
Overall Goals and Priorities for Establishing Fiscal 2019 Budget

The City allocates limited resources to programs and services through the budget process. A budget is a document that sets forth the financial plan the City will follow in providing services to its citizens in any given year. It contains guidelines for normal operations as well as capital improvements to benefit the future of the City. It is also an instrument whereby basic policies of the City can be presented along with their impact on services and operations. Further, the budget is used to monitor operations and assist its Department Heads in performing their directives. Finally, the budget is the device that communicates to its readers the direction the City will follow in the future. As a result, it is one of the most important activities undertaken by the City. As the focal point for key resource decisions, the budget process is a powerful tool. The quality of decisions resulting from the budget process and the level of their acceptance depends on the characteristics of the budget process that is used.

The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process. The Principles of the Budget Process are: 1). Establish Broad Goals to Guide Government Decision Making. 2). Develop Approaches to Achieve Goals. 3). Develop a Budget Consistent with Approaches to Achieve Goals. 4). Evaluate Performance and Make Adjustments.

Vision

Carthage is a prosperous city of opportunity -- a great place to raise a family and a vibrant destination that maintains its historical character while welcoming the future.

Mission Statement

The mission of the City of Carthage is to provide and maintain essential, quality public services that meet the collective basic needs of our residents in a cost effective, responsive, and professional manner given the changing needs and resources available and to identify and seize opportunities for a higher quality of life, while protecting our legacy and maintaining our historical sense of community values.

Budget

The City of Carthage shall annually adopt a balanced budget. A balanced budget is where a fund's expenditures are less than or equal to revenues and available reserves. Any year end operating surpluses in a fund will revert to unappropriated balances for use in maintaining reserve levels set by policy and be available for appropriation by the Council.

The overall goals and priorities for the Fiscal 2019 Budget year are:

- To continue to deliver quality and efficient services residents expect from the City of Carthage.
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- To the greatest extent possible, efforts shall be made to maximize the effective use of the limited resources available to the City.
 - To provide budgetary control through accurate tracking of expenditures against budget projections and take any corrective action as necessary.
 - **Priority** will be given to those items necessary to **maintain core service levels**. Funding for expanded services and new programs will be considered after existing services are adequately funded.
 - The Budget shall provide for adequate **maintenance of capital plant and equipment** and for their orderly replacement.
 - To the greatest extent possible, the budget shall be structured to provide City employees with a safe and pleasant work environment, **adequate compensation** (in relation to current economic conditions), and the proper tools to accomplish the tasks assigned to them. Staff shall analyze current staffing levels to determine if economies can be obtained by consolidation, re-assignment or elimination of positions while maintaining core services.
 - Staff shall analyze the current **level of benefits** associated with compensation to determine if changes are recommended due to the current financial situation.
 - **Avoid "Feast and Famine"** budgetary actions which allow some City operations to thrive while others fail in their public mission.
 - Incorporate more fully a critical evaluation and analysis of the status quo. Develop sound processes and methodology to move toward cost recovery and/or where appropriate divestiture or contracting for City services. Department Heads will provide an analysis of their operation's core services to the City Administrator.
 - Design the **Budget Document** and procedures that are useful to the Mayor, Council, Department Heads and the public.
 - Provide in the **Budget Document** sufficient information to clearly **communicate** to the public the uses to which public funds are being put.
 - Provide in the **Budget Document** an outline of the organization of City government. This includes listing the mission of each department, along with a summary of services to be provided.
 - In fiscal 2019, continued preference will be given to enhancements in the City's Park system including enhancing, expanding and connecting Parks & Recreation facilities and programs.
 - Continued focus on technology enhancements including creation of an Information Technology (IT) Department to consolidate the City's IT functions and services to enhance the City's uses of technology.
 - Preference will be given to identification and elimination of drainage problems within the City of Carthage.
 - Completion of construction of the South Fire Station.
 - To create, foster and promote an environment conducive to attracting, expanding and retaining business and industry; promoting economic vitality and diversifying the city's tax base; increasing
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CWEP load and improving the overall quality of life for the citizens of Carthage. Preference and focus to be placed on development and infrastructure needs for a Carthage Industrial Park.

Revenues

Current revenues will be sufficient to support current operating expenditures to as great an extent as possible.

- The City will seek to **avoid** dependence on temporary or unstable revenues to fund conventional City services.
- The City will seek to **avoid** dependence on federal revenues to fund ongoing conventional City services.
- **General Fund services** should be supported by taxes and user fees to the extent appropriate for the character of the service and its user.
- **Revenue estimates** will be based on the following factors:
 - Legislative action
 - Consultation with departments directly involved in raising certain revenues
 - Review of revenue history
 - Economic trends (both locally and nationally)
 - Current indexes (both locally and nationally)
 - The City will evaluate establishing user charges and fees at levels related to the full cost of providing the service where appropriate.
 - To evaluate other additional revenue sources to provide for continuing City services. Specifically, monitor and evaluate the feasibility of the implementation of a Use Tax in the City of Carthage through a public vote.
- Grant funds or similar contractual revenue of a temporary nature will be budgeted only if they are committed at the time of the preliminary budget. Otherwise, separate appropriations will be made during the year as grants are awarded or contracts made.

Expenditures

- Department Heads are to prepare a "Maintenance" request which focuses on **maintaining core services** as currently provided by the department. No additional services or enhancements in service levels will be considered this year due to current economic conditions. Any increases in expenditure from 2018 levels will require separate written justification to be provided to the City Administrator for review upon submission of the budget packet.
 - All budget submissions will be reviewed in light of changes in appropriate inflationary indexes and the overall economic conditions.
 - Department Heads are to "hold the line" on personnel. No net increase in head count will be submitted as part of the maintenance submission. Any proposed additional increase in head count will be submitted separately as part of an additional or enhanced service level
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request and shall be fully offset, or justified by corresponding increased revenues generated by the position or program, or service levels.

- Staff will scrutinize personnel costs as a percentage of the total budget and evaluate the City's current position in relation to other area cities.

Capital Improvements Program

- The City prepares a five year Capital Improvements Program (CIP), updated annually, including projects and equipment for all funds. This program was funded through either unreserved fund-balance funds, or on-going revenues from all applicable funds. There is now a dedicated funding mechanism for appropriate capital projects through the renewal of the one-half cent Capital Improvements Sales Tax. The vote to renew allocated 100% to City capital projects. Additionally, the Parks/Storm Water Sales Tax was increased and extended in 2015 to allow for 40% of collections to go directly to the Library and 60% to the City. The City's portion will go to paying off the remaining debt service on the Library Expansion Issue and to Parks and Storm Water projects. Staff will recommend distribution between Parks and Storm Water projects established on a priority basis. The CIP is considered by the City Council at the same date as the annual operating fund budgets. The budget year projects are included in the annual budget of the specific department.

Evaluation criteria that are used to consider and prioritized projects for funding are:

- The project's need to meet legal mandates (Federal, State, and Local).
- The project's impact on health and safety issues.
- The project's meeting a current deficiency.
- The impact of the project's deferral.
- Conformance to adopted plans.
- Neighborhood development impact.
- Impact on quality of life (environmental, aesthetic, and social effects).
- Economic development impacts.
- Relationship to other projects.

Investments

- The primary objective of the City's investment activities is the preservation of capital and the protection of investment principal. Diversification and yield compromises are required so that potential losses on individual securities do not exceed other investment generated income.
 - Investments shall be made so as to provide sufficient liquidity to meet the funding needs of the City as they arise. Liquidity is defined as the capability to convert cash, when required, without adversely affecting principal or interest.
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- Cash assets shall be managed to produce the highest return available consistent with safety and liquidity. The market average rate of return shall be the net investment earnings objective.
 - The investment officer shall competitively bid all investments in conjunction with the bi annual bidding of banking services.

Debt Policy

- When considered necessary, long-term debt may be used to provide for capital acquisitions and construction. Long-term debt will not be used to fund operating expenses except in extraordinary circumstances as authorized by the City Council.
- The City will evaluate the issuance of any debt instrument in view of its long range Capital Improvements Program on projects that are more than routine and when project cash requirements exceed normal cash flow (pay as you go) payment.
- The City will evaluate issuing debt instruments on a case by case basis with an analysis of its impact on the City's overall financial position.
- The City's preference for the issuance of debt would be revenue bonds, special assessment bonds or other self-supporting bonds rather than General Obligation Bonds which are supported entirely by property taxes.
- The maturity date of any issue will not exceed the reasonable expected useful life of the project so financed.
- Inter-fund loans may be provided at interest rates determined by current outside investments. Such loans should be paid back based on a schedule approved by the City Council.
- The City will evaluate the use of **Lease Purchasing** based on the length of the useful life of the asset, interest costs and the duration of the payment schedule.
- City staff and the City's financial advisor monitor the municipal bond market for opportunities to obtain interest savings by **refunding** outstanding debt. As a general rule, the net present value savings of a particular refunding should be in the range of 3-5% of the refunded maturities for further consideration.

Fund Balance Policy

The City will maintain a cumulative reserve to provide counter-cyclical balance, to protect the City from unforeseen contingencies and to allow an accumulation of resources to finance foreseeable general governmental capital projects. The objective of the reserve policy is not to hold resources solely as a source of interest revenue, but rather to provide adequate resources for cash flow and contingency purposes, while maintaining reasonable tax rates and charges for services. Fund balances shall be adequate to handle unexpected decreases in revenues plus extraordinary unbudgeted expenditures and unforeseen circumstances. These funds may be used at the City's discretion to address situations such as, temporary cash flow shortages, emergencies, unanticipated economic downturns, and one-time opportunities.

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- Annual budgets for the General Fund have used portions of the unassigned fund balance for capital projects and acquisitions. The Budget Ways & Means Committee recommends an Unassigned fund balance in the General Fund of 33% (four months) of operating expenditures. Additionally, the Committee again recommends three million dollars (\$3,000,000) be classified as Assigned for the intent of possible work involving Economic Development.
 - The General Fund's Unassigned fund balance will be calculated based on the adopted annual operating budget. These funds will be used to avoid cash flow interruptions, generate interest income, reduce need for short term borrowing, cover unforeseen catastrophes and assist in maintaining what is considered an investment grade bond rating capacity, in addition to possibly supplement on-going revenues and expenditures where warranted.
 - For Fiscal 2019 the Committee recommends spendable fund balances be set at a level commensurate with maintaining core services and personnel levels as specified above for other than General Fund purposes.
 - Any set aside projects will be in addition to these amounts.

Annual Audit

An annual audit shall be performed by an **independent** accounting firm which will issue an official opinion on the annual financial statements with a management letter detailing areas that could be improved. The auditors must be a **CPA** firm that has the breadth and depth of staff to conduct the City's audit in accordance with generally accepted auditing standards and contractual requirements.

Budgetary Controls

The City shall maintain a budgetary control system to ensure adherence to the adopted budget and associated appropriations. Monthly **reports** shall be provided comparing actual revenues and expenditures to budgeted amounts. The legal level for expenditure control is the Fund level. Each Department Head is responsible for the budget in their respective departments. In order to enhance the ability to successfully execute the budget, achieve long-range goals, facilitate achievement of programmatic, financial goals, and promote budgetary compliance, the Level-of-Control for administration of the Budget is established at the category level. Within the General Fund, Public Health Fund and the Golf Fund, the Budget Officer is authorized to transfer budgeted amounts between categories and departments within operating funds provided such **transfers** do not alter total expenditures approved by the City Council for the Fund. Any increase in appropriation at the fund level, whether accomplished through a change in anticipated revenues in any fund or through a transfer of appropriations among departments, shall require the approval of the City Council. Such amendment shall be provided by formal action of the City Council.
