



Subject: Fiscal Policy Guidelines

Department: City Manager's Office

Policy #:
CMOP-004

Adopted:
08/21/2023

Effective:
08/21/2023

Supersedes:
02/15/2012

Resolution #:
NA

Approved by:
City Council

FISCAL POLICY GUIDELINES - OBJECTIVES

This fiscal policy is a statement of the guidelines and goals that will influence and guide the financial management practice of the City of Goldsboro, North Carolina. A fiscal policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. Effective fiscal policy:

- Contributes significantly to the City's ability to insulate itself from fiscal crisis,
- Enhances short term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible,
- Promotes long-term financial stability by establishing clear and consistent guidelines,
- Directs attention to the total financial picture of the City rather than single issue areas,
- Promotes the view of linking long-run financial planning with day-to-day operations, and
- Provides the City Council, citizens, and the City's professional management a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

To these ends, the following fiscal policy statements are presented.

CAPITAL IMPROVEMENT BUDGET POLICIES

The City will prioritize all capital improvements in accordance with an adopted capital improvement plan (CIP).

1. The City will develop a 10-year plan for capital improvements and review and update the plan annually. Additional projects can be added to the CIP at any time, but funding for projects added in this manner are subject to normal operating budget constraints.
2. The City will coordinate development of the CIP with development of the operating budget.
3. The City will maintain all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.
4. The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
5. The City will attempt to determine the least costly and most flexible financing method for all new projects.

DEBT POLICIES

General

1. The City will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.



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2. The City will utilize a balanced approach to capital funding utilizing debt financing, draws on capital reserves and/or fund balances in excess of policy targets, and current-year (pay-as-you-go) appropriations.
3. When the City finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project. Target debt ratios will be calculated annually and included in the review of financial trends.
4. Where feasible, the City will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
5. The City will retire tax anticipation debt, if any, annually and will retire bond anticipation debt within six months after completion of the project.

Tax Supported Debt

6. Direct net debt as a percentage of the total assessed value of taxable property should not exceed 2.5%. Direct net debt is defined as City-issued debt that is tax supported.
7. The ratio of direct net debt service expenditures as a percent of total governmental fund expenditures should not exceed 15% with an aggregate ten-year principal payout ratio target of 55% or better.
8. The City recognizes the importance of underlying and overlapping debt in analyzing financial condition. The City will regularly analyze total indebtedness including underlying and overlapping debt.
9. The City will target a minimum amount of equity funding of 10% of the CIP on a five-year rolling average.

Self-Supported Debt

10. The City will target a minimum amount of equity funding in the Water and Sewer Fund of 15% of the capital improvement plan on a five-year rolling average.
11. The City will strive to maintain a Debt Service Coverage Ratio in the Water and Sewer Fund at a minimum of 1.25x.

RESERVE POLICIES

The City of Goldsboro will strive to maintain the unassigned fund balance in the General Fund at a level sufficient to meet its objectives. The City will target an unassigned fund balance at the close of each fiscal year equal to at least 15% of General Fund operating expenditures and transfers out; at no time shall the unassigned fund balance fall below 10% of General Fund operating expenditures and transfers out without Council approval.

1. The City Council may, from time-to-time, appropriate fund balances that will reduce unassigned fund balances below the 10% policy for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the City of Goldsboro. In such circumstances, the Council will adopt a plan to restore the unassigned fund balances to the policy level within 36 months from the date of the appropriation. If restoration



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cannot be accomplished within such time period without severe hardship to the City, then the Council will establish a different but appropriate time period.

2. The City has adopted a comprehensive strategy for the long-term stability and financial health of the Utility Fund. The City of Goldsboro will strive to maintain Utility Fund cash and investments at the close of each fiscal year equal to at least 50% of the Utility Fund operating expenditures; at no time shall cash and investments fall below 30% of Utility Fund operating expenditures without Council approval.
3. The City Council may, from time-to-time, appropriate Utility Fund cash and investments below the 30% policy for the purposes of a declared fiscal emergency or other such global purpose as to protect the long-term fiscal security of the City of Goldsboro. In such circumstances, the Council will adopt a plan to restore cash and investments to the policy level within 36 months from the date of the appropriation. If restoration cannot be accomplished within such time period without severe hardship to the City, then the Council will establish a different but appropriate time period.

BOND RATING POLICY. The City will maintain a very strong/high bond rating to be considered a "low-risk" borrower when obtaining funding for projects. The City will target the Standard and Poor's AA+/Moody's Aa1 rating; at no time shall the rating drop below AA/Aa2 without Council notification. In such circumstances, the Council will adopt a plan to restore the bond rating to the policy level within 36 months from the date of the lower or lost bond rating. If restoration cannot be accomplished within such time period without severe hardship to the City, then Council will establish a different but appropriate time period.


BUDGET DEVELOPMENT POLICIES

1. The City will develop its annual budgets in such a manner so as to incorporate historic trend analysis for revenues and expenditures with an adjustment for current financial trends and developments as appropriate.
2. Utility rates will be established at the appropriate level to enable the related funds to be self-supporting.
3. One-time or other special revenues will not be used to finance continuing City operations but instead will be used for funding special projects.
4. The City will pursue an aggressive policy seeking the collection of delinquent utility, license, permit and other fees due to the City.
5. The City Council will receive a financial report at the end of each quarter showing year-to-date revenues and expenditures.
6. Budget amendments will be brought to City Council for consideration as needed.

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City Council**CASH MANAGEMENT AND INVESTMENT POLICIES**

1. It is the intent of the City that public funds will be invested to the extent possible to reduce the need for property tax revenues. Funds will be invested with the chief objectives of safety of principal, liquidity, and yield, in that order. All deposits and investments of City funds will be in accordance with N.C.G.S. 159.
2. The City will use a Central Depository to maximize the availability and mobility of cash for all funds that can be legally and practically combined.
3. Liquidity: No less than 20% of funds available for investment will be maintained in liquid investments at any point in time.
4. Maturity: All investments will mature in no more than thirty-six (36) months from their purchase date.
5. Custody: All investments will be purchased "payment-versus-delivery" and if certificated will be held by the Finance Officer in the name of the City. All non-certificated investment will be held in book-entry form in the name of the City with the City's third-party Custodian (Safekeeping Agent).
6. Authorized Investments: The City may deposit City Funds into: Any Board approved Official Depository if such funds are secured in accordance with NCGS-159 (31). The City may invest City Funds in the North Carolina Capital Management Trust, US Treasury Securities, US Agency Securities specifically authorized in GS-159 and rated no lower than "AAA", and Commercial Paper meeting the requirements of NCGS-159 plus having a national bond rating.
7. Diversification: No more than 5% of the City's investment funds may be invested in a specific company's commercial paper and no more than 20% of the City's investment funds may be invested in commercial paper. No more than 25% of the City's investments may be invested in any one US Agency's Securities.
8. Allocation: Investment income will be allocated to each participating fund or account based on a fair and equitable formula determined by the Finance Director.
9. Reporting: The City Council will receive an investment report at the end of each quarter showing current investment holdings.

Adopted this 21st day of August, 2023.


David Ham, Mayor