

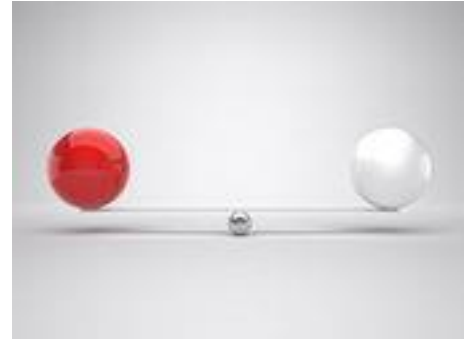
# Summary of Financial Policies

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*Updated: Jan 2015*

## Financial Planning Policies

- **Balanced Budget** – Each year the budget for each fund shall be balanced. Total resources available, including fund balances plus projected revenue, shall be equal to or greater than the projected expenditures for the coming year. In the event a budget deviates from being presented as balanced, full disclosure and City Council approval will be required including the factors affecting the budget such as economic factors or emergency capital expenditures.
- **Long-Range Planning** – The City will strive to annually prepare a Five-Year Forecast for each fund. The forecast will include estimated operating costs and revenues of future capital improvements included in the capital budget.
- **Asset Inventory** – Fixed assets include equipment, computers, furniture and vehicles. Once purchased, all capital items are maintained in the physical inventory until disposed. All vehicles are maintained for maximum life and use through each department's fleet management and maintenance programs.



## Revenue Policies

- **Revenue Diversification** - The City will strive to identify new revenue streams for the organization. These fees will be reviewed by the City Council in conjunction with the budget process.
- **Fees and Charges** - In conjunction with the annual budget process, departments will review the cost of providing services against the fee charged. For those services which the costs exceed the fees collected, the City Council will be presented analysis for each proposed fee increase. The City Council will be the determinate of if the fees are amended, but the responsibility for the identification of these fees will be with the organization.
- **Use of One-time Revenues** – Use of one-time revenues will be reserved for the highest priorities of the current budget to include any revenue shortfalls impacting current budget, reducing and managing debt, use in considering one-time capital purchases and fund balance reserves. One-time revenues are discouraged from being used to maintain or establish ongoing expenditures.

- **Revenue Collections** – The City will maintain an aggressive policy of collecting all moneys due to the City.

### Expenditure Policies

- **Debt Capacity, Issuance, and Management** - The City of Melissa strives to manage debt issuance by reviewing the Maintenance and Operations allocation against the Interest and Sinking allocation. The City will strive to maintain a 65/35% ratio. This ratio is a guide only and may be amended as our growing community's needs dictate; however, this policy will be used as a measuring device before any debt is issued.
- **Reserve or Stabilization Accounts** – Unreserved, undesignated fund balance equal to three months annually budgeted expenditures of General Fund and Enterprise Fund maintained for the purpose of providing for emergency and other unplanned expenditures and revenue shortfalls.
- **Operating/Capital Expenditure Accountability** - The City of Melissa will review expenditures monthly and align the City's adopted Fiscal Management Plan that outlines appropriate budget strategies in light of the economic conditions. In addition, the City Council will be presented quarterly reports and an annual alignment action item.

### Financial Reporting

- **GFOA Distinguished Budget Award** - The City of Melissa will annually submit the Operating Budget to the Government Finance Officers Association of America's (GFOA) Distinguished Budget Award Program. The budget document will address comments and suggestions by the GFOA review to continuously improve the quality and usefulness of the budget document.



- **GFOA Certificate of Achievement for Excellence in Financial Reporting** - The City of Melissa will annually submit the comprehensive annual financial report (CAFR) to the Government Finance Officers Association of America's (GFOA) Achievement for Excellence in Financial Reporting Program. The CAFR will address comments and suggestions by the GFOA review to continuously improve the quality and usefulness of the annual report document.

## **Investment Policies**

- **City of Melissa, Texas Investment Policy** - It is the policy of the City of Melissa that after allowing for the anticipated cash flow requirements of the City and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate of return. The City is required under the Public Funds Investment Act (Chapter 2256 of the Texas Government Code) to adopt a formal written Investment Policy for the investment of public funds.

## **Purchasing Policies**

- **Purchasing Policies and Procedures** – It is the policy of the City of Melissa to assure fair and competitive access by responsible vendors/contractors to the purchasing requirements of the City and to conduct business activities in such a manner as to foster public confidence in the integrity of the City of Melissa. The City of Melissa adheres to all State of Texas laws and regulations as set forth in the State of Texas Local Government Code (“LGC”), as amended, and as published in the City’s Purchasing Manual and as approved by the City Council of the City of Melissa, Texas.

## **Donation Policies**

- **Donation Policies and Procedures** – It is the policy of the City of Melissa that the decisions on acceptance of a financial gift for capital projects are made in a consistent manner and are appropriate for the purposes of the City of Melissa. This policy is directed for donations that exceed \$50,000.00 designated for transportation projects, wastewater projects or water projects. Should the City of Melissa be notified that an outside entity/person/firm, etc., is willing to donate funds for a particular capital improvement project, said donation will be made the subject of a Developers Agreement to outline the purpose and terms for the use of said donation and will be subject to City Council approval. The Melissa City Council reserves the right to accept or decline any financial donation for any reason.