



Financial Management Policy Review

Post CFC actions edition

Randy Bailey

Accounting Director

December 5, 2024



- Does Council Finance Committee support the changes as recommended?

Scope of Review

| Policy # | Policy Name | Last CFC Review Date | Next CFC Review Date |
|-----------------|--------------------|-----------------------------|-----------------------------|
| 1 | Budget | November 2020 | December 2024 |
| 2 | Revenue | November 2020 | December 2024 |
| 3 | General | November 2020 | December 2024 |
| 5 | Fund Balance | December 2022 | December 2024 |
| 7 | Debt | January 2022 | December 2024 |
| 8 | Investments | January 2022 | December 2024 |

- **Policy 1 – Budget**

| Section | As published | Revised |
|--|---|--|
| i. Objective | ...scarce resources | ...finite resources |
| 1. Overview | <p>...through the budget, services are implemented.</p> <p>...goals</p> | <p>Utilization of the budget process enables current levels of programs and services to continue and new programs and services to be implemented.</p> <p>...priorities</p> |
| 2. Principles for Budget Planning | <p>...residents</p> <p>In addition, the 2005-2007 Policy Agenda sets forth the implementation... with desired outcomes.</p> | <p>...community</p> <p>[Removed to simplify]</p> |
| 3. Scope | 3.D) ...commencing in 2010 and every other year thereafter... | [Removed to simplify] |
| 4. Roles and Responsibilities | From April through June, City staff... budget. | [Removed to simplify] |
| 5. Budgeting Control System | | |
| 6. Balanced Budget Definition | | |
| 7. Contingency Planning for Unanticipated Revenue Shortfalls | | <p style="text-align: center; background-color: #e0ffe0; border-radius: 10px; padding: 5px;">Terminology updates for greater clarity and simplification</p> |

- **Policy 2 – Revenue**

| Section | As published | Revised |
|--|--|--|
| 1. Limitations under TABOR | | |
| 2. Revenue Review, Objectives and Monitoring | 2.B.5.C Maintain Healthy Reserves ...contingency of 60 days or 17% of next year's adopted budgeted expenditures | 2.B.5.C Maintain Healthy Reserves ...contingency of 45 days or 12.5% of next year's adopted budgeted expenditures |
| 3. Fee Policy | | |
| 4. Sales and Use Tax Distribution | Voter approved taxation trend 1968 – 2020 Effective taxation detail 2020 | Voter approved taxation trend 1968 - 2024 Effective taxation detail 2024 |
| 5. Philanthropic Contributions | Legacy policy | Removed from Policy 2 – Revenue. Revised and included in two administrative policies; City Give and Philanthropic Governance |

General Fund contingency limit update – see Policy 5

Tax structure updates

2.4 Sales and Use Tax Distribution

Sales and Use Tax shall be used and accounted for as intended by the voters. Details of how the different segments of sales and use tax are used are outlined in the City Code Chapter 25. The following is a summary for informational purposes only.

The City's Sales and Use Tax currently totals 4.35 cents on a \$1.00 purchase, as follows:

Effective January 1, 2024

| | |
|--|-------------------------|
| 1968 - General City uses | 1.00 cent |
| 1980 - General City uses | 1.00 cent |
| 1982 - General City uses | 0.25 cent |
| 2006 - Natural Areas & Open Space | 0.25 cent* |
| 2011 - Keeping Fort Collins Great | 0.85 cent*** |
| 2015 - Street Maintenance | 0.25 cent* |
| 2015 - Community Capital Improvement Program | 0.25 cent* |
| 2020 - General City Uses | 0.60 cent** |
| 2020 - General Fund Renewable | 0.25 cent** |
| 2024 - 2050 Tax | 0.50 cent** |
| | 4.35 cent |

* Excludes sales and use tax on grocery food for home consumption

** Excludes sales and use tax on grocery food for home consumption and use tax for manufacturing equipment

*** Keep Fort Collins Great tax sunset end of 2020

- **Policy 3 – General**

| Section | As published | Revised |
|---|---|--|
| 1. Administrative Charges | | |
| 2. Medical Insurance and Retirement Plan | | B.2) Minor updates to plan matrix |
| 3. Fund Organization | | Add fund: 256 – 2050 Tax |
| 4. Cost Recovery and Fee Setting | D. Recreation Fund Rates and Charges Policy ...50% of the Keep Fort Collins Great portion... | D. Recreation Fund Rates and Charges Policy ...voter approved tax revenues... |
| 5. Capital Improvement Program | | |
| 6. Using State Allocation of Private Activity Bonds | | |

Minor updates to reflect normal period changes

Section 2.B 401(a) and 457 Money Purchase Plans

| Employee Group | 401 a | | | 457 | | |
|--|----------|----------|----------|----------------|----------|--------------------|
| | Employer | Employee | Waiting | Employer | Employee | Waiting |
| Classified Employees | 6.5% | 3.0% | 6 months | 0.0% | optional | no wait |
| Classified Employees hired on or before 3/31/07 | 7.5% | 3.0% | 6 months | 0.0% | optional | no wait |
| Unclassified Management | 6.5% | 6.0% | no wait | 0.0% | optional | no wait |
| Unclassified Management hired on or before 3/31/07 | 7.5% | 6.0% | no wait | 0.0% | optional | no wait |
| Council Appointed Positions | 10.0% | 0.0% | no wait | match up to 3% | optional | no wait |
| Executive and Senior Leaders | 10.0% | 0.0% | no wait | match up to 3% | optional | no wait |
| Police & Dispatch (per union agreement) * | 11% | 8.5% | no wait | match up to 3% | optional | 6 months for match |
| Community Service Officer | 8.0% | 3.0% | 6 months | 0.0% | optional | no wait |

Section 3 Fund Organization

| Group and Type | Legal | Ref. | Name |
|----------------------|----------|------|---------------------------------------|
| <i>Governmental</i> | | | |
| General Fund | City | 100 | General Fund |
| Special Revenue Fund | City | 250 | Capital Expansion Fund |
| Special Revenue Fund | City | 251 | Sales & Use Tax Fund |
| Special Revenue Fund | Separate | 252 | General Improvement District #1 |
| Special Revenue Fund | City | 254 | Keep Fort Collins Great Fund |
| Special Revenue Fund | City | 255 | Community Capital Improvement Program |
| Special Revenue Fund | City | 256 | 2050 Tax |

- **Policy 5 – Fund Balance Minimums**

| Section | As published | Revised |
|--|---|---|
| 1. Governmental Funds and Fund Balances | | |
| 2. Proprietary Funds and Working Capital | | |
| 3. Minimum Balances | 3.A General Fund 60-day liquidity goal; 60 day or 17% of subsequent year’s budgeted expenditures and transfers out. | 3.A General Fund 45-day liquidity goal; 45 day or 12.5% of subsequent year’s budgeted expenditures and transfers out. |
| 4. Below Minimum | | |

General Fund contingency limit update

• Policy 5.3.A – General Fund

| General Fund | 2019 | 2020 | 2021 | 2022 | 2023 | * 2024 |
|--|------------------|------------------|------------------|------------------|------------------|-------------------|
| Budget | 152,740,315 | 156,472,057 | 182,363,393 | 201,246,909 | 221,713,275 | 221,179,814 |
| Less: ARPA | | | | (10,953,647) | (14,900,000) | (4,845,853) |
| Net Budget | 152,740,315 | 156,472,057 | 182,363,393 | 190,293,262 | 206,813,275 | 216,333,961 |
| Total Expenditures | 132,815,412 | 150,753,191 | 147,515,788 | 169,831,624 | 202,293,424 | 221,179,814 |
| Fund Balance | 71,768,144 | 62,757,091 | 86,545,002 | 85,449,320 | 76,661,985 | 51,972,652 |
| Contingency (17%) | 26,600,250 | 31,001,777 | 32,349,855 | 35,158,257 | 36,776,773 | 42,170,975 |
| Contingency (12.5%) | 19,559,007 | 22,795,424 | 23,786,658 | 25,851,659 | 27,041,745 | 31,008,070 |
| I(D) | 7,041,243 | 8,206,353 | 8,563,197 | 9,306,597 | 9,735,028 | 11,162,905 |
| TABOR emergency reserve @3% of governmental revenues | 7,105,519 | 6,673,522 | 7,670,272 | 7,779,526 | 9,011,743 | |
| Equivalent percent of operating expenditures | 5% | 5% | 5% | 4% | 4% | |

* Estimates based on budget information

Comparative contingency reserves:

| City | <12.5% | 12.5% | 15% | 17% | >17% | Note | |
|-------------------------|--------|-------|-----|-----|------|---|--|
| Ann Arbor MI | | | | | | Range of 15%- 20% | |
| Bellingham, WA | | | | | | Minimum is the greater of \$5M or 6% of opex | |
| David, CA | | | | | | | |
| Denton Tx | | | | | | | 20% of operating expenditures plus 5% resiliency reserve |
| Durham NC | | | | | | Currently running closer to 12% with a plan to recover. | |
| Flagstaff AZ | | | | | | Range of 15%- 20% | |
| Fort Collins, CO | | | | | | 12.5% of operating expenditures plus 4-5% emergency reserve. | |
| Raleigh NC | | | | | | Can run as low as 8% | |
| Santa Barbara, CA | | | | | | Disaster reserve of 15% and 10% contingency | |
| Tacoma, WA | | | | | | | |

- **Policy 7 – Debt**

| Section | As published | Revised |
|---|--------------|---------|
| 1. Authorization for Municipal Borrowing | | |
| 2. Purposes and Uses of Debt | | |
| 3. Types of Debt and Financing Agreements | | |
| 4. Debt Structure and Terms | | |
| 5. Refinancing Debt | | |
| 6. Debt Limitations and Capacity | | |
| 7. Debt Issuance Process | | |
| 7. Inter-agency Loan Program | | |
| 7. Other | | |

Reviewed and no changes recommended at this time

- **Policy 8 – Investments**

| Section | As published | Revised |
|--|------------------------|---|
| 1. Policy | | |
| 2. Scope | Trust and Agency Funds | Fiduciary Funds [inclusive of pension, trust and agency funds] |
| 3. Investment Objectives | | |
| 4. Standards of Care | | |
| 5. Safekeeping and Custody | | |
| 6. Suitable and Authorized Investments | | |
| 7. Diversification and Liquidity | | |
| 8. Reporting | | |
| 9. Policy Adoption | | |

Minor terminology change for clarity

- Does Council Finance Committee support the changes as recommended?