

SALT LAKE COUNTY
COUNTY-WIDE POLICY
ON
FINANCIAL GOALS AND POLICIES

Purpose –

The purpose of these financial goals and policies is to formalize the County's commitment to financial best practice and compliance with relevant statutory and ordinance requirements. The goals and policies address the key financial operations of Salt Lake County in the following areas:

- Operating and capital budgeting
- Debt Issuance
- Revenues
- Minimum reserves
- Investments
- Accounting, financial reporting, and auditing

1.0 BUDGET POLICIES

- 1.1 The Auditor, as Budget Officer for Salt Lake County, shall ensure compliance with the Uniform Fiscal Procedures Act for Counties (Act) as required in Utah Code Ann. § 17-36-1, et seq and the Salt Lake County Ordinances § 2.95 et seq.
- 1.2 The Act and County Ordinances call for a tentative budget to be filed by the Auditor with the County Mayor and Council on or before November 1 prior to the ensuing budget year beginning January 1 of each year. The County Mayor presents a proposed budget to the Council on or before November 15 of each year. A budget message, prepared by the Auditor, will accompany the Council Recommended Budget. This budget message shall describe the important features of the budgetary plan, and shall state the reasons for changes from the previous year in appropriation and revenue items, and explain major changes in financial policy. The Council then adopts a final budget on or before December 10th of each year.
- 1.3 The budget shall provide for adequate maintenance of capital plant and equipment.
- 1.4 The budget shall provide for adequate funding of all retirement systems and employee benefits.
- 1.5 The Auditor shall maintain a budgetary system to provide information for budget control and adherence to appropriation limits and statutory requirements.
- 1.6 The Auditor shall prepare reports that compare actual expenditures and revenues to budget. These reports shall be distributed at least monthly to all elected officials, department heads, and administrators.

1.7 In June and November of each year, and at additional times requested by the Council or Mayor, the Auditor shall prepare a Multi-Year Budget and Revenue Projection for funds with a property tax rate and the Tourism, Recreation, Cultural & Convention (TRCC) Fund. Long Range Budget and Revenue Projections are currently prepared for the following funds:

- General Fund
- Capital Improvements Fund
- Flood Control Fund
- Health Fund
- Clark Planetarium Fund
- Governmental Immunity Fund
- State Tax Administration Levy Fund
- Municipal Services Fund
- Library Fund
- TRCC Fund

1.8 The County shall discourage consideration of requests for budget increases or adjustments outside the normal budget appropriation process. Such requests, if considered, must be examined in accordance with the County's Interim Budget Adjustment Policy #1050, and Council established budget priorities.

1.9 The County shall not adopt a budget for any fund where the total appropriation is in excess of the estimated expendable revenue in accordance with Utah Code Ann. § 17-36-18. In other words, the final budget of the County shall be balanced. The definition of a balanced budget is:

Total budgeted expenditures and fund balance transfers out to other funds shall not exceed estimated expendable revenue, fund balance, and transfers in from other funds.

1.10 After the Council adopts the final budget for the ensuing fiscal year, the Auditor, in consultation with the Mayor and Council, shall prepare the County Budget Plan in accordance with standards established by the Government Finance Officers Association (GFOA). The County shall prepare the Budget Plan with the goal to qualify for the Distinguished Budget Presentation Award from the GFOA and annually apply for this award.

2.0 CAPITAL BUDGET POLICIES

2.1 The County shall maintain and annually update its multi-year plan for capital projects. Capital projects include acquisition of real estate, construction of new facilities, improvements to existing facilities and capital maintenance.

2.2 The County shall strive to enact an annual capital budget based on a multi-year capital improvements plan. The intent is to protect and maintain the County infrastructure, both for the present and the future.

2.3 The County shall coordinate development of the capital projects budget with development of the operating budget. Estimated operating costs associated with proposed capital projects shall be included with the capital projects budget request and included with operating budget request.

- 2.4 The County shall accept Federal and State assistance for capital projects when such projects are consistent with the County's Capital Improvements plan and County priorities. To the extent possible, the County shall maximize the use of the Community Development Block Grants to fund capital projects and capital maintenance.
- 2.5 Maintenance and operations of capital facilities shall have priority over acquisition of new facilities, unless a cost/benefit analysis indicates to the contrary. The County shall strive to maintain all assets at a level adequate to protect the County's investment and to minimize future maintenance and replacement costs.
- 2.6 A high priority should be placed on maintenance where deferring maintenance would result in increased costs to restore or replace neglected facilities.
- 2.7 The County shall project equipment replacement and maintenance needs for the current and four succeeding years.
- 2.8 The County shall determine and pursue the least costly financing method and options for all new projects.

3.0 DEBT POLICIES

- 3.1 The County shall borrow only when necessary and utilize pay-as-you-go financing whenever possible.
- 3.2 The County shall confine long-term borrowing to capital projects or other major capital additions or improvements that cannot be financed from current revenues.
- 3.3 When the County finances capital projects by the issuance of bonds, the County shall amortize the bonds within a period not to exceed the expected useful life of the asset.
- 3.4 The County's total General Obligation (G.O.) debt shall not exceed 2% of the value of taxable property within the County in accordance with Utah Const., art. XIV, § 4(1)(a).
- 3.5 The County shall maintain a Debt Review Committee, pursuant to Salt Lake County Ordinances § 2.97 et. seq. to review all debt proposals where repayment would extend beyond the current fiscal year, and then provide analysis and make recommendations, if appropriate, to the Mayor and Council, prior to the time the debt is incurred.
- 3.6 The Debt Review Committee shall analyze all debt options (i.e. special assessment, revenue, sales tax revenue, general obligation, lease, lease purchase, lease certificates of participation, lease revenue, etc.) with the intent of matching the type of debt instrument to the need, and to continue the County's practice of "intelligent use of debt" for the maximum benefit of the citizens of the County.
- 3.7 The Debt Review Committee shall evaluate the reliability of revenues projected to defease potential bond issues. This Committee shall also evaluate business plans and consult with independent subject-matter experts as they deem necessary.
- 3.8 The Debt Review Committee shall consist of eight voting members as follows:
 - 3.8.1 two representatives designated by the Council

- 3.8.2 two representatives designated by the Mayor
 - 3.8.3 two representatives designated by the Auditor
 - 3.8.4 one representative designated by the District Attorney
 - 3.8.5 one representative designated by the Treasurer
- 3.9 The Chair of the Debt Review Committee shall be rotated annually among the members of the Committee from the offices of the Treasurer, District Attorney and Auditor. The County's Financial Advisor is designated as an ex-officio member of the Debt Review Committee.
- 3.10 The County shall not enter into long-term debt for current operations.
- 3.11 The County shall pay all debt obligations when due.
- 3.12 The County will issue Tax and Revenue Anticipation Notes (TRANS) if the Auditor and Treasurer project that there is some probability that countywide cash balances would not sustain County operations in that fiscal year. The County shall pay and retire Tax and Revenue Anticipation Notes (TRANS) annually, and shall pay or refund Bond Anticipation Notes (BANS) from bond proceeds related to the project.
- 3.13 The County shall strive to maintain a general obligation bond rating of AAA which will facilitate favorable interest costs.
- 3.14 The County shall proactively maintain communication with bond rating agencies about its financial condition. The County shall follow a policy of full disclosure in its Financial Reporting and in all official statements.
- 3.15 The County shall maintain a Capital Projects Revolving Fund. This Fund is an internal lending mechanism, to facilitate short-term borrowing for various Funds and Agencies of Salt Lake County Government. All borrowing requests shall be submitted to the Debt Review Committee for review.
- 3.16 The County may use investment agreements only for investment of bond proceeds or of funds dedicated to the payment of debt service on the bonds upon favorable recommendation of the Debt Review Committee and approval by the governing body. Use of an investment contract must be permitted by the terms of the borrowing instrument and the provider of the investment agreement or a guarantor must be rated by one or more ratings agencies which satisfy the requirements of the State Money Management Act, Utah Code Ann. § 51-7-1, et. seq. Provisions of investment agreements must require collateralization or termination of the agreements in case the provider or its guarantor is downgraded. Such agreements shall be used solely for the purposes of managing and controlling debt and the cost of debt service, and shall not be used for speculation.
- 3.17 Interest rate contracts and similar contracts may be used only in connection with the control or management of debt or for the cost of servicing debt. The Debt Review Committee shall analyze proposed interest rate contracts and report their findings and recommendations to the Mayor and Council. The County may enter into interest rate contracts only if the contracts are determined to be necessary, convenient, or appropriate and with the approval of the governing

body. The Utah Money Management Council has adopted rules restricting the notional amount of the contract, permitted counter parties, including rating requirements, absolute term limits and periodic reporting of outstanding contracts to the Council. Such contracts shall be used solely for the purpose of managing and controlling debt and the cost of debt service, and shall not be used for speculation.

4.0 REVENUE POLICIES

- 4.1 The County is committed to creating and maintaining diversified and stable revenue sources. The County shall evaluate the long-term sustainability of revenue sources. For intergovernmental grant revenues, the program funded shall be evaluated to determine if it fits the core mission of the County.
- 4.2 The Auditor shall project annual revenues by an objective, analytical process. These projections shall include the current year and four succeeding years and shall be updated annually. Each existing and potential revenue source shall be examined annually.
- 4.3 The County shall maintain sound appraisal procedures to keep property values current. Property shall be assessed at fair market value, pursuant to applicable sections of Title 59 of the Utah Code as amended.
- 4.4 The County shall follow a policy of vigorously collecting all property tax and other receivables.
- 4.5 The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs.
- 4.6 All fines, fees and “user” charges, shall be set at full cost, unless the Council approves some other basis. The Council may consider such exceptions where a broad community purpose is determined, or where considerations of health, safety and welfare are determined.
- 4.7 The County shall set fees, user charges and inter-fund charges, for all Enterprise and Internal Service Funds at a level that fully supports the total direct and overhead costs of services related to such funds. In certain instances, the Council may supplant proprietary fund fees and other revenues with operating transfers from other funds when legally permissible to do so. As stipulated by Generally Accepted Accounting Principles (GAAP), internal service fund budgets shall be adopted on a cost-reimbursement basis. Any revenue planned to exceed expenses shall be based on a specific, Council-approved capital replacement plan.
- 4.8 One-time revenues shall not be used as a revenue source to support current ongoing operations. Appropriations supported by one-time revenues shall primarily be used for one-time expenditures (i.e. maintenance of infrastructure, equipment replacement, etc.) or retained in the respective Fund Balance. Examples of one-time revenues sources are: sale of assets, refunds, etc.
- 4.9 The County shall review unpredictable revenue sources such as programs funded by grants and contracts on an annual basis. If the revenue is discontinued or is shrinking this review will be used to determine whether to retain the program.
- 4.10 The County shall maintain, as near as possible, a “structural balance” of revenues and expenditures on a long term planning basis and shall avoid deficit spending.

5.0 RESERVE POLICIES

5.1 The County shall establish minimum undesignated fund balances (reserves) for the General Fund and selected Special Revenue Funds. In establishing minimum reserve levels, the County shall take into consideration the elasticity of revenue sources for each fund, GFOA recommended practice, and the reserve requirements necessary to maintain the County’s bond rating. The minimum reserve for each of these funds is the following percentage of budgeted expenditures:

<u>Fund</u>	<u>Minimum Reserve</u>
General Fund	10%
Flood Control Fund	5%
Health Fund	5%
Library Fund	5%
Municipal Services Fund	5%
Clark Planetarium Fund	5%
State Tax Administration Levy Fund	5%
TRCC Fund	5%

5.2 Enterprise and Internal Service Funds shall maintain reserves appropriate to the purpose, need, accounting practices, and policies of such Funds (see also 4.7).

5.3 The County shall provide and maintain in the Employee Service Reserve Fund a reserve for accrued employee vacation and sick leave liability (for employees expected to retire from the County), and a reserve for the employee health insurance plan. This reserve for compensated absences is only applicable to governmental funds. Proprietary funds will account for their accrued vacation and sick leave separately in accordance with GAAP.

5.3.1 The reserve for accrued vacation shall be 15 percent of the total accrued vacation leave liability plus related employer social security and medicare payroll taxes for the most recently completed fiscal year. The reserve for accrued sick leave shall be 40 percent of the sick leave liability, as determined by GAAP, for the most recently completed fiscal year.

5.3.2 The health insurance reserve shall be 15 percent of paid medical and dental claims for active employees and retirees that are not medicare eligible, plus related administration expenses, for the most recently completed fiscal year.

5.4 Wherever possible, the County shall create the necessary accounting mechanisms through the Capital Projects Revolving Fund or otherwise to accumulate reserves for capital projects on a pay-as-you-go basis of financing such projects.

6.0 INVESTMENT POLICIES

6.1 The County shall perform cash-flow analysis on a regular basis. Disbursement, collection, and deposit of all funds shall be scheduled to insure maximum availability of cash.

6.2 As permitted by law, the County shall pool fund cash for investment purposes.

6.3 The County shall continually monitor market conditions to maximize safety, liquidity, and yield pursuant to State law.

- 6.4 The investment accounting system and procedures shall provide regular information concerning cash position and investment performance.
- 6.5 The County, where practical, shall arrange for banking services on a contractual basis, for a specified period of time, and with specified fees for each service rendered.
- 6.6 The County shall adhere to the requirements of the Utah Money Management Act in its investment practices.
- 6.7 The County may use investment agreements, interest rate contracts and other similar contracts only in connection with the control or management of debt pursuant to Debt Policies in section 3.0.

7.0 ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICIES

- 7.1 The County shall establish and maintain a high standard of accounting practice.
- 7.2 The accounting system shall maintain records on a basis consistent with generally accepted accounting principles (GAAP) for local government accounting and the Uniform Fiscal Procedures Act for Counties.
- 7.3 Annual financial reports shall present financial activity in accordance with GAAP. Monthly (interim) financial reports shall present financial activity in appropriate format, as determined by the Auditor. The Auditor will assist County fiscal staff to obtain other current accounting information as needed, for purposes of management oversight and analysis.
- 7.4 The reporting system shall also provide monthly information on the total cost of specific services by type of expenditure, by budgetary unit, and by Fund.
- 7.5 Additional monthly reports for Proprietary Funds (Enterprise Funds and Internal Service Funds) shall be made available as appropriate. These reports shall include a balance sheet and statement of earnings.
- 7.6 An independent public accounting firm shall perform an annual audit and shall publicly issue its opinion on the County's financial statements and other reports.
- 7.7 The Auditor shall review significant matters contained in the independent auditor's report on internal control (management comment letter) with the Mayor and the Council.
- 7.8 The Auditor shall prepare the County's Comprehensive Annual Financial Report (CAFR) with the goal in mind to qualify for the Certificate of Achievement for Excellence in Financial Reporting, awarded by the Government Finance Officers Association (GFOA). Upon completion of the CAFR, the Auditor shall apply for the Certificate.
- 7.9 Accounting for capital assets shall comply with GAAP and capitalization thresholds shall follow at least the minimum recommendations of the GFOA Recommended Practices.
- 7.10 The Auditor shall maintain two separate County Overhead Cost Allocation System (OCAS) Plans, one for Federal and State grant requirements and the other for management and internal accountability purposes. The OCAS plan prepared in connection with Federal and State grant

requirements shall be maintained in accordance with the federal Office of Management and Budget (OMB) A-87 standards. The OCAS plan utilized for management and internal accountability purposes shall be maintained in accordance with generally accepted cost accounting practices. The Auditor shall update and publish both OCAS plans annually.

- 7.11 The Auditor shall review the cost allocation methodologies used throughout the County for consistency and compliance with generally accepted cost accounting practices. This review shall include all funds of the County.
- 7.12 The Auditor shall maintain an Internal Audit function which performs audits of County organizations with specific objectives as the Auditor deems appropriate and necessary under Utah Code Ann. § 17-19-1(3)(d). Audits are performed in compliance with Governmental Auditing Standards (January 2007 Revision) established by the Comptroller General of the United States, Governmental Accountability Office, referred to as the Yellow Book Standards.
- 7.13 An annual schedule of audits shall be structured and performed based on an updated risk assessment. Other reviews, investigations, and studies are performed at the request of the governing body of the County or other Elected Officials. The Auditor shall make every effort to accommodate these requests within the scope and priority of audit work scheduled and in progress.
- 7.14 Internal Audit’s goal shall be to assist County executives and middle managers in accomplishing their organizational mission, efficiently and effectively, with adequate internal controls to insure financial and operational integrity.
- 7.15 Further, the Internal Audit function shall, as requested, perform special analysis, investigations and studies to provide a prospective, forward-looking focus that, if necessary, cut across organizational or program lines; including surveys of peer- county best practices to establish benchmarks.

APPROVED and PASSED this 24 day of February, 2009.

SALT LAKE COUNTY COUNCIL

Joe Hatch, Chair

ATTEST:

Sherrie Swensen, County Clerk

APPROVED AS TO FORM:

District Attorney’s Office Date