SOUND FINANCIAL POLICIES
Town of Bellingham

- PURPOSE AND BENEFITS OF FINANCIAL POLICIES

PURPOSE/BENEFITS

- Provides Historical Basis for Future Direction
- Provides for consistent guidelines for financial activities
- Sets a foundation for financial decision making

Core Financial Principals

- Overall Financial Management Policy
- Investment Policy
- Debt Management Policy

Review of Overall Management Policy

- Policy addresses both current activities and long-term planning
- Ensures that the Town’s financial condition now and in the future remains sound
- Defines “Sound Financial Condition”

Sound Financial Condition

- Cash Solvency- the ability to pay bills in a timely fashion
- Budgetary Solvency-the ability to annually balance the budget
- Long Term Solvency- the ability to pay future costs (Debt, Retirement, etc)
- Service Level Solvency- the ability to provide needed and required services

Review of Policy Statement 1

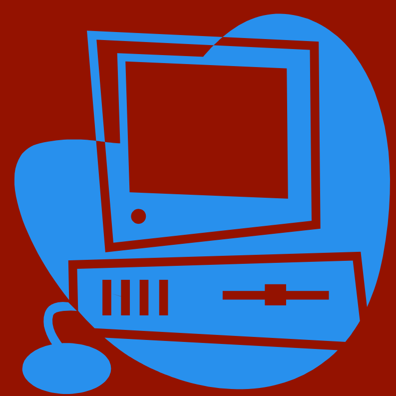
- The Town Administrator and CFO shall annually prepare a balanced budget and comprehensive budget message as required by town charter.

Why This Policy is Important

- Policy provides the framework for all department budgets
- Establishes prudent financial goals
- Establishes priorities for financial planning

Review of Policy Statement 2

- Budgets will be established, and funds managed, using "generally accepted" accounting principles.



Why This Policy is Important

- Assures “legally defendable” accounting
- Conforms to bonding requirements
- Conforms to charter budgeting policy
- Provides consistency of budgeting and accounting over time
- “Clean audits”

Review of Policy Statement 3

- Finances will be managed to maintain financial stability over the long term

Why This Policy is Important

- Like any business, a city or town should strive for financial stability year after year
- Prudent financial goals, which also can minimize costs over the long-term
- Provides citizens and business with confidence, knowing that strong, consistent financial policies are in place guiding their community

Review of Policy Statement 4

- Maintain facilities and provide services at a level that will ensure the public well-being and the safety of residents

Why This Policy is Important

- When making capital funding decisions, priority shall be given to maintaining existing capital assets over the acquisition or construction of new facilities

- The city or town needs to adopt a Capital Improvement Plan that identifies all growth related and major maintenance projects

- Capital improvement programs will consider mandated repair and replacement capital along with growth-related capital

Review of Policy Statements 5 & 6

- The town will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses, such as postponing expenditures, accruing future years' revenue, rolling over short-term debt
- Ongoing operating costs will be funded by ongoing operating revenue sources. This protects the town from fluctuating service levels and avoids concern when one-time revenues are reduced or removed.

Review of Policy Statements 5 & 6

- In addition:
- A. Fund balances should be used only for one-time expenditures such as capital improvements, capital equipment and unexpected or extraordinary expenses such as unbudgeted snow and ice removal expenses
- B. New operating costs associated with capital projects should be funded through the operating budget but reflected in the capital improvement plan

Why these Policies are Important

- The target goal is to achieve financial stability
- Utilizing one-time revenues for operating budgets should be discouraged
- Current economic climate may cause many cities and towns to deviate from this policy

Review of Policy Statement 7

- The Town will maintain a Stabilization Fund as its main financial reserve in the event of an emergency or extraordinary need. It shall be the goal of the town to achieve and maintain a balance in the Stabilization Fund from 3% to 5% of the town’s operating budget

Why this Policy is Important

- To protect a city or town from the financial impacts of unanticipated emergencies
- To establish financial stability
- To provide for capital projects funding

Review of Policy Statement 8

- Debt service payable, when taking into consideration debt exempt from Proposition 2 ½ and financed directly with additional taxes, on an annual basis should be no more than 12% or less than 2% of the annual operating budget. The town should strive to issue debt for shorter periods than the maximum allowable when the statutory limit exceeds 10 years. Please refer to the town's "Debt Management Policy" for a more complete discussion of this subject matter

Why this Policy is Important

- Short-term debt covers a period of one year or less
- Long-term debt will be confined to funding capital improvements that cannot be financed from current revenues for the shortest possible term
- Long-term debt cannot be used to fund current operations

Questions?????

- Thank you for attending this session

- Denis C. Fraine, Town Administrator
- Marilyn A. Mathieu, Chief Financial Officer