



AGENDA ITEM ANALYSIS

Project/Issue Name: 20-52 An Ordinance of the City Council of the City of Republic, Missouri, Amending the Municipal Code of the City of Republic, Missouri, by Amending Title I, "Government Code," Chapter 145, "Financial Policy and Procedures," Regarding Financial Policies.

Submitted By: Debbie Parks

Date: November 17, 2020

Issue Statement

The City of Republic is updating and replacing the previous Financial Policy last updated in 1999.

Discussion and/or Analysis

The City of Republic staff is proposing to replace the existing financial policy with this new financial policy. The goal of the new policy is to establish policies that will lead the City to financial sustainability and growth. In developing the proposed policies, the following factors were considered: internal controls, best practices in financial policies, increased standing with rating agencies for City financing, and the ability of the City to comply with the policy in its current financial condition.

A summary of the proposed polices are below:

Accounting, Auditing and Financial Reporting Polices –

- Establishes the accounting methods used by the City.
- Frequency of audit and selection of auditor.
- Establishes the capital asset threshold at \$5,000.
- Internal controls of accounting controls to include segregation of duties, integrated financials software systems, and recording of transactions.

Budgeting Policy

- Outlines the goals of the budgeting process.
- Calls for a balanced budget.
- Establishes the budget calendar
- Outlines the methods of budgetary control during the fiscal year.



- Changes can be made by department directors within their own budget line items up to \$20,000 without a required budget amendment, if overall fund expenditures are not increased.
- Establishes what is to be included in the budget document to comply with the required State RSMos.
- The City will utilize strategic and financial planning when developing the annual budget.

Cash Management and Investment Policies

- Outlines the policy for handling of the City's cash resources.
- Outlines the Internal Cash Controls to provide for the prevention of theft and fraud.
- Investment Policy – is the recommended Investment Policy as recommended by the State of Missouri. Financial Advisors in Missouri are familiar with the policy. It outlines that investments of the City will be made in safe and easily liquidated investments.

Capital Asset Policies

- Outlines that capital assets should be included in the 5-Year capital improvement program and annual budget.
- Establishes the management policy of delaying capital projects in the calendar year to allow for monitoring of revenues to ensure projected revenue targets will be met. Also helps with the City's cash flow in funds with smaller operating reserves.

Debt Policies

- The debt policies establish what types of items can be financed through long term financing.
- Outlines the amount of indebtedness that the City can take in each type of fund.
- Outlines a debt ratio of 1.2 for the enterprise funds.
- Outlines a debt ratio of 140% of total governmental funds revenues for the rest of the City funds.
- Outlines the processes for obtaining debt, Council approval, bond counsel, and voter requirements to meet the State RSMos.

Reserve and Fund Balance Policies

- Establishes the Operating Reserve Policy of 120-180 Day operating cash on hand for the General Fund.
- Establishes 90 days operating cash for the Parks, Street, Water & Wastewater funds.
- Capital funds should keep 25% of the annual debt payment in reserve.

Revenue Policies

- Establishes the need to establish diversified revenue streams to include municipal fees and grant revenues.



- Outlines the process for reviewing the municipal service charges annually to be adopted with the annual budget.
- Establishes that non-recurring revenue sources will only be used for one-time purposes (not fund employee or operating costs).
- Establishes the requirement to closely monitor and report on the unpredictable revenues such as sales tax. Downward trends in the City's sales tax can trigger budgetary control measures until the trend stabilizes.

Recommended Action

Staff recommends adopting the City of Republic Financial Policy.