

FINANCIAL POLICIES

The City of Asheville financial policies establish general guidelines for the fiscal management of the City. These guidelines, influenced by the North Carolina Local Government Budget and Fiscal Control Act and sound financial principles, provide the framework for budgetary and fiscal planning. Operating independently of changing circumstances and conditions, these policies assist the decision-making processes of the City Council and city administration.

A. Operating Budget Policy

1. Current operating revenues will be sufficient to support current operating expenditures. Fund balance appropriations shall be limited to non-recurring expenditures.
2. Debt proceeds or non-recurring revenues will not be used to finance recurring operating and recurring capital expenditures.
3. The City will integrate performance measures and productivity indicators with the annual budget.
4. The City will prepare a five-year operating budget projection which will include projections of annual growth plus allowances for operating costs of new capital facilities.
5. It is the City's policy that the operating budget be prepared in accordance with Generally Accepted Accounting Principles.

B. Reserves

1. The City will maintain an undesignated fund balance equal to 15% of the General Fund operating budget, with any amount in excess of 15% being credited to a capital reserve account. This transfer shall be made upon completion of the annual financial audit. The City Council may appropriate this transfer through an amendment to the subsequent year's Budget Ordinance.
2. For all other operating funds, the City shall seek to maintain a minimum fund balance as follows:

Civic Center Fund	16% of the operating budget
Golf Fund	8% of the operating budget
Parking Fund	8% of the operating budget
Stormwater Fund	8% of the operating budget
Transit Fund	8% of the operating budget (portion may be reflected in General Fund)
Water Fund	100% of operating budget/365 days of working capital

C. Interfund Transfers

1. The City will strive to ensure that enterprise funds are financially self sufficient; however, the City may budget a transfer from the General Fund to an enterprise fund to ensure operational and/or capital support for the activities of the fund. If financial performance in the enterprise operating fund is better than budgeted, and the enterprise fund meets the reserve standards set forth in Section B of this policy, then any remaining portion of the interfund transfer shall be returned to the General Fund as part of the annual financial audit process.

D. Revenue Policy

1. Revenue estimates shall be set at realistic and attainable levels and shall be monitored periodically.
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2. The City will conduct an annual review of specific programs and services which have been identified as potential opportunities for user fees and for which user fees are charged. Where appropriate, user fees will be set at a level sufficient to recover the full costs of the program or service.
3. Regulatory fees shall be set at a level that strives to recover full costs (direct and indirect costs, such as depreciation or usage costs associated with capital assets) of providing the service, unless statutory restrictions limit the fee amount.
4. Non-regulatory fees are charged for a wide variety of services with the primary purpose for non-regulatory fees being to: 1) influence the use of the service and 2) increase equity.
5. Non-regulatory user fees shall be set at a level that is competitive in the marketplace and strives to recover full costs (direct and indirect costs, such as depreciation or usage costs associated with capital assets) except when:
 - free or subsidized service provides a significant public benefit;
 - the City has determined that it should influence personal choice to achieve community-wide public benefits;
 - full cost recovery would result in reduced use of the service or limit access to intended users thereby not achieving community-wide public benefits;
 - the cost of collecting the user fees would be excessively high;
 - ensuring the users pay the fees would require extreme measures.

E. Capital Improvement Policy

1. The City will update and readopt annually a five-year capital improvement program which details each capital project, the estimated cost, description and funding source.
2. The capital improvements plan should be tied to the City's comprehensive growth plan, "City Plan 2025," as well as the City's other adopted Master Plans, to ensure that the capital items requested meet the future growth needs and long-term vision for the City.
3. The City shall appropriate all funds for Capital Projects with a Capital Projects ordinance in accordance with State statutes.
4. Operating expenses for all capital projects will be estimated and accounted for in the Capital Improvements Program and incorporated into the annual operating budget.
5. Capital expenditures included in the CIP as a project will cost at least \$50,000 and have a useful life of at least five years. Equipment purchases are considered operating expenses and will not be included in the CIP.
6. Capital facilities to be financed with bond-indebtedness must adhere to the debt policies of the City including maintenance of adopted debt ratios.

F. Accounting Policy

1. The City will establish and maintain the accounting systems according to the North Carolina Local Budget and Fiscal Control Act.
 2. An annual audit will be performed by an independent public accounting firm which will issue an official opinion on the annual financial statements, with a management letter detailing areas that need improvement if required. The City will prepare a Comprehensive Annual Financial Report that will be submitted to the Local Government Commission each year according to the commission's stated deadlines.
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3. Full disclosure will be provided in the financial statements and bond representations.
4. Financial system will be maintained to monitor expenditures and revenues on a monthly basis.
5. All revenue collections will be consolidated under the Director of Finance and be audited at least annually.
6. The City's Fiscal Procedures Manual will be maintained as a central reference point and handbook for all activities which have a fiscal impact within the City and will serve as the City's authoritative source for fiscal procedures.

G. Debt Management

1. Capital projects financed through the issuance of bonds shall be financed for a period not to exceed the expected useful life of the project.
 2. The general obligation debt of the City of Asheville will not exceed 8% of the assessed valuation of the taxable property of the City.
 3. Total debt service on tax-supported debt of the City will not exceed 15% of total general government operating revenue.
 4. Payout of aggregate principal outstanding shall be no less than 50% repaid within 10 years.
 5. The City will maintain its financial condition so as to maintain a minimum AA bond rating.
 6. The City's Water Resources Utility will maintain its financial condition so as to maintain a AA bond rating.
 7. The City's debt policy will be comprehensive and the City will not knowingly enter into any contracts creating significant unfunded liabilities.
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Investment Policy

The City of Asheville will demonstrate good stewardship of public funds through an Investment Policy and Program that is transparent, fiscally conservative, aligned with City Council objectives and in compliance with all State and local requirements.

Governance

The City of Asheville's Investment Policy shall be governed by the North Carolina Budget and Fiscal Control Act, North Carolina General Statute (NCGS) §159, the policies of the Local Government Commission (LGC), and the direction of the City Council.

Purpose and Scope

The City of Asheville's Investment Policy applies to the investment activities of the City of Asheville. All financial assets of the City shall be administered in accordance with the provisions of the Policy. In addition to the Policy, the investment of bond proceeds and other bond funds (including debt service and reserve funds) shall be governed and controlled by their governing ordinances and by all regulations and rulings applicable to the issuance of such obligations.

Objectives

The objectives of the City's investment activity are, in order of importance, safety, liquidity and yield.

Safety. The primary objective of the City's investment activity is the preservation of capital in the overall portfolio. Funds shall be invested according to NCGS §159-30-33. These statutes provide the authority to invest idle funds and provide the mandatory framework for cash management, reporting and investment decisions. The statutes outline the investment options open to local governments with an emphasis on preservation of capital and mitigation of risk. The City will invest in those institutions collateralized under the Pooling Method, as prescribed under the North Carolina Administrative Code, Title 20, Chapter 7 (20 NCAC 7). 20 NCAC 7 allows depositories to use an escrow account established with the State Treasurer to secure the deposits of all units of local governments.

Liquidity. The City's investment portfolio should remain sufficiently liquid to enable the City to meet operating requirements that can be reasonably anticipated. Liquidity shall be achieved by maintaining cash equivalent investment balances, matching investment maturities with estimated cash flow requirements and by investing in securities with active secondary markets. Funds held for future capital projects shall be invested in anticipation of projected cash flow requirements.

Yield. The City's operating portfolio shall be designed with the objective of achieving a market rate of return through all budgetary, economic and interest rate cycles. The investment program shall seek to augment returns above this threshold consistent with prudent investment principles. This objective is subject to investment risk constraints and liquidity needs as previously stated.

Responsibility and Control

NCGS §159-25(a)6 delegates management responsibility for the investment program to the City's Finance Officer (FO). The FO shall establish and maintain procedures for the operation of the investment program which are consistent with this policy, State statute, the policies of the LGC, and the strategic plan of the City Council of the City of Asheville. The FO may further delegate authority to persons responsible for investment activities and transactions and the FO will establish and maintain a system of controls to regulate the activities of those persons.

In the absence of a FO and those to which he or she has delegated investment authority, the City Manager or his or her designee is authorized to execute investment activities on behalf of the City of Asheville.

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Investment Policy (Cont)

Authorized Investments

The City of Asheville's management of cash and investments must comply with the North Carolina Budget and Fiscal Control Act (NCGS §159) and the policies of the LGC. Funds of the City of Asheville may be invested in the instruments described below, all of which are authorized by the Act and the LGC.

- Obligations of the United States
- Obligations of US Government Agencies, including, but not limited to:
 - Federal National Mortgage Association ("FNMA")
 - Federal Home Loan Bank ("FHLB")
 - Federal Home Loan Mortgage Corporation ("FHLMC")
 - Federal Farm Credit Bank ("FFCB")
- Prime quality commercial paper
- Bank certificates of deposit (CDs)
- Bank deposit accounts

According to the direction of the City Council, the City shall ensure that financial institutions meeting the following criteria receive full consideration for cash management and investment decision making for bank certificates of deposit:

- a. Institution is collateralized under the Pooling Method (see *Safety* above)
- b. Institution demonstrates a pattern of community reinvestment aligned with City Council's Strategic Plan
- c. Institution has physical location(s) within the City of Asheville city limits
- d. Institution provides employment within the city limits

Changes to the governing North Carolina General Statutes and/or the policies of the Local Government Commission will be considered automatically adopted by the City of Asheville as part of this Investment Policy. Any such changes will be included as revisions of or amendments to the policy; however, their implementation by the City is not predicated on inclusion in this document.
