established to cover the full cost of operations. The Tennis Fund, the City Dock, Solid Waste and Water/Sewer Utility shall always have rates established to cover full cost of operations.
8. Regular and moderate rate increases are preferred to avoid large increases at irregular intervals.
9. The City'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 and as a communications device.

10. The City encourages a diversity of revenue sources in order to improve the ability to handle fluctuations in individual sources. Revenue diversity shall be tracked in the budget document.
11. The City will avoid the use of one-time revenues for ongoing expenditures. Any such use shall be noted and justified.
12. The City has adopted a separate policy on Fund Balance. The policy adopted by Resolution 02-9845 in October 2002 is designed to ensure that the city maintains a prudent level of financial resources to protect against the need to reduce service levels or raise taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. Resolution 02-9845 will be revised over time to reflect either changes in accounting practices or changes in funds. By reference, this set of policies is intended to incorporate any future Fund Balance resolutions.

II. Financial Reporting Policies

1. The City shall prepare an annual audit in accordance with Generally Accepted Accounting Practices, and the City shall apply for the GFOA Certificate of Achievement Program.
2. The City shall prepare monthly reports to Council and the City Manager comparing actual to budgeted revenue and expense activity for all major operating funds.
3. The City shall establish and maintain a set of standard accounting practices, which shall include internal controls.
4. Financial systems will maintain internal controls that enable users to monitor revenues, expenditures on an ongoing basis.
5. The City's accounting and financial reporting systems will be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).
6. An annual audit will be performed by an independent public accounting firm, with an audit opinion to be included with the City's published Comprehensive Annual Financial Report (CAFR).

III. Capital Improvement Policies

1. The City will annually develop a five-year capital improvement program as required by Chapter Two of the City Charter.
2. The city shall seek intergovernmental assistance, such as grants, whenever possible to finance the capital outlined in the CIP.
3. The City will coordinate development of the capital improvement budget with the development of the annual operating budget. Each capital improvement project will be reviewed for its impact on the operating budget in terms of revenue generation, additional personnel required and additional operating expenses.
4. Capital improvement projects are defined as infrastructure or equipment purchases or construction which results in a capitalized asset costing

more than \$2,500 and having a useful (depreciable life) of two years or more.

5. The Finance Department shall maintain a complete inventory of all major capital assets. This listing shall be annually distributed to departments to aid in the assessment of condition of the City's assets.

IV. Debt Management Policies

1. The City will seek to maintain and, if possible, improve our current bond rating in order to minimize borrowing costs and preserve access to credit.
2. An analysis showing how the new issue combined with current debt impacts the City's debt capacity and conformance with City debt policies will accompany every bond issue proposal.
3. City of Naples will not issue Debt Obligations or use debt proceeds to finance current operating and maintenance expenditures.
4. City of Naples will utilize Debt Obligations only for capital improvement projects that cannot be funded from current revenue sources or in cases in which it is more equitable to finance the project over its useful life.
5. Prior to the issuance of any additional general obligation debt, the City will consider adopting a policy(s) that identifies the maximum amount of debt and debt service that should be outstanding at any time.
6. The City will consider the refunding of outstanding debt when at least a 4% net present value savings can be obtained
7. Debt will not be issued for periods longer than the useful life of the project.
8. Whenever possible, the city will use special assessment or self-supporting bonds instead of general obligation bonds, so that those who benefit from the improvement will bear all or part of the cost of the project.

V. Investment Policies

1. The City has adopted a separate Investment Policy in accordance with State Law. Please see Ordinance 05-10940, which was passed in September 2005. Topics in this detailed policy include objectives, ethical standards and prudence, authorized investments and diversification, internal controls and reporting.