

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

Purpose –

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

- Operating and Capital Project Budgeting
- Debt Issuance
- Revenues
- Minimum reserves
- Investments
- Accounting, financial reporting, and auditing
- Internal Control

1.0 BUDGET POLICIES

- 1.1 The Mayor, as Budget Officer for Salt Lake County, shall ensure compliance with the Uniform Fiscal Procedures Act for Counties (Act) as required in Utah Code Ann. § 17-36-1, et seq and the Salt Lake County Ordinances § 2.95 et seq.
- 1.2 County Ordinances call for the County Mayor and Council to submit budgets compliant with certain dates, content, public noticing, messaging and other requirements as set out in statute and county ordinance 2.95 that shall be adhered to.
- 1.3 The budget shall provide for adequate maintenance of capital assets and equipment.
- 1.4 The budget shall provide for adequate funding of all retirement systems and employee benefits.
- 1.5 The Mayor shall maintain a budgetary system to provide budget control and adherence to statutory, ordinance and policy requirements.
- 1.6 The Mayor shall provide reports that compare actual expenditures and revenues to budget. These reports shall be made available at least monthly to all elected officials, department heads, and administrators.
- 1.7 In June and November of each year, and at additional times requested by the Council, the Mayor shall prepare a Multi-Year Budget and Revenue Projection for key funds. Long Range Budget and Revenue Projections are currently prepared for the following funds:
 - General Fund
 - Flood Control Fund
 - Health Fund
 - Clark Planetarium Fund

- Tax Administration Fund
- Library Fund
- Tourism, Recreation, Cultural & Convention (TRCC) Fund
- Transportation Preservation Fund
- Visitor Promotion Fund

- 1.8 The County shall discourage consideration of budgetary new requests for budget increases outside the normal budget appropriation process. Such requests, if considered, must be examined in accordance with Countywide Policy 1050 Interim Budget Adjustments.
- 1.9 The County shall not adopt a budget for any fund where the total appropriation is more than the estimated expendable revenue in accordance with Utah Code Ann. § 17-36-17. In other words, the final budget of the County shall be balanced. The definition of a balanced budget is:

Total budgeted expenditures and other financing uses shall not exceed estimated expendable revenue, fund balance, and other financing sources.

- 1.10 After the Council adopts the final budget for the ensuing fiscal year, the Mayor shall publish the adopted budget.

2.0 CAPITAL PROJECT BUDGET POLICIES

- 2.1 The County shall maintain and annually update its multi-year plan for capital projects. Capital projects include acquisition of real estate, construction of new facilities, improvements to existing facilities and capital maintenance.
- 2.2 The County shall enact an annual capital project budget based on a multi-year capital improvements plan. The County shall use best efforts to fully fund annual capital budget requests necessary to protect and maintain existing County infrastructure. It is the policy of the County that the capital improvements tax levy allocable to capital maintenance is not available to be shifted to other tax funds for non-capital maintenance items.
- 2.3 The County shall coordinate development of the capital projects budget with development of the operating budget. Estimated operating and maintenance costs associated with proposed capital projects shall be included in the capital projects and operating budget requests.
- 2.4 The County shall accept Federal, State and local or other assistance for capital projects when such projects are consistent with the County's Capital Improvements plan and County priorities. To the extent possible, the County shall maximize the use of grants and other sources to fund capital projects and capital maintenance.
- 2.5 Maintenance and operations of existing capital facilities shall have priority over acquisition of new facilities, unless a cost/benefit analysis indicates to the contrary. The County shall maintain all assets at a level adequate to protect the County's investment and to minimize future maintenance and replacement costs.
- 2.6 A high priority should be placed on maintenance where deferring maintenance would result in increased costs to restore or replace neglected facilities.
- 2.7 The County shall project equipment replacement and maintenance needs for the current and four succeeding years.

- 2.8 The County shall determine and pursue the least costly financing method and options for all new projects.

3.0 DEBT POLICIES

- 3.1 It is the policy of the County to minimize its reliance on issuing debt as specified in County ordinance 2.90.040 Debt.
- 3.2 Pursuant to Rule 15c2-12, the County is obligated to disclose certain Material Events with respect to the County's obligations sold via direct purchase. The Disclosure Officer will prepare (or hire an agent to prepare) Reportable Event Disclosure and file the same with Electronic Municipal Market Access (EMMA) (or confirm that such filing is completed by an agent hired by the County for such purpose) in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event).
- 3.3 Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders, if material, is a Reportable Event. Upon the incurrence of any Financial Obligation, as such term is defined in the Undertaking, the Disclosure Officer shall review such Financial Obligation and assess whether such Financial Obligation is material; *provided; however;* that a Financial Obligation shall not be considered material if the total liability under such Financial Obligation is less than two percent (2%) of the property tax collected in the prior year.
- 3.4 If, in connection with such Financial Obligation, the County has agreed to any covenant, event of default, remedy, priority right or other similar term which affects security holders, the Disclosure Officer shall further review such term and assess whether the same is material. The Disclosure Officer shall prepare a summary of such review.
- 3.5 If, in the Disclosure Officer's reasonable judgment, following consultation with financial or legal professionals, as necessary, such Financial Obligation and/or term of such Financial Obligation is deemed material, the Disclosure Officer shall file a summary of such Financial Obligation (or the entire financing document, provided that confidential or sensitive information may be redacted, to the extent such redaction does not prevent all material terms from being disclosed) with EMMA not in excess of ten business days after the incurrence of such Financial Obligation.
- 3.6 The County will issue Tax and Revenue Anticipation Notes (TRANS) if the Mayor and Treasurer project that there is some probability that countywide cash balances would not sustain County operations in that fiscal year, and if the DRC deems issuing TRANS to be in the best interest of the County. The County shall pay and retire TRANS annually, and shall pay or refund Bond Anticipation Notes (BANS) from bond proceeds related to the project.
- 3.7 The County shall proactively maintain communication with bond rating agencies about its financial condition. The County shall follow a policy of full disclosure in its Financial Reporting and in all official statements.
- 3.8 The County may use investment agreements only for investment of bond proceeds or of funds dedicated to the payment of debt service on the bonds upon favorable recommendation of the Debt Review Committee and approval by the governing body. Use of an investment contract must be permitted by the terms of the borrowing instrument and the provider of the investment

agreement or a guarantor must be rated by one or more ratings agencies which satisfy the requirements of the State Money Management Act, Utah Code Ann. § 51-7-1, et. seq.

- 3.9** Provisions of investment agreements must require collateralization or termination of the agreements in case the provider or its guarantor is downgraded. Such agreements shall be used solely for the purposes of managing and controlling debt and the cost of debt service and shall not be used for speculation.
- 3.10** Interest rate contracts and similar contracts may be used only in connection with the control or management of debt or for the cost of servicing debt. The Debt Review Committee shall analyze proposed interest rate contracts and report their findings and recommendations to the Mayor and Council. The County may enter into interest rate contracts only if the contracts are determined to be necessary, convenient, or appropriate and with the approval of the governing body.
- 3.11** The Utah Money Management Council has adopted rules restricting the notional amount of the contract, permitted counter parties, including rating requirements, absolute term limits and periodic reporting of outstanding contracts to the Council. Such contracts shall be used solely for the purpose of managing and controlling debt and the cost of debt service and shall not be used for speculation.

4.0 REVENUE POLICIES

- 4.1** The County is committed to creating and maintaining diversified and stable revenue sources. The County shall evaluate the long-term sustainability of revenue sources. For intergovernmental grant revenues, the program funded shall be evaluated to determine if it fits the core mission of the County.
- 4.2** The Mayor shall project annual revenues by an objective, analytical process. Each existing and potential revenue source shall be examined annually.
- 4.3** The County shall maintain sound appraisal procedures to keep property values current. Property shall be assessed at fair market value, pursuant to applicable sections of Title 59 of the Utah Code as amended.
- 4.4** The County shall follow a policy of vigorously collecting all property tax and other receivables.
- 4.5** The County shall establish all inter-local contracts for services at a level which reflects the full cost of providing the services. Full cost means all actual direct costs, plus overhead costs.
- 4.6** All fines, fees and “user” charges, shall be set at full cost, unless the Council approves some other basis. The Council may consider such exceptions where a broad community purpose is determined, or where considerations of health, safety and welfare are determined.
- 4.7** The County shall set fees, user charges and interfund charges, for all Enterprise and Internal Service Funds at a level that fully supports the total direct and overhead costs of services related to such funds. In certain instances, the Council may supplant proprietary fund fees and other revenues with operating transfers from other funds when legally permissible to do so. As stipulated by Generally Accepted Accounting Principles (GAAP), internal service fund budgets shall be adopted on a cost-reimbursement basis. Any revenue planned to exceed expenses shall be based on a specific, Council-approved capital replacement plan.

- 4.8 One-time revenues should not be used as a revenue source to support current ongoing operations, except in cases of a declared emergency or rare exigent circumstances. Appropriations supported by one-time revenues shall primarily be used for one-time expenditures (i.e. maintenance of infrastructure, equipment replacement, etc.) or retained in the respective Fund Balance. Examples of one-time revenue sources are: sale of assets, refunds, etc.
- 4.9 The County shall review unpredictable revenue sources such as programs funded by grants and contracts on an annual basis. If the revenue is discontinued or is shrinking this review will be used to determine whether to retain the program.
- 4.10 The County shall maintain, as near as possible, a “structural balance” of revenues and expenditures on a long-term planning basis and shall avoid deficit spending.
- 4.11 Grants are an important revenue source for the County. Prior to applying for a grant, the County shall perform reasonable due diligence to maximize the benefits and minimize risks of this funding source.
 - 4.11.1 The County shall assess the extent to which the grant is consistent with the County’s mission and strategic priorities.
 - 4.11.2 A multi-year cost/benefit analysis shall be prepared to identify matching requirements and any other direct costs associated with the grant including obligations to maintain a program after the expiration of the grant.
 - 4.11.3 The County shall establish outcome measures that can be used to evaluate the effectiveness of the grant. Prior to the conclusion of the initial grant period, actual outcomes shall be evaluated to determine whether to renew the grant.
- 4.12 A committee including representation from the Treasurer, Auditor, Mayor and Council shall review projections of revenue from property taxes, sales taxes, and other material sources.

5.0 RESERVE POLICIES

- 5.1 The County shall establish minimum unassigned fund balances based on projected expenditures and revenues (reserves) for the General Fund and selected Special Revenue Funds. In establishing minimum reserve levels, the County shall take into consideration the variability of revenue sources for each fund, Government Finance Officers Association (GFOA) recommended practice, and the reserve requirements necessary to maintain the County’s bond rating. The minimum reserve for each of these funds is the following percentage of budgeted Revenues:

<u>Fund</u>	<u>Minimum Reserve</u>
General Fund	15%
Flood Control Fund	5%
Health Fund	5%
Library Fund	5%
Clark Planetarium Fund	5%
Tax Administration Fund	5%

The minimum unassigned fund balance for the TRCC Fund is 5% of the sum of budgeted expenditures and recurring fund balance transfers out.

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

5.3 The County shall provide and maintain in the Employee Service Reserve Fund a reserve for the payout costs of vacation and sick leave that are incurred in connection with employee terminations and retirements as well as other termination and retirement costs. This reserve for termination and retirement payout costs is only applicable to governmental funds. Proprietary funds will account for their accrued vacation and sick leave separately in accordance with GAAP. The County shall also reserve for health insurance expenses.

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

5.3.2 The health insurance reserve shall be 15 percent of medical and dental claims for active employees, plus related administration expenses, for the most recently completed fiscal year.

5.3.3 The County shall establish a separate health insurance reserve for retirees that are not Medicare eligible. This reserve shall be 15 percent of medical and dental claims, plus related administration expenses, for the most recently completed fiscal year.

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

6.0 INVESTMENT POLICIES

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

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

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

6.4 The investment accounting system and procedures shall provide regular information concerning cash position and investment performance.

6.5 The County, where practical, shall arrange for banking services on a contractual basis, for a specified period of time, and with specified fees for each service rendered.

6.6 The County shall adhere to the requirements of the State Money Management Act in its investment practices.

6.7 The County may use investment agreements, interest rate contracts and other similar contracts only in connection with the control or management of debt pursuant to Debt Policies in section 3.

7.0 ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICIES

- 7.1** The County shall establish and maintain a high standard of accounting practice.
- 7.2** Annual financial reports shall present financial activity in accordance with GAAP for local government accounting and the Act for Counties. Monthly (interim) financial reports shall present financial activity in appropriate format, as determined by the Mayor. Mayor's Financial Administration will assist County fiscal staff to obtain other current accounting information as needed, for purposes of management oversight and analysis.
- 7.3** The reporting system shall also provide monthly information on the total cost of specific services by type of expenditure, by budgetary unit, and by Fund.
- 7.4** Additional monthly reports for Proprietary Funds (Enterprise Funds and Internal Service Funds) shall be made available as appropriate. These reports shall include a balance sheet and statement of statement of revenues, expenses, and changes in net position.
- 7.5** An independent public accounting firm shall perform an annual financial statement audit and single audit and shall publicly issue its opinion on the County's financial statements and other reports. County organizations will follow year-end audit and single audit timelines as published by the Mayor to ensure records are prepared timely and materially correct for the audits.
- 7.6** The Mayor shall prepare the County's Annual Comprehensive Financial Report (ACFR) with the goal in mind to qualify for the Certificate of Achievement for Excellence in Financial Reporting, awarded by the GFOA. Upon completion of the ACFR, the Mayor shall apply for the Certificate.
- 7.7** Accounting for capital assets shall comply with GAAP and capitalization thresholds shall follow at least the minimum recommendations of the GFOA Best Practices.
- 7.8** The Mayor shall maintain two separate County Indirect Cost Allocation (ICAPs) Plans, one for Federal and State grant requirements and the other for management and internal accountability purposes. The ICAP prepared in connection with Federal and State grant requirements shall be maintained in accordance with the Code of Federal Regulations (CFR) 2 CFR 200 (Uniform Administrative, Cost Principles, and Audit Requirements for Federal Awards) standards. The ICAP utilized for management and internal accountability purposes shall be maintained in accordance with generally accepted indirect cost accounting practices. The Mayor shall update and publish both ICAPs annually. The Auditor will also perform periodic audits of the cost allocation methodologies to ensure consistent and fair application and compliance.
- 7.9** The Auditor shall maintain an internal audit function which performs audits of County organizations with specific objectives as the Auditor deems appropriate and necessary under Utah Code Ann. § 17-19a-204 and § 17-19a-206. Audits are performed in compliance with current Governmental Auditing Standards established by the Comptroller General of the United States, Governmental Accountability Office, referred to as the Yellow Book Standards.
- 7.10** An annual schedule of audits shall be prepared and performed based on good management practices and auditing standards, with consideration given to risk and materiality. Other audits, reviews, investigations, and studies may be performed at the request of the Mayor, Council, or other elected officials. The Auditor shall make every effort to accommodate these

requests within the scope and priority of audit work scheduled and in progress.

7.11 The goal of the internal audit function shall be to assist County executives and managers in accomplishing their organizational mission, efficiently and effectively, and to provide assurance that adequate internal controls are in place and functioning as intended to ensure financial and operational integrity.

8. Internal Control Policy.

8.1 The County shall implement an internal control structure to ensure, on a reasonable basis, all valid financial transactions of the County are identified and recorded accurately and timely.

8.2 The objectives of the internal control structure shall be to ensure:

8.2.1 the proper authorization of transactions and financial activities;

8.2.2 the appropriate segregation of:

8.2.2.1 the duty to authorize transactions;

8.2.2.2 the duty to record transactions; and

8.2.2.3 the duty to maintain custody of assets.

8.3. Adequate documents and records shall be designed and used to ensure the proper recording of events; the development of adequate safeguards over access to and use of assets and resources; and the use of independent checks on performance and on the proper valuation of recorded amounts.

APPROVED and ADOPTED this _____ day of _____, 2021.

SALT LAKE COUNTY COUNCIL

By: _____
Steve DeBry, Chair

ATTEST:

Sherrie Swensen
Salt Lake County Clerk

Approved as to Form

Deputy District Attorney

Council Member Alvord voting _____
Council Member Bradley voting _____
Council Member Bradshaw voting _____
Council Member DeBry voting _____
Council Member Granato voting _____
Council Member Snelgrove voting _____
Council Member Stringham voting _____
Council Member Theodore voting _____
Council Member Winder Newton voting _____