

**CITY OF WASILLA  
ORDINANCE SERIAL NO. 02-33**

**AN ORDINANCE OF THE WASILLA CITY COUNCIL ADOPTING WMC 5.02,  
FINANCIAL POLICIES.**

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\* **Section 1. Classification.** This ordinance is of a general and permanent nature and shall become part of the city code.

\* **Section 2. Adoption of chapter.** WMC 5.02, Financial Policies, is adopted to read as follows:

**Chapter 5.02**

**FINANCIAL POLICIES**

**5.02.010 Financial Policies .**

The financial policies of the city establish the framework for overall fiscal planning and management and set forth guidelines for both current activities and long-range planning. These policies are reviewed annually to assure the highest standards of fiscal management. The mayor and the department directors have the primary role of reviewing financial actions and providing guidance on financial issues to the council.

**5.02.020 Overall Goals.**

A. The overall financial goals underlying these policies are:

1. Fiscal conservatism to ensure that the city is in a solid financial condition at all times. These can be defined as:

- a. Cash Solvency, the ability to pay bills.
- b. Budgetary Solvency, the ability to balance the budget.
- c. Solvency, the ability to pay future costs.
- d. Service Level Solvency, the ability to provide needed and desired services.

2. Flexibility to ensure that the city is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.

3. Adherence to the highest accounting and management practices as set by the Government Finance Officers' Association standards for financial reporting and budgeting, the Governmental Accounting Standards Board, and other professional standards.

#### **5.02.030 Operating Budget Policies.**

A. The budget is a plan for allocating resources. The objective is to enable service delivery with allocated resources. Services must be delivered to the citizens at a level that will meet real needs as efficiently and effectively as possible. The city's goal is to pay for all recurring expenditures with recurring revenues and to use non-recurring revenues for non-recurring expenditures. It is important that a positive undesignated fund balance and a positive cash balance be shown in all governmental funds at the end of each fiscal year. When deficits appear to be forthcoming within a fiscal year, spending during the fiscal year must be reduced sufficiently to create a positive undesignated fund balance and a positive cash balance. When possible, the city will integrate performance measurement and productivity indicators within the budget. This should be done in an effort to improve the productivity of city programs and employees.

Productivity analysis should become a dynamic part of the city administration. The budget must be structured so that the council and the general public can readily establish the relationship between expenditures and the achievement of service objectives. The individual department budget submissions must be prepared with the basic assumption that the council will always attempt to maintain the current tax rates. Budgetary review by the administration and council will focus on the following basic concepts:

1. Staff Economy. The size and distribution of staff will be a prime concern. The council will seek to limit staff increases to areas where approved program growth and support absolutely requires additional staff and to reduce staff where this can be done without adversely affecting approved service levels.

2. Capital Construction. Emphasis will be placed upon continued reliance on a viable level of pay-down capital construction to fulfill needs in a city approved comprehensive capital improvements program.

3. Program Expansions. Proposed expansion to existing programs and services must be submitted as budgetary increments requiring detailed justification. Every proposed program or service expansion will be scrutinized on the basis of its relationship to the health, safety, and welfare of the community.

4. New Programs. New programs or services must also be submitted as budgetary increments requiring detailed justification. New programs or services will be evaluated on the same basis as program expansion plus an analysis of long term fiscal impacts.

5. Existing Service Costs. The justification for base budget program costs will be a major factor during budget review.

6. Administrative Costs. In all program areas, administrative overhead costs should be kept to an absolute minimum.

B. Functions of all departments and agencies should be reviewed in an effort toward reducing duplicate activities within the city government. The budget will provide for adequate maintenance of capital plant and equipment and for its orderly replacement. The administration will maintain budgetary controls at the character level within each organizational unit. Characters are broad classifications of expenditures, fringe benefits, and contractual services. The preparation and distribution of monthly budget status reports, interim financial statements, and annual financial reports is required. The city will develop and annually update a long-range (three to five year) financial forecasting system that will include projections of revenues, expenditures, and future costs and financing of capital improvements that are included in the capital budget.

**5.02.040 Debt Policies.**

A. The city will not fund current operations from the proceeds of borrowed funds.

B. The city will consider short-term borrowing or lease/purchase contracts for financing major operating capital equipment when the finance director, along with the city's financial advisor, determines that this is in the city's best financial interest. Lease/purchase decisions should have the concurrence of the appropriate operating manager.

C. Short-term debt should not exceed five percent of annual revenue, and short-term debt should not exceed 20 percent of total debt.

D. When the city finances capital projects by issuing bonds, it will repay the debt within a period not to exceed the expected useful life of the project.

E. Target debt ratios will be annually calculated and included in the review of financial trends.

F. Annual general obligation debt service should not exceed 20 percent of annual general fund revenue.

G. The city will maintain good communications about its financial condition with bond and credit institutions.

H. The city will follow a policy of full disclosure in every annual financial statement and bond official statement.

I. The city will avoid borrowing on tax anticipation and maintain an adequate fund balance.

**5.02.050 Revenue Policies.**

A. The city will try to maintain a diversified and stable revenue structure to shelter it from short-run fluctuations in any one-revenue source.

B. The city will attempt to maintain a diversified and stable economic base by supporting policies that promote tourism, agriculture, commercial, and industrial employment.

C. The city will estimate its annual revenues by an objective, analytical process.

D. The city, where possible and reasonable, will institute user fees and charges for specialized programs and services. Rates will be established to recover operational, as well as capital or debt service costs.

E. The city will regularly review user fee charges and related expenditures to determine if pre-established recovery goals are being met.

F. The city will routinely identify governmental aid funding possibilities. Before applying for and accepting intergovernmental aid, the city will assess the merits of a particular program as if it were funded with local tax dollars. Local tax dollars will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits as a budgetary increment.

#### **5.02.060 Investment Policies.**

A. The city will maintain an investment policy based on the Government Finance Officers Association model investment policy.

B. The city will conduct an analysis of cash flow needs on an ongoing basis. Disbursements, collections, and deposits of all funds will be scheduled to ensure maximum cash availability and investment potential.

C. When permitted by law, the city will pool its various funds for investment purposes.

D. The city will obtain the best possible return on all investments consistent with the underlying criteria of liquidity and safety of principal.

E. The city will regularly review contractual opportunities for consolidated banking services.

#### **5.02.070 Accounting, Auditing, and Reporting Policies.**

A. The city will establish and maintain a high standard of accounting practices in conformance with Generally Accepted Accounting Principals.

B. The accounting system will maintain records on a basis consistent with accepted standards for government accounting according to the Government Accounting Standards Board.

C. Regular monthly financial statements and annual financial reports will present a summary of financial activity by departments and agencies within all funds.

D. Where possible, the reporting system will also provide monthly information on the total cost of specific services by type of expenditure and revenue by fund.

E. An independent firm of certified public accountants will perform an annual financial and compliance audit and will publicly issue an opinion, which will be incorporated into the Comprehensive Annual Financial Report.

F. The city will annually strive for the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting and the Government Finance Officers Association Distinguished Budget Presentation Award.

#### **5.02.080 Capital Budget Policies.**

A. The city will make all capital improvements in accordance with an adopted capital improvements program.

B. The city will develop a multi-year plan for capital improvements that considers its development policies and links the development process with the capital plan.

C. The city will enact an annual capital budget based on the multi-year capital improvements program.

D. The city will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital projects will be projected and included in operating budget forecasts.

E. The city will maintain all its assets at a level adequate to protect its capital investments and to minimize future maintenance and replacement costs.


F. The city will identify the "full-life" estimated cost and potential funding source for each capital project proposal before it is submitted to the Council for approval.

G. The city will determine the total cost for each potential financing method for capital project proposals.

H. The city will identify the cash flow needs for all new projects and determine which financing method best meets the cash flow needs of the project.

\* **Section 3. Effective date.** This ordinance shall take effect upon adoption of the Wasilla City Council.

ADOPTED by the Wasilla City Council, Alaska, on June 10, 2002.

  
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SARAH PALIN, Mayor

ATTEST:

  
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KRISTIE SMITHERS, CMC  
City Clerk

[SEAL]





**CITY OF WASILLA**

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TO: Wasilla City Council  
THRU: Mayor Sarah Palin *SP*  
FROM: Finance Department  
DATE: May 20, 2002  
**SUBJECT: Ordinance Serial No. 02-33**

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**SUMMARY:**

As stated in the ordinance, the purpose of implementing Financial Policies is to establish a framework for overall fiscal planning and management and to set forth guidelines for both current activities and long-range planning. The City of Wasilla has used these policies in developing the FY 03 operating budget that the City of Wasilla's Council adopted on May 13, 2002.

The overall goal in adopting these goals is to ensure that the City of Wasilla is in a solid financial condition at all times, that the City of Wasilla is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress, and that the City of Wasilla adheres to the high accounting and management practices set forth by GFOA, GASB and other professional bodies.

*FISCAL IMPACT:* If yes, amount requested:

*RECOMMENDED ACTION:* Adopt Ordinance Serial No. 02-33

*ATTACHMENTS:*