
City of Avalon

Fiscal Policies

Core Values of Financial Sustainability

Financial Stability – The City will create financial stability to provide the community with a consistent and adequate level of public services. The City will take a long-term approach to its finances by developing and maintaining long-term plans, carefully weighing the cost and benefits of development opportunities and adhering to sound debt, reserve and investment policies.

Quality of Life and Local Economic Vitality – The City will provide effective and efficient services to ensure a safe and healthy atmosphere for its residents, businesses and visitors, while preserving and enhancing its unique cultural and environmental attributes.

Accountability and Financial Planning – The City will institute financial planning that ensures City services are provided at the best value and that the services are in alignment with the needs and wants of the community.

Environmental and economic sustainability – The City's financial strategy will support continued investment in the renovation and maintenance of physical infrastructure/facilities and in policies and programs that support a clean and healthy natural environment.

Transparency and Engagement – The City will be accountable for producing value for the community by producing planning and reporting mechanisms that make it clear how the City plans to use its resources to achieve its community vision. The City is committed to engaging the public as a partner in formulating plans and delivering services.

Principles of Financial Sustainability

The City Shall Have a Balanced Budget

The City of Avalon shall adopt a balanced budget on an annual basis. The audited financial statements will confirm the adoption of a balanced budget and note any discrepancies. While the financing community uses the audited financial statements to gauge the City's credit worthiness, the public uses financial statements to monitor the city's adherence to its goal of financial sustainability.

- The City will adopt a balanced budget by June 30 of each year. A balanced budget is defined as one in which total expenditures equal total revenues. A budget surplus exists if expenditures are less than revenues. Conversely, a budget deficit exists if expenditures are greater than revenues.
- In cases where Reserves are required to offset a Budget deficit, Council must agree to this and ensure that the deficit spending item(s) is(are) related to one-time unforeseen costs, and Council and management are to work to replenish established Reserve levels within three fiscal years.
- The City of Avalon shall make budgetary and financial decisions on conservative estimates of revenues, expenditures and other financing sources and uses. The greater the uncertainty and/or volatility of the budgetary and financial estimates, the more conservative the estimates should be.
- The annual budget process shall weigh all competing requests for City resources within expected fiscal constraints. Requests for new operating expenditures made outside the annual budget process will be discouraged. New initiatives shall be financed by reallocating existing City resources to programs and services with the highest priorities or through new revenue sources.

City of Avalon

Fiscal Policies

The City Shall Fund Ongoing Costs with Ongoing Revenues

The City of Avalon shall match costs with revenues. On-going costs shall be funded with on-going revenues. One-time costs shall be funded with one-time revenues. However, one-time revenues shall not fund on-going costs. Current costs shall be recognized and funded in the current year, not deferred or funded in future years. Operating grants for on-going costs shall be reviewed for future fiscal year(s) impacts.

- All City Council established Miscellaneous Fees will be reviewed and adjusted annually as part of the budget process by the City management and the analysis with recommended changes will be provided to the City Council. The basis for adjustment will be the cost of providing services, inflationary impacts using the Consumer Price Index, statutory limits or other budgetary factors as appropriate. User fees will be established to recover the full cost of services provided, except when the City Council determines that a subsidy from the General Fund is in the public interest.
- One-time operating, capital, and reserve revenues will be used for one-time expenditures. Exceptions must be formally adopted by Council action and may only offset operating expenditures for a limited time period of less than three fiscal years.
- The City shall only borrow what it can afford to pay. The City of Avalon shall not overextend indebtedness, which may cause undue financial burdens in subsequent years. Loans and other external obligations shall be established wisely to level out costs.

The City Shall Produce Current Financial Reporting and Increase Transparency of its Financial Information

The City of Avalon shall close its books timely on a monthly basis so as to allow appropriate review and reconciliation of financial information by the affected City Departments. Summarized financial information is to be provided to the City Council and made available for the public's review.

- Quarterly financial, capital improvement program and investment reports will be submitted to the City Council and will be made available to the public on the City's website.
- The City will have a Mid-Year Budget Review presented to City Council providing for the City to adjust assumptions, identify changing priorities and make adjustments. A Year-End Budget Monitoring Report will determine if a deficit or surplus is projected. Recommendations for addressing the budget variance will be addressed if a deficit, and if a surplus, the reserve policy outlines the process for any use of surplus defined as spendable and unrestricted fund balance (Excess Equity).
- The City of Avalon shall encourage public involvement in budgeting and financial planning. The City Council shall make all non-routine or non-administrative financial decisions in public at regular scheduled meetings. The results of such decision making shall be reported in a timely manner through the audited financial statements and other public information documents.
- The City's Treasurer and Finance Director will annually submit an investment policy to the City Council for review and adoption. Additionally, each quarter a Treasurer's report presenting the current investments, rates of return and current cash balances by fund will be presented.

City of Avalon

Fiscal Policies

The City Shall Maintain its Infrastructure and Equipment

The City of Avalon shall provide adequate funding to be allocated in the current year to minimize expenditures in future years. On-going, preventive maintenance is an essential component of the City's operations. Infrastructure maintenance includes, but is not limited to, streets, storm drainage, sewer collection, saltwater system, refuse, curb, sidewalks, lights, and parks. Equipment replacement and maintenance pertains to its fleet of moving inventory including boats, general vehicles, safety vehicles and other equipment to keep the City functioning as required.

- Fees for infrastructure improvements required by new development will be reviewed annually to ensure that the fees recover development related expenditures. When applicable, a development impact study will be performed and fees will be included in the development agreement for significant projects.
- The City of Avalon, to the extent possible, shall fully amortize as a continuing cost of doing business the cost of replacing or expanding existing facilities and equipment. With respect to equipment, rates shall be established to recover the replacement cost of each item at the end of its useful life. Facilities shall be amortized to cover ongoing maintenance and cyclical repairs, and for the replacement or expansion of major structures.
- The City will annually project its equipment replacement and maintenance needs for the next five years and will update this projection each year. A maintenance and replacement schedule will be developed and followed.

The City Shall Maintain Prudent Reserves

The City of Avalon shall establish adequate reserves of funds to meet future capital needs, to offset economic hard times, to stabilize fluctuations in cash flow requirements, and provide for emergency situations.

- The City will maintain a Budgetary Uncertainty Fund Reserve balance in the General Fund and Enterprise Funds initially starting with a goal of 3% and then growing each year thereafter until the set reserve level is achieved. (GFOA Best Practice is 25% of General Fund expenditure appropriations and 10% of operating expenses for Enterprise Funds.) The primary purpose of this reserve is to protect the City's essential service programs and funding requirements during periods of economic downturn (defined as a recession lasting two or more years) or other unanticipated or emergency expenditures that could not be reasonably foreseen during preparation of the budget. The Budgetary Uncertainty Fund Reserve fund balance can be used only by formal action of City Council, with a majority vote, for specific purposes such as providing consistent and adequate level of services.
- The General Liability and Workers' Compensation reserves will be maintained at a level which, together with purchased insurance policies, adequately protects the City. The City will maintain a reserve equal to the value of its outstanding claims payable plus increases for potential future claims. The claims reserve is assessed and adjusted annually as part of the financial audit.
- The City will establish a Facilities Maintenance Capital Asset Reserve for the accumulation of funds for costs associated with the maintenance of all City facilities. The reserve will be maintained at a level at least equal to the projected five-year capital asset replacement and maintenance costs.

City of Avalon

Fiscal Policies

- The City will establish a Fleet Replacement Reserve for costs associated with the replacement of vehicles and other rolling stock (such as trailers or other equipment on wheels) as they become unserviceable, obsolete or reach a predetermined service life. The reserve will be maintained at a level at least equal to the projected five-year fleet replacement costs.
- Excess Equity is spendable and unrestricted fund balance that is not otherwise assigned to General Fund Reserves and is available for appropriation. Excess Equity is most commonly a non-recurring source of revenue. Excess Equity will be appropriated primarily for unanticipated circumstances, such as a General Fund revenue shortfall affecting programs included in the current year budget or for one-time priority expenditures.

The City Shall Plan Ahead

The City of Avalon shall review its financial position based on a five-year financial profile analysis. This would require a formalized five-year capital improvement and operating program. The purpose of a five-year financial plan is to identify priorities, service levels, revenue sources, and trends and future impact on decisions made today.

- The City will make all capital improvements in accordance with an adopted capital improvement program and will include an annual ten-year plan for capital improvements (CIP design, development, implementation, and operating and maintenance costs.). The first year of the ten-year plan must be fully funded in the adopted budget. Projects that are not fully funded must be removed or delayed until adequate funding exists.
- Capital Improvement projects must project operating and maintenance costs for the ten-year forecast period to ensure that future year budgets maintain a positive operating position.
- The City will set fees and user charges for each utility fund (Sewer, Saltwater and Solid Waste) at a level that fully supports the total direct and indirect cost of the activity. Indirect costs include the cost of annual depreciation of capital assets and overhead charges.