




TO: Members, City Council  
CC: Dr. Marie Peoples, City Manager  
FROM: Eric Peterson, Asst. City Manager   
DATE: September 29, 2022  
RE: **Financial Policies Review for City Council Work Session, Oct 4**

City Council –

Following this cover memo are draft policy resolutions and policy statements for Financial Policies review at the October 4<sup>th</sup> Council Work Session. Per our last presentation to the Council, the review on the 4<sup>th</sup> will center on uncodified but stated policies in the budget document along with the Five-Year Fiscal Plan policy.

The uncodified but stated policies for review are the:

- Purpose Statement
- Revenue Policy
- Operating Policy
- Accounting Policy
- Capital Improvement Plan Policy

Currently, the Five-Year Fiscal Plan policy is not a policy mandated tool for financial decisions. The draft policy does mandate its existence and review for the Council's information. The policy also expands the five-year plan to include all the various funds of the City. It also requires updating the plan for each of the quarterly fiscal year budget updates to Council.

The drafts contain some recommendation from Finance that are additions or deletions. Deletions are denoted with a strikethrough and additions are highlighted in yellow.

While there will not be a presentation (power point) for the review, we will have the attached text and also the current five-year plan presented for context around the discussions.

The goal of the Oct 4 work session is to review these policies for any Council revisions or concerns and prepare them for adoption on the Oct 18<sup>th</sup> Council Consent Agenda.

**RESOLUTION 2022-XX**

**ADOPTING A PURPOSE STATEMENT FOR THE CITY OF WEBSTER GROVES  
FINANCIAL POLICES**

**WHEREAS**, the City of Webster Groves has many financial policies in place and is in constant review and revision of financial policies to which a purpose statement for the financial policies is both beneficial and necessary; now therefore

**BE IT RESOLVED**, by the City Council of Webster Groves, Missouri, that the attached Exhibit A, be adopted as the Purpose Statement of the City Financial Policies

Passed and approved on this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

## EXHIBIT A

### PURPOSE STATEMENT FOR THE CITY FINANCIAL POLICIES

The City of Webster Groves has an important responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely and to plan for the adequate funding of services and facilities required and desired by the public. The purpose of establishing a set of financial policies is to ensure the public's trust is upheld. By adopting a set of financial policies, the City will be establishing the framework under which it will conduct its financial affairs, ensuring that it is and will continue to be capable of funding and providing outstanding local government services.

The financial policies of the City of Webster Groves have specific objectives designed to ensure the financial health of the City. These objectives are:

- To maintain Council policy-making ability by ensuring that important financial decisions are not driven by emergencies or unforeseen financial problems.
- To provide Council information so that policy decisions can be made timely and accurately.
- To provide sound financial principles to guide Council and management in making decisions.
- To employ revenue policies which attempt to prevent undue reliance on a single source of revenue and which distributes the cost of municipal services fairly among all programs.
- To protect and maintain the City's credit rating.
- To ensure legal compliance with the budget through systems of internal control.

The City Council shall review all financial policies of the City for their fitness and efficacy on a revolving cycle, with policies being staggered so as to provide a complete review of all policies within three years.

**RESOLUTION 2022-XX**

**ADOPTING A REVENUE POLICY**

**WHEREAS**, the City of Webster Groves is reviewing its financial policies and desires to codify stated revenue policies in accordance with the purpose statement of the City's financial policies; now therefore

**BE IT RESOLVED**, by the City Council of Webster Groves, Missouri, that the attached Exhibit A, be adopted as the City's Revenue Policy.

Passed and approved on this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

## EXHIBIT A

### REVENUE POLICY

#### REVENUE SUFFICIENCY

- The City will continually engage in efforts designed to both broaden and diversify its revenue base to prevent revenue shortfalls due to reliance on a single revenue source.
- User charges and fees will be reviewed and established at a level related to the cost of providing the service.

#### ONE-TIME REVENUE

- One-time revenues will be used only for one-time expenditures. The City will avoid using temporary revenues to fund ongoing services.
- Should one-time revenues be used for ongoing services, there should be an accompanying budget plan to sustainably fund the expenditure.

#### REVENUE MANAGEMENT

- All existing and potential revenue sources will be reviewed annually to ensure revenue trends are kept current.
- Monthly reports comparing actual to budgeted revenues will be prepared by the Finance Department and presented for administrative review.

**RESOLUTION 2022-XX**

**ADOPTING A FINANCIAL OPERATING POLICY**

**WHEREAS**, the City of Webster Groves is reviewing its financial policies and desires to codify stated operating policies in accordance with the purpose statement of the City's financial policies; now therefore

**BE IT RESOLVED**, by the City Council of Webster Groves, Missouri, that the attached Exhibit A, be adopted as the City's Operating Policy.

Passed and approved on this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

**EXHIBIT A**  
**OPERATING POLICY**

**EXPENDITURE CONTROLS**

- When necessary, the City will institute expenditure controls in an attempt to ensure that current operating expenditures/expenses will not exceed current operating revenues.

**BUDGET CONTROLS**

- Legal budgetary control is set at the fund level. Transfers of budgeted amounts from one department to another requires the approval of the City Manager or Director of Finance and Administration.
- Transfers between funds or any change in the appropriated expenditures of a fund must be authorized by the City Council.

**EMPLOYEE COMPENSATION**

- The City will maintain a competitive pay structure for its employees.

**OPERATING OVERSIGHT**

- Monthly reports comparing actual to budgeted expenditures/expenses will be prepared by the Finance Department and presented for administrative review.
- Quarterly reports on the status of expenditures and revenues in each fund shall be prepared and presented to the City Council along with other information as the Council may desire.
- ~~The annual financial report and the annual budget shall be submitted to the Government Finance Officers Association for the purpose of obtaining the awards presented in each category.~~

**RESOLUTION 2022-XX**

**ADOPTING AN ACCOUNTING POLICY**

**WHEREAS**, the City of Webster Groves is reviewing its financial policies and desires to codify stated accounting policies in accordance with the purpose statement of the City's financial policies; now therefore

**BE IT RESOLVED**, by the City Council of Webster Groves, Missouri, that the attached Exhibit A, be adopted as the City's Accounting Policy.

Passed and approved on this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk



## EXHIBIT A

### ACCOUNTING POLICY

#### BASIS OF ACCOUNTING

- The City will use generally accepted accounting principles (GAAP) in all external financial records and transactions. These principles will be monitored and updated as mandated by the Governmental Accounting Standards Board.

#### ANNUAL AUDIT

- An independent annual audit will be performed by a public accounting firm, which will issue an official opinion on the annual financial statements and a management letter detailing areas needing improvement.
- ~~The City will annually submit documentation to obtain the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.~~

#### DISCLOSURES

- Full disclosure will be provided in the financial statements and bond representations.
- Communications between auditors and other outside officials and city officials shall remain confidential until the City Council determines to release such information, pursuant to Missouri law.

#### EXECUTIVE/LEGISLATIVE OVERSIGHT

- Financial systems will be maintained to monitor revenues and expenditures/expenses on a monthly basis, with an analysis and adjustment of the Annual Budget at appropriate times.
- The Finance Department will monitor the financial systems with reports presented monthly for administrative review.

**RESOLUTION 2022-XX**

**ADOPTING A CAPITAL IMPROVEMENT PLAN POLICY**

**WHEREAS**, the City of Webster Groves is reviewing its financial policies and desires to codify stated capital improvement policies in accordance with the purpose statement of the City's financial policies; now therefore

**BE IT RESOLVED**, by the City Council of Webster Groves, Missouri, that the attached Exhibit A, be adopted as the City's Capital Improvement Plan Policy; and

**BE IT FURTHER RESOLVED**, that the City Manager is directed to prepare the FY2024 budget with a new fund created for large capital asset replacement pursuant to the attached policy.

Passed and approved on this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

## EXHIBIT A

### CAPITAL IMPROVEMENT PLAN POLICY

#### CAPITAL IMPROVEMENT BUDGETING

- The City will prepare for the Council's adoption annually, a five-year Capital Improvement Plan (CIP) which will detail each capital project, the estimated cost, the description, and funding source. Future operating costs associated with new capital improvements will be projected and included in the operating budget forecast.
- The City will determine and use the most effective and efficient method for financing all new capital projects.

#### LARGE CAPITAL ASSET REPLACEMENT

- The City identifies large capital assets as any capital expenditure that has a replacement value over \$300,000, or, any component of building infrastructure with a replacement life-span separate or distinct to that of the building (HVAC, electrical, plumbing, roofs, etc.).
- The standard street repair program (Annual Chip Seal and Mill and Overlay) is not part of the Large Capital Asset Replacement program, however, any other street-related public works infrastructure that meets the definition of the program is so identified.

#### CAPITAL ASSET MANAGER

- The City shall document and input all capital assets into a Capital Asset Manager portfolio and provide a schedule for replacement with needed funding amounts for the years scheduled.

#### CAPITAL IMPROVEMENT RESERVES & SCHEDULES

- Beginning in FY2024, the City shall appropriate funds for its yearly capital expenditures and begin reserve accumulation as necessary to fund the schedule of capital asset replacement.
- The city shall create a large capital asset replacement reserve fund for banking one-time funds for use in the capital replacement schedule.
- At the close of each fiscal year, 50% of the annual unexpended appropriations in the Capital Improvement Fund will be transferred to the fund for large capital asset replacement.
- All unexpended appropriations in any fund, other than the Capital Improvement Fund, shall remain in the fund balance of their respective funds.
- The City may, from time-to-time as the City Council determines, deposit other one-time funds to the Large Capital Asset Replacement fund.

**RESOLUTION 2022-XX**

**ADOPTING A FIVE-YEAR FISCAL PLAN POLICY**

**WHEREAS**, the City of Webster Groves is reviewing its financial policies and desires to codify stated accounting policies in accordance with the purpose statement of the City's financial policies; now therefore

**BE IT RESOLVED**, by the City Council of Webster Groves, Missouri, that the attached Exhibit A, be adopted as the City's Five-Year Fiscal Plan Policy.

Passed and approved on this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

## EXHIBIT A

### FIVE-YEAR FISCAL PLAN POLICY

#### MANDATE

- The City will prepare and maintain a five-year plan of budgeted and/or expected revenues and expenditures for each of the fourteen governmental funds of the City.
- The plan years shall be the current fiscal year and the four following fiscal years.
- The plan, in its latest iteration, along with past iterations, shall be publicly available.

#### UPDATES AND POLICY DECISION SCHEDULE

- The five-year plan shall be updated with current fiscal year actual amounts and revised estimates for both revenues and expenditures for every quarterly budget update.

#### RECURRING REVENUE & EXPENDITURE

- Each fund represented in the plan shall clearly have any predicted one-time revenues or expenditures indicated in the fiscal year so expected as to accurately reflect the nature of structural surplus/deficit in each fund.
- One-time revenues or expenditures are those items that may not reasonably be expected to occur to again in the next fiscal year with a reasonable similarity in amount and nature to the current year.

#### FUND BALANCE

- The plan shall show the actual and/or estimated opening and closing fund balance of each fund for each fiscal year contained in the plan.

#### PENSION FUND

- A five-year plan forecast of budgeted and/or expected revenues and expenditures for the fiduciary pension fund of the City.
- The plan years shall be the current fiscal year and the four following fiscal years.
- The plan estimates and assumptions shall be based on the actuarial assumptions and estimates commonly used by the Missouri Local Area Government Employees Retirement System (LAGERS), as best available, and generally accepted accounting principles.
- The plan shall be considered a separate plan from the City's Five-Year Fiscal Plan for the governmental funds.
- The Pension Fund Five-Year Plan shall be reviewed annually during the course of budget consideration and adoption.
- The plan, in its latest iteration, along with past iterations, shall be publicly available.