

Town of Tusayan, Arizona

***Principles Of Sound
Financial Management***

Draft June 12, 2012

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Adoption Resolution

Introduction

The town has an important responsibility to its citizens to carefully account for public funds, to manage its finances wisely, and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. In these times of tight budgets, of major changes in federal and state policies toward local government, and of limited growth in the town's tax base, the town needs to ensure that it is capable of adequately funding and providing those government services desired by the community. Ultimately, the town's reputation and success will depend on the public's awareness and acceptability of the management and delivery of these services.

These adopted ***Principles of Sound Financial Management*** establish guidelines for the town's overall fiscal planning and management. These principles are intended to foster and support the continued financial strength and stability of the Town of Tusayan as reflected in its financial goals. The town's financial goals are broad, fairly timeless statements of the financial position the town seeks to attain:

- To deliver quality services in an affordable, efficient and cost-effective basis providing full value for each tax dollar.
- To maintain an adequate financial base to sustain a sufficient level of municipal services, thereby preserving the quality of life in the Town of Tusayan.
- To have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of our community, and to respond to changes in Federal and State priorities and funding as they affect the town's residents.
- To pursue a high bond credit rating to ensure the town's access to the bond markets and to provide assurance to the town's taxpayers that the town government is well managed and financially sound.

Following these principles will enhance the town's financial health as well as its image and credibility with its citizens, the public in general, bond rating agencies and investors. To achieve these purposes as the Town of Tusayan continues to grow and develop, it is important to regularly engage in the process of financial planning including reaffirming and updating these financial guidelines. Policy changes will be needed as the town continues to grow and become more diverse and complex in the services it provides, as well as the organization under which it operates to provide these services to its citizens.

Policy 1

Fiscal Planning and Budgeting

Fiscal planning refers to the process of identifying resources and allocating those resources among numerous and competing purposes. The primary vehicle for this planning is the preparation, monitoring and analysis of the town's budget. It is increasingly important to incorporate a long-term perspective and to monitor the performance of the programs competing to receive funding.

- 1.01 The Town Manager shall submit to the Town Council a proposed annual budget, based on Council's established goals, and shall execute the budget as finally adopted, pursuant to the Arizona Revised Statutes. The town will budget revenues and expenditures on the basis of a fiscal year which begins July 1 and ends on the following June 30.
- 1.02 The town will prepare a five-year long-range financial forecast that will incorporate both revenue and expenditure estimates for the town's major operating funds. The five-year long-range forecast will be updated annually and presented to the Town Council during the town budget process.
- 1.03 The operating budget will be based on the principle that current operating expenditures, including debt service, will be funded with current revenues. The budget will not use one-time (non-recurring) sources to fund continuing (recurring) uses, postpone expenditures, or use external borrowing for operational requirements. The budget will incorporate the best available estimates of revenues and expenditures.
- 1.04 Ideas for improving the efficiency and effectiveness of the town's programs and the productivity of its employees will be considered during the budget process.
- 1.05 Unspent appropriations for significant programs and major projects will be considered for reappropriation in the subsequent fiscal year. Such carryover of appropriation shall be included in the proposed budget.
- 1.06 The town's annual budget will include contingency appropriation to provide for unanticipated increases in service delivery costs, emergencies, and needs that may arise throughout the fiscal year. The contingency appropriation can only be expended upon separate Council action.
- 1.07 The town shall establish appropriate management controls to monitor expenditure budgets to ensure they do not exceed authorizations.
- 1.08 If a deficit is projected during the course of a fiscal year, the town will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using the Unassigned General Fund Balance.

Policy 2

Fund Balance

Fund balance is an important indicator of the town's financial position. Maintaining reserves is considered a prudent management practice. Adequate fund balances are maintained to allow the town to continue providing services to the community in case of unexpected emergencies or requirements and/or economic downturns.

- 2.01 In an effort to ensure the continuance of sound financial management of public resources, the Town of Tusayan's Unassigned General Fund Balance will be maintained to provide the town with sufficient working capital and a comfortable margin of safety to address emergencies, sudden loss of revenue or operating needs, and unexpected downturns without borrowing.

This policy establishes the amounts the town will strive to maintain in its General Fund balance, the conditions under which fund balance may be spent, and the method by which fund balances will be restored. These amounts are expressed as goals, recognizing that fund balance levels can fluctuate from year to year in the normal course of operations for any local government.

- 2.02 It is the intent of the town to limit use of Unassigned General Fund balances to address unanticipated, non-recurring needs or known and planned future obligations. Fund balances shall not normally be applied to recurring annual operating expenditures. Unassigned balances may, however, be used to allow time for the town to restructure its operations in a deliberate manner, but such use will only take place in the context of long-term financial planning.

- 2.03 The town will maintain an "Emergency Reserve" in the General Fund of _____. Any usage of Emergency Reserves must be appropriated by the Town Council. However, the Town Manager may utilize these funds when immediate action must be taken to protect the health and safety of residents. When this occurs, the Town Manager shall provide a summary report to the Council as soon as practical on the usage of these funds. In the event these "Emergency Reserve" funds are used, the town shall strive to restore the General Fund Emergency Reserve to the previous level within the next fiscal year following the fiscal year in which the event occurred.

- 2.04 The town will maintain an additional General Fund "Operating Reserve" with an upper goal of an additional _____. The Operating Reserve is intended to be a reserve for unexpected events whose impact exceeds \$500,000 such as failure of the State to remit revenues to the town, unexpected mandates, unexpected loss of State Shared revenues, continuance of critical town services due to unanticipated events, or to offset the unexpected loss of a significant funding source for the remainder of the fiscal year.

Any use of the Operating Reserve funds must be approved by the Town Council and include a repayment plan that projects to restore the Operating Reserve to the previous level within two fiscal years following the fiscal year in which the event occurred.

- 2.05 The town will maintain an additional General Fund "Budget Stabilization Reserve" with an upper goal of an additional _____. The Budget Stabilization Reserve may be used to provide funding to deal with fluctuations in fiscal cycles and operating requirements that exceed \$500,000. The reserve funds will provide time for the town to restructure its operations in a deliberate manner to ensure continuance of critical town activities.

Any use of the Budget Stabilization Reserve funds must be approved by the Town Council and include a repayment plan, based on a multi-year financial projection, that plans to restore the Budget Stabilization Reserve to the previous level within the three fiscal years following the fiscal year in which the event occurred.

- 2.06 Funds in excess of the reserves described in the paragraphs above will be Unassigned General Fund Balance, and may be considered to supplement "pay as you go" capital outlay and one-time operating expenditures. These funds may not be used to establish or support costs that are recurring in nature.

Policy 3

Expenditure Control

Management must ensure compliance with the legally adopted budget. In addition, purchases and expenditures must comply with legal requirements and policies and procedures set forth by the town.

- 3.01 Expenditures will be controlled by an annual appropriated budget at the department/fund level. The Town Council shall establish appropriations through the budget process. The Council may transfer these appropriations as necessary through the budget amendment process.
- 3.02 The town will develop a purchasing system that provides needed commodities and services in a timely manner to avoid interruptions in the delivery of services. All purchases shall be made in accordance with the town's purchasing policies, guidelines and procedures and applicable state and federal laws. The town will endeavor to obtain supplies, equipment and services that provide the best value.
- 3.03 The town will endeavor to make all payments within the established terms. The town shall pay applicable contractor invoices in accordance with the requirements of Arizona Revised Statutes 34-221.
- 3.04 The State of Arizona sets a limit on the expenditures of local jurisdictions. The town will comply with these expenditure limitations and will submit an audited expenditure limitation report as defined by the Uniform Expenditure Reporting System (A.R.S. Section 41-1279.07) along with audited financial statements to the State Auditor General within the prescribed timelines.

Policy 4

Grants

Many grants require Council's appropriation of funds, either for the original grant or to continue programs after the grant funding has expired. Council should review these grant opportunities prior to determining whether application should be made for these grant funds.

- 5.01 The town shall apply for only those grants that are consistent with the objectives and high priority needs previously identified by Council. The potential for incurring ongoing costs, to include the assumption of support for grant-funded positions from local revenues, will be considered prior to applying for a grant.
- 5.02 The town shall attempt to recover all allowable costs – both direct and indirect – associated with the administration and implementation of programs funded through grants. The town may waive or reduce indirect costs if doing so will significantly increase the effectiveness of the grant.
- 5.03 All grant submittals shall be reviewed for their cash match requirements, their potential impact on the operating budget, and the extent to which they meet the town's policy objectives. When the potential for expenditures is \$20,000 or more, the Town Manager should seek Council approval prior to submission of the grant application. Council will be informed of any financial obligations that will be incurred by the town. If there is a cash match requirement, the source of funding shall be identified prior to application.
- 5.04 The town shall terminate grant-funded programs and associated positions when the grant has expired and funds are no longer available unless alternate funding is identified.