

**Carson City
Agenda Report**

Date Submitted: 11/25/13

Agenda Date Requested: 12/05/13

Time Requested: 10 minutes

To: Mayor and Supervisors

From: Nick Providenti, Director of Finance

Subject Title: For Possible Action: Action to adopt the attached Financial & Budget Polices for Carson City.(Nick Providenti)

Staff Summary: At the direction of the Board of Supervisors, staff is bringing forward proposed Financial & Budget Policies.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify) non-action item

Does this action require a Business Impact Statement: () Yes (xx) No

Recommended Board Action: I move to adopt the attached Financial & Budget Polices for Carson City.

Explanation for Recommended Board Action: N/A

Applicable Statute, Code, Policy, Rule or Regulation: N/A

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: recommend different policies

Supporting Material: Financial and Budget Policies

Prepared By: Nick Providenti

Reviewed By: Nancy Paulson Date: 11/25/13
(Department Head)

[Signature] Date: 11/25/13
(City Manager)

[Signature] Date: 11/25/13
(District Attorney)

Nancy Paulson Date: 11/25/13
(Finance Director)

Board Action Taken:

Motion: _____ 1) _____ Aye/Nay
2) _____ _____

(Vote Recorded By)



TITLE: FINANCIAL & BUDGET POLICIES

Purpose and Objective:

- To deliver quality services in an affordable, efficient and cost-effective manner 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 Carson City.
- To have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of the community and to respond to changes in federal and state priorities and funding as they affect the City's residents.
- To maintain high bond credit ratings in the financial community and assure the City's taxpayers that the City is well managed and financially sound.

GENERAL GOVERNMENT FINANCIAL STABILIZATION POLICY

To designate any excess unrestricted general fund balance, at the end of a given year, to be used in the following priority order:

1. Reserve Funds – maintain an Ending Fund Balance at a minimum of 5% of annual expenditures with a goal of 8.3% of expenditures.
2. Contingency – \$500,000 annually.
3. Infrastructure Repair – minimum of \$600,000 or 1% of annual expenditures. The amounts may differ annually based upon need
4. Fleet/Equipment Replacement – up to 2.5% of operation expenditures.
5. Stabilization Fund – as allowed by NRS 354.6115 at a level equal to 10% of expenditures from the general fund for the previous fiscal year, excluding any federal funds expended.
6. Operating Expenses – justifications for new expenses must be related to actual service performance.

ENTERPRISE FUND FINANCIAL STABILIZATION POLICY

To establish financial policies and goals to fund and manage enterprise funds within Carson City consistent with the objective of having the full cost (direct and indirect) of providing services supported by each fund.

1. Reserve Levels - Cash reserves are a necessary and appropriate part of prudent financial management practices. The City maintains separate accounting for operating, capital, and other cash reserves, as described below. Reserve levels are established for each type of reserve.
 - a. Operating reserves – Operating reserves provide a cushion to ensure sufficient working capital to meet daily and periodic expenditures. Reserve levels are generally expressed in number of days of cash operating expenses, with the minimum requirement varying with the expected risk of unanticipated needs. The funding level shall be a minimum of 45 days with a goal of 90 days (25%) of annual O&M expenses.
 - b. Capital Project reserves – Capital reserves hold loan and bond proceeds, other capital-related revenues (such as connection charge revenue), and transfers from the operating fund designated for capital construction projects. The capital reserve is intended to mitigate the impact of unanticipated capital costs on rates. The City's goal is to fund the capital reserve at 2.0% of the total (original) cost of utility fixed assets.
 - c. Emergency reserves - Emergency reserves provide funding for minor equipment failures. These reserves are not intended to cover the costs of system-wide failures resulting from catastrophic events which are ordinarily covered through the purchase of insurance. The minimum emergency reserve balance is \$50,000 with a goal of \$75,000.
 - d. Debt proceeds reserves – Debt proceed reserves provide for the unspent proceeds of the debt, including related interest earnings. Debt proceeds and the interest earned on these proceeds will be maintained in restricted accounts until expended.
 - e. System Replacement reserves – System replacement reserves (annual depreciation) provide for the replacement of aging and failing infrastructure to ensure sustainability of the system for ongoing operations. Collecting the amount of annual depreciation expense through user rates helps to ensure that existing ratepayers pay for the use of the assets serving them (rate equity) with cash flow funding a portion or all of the eventual replacement of those assets.