

# Finance Policy

*(Presented for Council approval 9/17/2024)*

## **1. General Fund Reserves**

The city shall maintain a prudent level of reserves in the General Fund to ensure financial stability and protection against unforeseen financial challenges. A minimum of 75%, or 9 months, of the annual operating budget shall be held in reserve. These reserves can be used only under specific conditions, such as emergencies or significant financial downturns, and any use must be approved by the City Council. A plan to replenish the reserves within a reasonable timeframe must accompany any approved use.

## **2. Reserves in Other Funds**

Reserve policies similar to those of the General Fund shall apply to other funds, particularly enterprise funds that support self-sustaining services. These funds must maintain reserves sufficient to cover operating expenses for a minimum of 6 months and address potential liabilities or emergencies. The use of these reserves requires City Council approval and must align with the city's long-term financial health.

## **3. Grants Administration**

The city shall actively pursue grant opportunities to supplement local funding for projects and services. The Mayor and City Treasurer are responsible for the administration of grants, ensuring compliance with federal, state, and local regulations. Proper accounting, reporting, and auditing practices shall be followed, with all grant activities aligned with the city's strategic goals.

## **4. Debt Management**

The city's debt policy governs the prudent use of debt as a financing tool, ensuring alignment with the city's long-term financial plan. Permissible debt instruments include general obligation bonds, revenue bonds, certificates of obligation, and other legally allowed instruments. Debt issuance is restricted to capital projects with clearly identified revenue streams for repayment or those deemed essential to city infrastructure. The city shall maintain debt levels such that the combined annual debt service payments do not exceed 15% of the annual operating budget. This policy allows for debt to be structured over multiple years, provided that the total annual debt obligations remain within this 15% threshold. The city will also comply with all continuing disclosure requirements.

## **5. Investment Policy**

Public funds shall be invested with the primary objectives of safety, liquidity, and yield. Permissible investment instruments include U.S. Treasury securities, state and local government bonds, certificates of deposit, and other instruments allowed by state law. The City Treasurer, in consultation with professional advisors, shall manage the

investment program with a high standard of care, regularly reporting on its performance to the City Council.

## **6. Economic Development**

The city may offer subsidies, tax incentives, or other financial incentives to encourage private development in line with community economic development goals. Such incentives shall be used strategically to attract businesses, create jobs, and enhance the tax base while ensuring a positive long-term financial impact on the city. All economic development agreements require City Council approval and must include performance benchmarks for accountability.

## **7. Financial Reporting Requirements**

### **Internal Reporting:**

The City Treasurer shall prepare and distribute quarterly financial reports. These reports, including statements of revenues and expenditures, balance sheets, cash flow statements, and variance analyses comparing actual results to budgeted amounts, will support financial performance monitoring and informed decision-making.

### **External Reporting:**

The City Treasurer shall prepare comprehensive Annual Financial Reports (AFR) in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) standards. An independent certified public accounting firm will audit the AFR annually. The audited financial statements shall be presented to the City Council for review and approval, after which the AFR will be made publicly available through the city's website and at City Hall.

## **8. Risk Management and Internal Controls**

The city shall implement robust risk management and internal control policies to safeguard assets, ensure accurate financial information, and prevent fraud or misuse. These policies include traditional risk management practices, such as insurance coverage, and modern enterprise risk management approaches that address a broader range of risks. Internal controls shall include segregation of duties, regular audits, and continuous monitoring of financial activities.

## **9. Procurement Policies and Procedures**

### **Procurement Process:**

All city purchases shall adhere to a competitive bidding process whenever practical and cost-effective, ensuring transparency and value for money. Procurement methods may include competitive sealed bidding, competitive sealed proposals, requests for qualifications (RFQs), and requests for proposals (RFPs). The method of procurement will be determined by the nature, complexity, and value of the goods or services being acquired. In cases of emergency procurement, the standard competitive process may be bypassed with appropriate justification and documentation.

**Procurement Goals for Historically Underutilized Businesses (HUB):**

The city is committed to promoting diversity and inclusion in its procurement practices, creating opportunities for minority-owned, women-owned, and other historically underutilized businesses (HUB) to participate in city contracts. Goals for minority and women business enterprise (MWBE) participation shall be established, with the City Treasurer monitoring compliance and adjusting goals as necessary based on marketplace or community demographic changes.

**10. Cash Handling & Petty Cash Management**

**Cash Handling Procedures:**

The City Treasurer shall establish and enforce strict procedures for handling city funds to prevent fraud, theft, and misuse. These procedures include segregation of duties, dual controls for cash counting, depositing, and reconciliation, regular reconciliations of cash receipts with bank deposits and accounting records, and secure storage of cash.

**Petty Cash Management:**

Petty cash funds shall be maintained for small, incidental expenses that cannot be efficiently processed through the normal accounts payable system. The City Treasurer, designated as the custodian, is responsible for maintaining accurate petty cash records and ensuring compliance with city policies. Reimbursements and replenishments must be supported by original receipts and authorized by the City Treasurer.

**11. Purchasing Card Policy & Procedures**

The city shall issue purchasing cards (P-cards) to authorized employees to facilitate small-dollar purchases and reduce administrative overhead. Each P-card shall have a usage limit determined by the City Council based on the cardholder's purchasing needs. P-cards may only be used for approved purchases in compliance with the city's procurement policies, and personal use is strictly prohibited. Cardholders must submit receipts and a monthly reconciliation of P-card transactions to the City Treasurer for approval.

**12. Long-Term Financial Planning**

The city is committed to taking a long-term approach to financial health, which includes regularly updating a multi-year financial plan that aligns with the city's strategic goals. This plan shall project revenues, expenditures, and capital needs over at least five years and guide budget development and financial decision-making. The plan shall be reviewed and updated annually to reflect changes in the city's financial condition and priorities.

**13. Structurally Balanced Budget**

The city shall strive to achieve a structurally balanced budget, where recurring revenues are sufficient to cover recurring expenditures. While meeting the statutory definition of a balanced budget, the city aims to ensure that budgetary decisions do not rely on one-time revenues or reserve funds to cover ongoing expenses. The City Treasurer shall

monitor budget performance throughout the year and recommend adjustments as necessary to maintain structural balance.

#### **14. Capital Policies**

The city shall implement comprehensive policies covering the lifecycle of capital assets, including capital improvement planning, budgeting, project management, and asset maintenance. The capital improvement plan (CIP) shall be developed and updated annually, outlining the city's infrastructure needs over a minimum of five years. Capital projects shall be prioritized based on need, available funding, and alignment with the city's strategic goals. The city shall also maintain its capital assets to ensure their longevity and effectiveness in serving the community.

#### **15. Revenue Policies**

The city shall design efficient and effective revenue systems to generate adequate public resources to meet expenditure obligations. This includes policies on tax rates, user fees, and other revenue sources, ensuring they are set at levels that balance the need for public services with the community's ability to pay. The city shall explore diversified revenue streams to reduce reliance on any single source of income.

#### **16. Expenditure Policies**

The city's expenditure policies shall govern how public funds are spent, ensuring that resources are used efficiently and effectively. Guidelines shall cover personnel costs, outsourcing, and funding long-term liabilities such as pensions and other post-employment benefits (OPEB). The city shall prioritize expenditures that support essential services and strategic goals, making all spending decisions with a focus on long-term sustainability.

#### **17. Operating Budget Policies**

The city shall establish policies guiding the development and management of the annual operating budget. These policies shall describe essential features of the budget process, including timelines, stakeholder involvement, and the format of budget documents. Budgetary decision-making principles shall include fiscal responsibility, transparency, and alignment with the city's long-term financial plan and strategic goals. The operating budget shall be reviewed and adjusted as necessary throughout the fiscal year to respond to changing conditions and ensure the city's financial health.

This policy shall be reviewed, amended and approved as needed as part of the Budget presentation.