A RESOLUTION APPROVING THE CITY OF)	RESOLUTION NO. 2015-12
LEBANON COMPREHENSIVE FINANCIAL	j j	
MANAGEMENT POLICIES)	

WHEREAS, the City of Lebanon is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability statements now therefore; and

WHEREAS, the Comprehensive Financial Management Policies are the tools used to ensure that the City is financially able to meet its current and future service needs. The individual fiscal policies attached as Exhibit I-XX, set a basis for both the financial planning, reporting and internal financial management of the City; and

WHEREAS, the City's financial responsibilities and obligations must adhere to numerous laws and regulations.

NOW, THEREFORE, BE IT RESOLVED:

<u>Section 1.</u> That the Council of the City of Lebanon hereby approves the following Comprehensive Financial Management Policies described in Exhibit "I-XX".

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Section 2. This Resolution is effective immediately upon its passage.

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Passed by the Lebanon City Council and executed by the Mayor on this 8th	day of
April, 2015 by a vote of 4 yeas and 0 nays.	

CITY OF LEBANON, OREGON

Paul R. Aziz, Mayor Bob Elliott, Council President

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ATTESTED BY:

Linda Kaser, City Clerk

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Purpose

The City of Lebanon is committed to responsible fiscal management through financial integrity, prudent stewardship of public assets, planning, accountability and full disclosure.

The Comprehensive Financial Management Policies are the tools used to ensure that the City is financially able to meet its current and future service needs. The individual fiscal policies contained herein set a basis for both the financial planning, reporting and internal financial management of the City.

Municipal resources must be wisely used to ensure adequate funding for the services, public facilities and infrastructure necessary to meet immediate and long-term needs. These policies safeguard the fiscal stability required to achieve the City's objectives and ensure long-term financial health.

These policies are adopted by Council as the basic framework for overall financial management of the City, to guide day-to-day and long-range fiscal planning and decision making, and to achieve the following general financial goals:

- 1. Provide an adequate financial base to sustain a sufficient level of municipal services to maintain the social wellbeing and physical conditions of the City.
- 2. Deliver cost effective and efficient services to citizens.
- 3. Provide and maintain essential public facilities, utilities and capital equipment.
- 4. Provide the financial stability needed to navigate through economic downturns, adjust to changes in the service requirements of the community, and respond to other changes as they affect the City's residents and businesses.
- 5. Protect and enhance the City's credit rating so as to obtain the lowest cost of borrowing and also to assure taxpayers and the financial community that the City is well managed and financially sound.
- 6. Adhere to the highest standards of financial management and reporting practices as set by the Government Finance Officers Association, the Governmental Accounting Standards Board and other professional standards.
- 7. Fully comply with finance-related legal mandates, laws and regulations, including Oregon Revised Statues and Oregon Budget Law.

To achieve these goals, fiscal policies generally cover areas of revenue management, operating and capital budgeting, financial planning and forecasting, investment and asset management, debt management, accounting and financial reporting, and reserves and internal controls. These policies shall be reviewed every year as part of the annual budget preparation process.

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I. Objectives

- 1. To guide the City Council and management policy decisions that will have a significant fiscal impact.
- 2. To employ balanced revenue policies that provide adequate funding for services and service levels.
- 3. To maintain appropriate financial capacity for present and future needs.
- 4. To maintain sufficient reserves so as to maintain service levels during periods of economic downturn.
- 5. To promote sound financial management by providing accurate and timely information on the City's financial condition.
- 6. To ensure the legal use of financial resources through an effective system of internal controls.
- 7. To protect the City's credit rating and provide for adequate resources to meet the provisions of the City's debt obligations on all municipal debt.
- 8. To promote cooperation and coordination with other governments and the private sector in financing and delivery of services.

II. Scope

The Comprehensive Financial Management policies shall apply to both the City and its component unit, the Urban Renewal Agency of Lebanon.

III. Management of Fiscal Policy

The City Manager or designee shall prepare a report explaining the substantive impact of all recommendations to changes in fiscal policy and their impact on the City's operations, service levels and/or finances. Fiscal policies and changes in policies shall be approved by the City Council and adopted by resolution.

A The City Manager shall implement fiscal policies and monitor compliance. If the City Manager discovers a material variation from policy, he/she shall report it in writing to the City Council in a timely manner. As a part of the City's annual budget document, the City Manager's budget message shall identify (a) all major changes in policy since the previous budget year and (b) any material variations from policy in the ensuing year's budget.

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Financial Policies

Title: Accounting, Auditing and Financial Policy

IV. Accounting, Auditing and Financial Reporting Policy

The City will maintain accounting practices in accordance with state and federal law and regulations, and financial reporting that conforms to Generally Accepted Accounting Principles (GAAP), and provide for, prepare and present regular reports that analyze and evaluate the City's financial performance and economic condition.

- 1. The City Manager or Finance Director shall present fiscal policy and changes to fiscal policies to the City Council. Such fiscal policies and changes in policies shall be approved by the City Council.
- 2. The City will comply with the following accounting and reporting standards:
 - Generally Accepted Accounting Principles (GAAP) developed by Governmental Accounting Standards Board
 - b. Government Accounting, Auditing and Financial Reporting standards prescribed by the Government Finance Officers Association (GFOA)
 - c. Government Accounting Standards issued by the Comptroller General of the United States
 - d. Oregon Revised Statues relating to Municipal finance
 - e. U.S. Office of Management and Budget (OMB) Circular A-133
- 3. A system of internal controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions and compliance with applicable laws and regulations. When staffing limitations require it, staff duties shall be assigned to maximize a system of financial checks and balances.

4. Annual Audit

a. Pursuant to state law, the City shall have an annual financial and compliance audit, and prepare financial statements based on the audited financial information. The audit shall be performed by a certified public accounting (CPA) firm licensed to practice as Municipal Auditors in the State of Oregon. The annual financial report, including the auditor's opinion and specific reports as required by Oregon state regulations, shall be filed no later than six (6) months following the end of the fiscal year. The audit firm shall also provide a Single Audit of Federal and State grants, when necessary. The City will prepare its financial statements and maintain its accounting and internal control systems in accordance with applicable standards with the goal of obtaining an unqualified opinion from

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- its auditors. The Finance Director shall be responsible for establishing a process to ensure timely resolution of audit recommendations, if any.
- b. As required by the Securities and Exchange Commission (SEC) Rule 15c2-12, the City will provide certain annual financial information to the Municipal Securities Rulemaking Board (MSRB). This will include any periodic materials event notices, as required by the MSRB or SEC.

5. Financial and Management Reporting

- a. Monthly financial reports, comparing actual to budgeted expenditures and revenues, will be provided to management. These reports will be distributed within fifteen working days of the end of each month.
- b. Annually, a comprehensive annual financial report subjected to independent audit will be prepared in a format that conforms to the standards of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The report shall be shared with the City Manager, City Council, Budget Committee and the Secretary of State. In accordance with state law, the report shall be distributed no later than December 31st of the following fiscal year.

Supersedes:	Created/Amended by/Date:	Effective Date:
Finance Director:	City Manager:	:

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Financial Policies

Title: Revenue Policy

V. Revenue Policy

- The City will strive for and maintain diversified and stable revenue sources to prevent undue or unbalanced reliance on any one source of funds. Revenue diversity will also reduce risk to the City from short-term fluctuations in any one revenue source.
- 2. One-time revenues will be used for one-time expenditures. The City will minimize using temporary revenues to fund continuing programs and services.
- 3. The City will maximize the use of service and user charges in lieu of ad valorem taxes and subsidies from other City funds, for services that can be identified and where costs are directly related to the level of service provided. The Council may establish fees at less than "full cost recovery" when deemed in the public interest. The City will periodically and systematically review user fees and charges to take into account the effects of additional service costs and inflation.
- 4. Unless prohibited by law, City fees may be deferred or waived by the City Manager or City Council action when it can be demonstrated that a direct public benefit will be obtained. In addition, the City Council may direct that City fees, e.g., system development charges, building permit fees, planning fees, be paid on behalf of applicants and City Council's action will include
- 5. Request to waive or defer fees in excess of \$1,000 will be communicated to the Council for approval.
- 6. All fees, charges or assessments that are deferred for later payment will be evidenced by a written promissory note or agreement. The City may charge periodic interest, processing fees and additional interest and penalties for delinquencies, as appropriate.
- 7. System development charges shall be established to fund the costs of improvements to service additional increments to growth such as street, water, wastewater and stormwater facilities and infrastructure.
- 8. Water, Wastewater and Stormwater funds will be self-supporting through user fees. Utility rates will be established to fully recover costs; including operation, administration, replacement of assets, capital expansion, with consideration given to return on investment and existing and/or anticipated debt to insure a debt coverage ratio of no less than 1.30.

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- 9. The City Manager shall approve all grant applications before their submission. Additionally, all potential grants that require matching funds, on-going resource requirements, or include new or additional continuing compliance requirements shall be evaluated and considered before submittal of the application. The City Council will be provided the evaluation with the request for their acceptance of the grant.
- 10. Revenues will be estimated realistically and prudently. Revenues of a volatile nature will be estimated conservatively. The City will estimate its revenues by an objective, analytical process using best practices, as defined by the Government Finance Officers Association.
- 11. Charges for services shall accurately reflect the actual or estimated costs of providing a specific service. The cost of providing specific services shall be recalculated periodically and the fee adjusted accordingly.
- 12. The City shall pursue an aggressive policy for collecting delinquent accounts. When necessary, the City shall use such methods as small claims courts, collection agencies, liens to enforce collection, up to and including foreclosure process. The City may impose late fees and penalties.
- 13. The City shall maintain a current schedule of fees, showing when the fees were last reviewed and/or recalculated.

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Financial Policies

Title: Expenditure Policy

VI. Expenditure Policy

Expenditures will be controlled through appropriate internal controls, procedures and regular monitoring of monthly budget reports. Management must ensure expenditures comply with the legally adopted budget. Each Department or Division Manager or Director will be responsible for the administration of his/her department/division budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department program budget for compliance with spending limitations.

- 1. The City Council will approve the budget by fund at the Organizational unit, category or program level. Expenditures anticipated to be in excess of these levels require approval of a Council resolution (i.e. supplemental budget process).
- All compensation planning and collective bargaining will include analyses of total cost of compensation, which includes analysis of salary increases, health benefits, pension contributions and other fringe benefits. The City will only propose operating personnel costs that can be supported by continuing operating revenues.
- 3. Estimated wage increases and changes in employee benefits will be included in the proposed budget under Personnel Services.
- 4. All purchases of goods and services must comply with the City's Purchasing Policies, guidelines and procedures and with State laws and regulations.
- 5. Before the City purchases any major asset or undertakes any operating or capital arrangements that create fixed costs or ongoing operational expenses, the implications of such purchases or arrangements will be fully determined for current and future years.
- 6. Items costing \$5,000 or more, per item, shall be budgeted and accounted as capital outlay and shall be tracked in the City's fixed assets records. Excluding repair or maintenance items. The \$5,000 limit shall apply to individual items unless a group of items are intended to function together as a unified system.

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7.	City staff are to make every effort to control expenditures to ensure City
	services and programs provided to its citizens and taxpayers are cost effective
	and efficient. Expenditures that will reduce future costs will be encouraged.

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Financial Policies

Title: Capital Improvement Policy

VII. Capital Improvement Policy

A five-year Capital Improvement Program (CIP) encompassing all City facilities, including utilities infrastructure, buildings and major equipment and vehicles, shall be prepared and updated periodically as needed. A public process will be utilized to consider public testimony on the CIP, including review and approval of the CIP by the City Council. The five-year CIP will be incorporated into the City's budget and long-range financial planning processes and, as such, its annual review and approval is anticipated to occur approximately six months, i.e., prior to December 31, prior to the beginning of the subsequent fiscal year.

- 1. Projects included in the CIP shall have complete information on the need for the project, description and scope of work, total cost estimates, future operating and maintenance costs, and how the project will be funded.
- 2. An objective process for evaluating CIP projects, with respect to the overall needs of the City, will be established through a ranking of CIP projects. The ranking of projects will be used to allocate resources to ensure priority projects are completed effectively and efficiently.
- Changes to the CIP, such as addition of new projects, significant change to the scope of the project, or reprioritization of projects will require City Manager or City Council approval.
- 4. The City strives to maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future operating maintenance and replacement costs. The City recognizes that deferred maintenance increases future capital costs, thus placing a burden on future residents. Therefore, the budget will strive to provide adequate maintenance and the orderly replacement of capital plant and equipment from current revenues when possible.
- 5. The City will determine the least costly funding method for its capital projects and will obtain grants, contributions and low cost state or federal loans whenever possible.
- 6. When possible, the City will establish capital equipment reserves to provide for funding of vehicles and equipment. When funding levels allow, the City may also establish major repairs and replacement reserves to provide for funding of major infrastructure and building repairs and replacements. The reserves will

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be included and identified as separate components of fund balance in the various funds.

- 7. The City may utilize "pay-as-you-go" funding for capital improvements when current revenues and adequate fund balances are available or when issuing debt would adversely affect the City's credit rating.
- 8. The City will consider the use of debt financing for capital projects under the following circumstances:
 - a. When the project's useful life will exceed the terms of the financing.
 - b. When resources are deemed sufficient and reliable to service the long-term debt.
 - c. When market conditions present favorable interest rates for City financing.
 - d. When the issuance of debt will not adversely affect the City's credit rating and coverage ratios.
- 9. Special funds dedicated for capital improvements will be segregated in the accounting system and used only for the intended capital purposes.

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Finance Director:	City Manager:	

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Financial Policies

Title: Operating Budget Policy

VIII. Operating Budget Policy

The City will prepare an annual budget with the participation of all Departments. All budgetary procedures will conform to existing state and local regulations. Oregon Budget Law requires each local government to prepare a balanced budget and Oregon Administrative Rules state: 1) the budget must be constructed in such a manner that the total resources in a fund equal the total of expenditures and requirements for that fund and 2) the total of all resources of the district must equal the total of all expenditures and all requirements for the district.

- A Budget Committee will be appointed in conformance with the City Charter and state statutes. The Budget Committee's chief purpose is to review the City Manager's proposed budget and recommend a budget and tax levy for the City Council to adopt.
- 2. The operating budget shall serve as the annual financial plan for the City. It will serve as the policy document of the City Council for implementing Council goals and objectives. The budget shall provide the staff the resources necessary to accomplish City Council determined service levels.
- 3. The Budget Officer shall annually prepare and present a proposed operating budget to the Budget Committee no later than May 15 of each year; and the City Council will adopt said budget no later than June 30 of each year. Funds may not be expended or encumbered for the following fiscal year until the budget has been adopted by the City Council.
- 4. The City shall take corrective action if, at any time during the fiscal year, financial monitoring indicates that an operating fund's anticipated expenditures are expected to exceed its anticipated revenues.
- 5. To maintain fund integrity, the City will manage each fund as an independent entity in accordance with applicable statutes and with generally accepted accounting principles.
- 6. Oregon budget law provides a means to adjust the budget for emergency expenditures or unforeseen circumstances. All resolutions adjusting the budget will be prepared by the Finance Department for Council approval to ensure compliance with budget laws.

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- 7. A cost allocation plan will be developed and incorporated into the City budget. The cost allocation plan will be the basis for distribution of general government and internal service costs to other funds and capital projects.
- 8. The use of fund balance, which is a one-time revenue source, may be used to fund an annual operating deficit, only with a subsequent approval of a plan to replenish the fund balance if it is brought down below policy level. (See Reserve Policy)
- 9. A budget calendar will be prepared detailing the key elements in the development of the budget.

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Finance Director:	City Manag	er:

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Financial Policies

Title: Economic Development Funding Policy

IX. Economic Development Funding Policy

- 1. The City may utilize economic development incentives to encourage valueadded development and accrue public benefits to the City of Lebanon. Public benefits may include, but are not limited to, the following:
 - a. A benefit that materially enhances the financial position of the City by increasing its employment base or assessed valuation.
 - b. A contribution to the basic infrastructure of the City that is greater than that which would be required of the development alone.
 - c. A benefit that increases access to other public services.
- 2. Economic development incentives may include formation of improvement or redevelopment districts; reimbursement, deferral or reassignment of certain fees and charges; and use of discount lease rates or other forms of financial incentives. All such incentives will be evaluated as to the costs, risks and level of benefit as well as the financial impact of such incentives on the City's operating and capital budgets.
- 3. The fiscal impact evaluation will be presented to City Council along with the City Manager's recommendation. The City Council shall make the final decision concerning proposed economic development incentives, including any repayment of incentives if performance requirements are not met.
- 4. Funding for economic development incentives must be identified before approval of all such incentives.
- 5. A development incentive shall not be provided if the development does not provide sufficient public benefit or if the cost and risks to the City will have a materially adverse impact on the City's finances or operations.

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Financial Policies

Title: Pension and Retirement Funding Policy

X. Pension and Retirement Funding Policy

- 1. Most of the City's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis, as required by the plan, and are recorded as expenses or expenditures.
- 2. The City provides tax-deferred annuity contracts established under Section 457 of the Internal Revenue Code. Participation in the program is voluntary. Contributions are made from salary deductions from participating employees within the limits specified in the Code.

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Financial Policies

Title: Debt Management Policy

XI. Debt Management Policy

- The Finance Director will structure all debt issuances and oversee the ongoing management of all City debt. Debt includes general obligation bonds, lease purchase obligations, revenue bonds, special assessment obligations, promissory notes, equipment financing agreements, and any other contractual arrangements that obligate the City to make future principal and interest payments.
- 2. No debt shall be issued for which the City has not identified specific revenue sufficient for repayment. The Finance Director shall prepare an analysis of the source of repayment prior to issuance of any debt.
- 3. The City shall use the most prudent methods of acquiring capital outlay items, including the use of lease-purchase agreements.
- 4. The City will not use long-term debt to fund current operations, to balance the budget, or to fund projects that can be funded from current resources, unless the use of debt is otherwise determined to be in the best interest of the City.
- 5. The City may utilize short-term debt or inter-fund loans to cover temporary cash flow deficiencies due to timing of cash flows, such as may result from delay in receipting grant proceeds or other revenues, and delay in issuance of long-term debt.
- 6. When issuing long-term debt, the City will ensure that the debt is soundly financed by:
 - a. Incurring debt only when necessary for capital improvements too large to be financed from current available resources.
 - b. Insuring that capital projects financed through long-term debt shall be financed for a period not to exceed the useful life of the project.
 - c. Determining that the benefits of the project financed exceed the cost of financing including interest costs.
 - d. Analyzing the source of repayment, debt coverage ratios and the impact of debt service on annual fixed costs prior to issuance of long-term debt.

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- 7. All bond issuances and promissory notes will be authorized by resolution of the City Council.
- 8. The City will comply with all statutory debt limitations imposed by the Oregon Revised Statutes.
- 9. The City will consider establishing a credit rating when issuing debt in the capital markets and once established, maintain or enhance the credit rating.
- 10. The City will comply with all bond covenants, arbitrage requirements, disclosure and other requirements specified by law.

Post Debt Issuance Tax Compliance

This policy statement represents the objectives of the City of Lebanon, Linn County, Oregon (the "City") and will be adhered to by all employees, officials and financial representatives affiliated with the City. The City shall comply with all federal tax laws related to tax-exempt bonds and bond financed facilities prior to and after issuance. The City shall have procedures in place to ensure compliance with this policy, including the retention of relevant documents. The Finance Director or his/her designee is assigned the primary responsibility to monitor compliance with federal tax requirements for the City's bond programs. The Finance Director may assign staff responsibility for certain components of this policy.

GUIDELINES

1. Bond Issuances

With respect to all bond issues, the Finance Director shall monitor and control the receipt, investment, expenditure and use of all bond proceeds and will take or omit to take any actions to cause interest on tax-exempt bonds to remain excludable from the gross income of bondholders. (United States Internal Revenue Code (the "Code"), §103 and 141 through 150).

2. Private Activity Limitation

Section 141 of the Code sets forth private activity tests for the purpose of limiting the volume of tax-exempt bonds that finance activities of persons other than state and local governmental entities. These tests serve to identify arrangements that actually or reasonably expect to transfer the benefits of tax-exempt financing to non-governmental persons, including the federal government. Following the issuance of bonds for the financing of property, the Finance Director shall provide to the users of the property a copy of this Compliance Policy and other appropriate written guidance advising that:

a. "Private business use" means use by any person other than the City,

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including business corporations, partnerships, limited liability companies, associations, non-profit corporations, natural persons engaged in trade or business activity, and the United States of America and any federal agency, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain "qualified" management or service contracts), "naming rights" contract, "public-private partnership" arrangement, or any similar use arrangement that provides special legal entitlements for the use of the bond finance property.

- b. No more that 10% of the proceeds of any tax-exempt bond issue (including the property financed with the bonds) may be used for private business use, of which no more than 5% of the proceeds of the tax-exempt bond issue (including the property financed with the bonds) may be used for any "unrelated" private business use that is, generally, a private business use that is not functionally related to the government's purposes of the bonds; and no more that the lesser of \$5,000,000 or 5% of the proceeds of a tax-exempt bond issue may be used to make or finance a loan to any person other than a state or local government unit.
- c. Before entering into any special use arrangement with a non-governmental person that involves the use of bond-financed property, the user must consult with the Finance Director, provide the Finance Director with a description of the proposed non-governmental use arrangement, and determine whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond financed property.
- d. In connection with the evaluation of any proposed non-governmental use arrangement, the Finance Director will consult with bond counsel to obtain federal tax advice in whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond financed property and, if not, whether any "remedial action" permitted under §141 of the Code may be taken as means of enabling that use arrangement to be put into effect without adversely affecting the taxexempt status of the bonds.

3. Information Filing and Monitoring

At the time of issuance and throughout the bond life, issuers of governmental bonds must comply with certain information filing requirements under §149(e) of the Code:

a. Tax-exempt bonds: IRS Form 8038-G (Information Return for Tax-Exempt Governmental Obligations) must be filed by the 15th day of the second calendar month following the quarter in which the bonds were issued. For

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example, the due date of Form 8038-G for bonds issued on February 15th is May 15th.

- b. The Finance Director works with the City's bond counsel to complete and file each applicable Form 8038-G by the required due date after each bond issue.
- c. IRS Form 8038-T (Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate) must be filed within 60 days after each five-year period reporting deadline or within 60 days after the debt is retired, if arbitrage rebate applies (See Section 5).

4. Arbitrage Rebate

Tax-exempt obligations provide a less expensive means of financing than other conventional approaches, resulting in a significant interest savings benefit. The federal government has imposed a variety of rules to restrict the use of tax-exempt financing to prevent potential abuse. It is the City's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the law.

- a. Definition of "arbitrage" the ability to obtain tax-exempt proceeds and invest those funds in higher yielding securities, resulting in a profit to the issuer. Arbitrage is the difference (profit) earned.
- b. Timeline an arbitrage rebate installment payment is required to be paid no later than 60 days after the end of every 5th bond year throughout the term of a bond issue and within 60 days of retirement of the bonds.
- c. Exceptions there are exceptions to the general rebate requirements applicable to government bond proceeds: the most common being the small issuer exception and spending exceptions. The Finance Director shall consult with the City's bond counsel to determine if any exceptions to rebate apply.
- d. Monitoring the Finance Director will monitor ongoing compliance with regards to arbitrage liabilities and will monitor expenditures prior to semi-annual target dates for 6-month, 18-month or 24 month spending exceptions.
- e. "Bona fide" debt service funds when possible, debt service funds will be accounted for and funded to achieve a proper matching of revenues with principal and interest payments within each bond year so the earnings are exempt from arbitrage.
- f. Schedule the Finance Director will maintain a schedule of each bond

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issue and the 5th bond year. The Finance Director reviews the schedule no less than annually to determine when a 5th bond year is approaching. Arbitrage rebate calculations on outstanding bond issues may be performed as often as annually or in alternating years, but never longer than the 5th year.

- g. Calculations the City has the option to perform arbitrage calculations internally or to contract with a 3rd party provider for arbitrage rebate calculations and preparation of IRS Form 8038-T (Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate). Third party providers shall be requested to maintain a list of our bond issues and scheduled 5th anniversary bond years.
- h. Procedures the City will either complete the calculations internally or provide a 3rd party provider with copies of all applicable records 30 to 60 days before the reporting deadline for the 3rd party provider to prepare the arbitrage calculations and submit a report and IRS Form 8038-T, if applicable, to the City.
- Yield Restriction the Finance Director will monitor ongoing compliance with regards to yield restriction. Interim arbitrage calculations will be used to evaluate investment strategies or optional elections that may reduce future rebate liabilities.
- j. Payment if positive arbitrage exists at the end of a 5th year bond period, the City will prepare payment to submit with IRS Form 8038-T. Payment must equal at least 90% of the amount due as of the end of that 5th bond year.
- k. Redemption upon redemption of a bond issue, a payment of 100% of the amount due must be paid no later than 60 days after the discharge date.
- Advance Refunding Escrows State and Local Government Securities (SLGs) are commonly used for refunding escrows to yield restrict the investments. The City works with its financial advisor to ensure SLGS for a refunding escrow account meet the yield restriction requirement.

5. Records Retention

- a. This policy supersedes any other general document retention policy with respect to the retention of documents related to bonds and bond financed facilities.
- b. The City shall maintain all material records and information necessary to support a municipal bond issue's compliance with §103 of the Code.

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- c. All records should be kept in a manner that ensures their complete access for so long as they are material. Electronic media is the preferred method for storage of all documents required under this policy directive.
- d. Except as stated in e. below, material records should generally be kept for as long as the bonds are outstanding plus 3 years after the final redemption date of the bonds.
- e. For certain federal tax purposes, a refunding bond issue is treated as replacing the original new money issue. To this end, the tax-exempt status of a refunding issue is dependent upon the tax-exempt status of the refunded bonds. Thus, certain material records relating to the original new money issue and all material records relating to the refunding issue should be maintained until 3 years after the final redemption of both bond issues.
- f. State record retention policies should also be considered but in the event of a discrepancy, the guidelines established by the IRS shall prevail.
- g. Although the required records to be retained depend on the transaction and the requirements imposed by the Code and the regulations, records common to most transactions include:
 - Basic records relating to the bond transaction (including the Official Statement, Board minutes and resolutions authorizing issuance, trustee statements and bond counsel opinion).
 - Documentation directing, authorizing and showing expenditure of bond proceeds, including purchase contracts, construction contracts, progress payments, invoices, cancelled checks, and payment of bond issuance costs.
 - Documentation evidencing use of bond-financed property by public and private sources (i.e., copies of management contracts).
 - Documentation evidencing all sources of payment or security for the bonds.
 - Documentation pertaining to any investment of bond proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received, the investment of proceeds, guaranteed investment contracts, and rebate calculations).
 - Information, records and calculations showing that, with respect to each bond issue, the Issuer was eligible for the "small issuer" exception or one of the spending exceptions to the arbitrage rebate

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requirements.

- All tax returns and other communication related to the bonds, such as IRS Forms 8038-G, 8038-T and 8038-R.
- Any other documentation that is material to the bonds or the bond financed facilities based on particular facts.

The list above is general and only highlights the basic records that are typically material to many types of tax-exempt bond financings. Each transaction is unique and may, accordingly, have other records that are material to the requirements applicable to that financing. The decision as to whether any particular record is material must be made on a case-by-case basis and could take into account a number of factors, including, for instance, the various expenditure exceptions.

6. Reimbursement Resolutions

The Finance Director is responsible for ensuring that Reimbursement Resolutions are prepared in accordance with §1.150-2 of the U.S. Treasury regulations for projects the City intends to finance with bonds.

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Financial Policies

Title: Reserve and Contingency Policy

XII. Reserve and Contingency Policy

Reserves and contingencies are an important indicator of the City's financial position and its ability to withstand adverse events. Maintaining reserves and contingencies are a prudent management practice and are important to maintaining the City's credit rating and to meet state law requirements for no deficit spending. The following are examples of their use in the City of Lebanon:

Operating Contingency-Undesignated – a budgetary account used to appropriate resources that can be used to address long and short term stability of the fund and current cash flow needs.

Operating Contingency-Working – a budgetary account used to appropriate resources that can be used to address events or services needs that were unanticipated during budget development.

Capital Asset Reserve – a reserve established to accumulate resources that will be used to replace capital assets and to provide for major customer service enhancements, where procurement will be budgeted in a future year.

Debt Service Reserve – a reserve established as a requirement of a bond covenant or covenant in another debt instrument.

- 1. The City will maintain sufficient contingency and reserves in each fund for the ability to:
 - a. Maintain a positive fund balance at all times.
 - b. Mitigate short-term volatility in revenues.
 - c. Mitigate short-term economic downturns (two years or less).
 - d. Absorb unanticipated operating needs that arise during the fiscal year but were not anticipated during the budget process.
 - e. Sustain City services in the event of an emergency.
 - f. Meet operating cash flow requirements before the collection of property taxes, grant proceeds and other operating revenues.
 - g. Absorb unexpected claims or litigation settlements.
 - h. Purchase vehicle and equipment without the need to finance such purchases.
 - i. Meet major facility and equipment repair and replacement needs.
 - j. Meet requirements for debt reserves.
 - k. Reserves are desired to be sufficient to meet expenditure requirements without the use of short-term borrowing.

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2. Reserve amounts for individual funds:

- a. General Fund the undesignated reserves are anticipated to be approximately seventeen percent (17%) of next year's budgeted expenditures (exclusive of transfers and contingency). For purposes of this calculation, the expenditures shall be the budget as originally adopted for the given year. The unassigned fund balance amount shall be in addition to non-spendable, restricted, committed or assigned fund balance amounts.
- c. Building Inspection Fund the operating contingency reserves within the building fund will be based on projected operational needs and to provide operational stability given the volatility of the revenue sources for this fund. For purposes of this calculation, the expenditures shall be the budget as originally adopted for the given year. The unassigned fund balance amount shall be in addition to non-spendable, restricted, committed or assigned fund balance amounts.
- d. Water, Wastewater and Stormwater Funds the operating contingency reserves within the utility funds will be based on projected operational and capital needs. Reserves will vary year to year based on the operational and capital budget. For purposes of this calculation, the expenditures shall be the budget as originally adopted for the given year. The unassigned fund balance amount shall be in addition to non-spendable, restricted, committed or assigned fund balance amounts.
- e. Risk Management Fund the City will maintain \$200,000 in its Risk Management reserves Fund for self-insurance and major accidents, disasters and catastrophic events. Use of such reserves will be limited to significant expenditures not covered by the City's insurance and that are too large to be absorbed in the department or fund's operating budget.
 - Ending balances in excess of the \$200,000 reserve amount may be used as funding for additional expenditures in the safety program as directed by the City Manager and appropriated within the following budget year.
- f. Special Revenue and Urban Renewal Funds will be evaluated individually based on the type of service, potential for unexpected expenditures, and purpose of the fund to determine the appropriate contingency reserve. There may be some funds that require no contingency reserve.
- g All Other Funds the City has developed a plan to provide for the periodic purchase/replacement of equipment, furnishings and vehicles. The plan allows for departments to propose an amount to be set aside in a reserve account sufficient to accumulate funds to purchase new equipment, furnishings and vehicles. As a way to calculate the amount of set-aside, a

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department may annually budget the depreciation for that year. This would allow a department to accumulate, over the life of the asset, a significant portion of the cost to fund the replacement of existing equipment, vehicles, computers and office furnishings when they reach the end of their useful lives.

- 3. The City may use reserves on a one-time or temporary basis for purposes described above. In the event that reserve funds are presently or decrease to levels below the levels desired by this policy, the City will develop a plan to restore reserves to the desired level; such plans may be multi-year in nature.
- 4. The City shall appropriate a General Fund working contingency reserve of approximately 2% of budgeted expenditures as part of the budget process. Funds may not be disbursed directly from the contingency account but must be reclassified into a spendable budget category through a supplemental budget.

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Financial Policies

Title: Fund Balance Policy

XIII. Fund Balance Policy

In accordance with accounting principles generally accepted in the United States of America, Council defines governmental funds' fund balances as follows:

- 1. Non-spendable include amounts that, by their nature, cannot be spent, such as inventories, prepaid expenditures, long-term loans and notes receivable, permanent contributions, and property held for resale.
- 2. Restricted includes constrained amounts that are restricted, which are 1) externally imposed by creditors, grantors, contributors or laws/regulations; or 2) internally imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or mandate payment of resources from outside the government and includes a legally enforceable requirement that those resources be used only for specific purposes. Legally enforceable means the City can be compelled by those outside the government to use those resources for the purposes specified in the legislation.
- 3. Committed includes constrained amounts that can be used only for specific purposes imposed by City Council. Commitments can only be reversed by taking the same action employed to commit the amounts (e.g. ordinance or resolution). The difference between Restricted and Committed is that committed resources can be redeployed for other purposes with appropriate due process. Compliance with the commitment is not legally enforceable by those outside the government.
- 4. Assigned includes amounts constrained by the *intent* that they be used for specific purposes. Intent can be expressed by either the City Council or officials and committees to whom the Council has delegated authority.
- 5. Unassigned defined as the residual fund balance that is not non-spendable, restricted, committed, or assigned. Unassigned fund balance applies only to the General fund.

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Financial Policies

Title: Fixed Asset Capitalization Policy

XIV. Fixed Asset Capitalization Policy

Purpose and Scope

The purpose of this policy is to establish standard procedures for capitalizing fixed assets to facilitate the identification, reporting and safeguarding of City assets in compliance with generally accepted financial reporting requirements.

Asset Value

Capital assets are valued at their historical cost. In the absence of historical cost information, the asset's estimated historical cost will be assigned and used. Contributed capital is reported at fair market value or cost on the date the asset is contributed.

The historical cost of a capital asset includes the following:

- cost of the asset
- ancillary charges necessary to place the asset in its intended location (i.e. freight charges)
- ancillary charges necessary to place the asset in its intended condition for use (i.e. installation and site preparation charges)
- capitalized interest
- any subsequent improvements that meet the qualifications listed below

Capitalization Threshold

The City will capitalize all individual assets with a threshold cost of \$5,000 or more and has an estimated useful life of 1 year or more, excluding maintenance items.

Grouped or Networked Assets

Individual assets that cost less than the capitalization threshold, but that operates as part of a network system, will be capitalized in the aggregate, using the group method if the estimated average useful life of the individual asset is 1 year or more. A network is determined to be where individual components may be below the capitalization threshold but are interdependent and the overriding value to the City is on the entire network and not the individual assets. Examples include: Computers, software licenses, new office furniture, etc.

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Depreciation Method

Capitalized assets are depreciated using the straight line method in the Annual Financial Report. The City maintains a depreciation schedule for the Governmental and proprietary funds.

Estimated Useful Lives

The following guidelines are used in setting estimated useful lives for asset reporting:

Buildings & Improvements	50 years
Land Improvements	10 – 20 years
Machinery and Equipment	5 – 10 years
Vehicles	5 – 10 years
Infrastructure	50 years

Improvements vs. Maintenance Costs

With respect to asset improvements, costs at or over the capitalization threshold should be capitalized if:

- the estimated life of the asset is extended by more than 25%, or
- the cost results in an increase in the capacity of the asset, or
- the efficiency of the asset is increased by more than 10%, or
- · significantly changes the character of the asset, or
- in the case of streets and roads if the work done impacts the "base" structure.

Improvements that do not meet these criteria would be expensed as repair and maintenance.

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Financial Policies
Title: Fee Policy

XV. Fee Policy

As a home rule municipality, the City of Lebanon has the ability to determine the extent to which fees should be used to fund City facilities, infrastructure and services. This Policy sets forth principles for identifying: the types of services for which fees could appropriately be imposed by the City; methods for calculating the percentage of costs to be recovered by such fees; and the manner in which the fees should be allocated among individual fee payers.

Ongoing Review

Fees will be reviewed and updated on an ongoing basis to ensure that they keep pace with changes in the cost-of-living as well as changes in methods or levels of service delivery. Fees will be adjusted on a yearly basis by the Consumer Price Index for Urban areas (CPI-U). A full review of all fees will be conducted at least every five years to ensure fees are equitable and consistent with the cost of providing the service.

User Fee Cost Recovery Levels

In setting user fees and cost recovery levels, the following factors will be considered:

1. Community-wide versus special benefit

The level of user fee cost recovery should consider the community-wide versus special service nature of the program or activity. The use of general purpose revenues is appropriate for community-wide services, while user fees are appropriate for services that are of special benefit to easily identified individuals or groups.

2. Service recipient versus service driver

After considering community-wide versus special benefit of the service, the concept of service recipient versus service driver should also be considered. For example, it could be argued that the applicant is not the beneficiary of the City's development review efforts: the community is the primary beneficiary. However, the applicant is the driver of development review costs and, as such, cost recovery from the applicant is appropriate.

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3. Effect of pricing on the demand for services

The level of cost recovery and related pricing of services can significantly affect the demand and subsequent level of services provided. At full cost recovery, this has the specific advantage of ensuring that the City is providing services for which there is genuinely a market that is not overly-stimulated by artificially low prices. Conversely, high levels of cost recovery will negatively impact the delivery of services to lower income groups. This negative feature is especially pronounced and works against public policy if the services are specifically targeted to low income groups.

4. Feasibility of collection and recovery

Although it may be determined that a high level of cost recovery may be appropriate for specific services, it may be impractical or too costly to establish a system to identify and charge the user. Accordingly, the feasibility of assessing and collecting charges should also be considered in developing user fees, especially if significant program costs are intended to be financed from that source.

General Concepts Regarding the Use of Service Charges

The following general concepts will be used in developing and implementing service charges:

- 1. Revenues should not exceed the reasonable cost of providing the service.
- 2. The City will maximize utilization of user charges in lieu of property taxes for services that can be individually identified and where the costs are directly related to the level of service. User fees will be reviewed every five years to ensure that related costs are recovered in accordance with City Council policy.
- 3. Cost recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs, and organization-wide support costs such as accounting, personnel, data processing, vehicle maintenance and insurance.
- 4. The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.
- 5. Rate structures should be sensitive to the "market" for similar services, as well as to smaller, infrequent users of the service.
- 6. A unified approach should be used in determining cost recovery levels for various for various programs based on the factors discussed above.

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Factors Favoring Low Cost Recovery Levels

Very low cost recovery levels are appropriate under the following circumstances:

- 1. There is no intended relationship between the amount paid and the benefit received. Almost all public safety programs fall into this category as it is expected that one group will subsidize another.
- 2. Collecting fees is not cost-effective or will significantly impact the efficient delivery of the service.
- 3. There is no intent to limit the use of (or entitlement to) the service. Again, most public safety emergency response services fall into this category. Access to neighborhood and community parks would also fit into this category.
- 4. The service is non-recurring, generally delivered on a "peak demand" or emergency basis, cannot reasonably be planned for on an individual basis, and is not readily available from a private sector source. Many public safety services fall into this category.
- 5. Collecting fees would discourage compliance with regulatory requirements and adherence is primarily self-identified and, as such, failure to comply would not be readily detected by the City. Many small-scale licenses and permits might fall into this category.

Factors Favoring High Cost Recovery Levels

The use of service charges as a major source of funding service levels is especially appropriate under the following circumstances:

The service is similar to services provided through the private sector.

- 1. Other private or public sector alternatives could or do exist for the delivery of the service.
- 2. For equity or demand management purposes, it is intended that there is a direct relationship between the amount paid and the level and cost of the service received.
- 3. The use of the service is specifically discouraged. Police responses to disturbances or false alarms might fall into this category.
- 4. The service is regulatory in nature and voluntary compliance is not expected to be the primary method of detecting failure to meet regulatory requirements. Permits, plan checks and subdivision review fees for large projects would fall into this category.

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Low Cost Recovery Services

Based on the criteria discussed above, the following types of services should have very low cost recovery goals. In selected circumstances, there may be specific activities within the broad scope of services provided that should have user charges associated with them. However, the primary source of funding for the operation as a whole should be general purpose revenues, not user fees.

- 1. Delivering public safety response services, such as police patrol services.
- 2. Maintaining and developing public facilities that are provided on a uniform, community-wide basis such as streets, parks and general purpose buildings.
- 3. Providing economic development activities.
- 4. Recreation programs.

Development Review Programs – Example of High Cost Recovery and Methodology

- 1. Planning (planned development permits, tentative tract and parcel maps, rezoning, general plan amendments, variances and use permits).
- 2. Engineering (public improvement plan checks, inspections, subdivision requirements and encroachments).

The following cost recovery policies apply to the development review programs.

Cost recovery for these services should generally be very high. In most instances, the City's cost recovery goal should be 100%. Exceptions to this standard include planning services, as this review process is clearly intended to serve the broader community as well as the applicant for example, appeals, where no fee is charged.

- 1. In charging high cost recovery levels, the City needs to clearly establish and articulate standards for its performance in reviewing developer applications to ensure that there is "value for cost."
- 2. Comparability with other communities.
- 3. In setting user fees, the City will consider fees charged by other agencies in accordance with the following criteria:
 - a. surveying the comparability of the City's fees to other communities provides useful background information in setting fees for several reasons: They reflect the "market" for these fees and can assist in assessing the reasonableness of the City of Lebanon's fees.

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b. if prudently analyzed, they can serve as a benchmark for how costeffectively the City of Lebanon provides its services.

Fee surveys should never be the sole or primary criteria in setting fees as there are many factors that affect how and why other communities have set their fees at their levels. For example:

- 1. What level of cost recovery is their fee intended to achieve compared with our cost recovery objectives?
- 2. What costs have been considered in computing the fees?
- 3. When was the last time that their fees were comprehensively evaluated?
- 4. What level of service do they provide compared with our service or performance standards?
- 5. Is their rate structure significantly different than ours and what is it intended to achieve?

These can be very difficult questions to address in fairly evaluating fees among different communities. As such, the comparability of our fees to other communities should be one factor among many that is considered in setting City fees.

Enterprise Fund Rates

The City will set fees and rates at levels which fully cover the total direct and indirect costs (including operations, capital outlay, and debt service) of the Water Wastewater and stormdrain Funds.

The City will review and adjust enterprise fees and rate structures as required to ensure that they remain appropriate, equitable and sufficient to cover the required debt service bond covenants.

Upon review of utility rates, Council will set rates through the required public process and adopt any changes to the rate structure for the City's enterprise funds by ordinance.

Franchise Fees for Enterprise Funds

In accordance with long-standing practices, the City will review treating the water, wastewater and stormdrain funds in the same manner as if they were privately owned and operated. In addition to setting rates at levels necessary to fully cover the cost of providing water, wastewater and stormdrain services, this would mean assessing reasonable franchise fees.

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Franchise fees for water, wastewater and stormdrain services are based on the statewide standard for public utilities like electricity and gas: up to 7% of gross revenues from operations.

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City of Lebanon

Financial Policies

Title: Anti-Fraud and Theft Policy

XVI. Anti-Fraud and Theft Policy

Introduction

The anti-fraud and theft policy is to establish controls and aid in the prevention and detection of fraud and theft against the City. This policy applies to any actual or suspected fraud or theft involving an employee, city volunteers, elected official, consultant, vendor, contractor, outside agency or person doing business with the City or in any other relationship with the City.

The City does not tolerate any type of fraud or theft. The City's policy is to promote ethical organizational behavior by:

- assigning responsibility for reporting fraud and theft.
- providing guidelines to conduct investigations of suspected or known fraud or theft.
- requiring each employee to attend fraud awareness training.

Failure to comply with this policy subjects an employee to disciplinary action, which may include immediate termination. Failure to comply by a consultant, vendor, contractor, outside agency, a person doing business with the City, or a person in any other relationship with the City could result in cancellation of the business or other relationship between the entity and the City. The City will pursue criminal prosecution if the results of an investigation indicate criminal activity.

For purposes of this policy, the terms fraud (or fraudulent) and theft are defined below.

Definitions and Examples of Fraud and Theft

Fraud or fraudulent means an intentional deception designed to obtain a benefit or advantage or to cause denial of some benefit that is lawfully due. Examples of fraud include:

- forgery or alteration of a check, bank draft, or any other financial document
- theft of a check or other diversion of a payment made to the City
- improper or dishonest handling of funds, supplies, or other assets
- improper handling or reporting of financial transactions
- profiteering as a result of insider knowledge of City operations
- selling or using confidential City information in the conduct of an outside business activity

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Theft means the act of taking something from someone unlawfully. An example of theft is taking equipment or supplies belonging to the City and keeping it for personal use.

Responsibility to Report Known and Suspected Fraud or Theft

Each employee and City volunteer is required to report any known or suspected fraud or theft to the employee's or volunteer's supervisor or to the Ethics Officer. If not reported to the Ethics Officer, the supervisor is required to report suspected fraud or other dishonest conduct, including reports from other employees or individuals, to the Ethics Officer.

Each elected official is required to report any known or suspected fraud or theft to the City Manager.

The supervisor does not have the authority to determine the merits of a report of known or suspected fraud or theft; only the Ethics Officer makes this determination.

To the extent possible, the identity of an employee or complainant who reports known or suspected fraud or theft will be protected to the full extent allowed by law. The City will not tolerate any form of retaliation against individuals providing information concerning known or suspected fraud or theft.

Guidelines for Handling a Report of Known and Suspected Fraud or Theft

The reporting individual shall follow the following guidelines:

- Do not contact the suspected individual in an effort to determine facts or demand restitution.
- Allow the Ethics Officer to conduct the investigation. Do not further investigate the allegations.
- Observe strict confidentiality. Do not discuss the case, facts, suspicions or allegations with anyone unless specifically asked to do so by the Ethics Officer.

Responsibility of Ethics Officer and Guidelines for the Investigation of Known and Suspected Fraud or Theft

The Ethics Officer position will be appointed by the City Manager. On receiving a report of known or suspected fraud or theft, the Ethics Officer shall document the contact and conduct a preliminary investigation to determine the credibility of the report. If the report is credible, the Ethics Officer shall follow the investigation guidelines provided below.

The Ethics Officer shall make every effort, within the limitations of Oregon Public Records Law, to protect the rights and the reputations of everyone involved in a report of suspected fraud or theft, including the individual who in good faith alleges perceived misconduct, as well as the alleged violator(s). The Ethics Officer shall also make

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every effort to protect the identity of a person who in good faith reported the suspected fraud. However, disciplinary action may be taken as provided by this policy if a report is made in bad faith.

On determining that a report is not credible or is not a report of fraud or theft, the Ethics Officer shall document this determination and report the determination to the person(s) reporting the perceived misconduct and the alleged violator(s). The Ethics Officer is responsible for reporting confirmed fraud or theft to the proper law enforcement officials.

The Ethics Officer is responsible for the administration, interpretation, and application of this policy.

The Ethics Officer has primary responsibility for the investigation of reported wrongdoing and all suspected fraud or theft and for coordinating investigative activities with the City's Finance or Human Resources Director, whichever is applicable. Each employee involved in an investigation of suspected fraud or theft shall keep the content of the investigation confidential to the extent provided by law. Unless the Ethics Officer determines the allegation is not credible or the actions do not constitute theft or fraud, investigation results shall not be disclosed or discussed with anyone other than those who have a legitimate need to know.

Any required investigative activity shall be conducted without regard to the suspected wrongdoer's length of service, position/title, relationship to the City, or any other perceived mitigating circumstance.

The Ethics Officer shall maintain appropriate documentation regarding incidents of fraud or theft. The Ethics Officer shall develop and maintain guidelines for access to and security of this documentation.

If an investigation substantiates fraudulent activities, the Ethics Officer will prepare an incident report and:

- if the violator is an employee, provide the report to the violator's supervisor, the
 Department Director, and the Human Resources Office; and if the violator is in
 the AFSCME or Teamsters union, confer with the AFSCME or Teamsters union
 representative before taking the appropriate disciplinary action.
- if the violator is a City volunteer, provide the report to the appointing official for appropriate action.
- if the violator is an elected official, provide the report to the Mayor or Council President (as appropriate), the City Manager and the City Attorney for appropriate dissemination, such as to the Oregon Government Ethics Commission or District Attorney, and for appropriate action.
- if the violator is someone other than an employee or elected official, provide the report to the City Manager and City Attorney for appropriate sanctions.

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The Ethics Officer shall prepare the report as soon as possible after the fraud or theft is confirmed and shall document the content of the investigation, the findings and any recommended actions. Once appropriate actions have been taken, the Ethics Officer shall prepare a final report for the City Manager and City Attorney, including a summary of the investigation, the findings, and the disciplinary actions or other actions taken in response to the substantiated report of fraud or theft.

Disciplinary Action

Failure to comply with any part of this policy is grounds for disciplinary action, which may include immediate termination. These disciplinary sanctions shall not apply to elected officials, who may only be removed from office by recall vote and may only be sanctioned by action of the City Council. These disciplinary sanctions shall not apply to City volunteers, who may be removed by the appointing official.

An employee who:

- has engaged in any form of fraud or theft
- suspects or discovers fraudulent activity and fails to report his or her suspicions as required by this policy
- intentionally reports false or misleading information

is subject to disciplinary action, which may include termination.

Any supervisor who does not submit to the Ethics Officer each and every report of suspected fraud or theft made by an employee or other person is subject to disciplinary action, including immediate termination.

Fraud Awareness Training

Each employee is required to attend at least one session of Fraud Awareness Training every three years. Those in financial positions must have a refresher course each year. After attending the training, the employee must sign a form indicating that they have attended the training and understood its content. These forms will be filed in the Employee's personal file. Training will be conducted by the Finance Department, facilitated by the HR Department, and tracking for completion will be done by the HR Department.

Annual Report

Incidents of suspected fraud or theft determined by the Ethics Officer shall be reported to the City Council on an annual basis. The annual report shall include: the status of the reporting person (e.g., employee, citizen, vendor, contractor, etc.); the determination of merit; whether a full investigation was conducted and if so, the results of the investigation; the disciplinary action, if any resulting from the investigation; and

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whether the report was	referred to a	an outside	entity and	d if so,	the current	status	or final
results of the referral.							

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City of Lebanon

Financial Policies

Title: Identity Theft Protection Policy

XVII. Identity Theft Protection Policy

Purpose and Scope

The Identity theft protection policy is to implement and maintain reasonable safeguards to protect the security and confidentiality of personal information in compliance with Senate Bill 583, the Oregon Identity Theft Protection Act (OITPA).

This policy applies all employees, city volunteers, elected official.

Objectives

- 1. Safeguarding Personal Information: The City of Lebanon shall implement and maintain reasonable safeguards to protect the security and confidentiality of personal information, including its proper disposal. Personal information includes an employee or customer's name in combination with a SSN, Oregon driver's license or Oregon identification card, financial, credit or debit card numbers, along with a security or access code.
- 2. Social Security Numbers (SSN) Protection: Printing SSNs on any mailed materials not requested by the employee or customer unless redacted; or on cards used to access products, services or City buildings (such as ID cards); or publicly posting or displaying SSNs is prohibited. Exemptions include requirements by the State of Oregon; federal laws, including statute, such as W2s, W4s, 1099s, etc.; records that are required by law to be made available to the public; records for use for internal verification or administrative processes; and records used for enforcing a judgment or court order.
- 3. **Notification of Security Breach**: In the event that personal identifying information has been subject to a security breach, the City will provide notification of the breach as soon as possible in writing, electronically if that is the primary manner of communication with the customer or employee, or by telephone if the person is contacted directly. The exception is if the notification would impede a criminal investigation.

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Procedures

- 1. **Information Technology Department (IT)**: IT is responsible to establish technical controls to safeguard personal information stored in electronic format and to document safeguard practices in writing.
- 2. **Human Resources Department (HR):** HR is responsible to include this Identity Theft Protection Policy as part of new employee orientation by documenting review of this policy and the concepts in "Identity Theft A Business Guide". The business guide is posted at: Intranet/Finance/Policies/-"Protecting Personal Information A Business Guide" or on the State of Oregon website http://www.dfcs.oregon.gov/publications.html
- 3. **Department Directors:** Department directors are responsible to be familiar with the Identity Theft Protection Act and to meet with their staff to assess current compliance and document appropriate safeguard practices in writing.
 - Department directors are also responsible to include this policy in temporary employee orientation by documenting review of this policy and the concepts in "Protecting Personal Information A Business Guide".
- 4. Employees: Employees are responsible to comply with this policy and any internal processes as directed by their department. Noncompliance may result in formal disciplinary action up to and including termination of employment. Employees should contact their supervisor if they have questions about compliance with this policy.

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City of Lebanon

Financial Policies

Title: Risk Management Policy

XVIII. Risk Management Policy

Policy Statement

It is the policy of the City of Lebanon to proactively identify and manage the inherent risks of providing municipal services. Potential losses will be mitigated through employee safety committees, loss prevention programs, property and liability insurances, Workers' Compensation, and employee health, life, and disability benefits.

General Responsibilities

Each employee of the City is responsible to contribute to a safe environment for all employees and the public. Employees should help identify and correct unsafe conditions and should follow all established safety laws, policies and practices.

The City Manager and Department Directors are responsible to protect the City of Lebanon's assets by identifying and managing risks. Primary objectives include containing costs, minimizing accidents and injuries to employees and the public, reducing the frequency and severity of property loss, and promoting a healthy employee workforce and working environment.

Department Directors are responsible for managing the risks of operations in their respective departments. They ensure that effective safety and loss prevention programs are implemented and oversee the investigation of claims and losses.

Department Directors coordinate their efforts with the Finance Director who acts as the City's Risk Manager. The Risk Manager is responsible for facilitating claims processing and working closely with third party property and liability insurers.

The City Manager may choose to retain professional advisors, consultants, insurers, brokers and agents of record to assist the City in placing appropriate insurances and developing effective safety and loss prevention programs.

Specific Responsibilities

1. Human Resources

a. Coordinate and promote City-wide safety awareness and employee wellness programs.

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b. Manage the City's Worker's Compensation and health insurance programs to contain costs and promote safety and wellness for employees and their families.

2. Finance Director

- a. Recommend appropriate levels of property and general liability insurance to the City Manager and City Council.
- b. Coordinate periodic inventories of all property, buildings, equipment, vehicles, and other capital assets and verify that appropriate insurance is in place.
- c. Maintain policies, bonds and other legal documentation of insurance.
- d. Provide an annual report to the City Council showing claims experience and the costs of insurance programs.

3. City Attorney

- a. Develop templates of contracts and leases, which include language to identify and mitigate liability and other potential losses.
- b. Notify the City Manager of changes in state statutes and common law that affect municipal liability.
- c. Assist insurers in the investigation and settlement of claims against the City.
- d. Review insurance and bond contracts.

Retaining and Transferring Risk

1. Reserve Account

A Risk Management Fund will be maintained with a working balance of \$200,000 for unforeseen catastrophic events and major deductibles. Each department will be responsible for claims and deductibles up to \$5,000 per incident resulting from losses in their respective operations.

2. Insurance Coverages

The following policy types may be maintained:

- General Liability
- Property/Boiler & Machinery
- Tort Liability
- Auto Liability
- Auto Physical Damage
- Excess Earthquake
- Workers' Compensation
- Public Official Bond

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- Volunteer Accident
- Tank Pollution Liability

3. Self Insurance

The City may self-insure to the extent it is more cost effective than commercial insurance and does not present unacceptable financial or other risks to the City.

Allocation of Insurance Costs

Departments and programs that have dedicated revenue sources or are independent legal entities will be charged insurance costs specific to the risk exposures of the operations of those departments and programs.

Premiums and related costs for liability insurance, Workers' Compensation and property insurance will be allocated to each department based on claims experience and risk exposure. Property insurance costs are allocated according to the specific properties used and operated by each department or program.

Confidentiality of Records

All personally identifiable and confidential information will be maintained in compliance with the Identity Theft Protection Policy. All employee medical records and long-term disability claims held by the City will be maintained in separate locked files and access will be controlled through the City Manager and Human Resources Departments.

All police reports will be kept confidential unless the Lebanon Police Department and/or the City Attorney approve release.

Reporting Property/Casualty Accidents and Losses

 Accidents and losses must be reported promptly and in accordance with prescribed procedures. The benefits of timely reporting include enhanced citizen confidence, better protection of the City's interests, reduced time lost for employees and equipment, and savings realized through prompt settlements.

Reports of general liability claims and automobile accidents should be immediately reported to the Risk Manager. The following information should be included in every report:

- date, time, and location of accident or event
- description of vehicle, equipment, or property involved
- name(s) of person(s) involved
- name(s) of person(s) injured
- description of any medical attention received

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- nature of damage/loss and estimated cost
- description of circumstances; diagram of events if possible
- insurance Policy Numbers, Agents, and/or Agencies
- name(s) and addresses of witnesses
- appropriate signatures
- copy of DMV report, if filed
- copy of police report, if filed
- 2. The Risk Manager will process all accident/loss notices, except Workers' Compensation, and will notify the appropriate insurance company.
- 3. The Human Resources Department will file Workers' Compensation accident reports with the appropriate insurance company. Workers' Compensation incidents will be processed in accordance with Human Resources Policies.
- 4. Accidents of a serious nature and those occurring on weekends or holidays should be called in to the appropriate supervisor and followed up with the proper accident forms and information. The Risk Manager should be notified of the accident on the first day back to work.
- 5. As required by law, on-the-job injuries to employees that result in overnight hospitalization for treatment (not just observation), must be reported to OR-OSHA within twenty-four (24) hours of the injury. An on-the-job accident that results in the hospitalization of three or more employees, or in a fatality, must be reported to OR-OSHA within eight (8) hours of the accident. In either of these situations, the Human Resources Generalist or City Manager should be notified immediately so they may make notification to OR-OSHA.

Reports to be Filed

- 1. All property/casualty claims reports will be filed with the Risk Manager.
- 2. Minutes of City Council meetings, safety meetings, and all other City Committee meetings in which Risk Management policy or procedure decisions are made will be filed as appropriate.
- 3. Inspection reports when the safety committee inspects City premises will be filed with the Chairman of the Safety Committee.
- 4. Long-term Disability and Life Insurance claims and Workers' Compensation claims and reports will be filed with the Human Resources Department.

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Risk Manager Records

The Risk Manager shall keep the following records:

- 1. An inventory of current locations, descriptions and insurable values of all property/vehicles owned or leased by the City.
- 2. An insurance register, outlining all coverages in force and including premiums, policy numbers, servicing agents, terms of coverage and expiration dates.
- 3. Premium payment and allocation records.
- 4. Claims filed and pending.
- 5. Loss records subdivided into property, liability and other liability claims paid by the insurer under existing insurance policies.
- 6. Claim recoveries received from third parties who have damaged City property or who are reimbursing for City wages paid.

Supersedes:	Created/Amended by/Date:	Effective Date:
Finance Director:	City Manager:	

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XIX. Definition of Terms

Budget Committee – is the legal body appointed by the City Council consisting of the six community members, the Mayor and the City Council. The role of the Budget Committee is governed by the State of Oregon's *Local Budget* Law and includes reviewing the City Manager's proposed budget and making recommendations to the Council regarding budget items and property tax rates.

Government Finance Officers Association (GFOA) – is the national finance officers' organization whose purpose is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices and promoting their use through education, training, facilitation of member networking, and leadership.

Category level – for budget control purposes, categories include personal services, materials and services, capital outlay, debt service, transfers, contingency, reserves and unappropriated.

Program level – for budget control purposes, programs may include community services, community development, finance, human resources, etc.

Divisional level – for budget control purposes, divisional level would include water, street, stormwater and wastewater divisions within the public works department.

Capital Improvement Plan (CIP) – The CIP is a schedule of capital projects including estimated cost and timing. There is a separate CIP for each major infrastructure system in the City, e.g., water, streets, sidewalks, stormwater, wastewater, information technology, City facilities and vehicles.

Debt Coverage Ratio (DCR) – represents the ratio of "net revenues" available to pay scheduled debt service. A ratio of 1.0 reflects "net revenues" equal to scheduled debt service. A ratio greater than 1.0 reflects "net revenues" in excess of scheduled debt services and a ratio less than 1.0 indicates "net revenue" is less than scheduled debt service.

Ethics Officer – for the Anti-Fraud and Theft Policy will be appointed by the City Manager.

Oregon Revised Statutes (ORS) – Oregon's compilation of state laws including rules of civil procedure.

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