

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF REVIEWING and) RESOLUTION NO. 11-4275
READOPTING COMPREHENSIVE FINANCIAL)
POLICIES FOR METRO AND DIRECTING) Introduced by Dan Cooper, Acting Chief
THEM TO BE PUBLISHED IN THE FY 2011-12) Operating Office in concurrence with
ADOPTED BUDGET) Council President Hughes

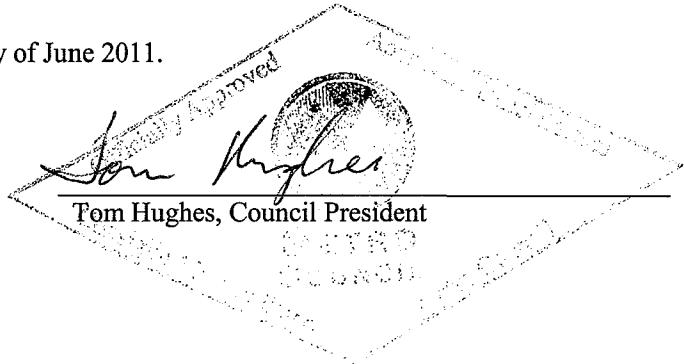
WHEREAS, Metro recognizes the important of comprehensive financial policies to provide a framework for the overall fiscal management of the agency; and

WHEREAS the comprehensive financial policies as first approved by the Metro Council in 2004 and most recently amended and readopted in June 2010 provide as a general principal "Metro's financial policies" shall be reviewed annually by the Council and shall be published in the adopted budget; and

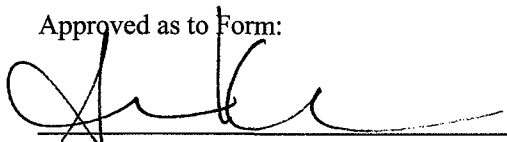
Whereas the Metro Council has reviewed the current policies; now therefore

BE IT RESOLVED that the Metro Council readopts the comprehensive financial policies as shown in Exhibit A of this resolution, entitled "Metro Financial Policies;" and directs that said policies be published in the FY 2011-12 Adopted Budget.

ADOPTED by the Metro Council this 23rd day of June 2011.



Approved as to Form:


Alison Kean Campbell, Acting Metro Attorney

Metro's Financial Policies

General policies

1. Metro's financial policies shall be reviewed annually by the Council and shall be published in the adopted budget.
2. Metro shall prepare its annual budget and Comprehensive Annual Financial Report consistent with accepted public finance professional standards.
3. The Chief Financial Officer shall establish and maintain appropriate financial and internal control procedures to assure the integrity of Metro's finances.
4. Metro shall comply with all applicable state and federal laws and regulations concerning financial management and reporting, budgeting and debt administration.

Accounting, auditing and financial reporting

1. Metro shall annually prepare and publish a Comprehensive Annual Financial Report including financial statements and notes prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.
2. Metro shall maintain its accounting records on a basis of accounting consistent with the annual budget ordinance.
3. Metro shall have an independent financial and grant compliance audit performed annually in accordance with generally accepted auditing standards.

Budgeting and financial planning

1. As prescribed in Oregon budget law, total resources shall equal total requirements in each fund, including contingencies and fund balances. However, Metro considers a budget to be balanced whenever budgeted revenues equal or exceed budgeted expenditures. Beginning fund balances shall not be considered as revenue, nor shall contingencies or ending fund balances be considered expenditures, in determining whether a fund is in balance.
2. Metro shall maintain fund balance reserves that are appropriate to the needs of each fund. Targeted reserve levels shall be established and reviewed annually as part of the budget process. Use of fund balance to support budgeted operations in the General Fund, an operating fund, or a central service fund shall be explained in the annual budget document; such explanation shall describe the nature of the budgeted reduction in fund balance and its expected future impact. Fund balances in excess of future needs shall be evaluated for alternative uses.
 - a. The Metro Council delegates to the Chief Operating Officer the authority to assign (and un-assign) additional amounts intended to be used for specific purposes more narrow than the overall purpose of the fund established by Council. A schedule of such assignments shall be included within the adopted budget document.
 - b. Metro considers restricted amounts to have been spent prior to unrestricted (committed, assigned, or unassigned) amounts when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. Within unrestricted amounts, committed amounts are considered to have been spent first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.
 - c. The following information shall be specified by Council in the establishment of Stabilization Arrangements as defined in GASB Statement No. 54: a) the authority for establishing the arrangement (resolution or ordinance), b) the requirements, if any, for

additions to the stabilization amount, c) the specific conditions under which stabilization amounts may be spent, and d) the intended stabilization balance.

3. Metro staff shall regularly monitor actual revenues and expenditures and report to Council at least quarterly on how they compare to budgeted amounts, to ensure compliance with the adopted budget. Any significant changes in financial status shall be timely reported to the Council.
4. Metro shall use its annual budget to identify and report on department or program goals and objectives and measures of performance.
5. A new program or service shall be evaluated before it is implemented to determine its affordability.
6. Metro shall authorize grant-funded programs and associated positions for a period not to exceed the length of the grant unless alternative funding can be secured.
7. Each operating fund will maintain a contingency account to meet unanticipated requirements during the budget year. The amount shall be appropriate for each fund.
8. Metro shall prepare annually a five-year forecast of revenues, expenditures, other financing sources and uses, and staffing needs for each of its major funds, identifying major anticipated changes and trends, and highlighting significant items which require the attention of the Council.
9. Metro will annually prepare a cost allocation plan prepared in accordance with applicable federal guidelines to maintain and maximize the recovery of indirect costs from federal grants, and to maintain consistency and equity in the allocation process.

Capital asset management

1. Metro shall budget for the adequate maintenance of capital equipment and facilities and for their orderly replacement, consistent with longer-term planning for the management of capital assets.
2. The Council's previously-adopted policies governing capital asset management are incorporated by reference into these policies.

Cash management and investments

1. Metro shall maintain an investment policy in the Metro Code, which shall be subject to annual review and re-adoption.
2. Metro shall schedule disbursements, collections and deposits of all funds to ensure maximum cash availability and investment potential.
3. Metro shall manage its investment portfolio with the objectives of safety of principal as the highest priority, liquidity adequate to needs as the second highest priority and yield from investments as its third highest priority.

Debt management

1. Metro shall issue long-term debt only to finance capital improvements, including land acquisition, that cannot be readily financed from current revenues, or to reduce the cost of long-term financial obligations.
2. Metro will not use short-term borrowing to finance operating needs unless specifically authorized by the Council.
3. Metro shall repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt.
4. Metro shall fully disclose financial and pertinent credit information as it relates to Metro's outstanding securities.
5. Metro shall strive to obtain the highest credit ratings to ensure that borrowing costs are minimized and Metro's access to credit is preserved.

6. Equipment and vehicles should be financed using the least costly method, including comparison to direct cash expenditure. This applies to purchase using operating leases, capital leases, bank financing, company financing or any other purchase programs.

Revenues

1. Metro shall estimate revenues through an objective, analytical process.
2. Metro shall strive to maintain a diversified and balanced revenue system to protect it from short-term fluctuations in any one revenue source.
3. One-time revenues shall be used to support one-time expenditures or increase fund balance.
4. Metro shall pursue appropriate grant opportunities; however, before accepting any grant, Metro will consider the current and future implications of either accepting or rejecting it. The Chief Financial Officer may establish criteria to be used in evaluating the potential implications of accepting grants.

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 11-4275 FOR THE PURPOSE OF REVIEWING AND READOPTING COMPREHENSIVE FINANCIAL POLICIES FOR METRO AND DIRECTING THEM TO BE PUBLISHED IN THE FY 2011-12 ADOPTED BUDGET

Date: June 15, 2011

Prepared by:
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Finance and Regulatory Services
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BACKGROUND

In 2004 the Metro Council enacted Resolution No. 04-3465 adopting comprehensive financial policies for Metro. Each year as part of the annual budget adoption process the Metro Council reviews the financial policies which provide the framework for overall fiscal management of the agency. Operating independently of changing circumstances and conditions, the policies are designed to help safeguard Metro's assets, promote effective and efficient operations and support the achievement of Metro's strategic goals. The Capital Asset Management Policies (CAMP) are incorporated by reference and are published as part of the 5-year Capital Improvement Plan.

Last year on June 17, 2010, the Metro Council reviewed the financial policies and amended them to meet the requirements of Governmental Accounting Standards Board, Statement 54, related to classification of fund balances.

No changes to the comprehensive financial policies are proposed as a part of this readoption. The Council reviewed these policies at the June 14, 2011, work session.

ANALYSIS/INFORMATION

1. **Known Opposition:** None.
2. **Legal Antecedents:**
Metro adopted comprehensive financial policies in 2004 voluntarily. These policies are an expression of Metro's commitment to acting as faithful stewards of public resources. The first statement in the General Policies is that "Metro's financial policies shall be reviewed annually by the Council and shall be published in the adopted budget."
3. **Anticipated Effects:** Approval of this resolution meets the requirements of the first statement in the general policies.
4. **Budget Impacts:** There is no direct financial cost to approving this resolution. The budget is prepared annually following these policies.

RECOMMENDED ACTION: The Budget Officer and the Director of Finance and Regulatory Services recommend readoption of the comprehensive financial policies as an expression of Metro's commitment to providing transparent and accountable stewardship of public funds.