



**Town of Ross
Finance Policy Manual**

August 12, 2021

TABLE OF CONTENTS

1. Financial Management Policies	3
2. Financial Structure	5
2.1 Accounting System and Budgetary Control	5
2.2 Fund Descriptions	5
2.3 Governmental Funds.....	5
2.4 Proprietary Funds.....	6
2.5 Fiduciary Funds	6
3. Fund Balance and Reserve Policies	7
3.1 Fund Balance – Classification	7
3.2 Fund Reserves	7
4. Pension/OPEB Funding	10
4.1 Pension Accrued Liabilities.....	10
4.2 OPEB.....	10
5. Budget and Long-Term Planning	11
5.1 Budget Basis	11
5.2 Responsibility	11
5.3 Budget Preparation and Timeline	11
5.4 Operating Budget Objectives	12
5.5 Revenue Objectives.....	12
5.6 Capital Budget	12
5.7 Budget Implementation	13
5.8 Balanced Budget	13
5.9 Budget Revision.....	13
5.10 Long-Term Planning	13
6. Investments	14
6.1 Purpose	14
6.2 Objective	14
6.3 Policy	14
6.4 Investment Criteria	14
6.5 Investment Approach.....	15
6.6 Responsibility and Reporting	15
7. Debt	16
7.1 Purpose	16
7.2 In General.....	16
7.3 Purposes for Which Debt May Be Issued.....	16
7.4 Types of Debt	17
7.5 Relationship of Debt to Capital Improvement Program and Budget.....	17
7.6 Policy Goals Related to Planning Goals and Objectives.....	18

7.7	Internal Control Procedures.....	18
7.8	Bond Disclosure.....	18
8.	Procurement.....	20
8.1	Purpose	20
8.2	Purchasing Agent	20
8.3	Procurement Limits.....	21
8.4	Public Project Contracting Procedures	21
8.5	Surplus Supplies and Equipment.....	21
9.	Expenditures.....	22
9.1	Invoice Processing.....	22
9.2	Check Signing & Access to Checks.....	22
9.3	Employee Travel.....	22
9.4	Credit Card Policy	24
10.	Fixed Assets	27
10.1	Purpose	27
10.2	Capitalization Threshold	27
10.3	Duties and Responsibilities.....	27
10.4	Acquisition of Capital Assets.....	28
10.5	Annual Physical Inventory.....	28

1. FINANCIAL MANAGEMENT POLICIES

The Town has a goal to sustain financial responsibility and stability. Financial management policies assist in ensuring consistent, responsible financial management. Having a comprehensive set of financial policies helps to:

- Institutionalize good financial management practices. Formal policies usually outlive their originators and, thus, promote stability and continuity. They also obviate the need to reinvent approaches to recurring issues.
- Clarify strategic intent regarding financial management. Financial policies document a shared understanding of how the organization will manage its resources to provide the best value to the community.
- Define boundaries and ensure accountability. Financial policies identify who is accountable for what. The policy framework establishes limits within which staff can innovate in order to realize the City's strategic goals, while also protecting government resources.
- Promote long-term and strategic thinking. The strategic intent articulated in many financial policies encourages a long-term perspective.
- Manage risks to financial condition. A key component of governance accountability is to avoid excessive risk in the pursuit of public goals. Financial policies identify and seek to limit risks to financial condition.

The Town of Ross has established financial management policies to guide its decisions and actions in providing effective, efficient delivery of services and facilities in a financially responsible manner.

Budget and General Policies

- The Operating Fund annual budget will be balanced.
- Budgetary emphasis will focus on providing high quality municipal services, recognizing the fundamental importance to the citizens of public safety, responsive services, and properly maintained infrastructure and facilities.
- Strong customer service and productivity improvements with a focus on cost savings is an important budgetary goal.
- All current operating expenditures will be paid for with current revenues.
- One-time revenues should not be used to support ongoing operations.
- The primary uses for General Fund surpluses will be the rehabilitation and construction of capital facilities, the paying down of debts and long-term liabilities, and one-time expenses.
- Operating and capital budget items should be clearly distinguished and preferably reported separately.
- Interfund transfers regardless of duration or amount should be authorized by formal Council action.
- Revenues and expenses should be estimated on the basis of reasonable and conservative assumptions.

- Town staff will prepare financial summary and investment reports on a quarterly basis for Town Council and public review.

Revenue Policies

- Town shall seek to diversify the revenue base over time.
- Development service process costs and related administrative costs shall be completely offset with development charges and fees.
- Fee supported services shall neither over or under collect.

Reserve Policies

- The Operating Fund budget should achieve a year end fund balance of thirty percent of the budgeted Operating Fund expenditures plus thirty percent of the budgeted Operating Fund transfer to the Facilities and Equipment Fund.
- In addition, the Town has \$1,500,000 in the Emergency Fund within the Town General Fund.
- Reserves should be sufficient to provide adequate working capital so no borrowing is needed for cashflow purposes.

Long-Term Financial Planning

- Town will conduct an Operating Fund five-year financial forecast at least annually to support fiscal and programmatic decisions.
- The five-year Capital Improvement Plan (CIP) will be updated annually for the incorporation into the annual budget.
- Town will review, analyze, and implement steps to reduce the long-term costs of pensions and Other Post-Employment Benefit (OPEB) costs.

Cash Management

- Town Council will annually approve the Town Investment Policy which will follow the State Government Code requirements. The Town's investment objectives in order of priority are: safety; liquidity; and yield.
- To maximize yields, the Town will consolidate cash balances from funds for investment purposes and allocate investment earning to each fund.
- The investment portfolio will be maintained under the "Prudent Investor Standard".

Debt Policy

- Any Town issued debt will adhere to State and Federal laws, existing bond covenants, and prudent financial management.
- Debt should be issued only to support capital and not operating expenses of the Town.
- When the Town finances capital projects by issuing bonds, the bonds will be paid back within a time period that is consistent with the useful life of the project.

Audit Policy

- The Town will undergo an annual audit by a Certified Public accounting firm. Rotation of lead auditors or firms should be considered every five years.

2. FINANCIAL STRUCTURE

2.1 ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the Town's accounting systems, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition; and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that: 1) the cost of a specific control should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits require estimates and judgments by management. All evaluations of the Town's system of internal control will continue to occur within the above framework. The Town's internal accounting controls aim to adequately safeguard assets and provide assurance of proper recording of financial transactions.

2.2 FUND DESCRIPTIONS

The accounts of the Town are organized on the basis of individual funds, each of which is considered a separate accounting entity. The Town's resources are accounted for in these individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. Types of funds are:

- ✓ Governmental Funds - General, Special Revenue, Debt Service, and Capital Projects
- ✓ Proprietary Fund – for business like enterprises
- ✓ Fiduciary Funds - Trust and Agency

2.3 GOVERNMENTAL FUNDS

Fund financial statements measure only current revenue and expenditures on the modified accrual basis. The balance sheets exclude capital assets, long-term debt, and compensated absences payable. Fund financial statements focus on near-term inflows and outflows of spendable resources.

- General Fund – The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenses and capital improvement costs which are not paid through other funds.
- Special Revenue Fund – The Special Revenue Funds are used to account for revenues derived from specific sources, which are usually required by law or administrative regulation to be accounted for in a separate fund.
- Debt Service Fund – The Debt Service Fund is used to account for financial resources used for the repayment of debt.

- Capital Improvement Fund – The Capital Improvement Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

2.4 PROPRIETARY FUNDS

Generally accepted accounting principles applicable to a private commercial business are applicable to proprietary funds of a governmental entity. The accrual basis of accounting is utilized. The Town currently does not have any proprietary funds.

2.5 FIDUCIARY FUNDS

Fiduciary Funds are used to account for money and property held by the Town as trustee or custodian for individuals, organizations and other governmental units.

3. FUND BALANCE AND RESERVE POLICIES

3.1 FUND BALANCE - CLASSIFICATION

The Town has adopted the provisions of GASB Statement No. 54, Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification.

The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

Nonspendable: Items that cannot be spent because they are not in spendable form such as prepaid items or are legally or contractually required to be maintained intact such as principal of an endowment or a revolving loan fund.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The Town special revenue funds are restricted.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned: This category is for any balances that have no restrictions placed upon them. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

3.2 FUND RESERVES

The Town Council may elect to establish General Fund Reserve Policy/Guidelines. These Policy/Guidelines may be updated, modified and revised as determined by the Council.

A. General Fund Reserve:

The General Fund consists of three funds: The Operating Fund, the Facilities and Equipment

Fund, and the Emergency Fund.

1) Operating Fund Reserve:

Target: The budget should result in a year end Operating Fund reserve that exceeds thirty percent of the budgeted Operating Fund expenditures plus thirty percent of the budgeted Operating Fund transfer to the Facilities and Equipment Fund. The calculation should be included as part of the budget.

Purpose: Funds reserved under this category shall be used in case of catastrophic events, for budget stabilization purposes, for capital and special projects, and cash flow purposes in the dry period before December when property tax revenue is received.

- Catastrophic events: Funds reserved may be used to mitigate costs associated with unforeseen emergencies, including natural disasters or catastrophic events. Should unforeseen and unavoidable events occur that require the expenditure of Town resources beyond those provided for in the annual budget, the Town Manager or designee shall have authority to approve catastrophic General Fund Reserve appropriations. The Town Manager or designee shall then present to the Town Council a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds.
- Budget stabilization: Funds reserved may be used to mitigate, should they occur, annual budget revenue shortfalls (actual revenues less than projected revenues) due to changes in the economic environment and/or one-time expenditures that will result in future efficiencies and/or budgetary savings. Examples of “economic triggers” and one-time uses include, but are not limited to:
 - Significant decrease in property tax, or other economically sensitive revenues;
 - Reductions in revenue due to actions by the state/federal government;
 - Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
 - One-time maintenance of service levels due to significant economic/budget constraints; and
 - One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.
- Capital and Special Projects: Funds reserved may be designated by the Town Council for key infrastructure and capital/special projects as identified in the Town 5-year Capital Improvement Plan if there is no ongoing funding source or sufficient existing capital fund balance to support the Town’s capital need.
- Cash flow purposes: The major source of revenue for the Town, property taxes, is not received until the middle of December resulting in a negative cash flow during this period. The reserves may be used to meet the cash flow needs until the property taxes are received in December.

Classification: The General Fund Reserve is classified as “Unassigned” in the Town’s financial statements.

2) Emergency Reserve Fund Reserve:

Target and Purpose: In fiscal year ended June 30,2007, a set amount of \$1,500,000 was transferred from the Operating Fund to an Emergency Reserve Fund for economic uncertainties and unforeseen circumstances. The Emergency Fund may be used to mitigate costs associated with unforeseen emergencies, including natural disasters or catastrophic events, economic events significantly decreasing revenues, or emergency spending needed.

Classification: The Emergency Reserve is classified as unassigned but noted for economic uncertainties.

4. PENSION/OPEB FUNDING

The Town policy has been to aggressively fund pension and Other Post-Employment Benefits (OPEB) liabilities to reduce future expenses and enhance the future Town financial stability. The Town's OPEB costs relates to employee post-retirement health benefits.

4.1 PENSION ACCRUED LIABILITIES

The Town pension program is through CalPERS. The Town has been aggressive in paying down the CalPERS unfunded accrued liability (UAL) to reduce long-term costs of CalPERS. The Town contributes the annual UAL pension payment as required by CalPERS in July of each year. In addition, the Town takes numerous steps to reduce total CalPERS future pension liability costs such as:

- Pay additional amounts to CalPERS to reduce the accrued liability and thus reduce future principal and interest pension expenses - since June 2016, the Town has made over \$2.6 million additional payment to CalPERS to reduce the Town UAL debt and saving the Town approximately \$2.6 million of interest costs
- Reduce the years the pension liability is amortized over – the Town has also reduced the amortization schedules for PERS costs from 30 years to 20 years, which results in higher costs in the short run but much lower total costs due to significantly less interest paid in the long run.
- Establish a Section 115 Trust for pension liability expenses - in Fiscal Year 2018-19 the Town established a Section 115 Trust through PARS to diversify and reduce long-term pension debt and funded it with \$200,000 each of the last three fiscal years. In May 2021, the Town used the principal accumulated in the Section 115 Trust to advance fund a \$600,000 payment to CalPERS (part of the \$2.6 million above).
- Set-aside additional funding each year beyond required pension liability payments - the Town policy is to fund a minimum of \$200,000 each year for additional UAL paydown either through investments in the Section 115 Trust or direct additional payments to CalPERS.
- Share a portion of the employer share of annual pension costs with employees - Police personnel pay a 3% portion of the employer share of CalPERS reducing the Town's costs.

4.2 OPEB

To reduce future liabilities and costs, the Town maintains and fully funded a Section 115 trust fund dedicated to prefunding the Ross OPEB Retiree Health Care costs through the California Employers' Benefit Trust (CERBT) Fund. The actuarial study on the Ross OPEB show the Town has more money in the CERBT fund than the OPEB Retiree Health liability, thus we have a net OPEB asset. As such, Ross has been and will continue to fund future ongoing cost of Retiree Healthcare from the CERBT fund and thus there is no annual Operating Fund cost related to OPEB.

5. BUDGET AND LONG-TERM PLANNING

The budget shall serve as a principal management tool for the Town administration and be used to allocate the Town's resources. The budget document should also serve as a helpful tool for citizens in understanding the operations and costs of Town services. In general, ongoing appropriations should be supported by ongoing revenues, and the Town should maintain healthy reserves.

Each year, the Town Manager develops and presents an annual budget to the Town Council for its consideration. The development of the budget is a cooperative effort involving the participation of each department head. Each department head is accountable to the budget, as enacted by the Town Council, meaning that the department head must ensure that departmental spending is in accordance with the budget. Department heads may seek approval from the Town Manager to adjust departmental spending, and the Town Manager is authorized to transfer appropriations within each fund.

5.1 BUDGET BASIS

Budgets are prepared on the same basis as the internal financial statements using the fund basis of accounting. The budget focuses on near-term inflows and outflows of spendable resources. Capital assets are expensed, not depreciated. Pension and compensated absence expense are budgeted at expected cash outflows rather than the change in the liabilities.

5.2 RESPONSIBILITY

The Town Manager is responsible for preparing an annual budget for consideration by the Town Council.

5.3 BUDGET PREPARATION AND TIMELINE

The process of developing the operating budget begins in January of each year. The budget preparation process provides department heads an opportunity to examine programs; propose changes in current services; recommend revisions in organizations and methods; outline requirements for capital outlay items; and review the current year expenses and revenues.

In February, the Town typically has a Strategic Workshop Special Council meeting. At the Strategic Workshop among other topics, the Town staff presents the Five Year Financial Forecast and the Draft Five Year Capital Improvement Plan (CIP).

- The Financial Forecast projects the Town Operating Fund revenues and expenses over the next five fiscal years. The financial forecast assists the Council and Town management in understanding the Town's ability to fund the current level of services being provided and determine if it is likely to be sustainable in the future.
- The Five Year CIP is a planning tool to identify facilities and infrastructure improvements

which will be considered for development over a five-year time frame. The CIP shows both currently estimated expenses as well as identified revenues for funding those capital improvements. The Draft CIP presented at the Strategic Workshop is updated and included within the budget document.

For both the Financial Forecast and Draft CIP, the Town staff presents a written report and makes a presentation on each report to receive comments and input from the Town Council and the public. By having the Strategic Workshop in February (or alternatively at another Council meeting in that timeframe), the staff and Council are informed as staff works on the budget to bring forward to Council for the upcoming fiscal year.

During budget review, the Town Manager assesses requests for new positions, reclassifications, and prioritizes operating and capital budget requirements. In April or May of each year, the Town Manager presents the draft budget which includes the updated CIP at a Town Council budget workshop for its consideration. Generally, a final budget is adopted by resolution in June with the fiscal year beginning on July 1.

5.4 OPERATING BUDGET OBJECTIVES

The budget should be balanced and the reserve policy met. Listed below are some additional considerations:

- In general, ongoing operating costs should be supported by ongoing stable revenue sources. This protects the Town from fluctuating services levels and avoids crises when one-time revenues are reduced or removed. One-time grants and revenues should not be used to fund ongoing programs.
- End of year fund balances in excess of the reserve policy should only be used for one-time expenditures such as: rehabilitation and construction of capital improvements; paying down of debts and liabilities such as pensions; purchase of equipment; and one-time projects.

5.5 REVENUE OBJECTIVES

The Town will seek to maintain a diversified and stable revenue system to ensure ongoing fiscal health and the capacity for absorbing short-run fluctuations in any single revenue source. Plans should be made to ensure the renewal of the parcel tax if needed.

Development service process costs and related administrative costs shall be completely offset with development charges and fees, and fee supported services shall neither over or under collect.

5.6 CAPITAL BUDGET

The Budget shall include a Capital Improvement Plan (CIP) with a discussion of capital projects that are to be funded over a five-year period. Consistent with the CIP, the Budget shall also include a one-year Capital Improvement Budget, which details capital expenditures for the upcoming fiscal

year. Although the CIP may identify “unfunded” projects that carry out the Town’s strategic and general plans, the Capital Improvement Budget must be fully funded with funds projected to be available during the fiscal year. Management should assess the ongoing impact that any given capital project may have on current and future operating budgets when considering whether to include the project in the budget.

5.7 BUDGET IMPLEMENTATION

A budgetary control system is maintained to ensure compliance with the budget. The Town Manager and Accountant are responsible for setting up the budget for tracking purposes, and are charged with ensuring that funds remain available during the year to cover expenditures and appropriations. Reports comparing the budget with expenditures are generated on a monthly basis and are provided to department heads and the Town Manager. Each quarter the Town prepares a Financial Summary Report for a Town Council meeting to update the Council and public on the Town’s actual revenue and expenses compared to the budget year to date.

5.8 BALANCED BUDGET

A balanced budget is achieved when the Operating Fund Reserve and Emergency Reserve in Section 3.2 are met.

5.9 BUDGET REVISION

The Town Manager is authorized to transfer budget appropriations within the same fund. Additional appropriations, or inter-fund transfers not included in the original budget resolution, require approval by the Town Council. Use of unappropriated reserves must be approved by the Town Council.

5.10 LONG-TERM PLANNING

A Town goal is to sustain financial responsibility and stability. As part of that goal, the Town conducts long-term financial plans. In February or March each year, the staff will prepare a five-year financial forecast for the Operating Fund as well as a five-year CIP for capital improvements. The CIP will be updated and included as part of the budget document.

6. INVESTMENTS

The Town Investment Policy is approved each year by the Town Council at a Council meeting. This Section narrative summarizes the provisions in the adopted Policy. If there are differences between this section and the adopted Investment Policy, the adopted Investment Policy shall prevail.

6.1 PURPOSE

The Town has an Investment Policy which establishes the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, safekeeping and custodial procedures for the investment of Town funds. All such funds shall be invested in accordance with this Policy and with the applicable sections of California Government Code §53600 et. seq.). The Investment Policy does not apply to Section 115 Trust funds which are governed by their respective trust documents.

6.2 OBJECTIVE

The Town's funds shall be invested in compliance with all applicable Town Municipal Codes, California State statutes, and Federal regulations in a manner designed to accomplish the following objectives in the listed priority order:

1. Preservation of capital and protection of investment principal;
2. Maintenance of sufficient liquidity to meet anticipated cash flows;
3. Attainment of a market rate of return, taking into account investment risk constraints, diversification and cash flow characteristics of the portfolio, as well as Objectives number 1 and 2 above.

6.3 POLICY

In order to maximize interest earnings, the Town pools the cash from all funds, except those funds held in trust for the Town by various financial institutions in accordance with applicable trust agreements. Interest revenue derived from pooled cash is allocated quarterly to the participating funds based on the relative cash balance of each fund.

6.4 INVESTMENT CRITERIA

All investments and deposits of the Town shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686, except that, pursuant to California Government Code Section 5903(e), proceeds of bonds and any moneys set aside or pledged to secure payment of the bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement, or other instrument providing for the issuance of

the bonds.

For additional safety reasons, the Town has further restricted the eligible types of securities and transactions from those specified in the California Government Code Sections. The eligible investments for the Town are listed in the Council approved Investment Policy.

6.5 INVESTMENT APPROACH

It is the practice of the Town to invest primarily in the Local Agency Investment Fund or in similar low-risk instruments such as Joint Power Authority pools such as CalTRUST or CAMP. Longer-term investments of reserve funds or bond proceeds in other instruments may be considered. Any such investments should only be undertaken if the likelihood of the Town needing to deploy these funds in the near term is low.

6.6 RESPONSIBILITY AND REPORTING

The management oversight responsibility for the Town’s Investment program is delegated by the Town Council to the Town Manager pursuant to California Government Code sections.

Each quarter the Town Manger prepares and provides to the Town Council at a Council meeting an Investment Report consistent with the Investment Policy which shows the Towns investments, rates of return, and investment income.

7. DEBT

7.1 PURPOSE

This Debt Policy is intended to comply with Government Code Section 8855(i), effective on January 1, 2017, and may be amended by the Town Council as it deems appropriate from time to time in the prudent management of the debt of the Town. This Debt Policy shall govern all debt undertaken by the Town and any other subordinate entities of the Town for which the Town Council serves as the governing board.

7.2 IN GENERAL

The Town recognizes that a fiscally-prudent debt policy is required in order to:

- Maintain the Town's sound financial position;
- Ensure that the Town has the flexibility to respond to changes in future service priorities, revenue levels and operation expenses;
- Protect the Town's creditworthiness;
- Ensure that debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the Town; and
- Ensure that the Town's debt profile is consistent with the Town's planning goals and capital improvement needs.

7.3 PURPOSES FOR WHICH DEBT MAY BE ISSUED

Long-Term Debt

Long-term debt may be issued to finance the construction, acquisition and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the Town.

Long-term debt financings are appropriate when the following conditions exist:

- The project to be financed is necessary for providing basic services;
- The project to be financed will provide benefit to constituents over multiple years;
- Total debt does not constitute an unreasonable burden on the Town and its taxpayers;
- The new debt is used to refinance outstanding debt in order to produce debt service savings or realize the benefits of a debt restructuring.

Long-term debt will not generally be considered appropriate for current operation expenses or routine maintenance expenses.

The Town may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the Town Council;
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average reasonably expected economic life of the project to be financed.
- The Town estimates that sufficient revenues will be available to service the debt through

- its maturity; and
- The Town determines that the issuance of the debt will comply with applicable state and federal law.

Short-Term Debt

Short-term debt may be issued to provide financing for the Town's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the Town may undertake a lease-purchase financing for equipment.

7.4 TYPES OF DEBT

The following types of debt are allowable:

- General Obligation bonds (GO Bonds)
- Lease revenue bonds, certificates of participation (COPs) and lease-purchase transactions
- Other revenue bonds and COPs
- Tax and revenue anticipation notes (TRANs)
- Land-secured financings, such as special tax bonds issued under the Mello-Roos Community Facilities Act of 1982, and limited obligation bonds issued under applicable assessment statutes
- Tax-increment financing to the extent permitted by State law

Debt shall be issued as fixed rate debt unless the Town makes a specific determination as to why a variable rate issue would be beneficial to the Town in a specific circumstance.

7.5 RELATIONSHIP OF DEBT TO CAPITAL IMPROVEMENT PROGRAM AND BUDGET

The Town is committed to long-term capital planning. The Town could issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the Town's capital budget and capital improvement plan.

The Town shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues.

The Town shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the Town's public purposes.

The Town shall seek to avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.

The Town shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

7.6 POLICY GOALS RELATED TO PLANNING GOALS AND OBJECTIVES

The Town is committed to long-term financial planning, maintaining appropriate reserve levels and employing prudent practices in governance, management and budget administration. The Town would issue debt for the purposes stated in this Debt Policy and in order to implement policy decisions incorporated in the Town's annual operations budget.

It is a policy goal of the Town to protect taxpayers, ratepayers (if applicable), and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The Town will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates, or charges.

When refinancing debt, it shall be a policy goal of the Town to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 5.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

7.7 INTERNAL CONTROL PROCEDURES

When issuing debt, in addition to complying with the terms of this Debt Policy, the Town shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

Without limiting the foregoing, the Town will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings entered into by the Town in accordance with SEC Rule 15c2-12;
- Annual debt transparency report obligations under Government Code section 8855(k); and
- Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the Town upon the submission of one or more written requisitions by the Finance Officer, or (b) by the Town, to be held and accounted for in a separate fund account, the expenditure of which will be carefully documented by the Town.

7.8 BOND DISCLOSURE

Official Statements. The Town's Chief Financial Officer, Town Manager and other appropriate Town staff members shall review any Official Statement prepared in connection with any debt issuance by the Town in order to ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the Town.

In connection with its review of the Official Statement, the appropriate Town staff members shall consult with third parties, including outside professionals assisting the Town, and all members of Town staff, to the extent needed to ensure that the Official Statement will include all “material” information (as defined for purposes of federal securities law).

All Official Statements shall be submitted to the Town Council for approval as a new business matter and not as a consent item. The Town Council shall undertake such review as deemed necessary by the Town Council to fulfill the Town Council’s responsibilities under applicable securities laws.

Continuing Disclosure Filings. Under the continuing disclosure undertakings that the Town has entered into in connection with debt offerings, the Town is required each year to file annual reports with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system in accordance with such undertakings. Such annual reports are required to include certain updated financial and operating information, and the Town’s audited financial statements. The Town is also required under its continuing disclosure undertakings to file notices of certain events with EMMA.

The Town’s Chief Financial Officer shall establish a system (which may involve the retention or one or more consultants) by which the Town will:

- ✓ Make the annual filings required by its continuing disclosure undertakings on a complete and timely basis, and
- ✓ File notices of enumerated events on a timely basis.

Public Statements. Whenever the Town makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets, the Town is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

8. PROCUREMENT

The Town procurement policy is codified in the Town Municipal Code Chapter 2.38 Purchasing and Chapter 2.40 Public Projects. This Section narrative summarizes the provisions in the Town Municipal Code. If there are differences between this section and the Municipal Code provisions, the Municipal Code shall prevail.

8.1 PURPOSE

It is the policy of the Town to obtain the quality and the lowest possible cost. The purpose of the Purchasing Ordinance is:

- Establish efficient procedures for the purchase of supplies, services and equipment;
- Secure supplies, services and equipment at cost commensurate with the level of quality required;
- Exercise financial control over purchases; and
- Clearly define authority for the purchasing function.

The purpose of the Public Projects Ordinance is to provide standardized procedures for awarding contracts for public projects in conformance with the Uniform Public Construction Cost Accounting Act. Public projects include the construction, reconstruction, alteration, and significant repairs of public facilities such as buildings, parks, roads, drainage, etc.

8.2 PURCHASING AGENT

The Town Manager, or the Town Manager's designee, is the Purchasing Agent, with the authority and the responsibility to:

- (a) Purchase or contract for supplies, services and equipment required by the town in accordance with purchasing procedures outlined in the Municipal Code;
- (b) Negotiate and recommend execution of contracts for the purchase of supplies, services and equipment;
- (c) Act to procure for the town the necessary quality in supplies, services, and equipment at the lowest cost to the town;
- (d) Prepare and recommend to the town council revisions and amendments to the purchasing rules;
- (e) Establish and maintain such forms as reasonably necessary to the operation of the purchasing guidelines;
- (f) Supervise the inspection of all supplies, services, and equipment purchased to ensure conformance with specifications;
- (g) Recommend the sale or disposal of all supplies and equipment which cannot be used by the town, or which have become unsuitable for town use; and
- (h) Maintain records necessary for the efficient acquisition of supplies, services and equipment.

8.3 PROCUREMENT LIMITS

The Town Manager has the authority to purchase supplies, services and equipment up to \$50,000. The Municipal Code provides the procedures to be utilized by the Town to secure favorable pricing for the procurement of goods and services. In all cases, any purchase made shall have sufficient budgeted funds in the year to make the purchase.

Any purchases above \$50,000 requires Town Council approval except in the case of an emergency. In the case of an emergency, the Town Manager may procure supplies, services, and equipment in an amount greater than \$50,000; provided that any such procurement be reported to the Town Council at the next Council meeting.

8.4 PUBLIC PROJECT CONTRACTING PROCEDURES

The Uniform Public Construction Cost Accounting Act and thus Code Chapter 2.40 have three different levels of project procedures based on project cost to be followed. The levels and dollar amounts are as follows:

- Level 1 are public projects of \$45,000 or less which may be performed by town employees by force account, by negotiated contract, or by purchase order
- Level 2 are public projects of \$175,000 or less and may be let to contract by informal procedures as set forth in proposed Section 2.40.040(b)
- Level 3 are public projects of greater than \$175,000 which shall be let to contract by formal bidding procedures

8.5 SURPLUS SUPPLIES AND EQUIPMENT

The purchasing agent shall have the authority to sell, trade or exchange all supplies and equipment which are no longer used or which have become obsolete or worn out. Town Council shall approve any sales exceeding \$10,000.

9. EXPENDITURES

9.1 INVOICE PROCESSING

Invoices are processed by Administrative Services Department staff, and approved either electronically or by signature by the staff member at the Town who can best verify the validity of the invoiced amount. Typically, approving an invoice indicates verification that the goods or services invoiced have been received or provided. Procurement authority is discussed in Section 8.

9.2 CHECK SIGNING & ACCESS TO CHECKS

One signature is required on Town checks or electronic payment vouchers in amounts up to \$5,000 and two signatures for checks or electronic payment vouchers in excess of \$5,000 with the exception of the bi-weekly electronic payments to the payroll service provider. The bi-weekly electronic payments to the payroll service provider for net payroll and taxes are reported to the Council for approval in the List of Demands presented to the Council each month.

The Town Manager and the Finance Officer are authorized to sign checks or electronic payment vouchers. Each member of the Town Council is also an authorized signer and is required to be the second signer on checks or electronic payment vouchers in excess of \$5,000.

All blank Town checks shall be securely stored in a locked cabinet all times. The Administrative Manager shall have access to blank checks.

9.3 EMPLOYEE TRAVEL

I. GENERAL

This travel policy applies to all employee travel for Town-related business and mileage reimbursements. Employee travel must be approved in advance by the Town Manager or his or her designee.

II. PROHIBITED EXPENDITURES

State law prohibits personal use of public resources. Examples of personal travel expenses that the Town will not reimburse include, but are not limited to:

- a. The personal portion of any trip;
- b. Political or charitable contributions or events;
- c. Family expenses, including partner's expenses when accompanying official on agency-related business, as well as children- or pet-related expenses;
- d. Entertainment expenses, including alcoholic beverages, theater, movies (either in- room or at the theater), sporting events (including gym, massage and/or golf related expenses), or other cultural events;

- e. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline; and
- f. Personal losses incurred while on Town business.

Any questions regarding the propriety of a particular type of expense should be resolved by the Town Manager before the expense is incurred.

III. RECEIPTS

Employees requesting reimbursement for travel expenditures must do so by submitting documentation, generally in the form of a receipt, for all expenditures other than mileage which will be based on miles driven for Town-related business as discussed below.

IV. CREDIT CARD USAGE

- a. Town credit cards should be used whenever possible and practical for all travel-related expenses.
- b. Upon completion of travel, actual receipts for registration fees, lodging, travel and transportation, and other allowable expenses should be turned into the Administrative Services Department with the monthly credit card statement.
- c. For situations where use of the credit card is not practical or possible, allowable expenses paid by the traveler will be reimbursed.

V. TRANSPORTATION

The most economical mode and class of transportation reasonably consistent with scheduling needs and cargo space requirements must be used, using the most direct and time-efficient route. Government and group rates must be used when available.

- a. Airfare - Direct flights shall be considered the standard, even though flights with connections and/or layovers are often less expensive. Airfares shall be purchased as far in advance as possible to take advantage of reduced fares. Receipts are required for payment or reimbursement of airfare. First Class or Business Class airfare is not an allowable expense.
- b. Automobile - Automobile mileage is reimbursed at the applicable IRS rate in effect at the time of travel. The reimbursement rate is designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are also reimbursable. Employees receiving an auto allowance are never reimbursed for mileage unless their travel exceeds 100 miles each direction.
- c. Car Rental - Economy or midsize vehicle rental types shall be considered economical and reasonable for purposes of reimbursement under this policy. Larger vehicles may be rented as appropriate, depending upon the number of passengers. Receipts are required for payment or reimbursement of car rental expenses.
- d. Taxis/Shuttles/Ridesharing - Taxi, shuttle, or ridesharing (i.e. - Uber or Lyft) fares

may be reimbursed, including a 15 percent gratuity per fare, when the cost of such fares is equal or less than the cost of car rentals, gasoline and parking combined, or when such transportation is necessary for time-efficiency.

VI. LODGING

Lodging expenses will be reimbursed or paid for when travel on official Town business reasonably requires an overnight stay. Receipts are required for payment or reimbursement of lodging expenses.

- a. Conferences/Meetings: If such lodging is in connection with a conference, lodging expenses must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking. If the group rate is not available than comparable lodging shall be obtained, see next section.
- b. Other Lodging: Travelers must request government rates, when available. Lodging rates that are equal or less than government rates are presumed to be reasonable and hence reimbursable for purposes of this policy.
- c. If lodging rates exceed the government rate for the area, actual lodging costs may be reimbursed conditioned upon performance of a good faith effort evidenced by documentation (e.g., internet search or phone calls) that demonstrate an attempt to find median-priced lodging.

VII. INTERNET CONNECTION CHARGES

If internet connectivity is needed for work related purposes while traveling and the hotel and/or conference charges for internet service, the Town will cover the cost of any Internet connection charges incurred.

VIII. CASH ADVANCES

- a. If an employee is unable to finance travel from personal funds until a reimbursement voucher is paid, he or she may request an advance of public funds. Requests for advances shall be reviewed by the Town Manager to determine reasonableness of amount. All advances must be properly accounted for upon return from travel.
- b. Any unused advance must be returned to the Town treasury within seven (7) days of the employee's return, along with receipts documenting how the advance was used in compliance with this expense policy.
- c. Failure to comply with this policy will result in disciplinary action.

9.4 CREDIT CARD POLICY

I. GENERAL

It is the Town's policy to issue a credit card to the Town Manager and to his or her designees for expenditures made in the course of performing Town business.

The Town credit card is to be used for approved, official business only. Appropriate Town credit card uses shall include, but is not limited to:

- a. Travel on Town business.
- b. Purchase of goods or services from vendors where use of a check is not practical, such as the case with many Internet purchases.
- c. Securing reservations and locations for various Town activities, attending local meetings, community events, and honoree events.
- d. Costs associated with meetings with Town Council, applicants, developers, or consultants.

Use of the Town credit card is not intended to replace the Town's normal purchasing procedures or to replace effective procurement planning which enables volume discounts. The Town credit card may not be used for the purchase of goods or services that would otherwise require competitive bidding. The Town credit card shall not be used for personal expenses, even if Town employee reimburses the Town.

II. UNACCEPTABLE USE

- a. Purchases over the appropriate signature authority limit. Dividing an order is not an acceptable means of satisfying this limit and is not allowed.
- b. Cash advances, traveler's checks, or the use of ATM machines.
- c. Fuel for personal vehicles.

III. RECONCILIATION AND APPROVAL

- a. The Cardholder will submit receipts and/or documentation describing each transaction made on the card.
- b. When the credit card is used for a business meal, an itemized receipt must be submitted, with the names of those in attendance and the business purpose for the meal noted.
- c. Receipts/documentation are to be attached to the monthly statement, and the statement shall be signed by the employee.
- d. Secondary review of the statement shall be performed by the Supervisor or appropriate Management employee. The Supervisor or Management employee shall sign the credit card statement to indicate approval of the charges.
- e. Once approved by the Supervisor, the statement and accompanying documentation are to be submitted to the Administrative Manager for processing.
- f. In the event of a lost or missing receipt, the Cardholder must complete a statement explaining the absence of the documentation and confirming that the expenses were legitimately incurred in the conduct of Town business.

IV. DISPUTED CHARGES

Cardholders are responsible for notifying the Administrative Manager immediately of any disputed charges. The Cardholder will be responsible for resolving the disputed

charge directly with the credit card company.

V. LOST OR STOLEN CARD

Cardholders are responsible for notifying the Administrative Manger immediately if the card is lost or stolen.

VI. TIMELY PAYMENT

The Administrative Manager will ensure timely payments on all credit card charges.

10. FIXED ASSETS

10.1 PURPOSE

The purpose of the Fixed Assets Policy is to present a uniform method of maintaining and updating the Town's fixed asset records. Principles and processes incorporated into this policy are in accordance with generally accepted accounting principles (GAAP).

This policy encompasses all fixed assets at the Town: land, land improvements, buildings, building improvements, infrastructure, machinery and equipment, and vehicles. Fixed assets are further distinguished as capital assets and non-capital assets.

Capital assets are those fixed assets that have a useful life extending beyond one year, or in the case of an existing asset substantially improve and extend the life, and meet the capitalization threshold as identified in Section 10.2.

GAAP requires proper accounting for the acquisition and disposal of capital assets. Proper record keeping of the Town's capital assets also provides a management tool for budget and rate setting decisions.

Non-capital assets fall below the capitalization threshold and may include furniture, small tools and equipment (hand mowers, trimmers, etc.), and various telecommunications and computer equipment. Although not required, it may be important for departments to maintain inventories of non-capital fixed assets for many reasons, including theft prevention and conducting condition assessments.

10.2 CAPITALIZATION THRESHOLD

Capitalization Thresholds

The Town establishes the following minimum capitalization thresholds:

Buildings and improvements	\$25,000
Electronic equipment	\$1,000
Infrastructure	\$50,000
Land and improvements	\$25,000
Machinery/equipment/vehicles	\$5,000 (*)
Computer Software	\$5,000

* Other than electronic equipment

Detailed records shall be maintained for all fixed assets above the established thresholds.

10.3 DUTIES AND RESPONSIBILITIES

The Administration Department and various other Town departments have a role in the successful

maintenance of the Town's fixed asset records.

The Administration Department shall be responsible for the oversight of all duties and functions related to the fixed asset management system, including:

- Update and maintain detailed records of all capital assets of the Town.
- Oversee annual physical inventories.
- Provide education and act as a resource for departments in the compliance of this policy.
- Generate fixed asset reports as required or requested.

Other Town Departments have the following responsibilities:

- Custodianship of assets for the department.
- Complete annual physical inventory of capital assets within the department.
- On a timely basis, report to the Administration Department all changes, transfers, surpluses, relevant alterations, acquisitions, and dispositions of capital assets (including lost or stolen items).

10.4 ACQUISITION OF CAPITAL ASSETS

The purchase of capital assets is subject to the provisions of the Town's Procurement Policy. All costs associated with the purchase of the asset shall be charged to a capital account within the Town's accounting system. Ancillary costs (shipping, installation, design, etc.) shall be included in the capitalized cost of the asset.

Donated assets shall be capitalized at the estimated fair value of the asset at the time of the donation. Administration staff shall determine the fair value of the asset based on the best information available, which may include original cost, age of the item, assessment of current condition, etc. Departments shall notify Administration staff within three business days of the acquisition of any donated assets.

10.5 ANNUAL PHYSICAL INVENTORY

Administration staff shall provide the various departments with the most recent list of capitalized assets assigned to their respective departments/divisions. Each department shall conduct an inventory to confirm the accuracy of the report and note all changes and discrepancies to the list. Departments shall return the completed inventories, complete with all notations, to the Administration Department in a timely manner (typically within two weeks).