



## City of Ketchum

March 6, 2023

Mayor Bradshaw and City Councilors  
City of Ketchum  
Ketchum, Idaho

Mayor Bradshaw and City Councilors:

### **Recommendation to Approve Updated Financial Management Policies**

#### Recommendation and Summary

Staff is recommending the Council approve the updated financial management policies and adopt the following motion:

**"I move to approve the updated financial management policies."**

#### Introduction and History

As part of due diligence related to issuing the wastewater revenue bonds, the city's external financial advisor suggested the city should update all existing financial management policies. Updates are based on the advisor's input, Idaho law, and best practices established by the Government Financial Officers Association (GFOA).

The following policy categories were updated, with 14 total policies renewed:

Cash Management Policy (1), Debt Policy (11), Fund Balance (1), and Investment Policy (1).

#### Sustainability

No direct impact.

#### Financial Impact

No direct impact.

#### Attachments

- Cash Management Policy
- Alternative Financing Techniques Policy
- Conditions for Debt Issuance Policy
- Conduit Financing Policy
- Debt Characteristics Policy
- Debt Investor Relations Policy
- Debt Issuance Process Policy
- Debt Limitations Policy
- Debt Scope and Authority Policy
- Investment of Debt Proceeds Policy
- Post Issuance Tax Compliance Policy for Tax-Exempt Bonds
- Municipal Securities Continuing Disclosure Policy
- Fund Balance Policy
- Investment Policy



Number: F-1  
Effective: 3-7-23  
Revised:  
Legal References: N/A

### CASH MANAGEMENT POLICY

This policy is intended to provide effective internal controls for cash handling and revenue receipt of the city of Ketchum; including accounts receivable, business licenses & taxes (LOT), utilities, parking fines and any miscellaneous receipt safekeeping and effective processing of all funds received by the city.

1. Internal Control – All departments will have appropriate internal controls in place regarding all aspects of revenue recording, accounts receivable monitoring, and collecting, receipting, depositing, and reconciliation. All departments are to ensure that staff is adequately trained. Departments are to report suspicion of fraud and non-compliance to this policy immediately.
2. Receipts and Deposits – Payments should be recorded in an electronic device, such as an accounts receivable system or cashiering system, or tracked manually with pre-numbered receipts. Each department must provide adequate and proper security of funds both during business hours, non-business hours, and during transport. Departments are to make timely deposits of all funds received to a designate depository. All deposits are to be properly recorded and reconciled in a timely manner. All overages and shortages, counterfeit moneys, and returned bank items are to be appropriately and timely reported and recorded.
3. Petty Cash – City Administration may approve the establishment of petty cash funds to be used only for the designated purpose for which they were intended. Unless expressly approved by City Administration, petty cash funds are not to be used for recurring business expenses, interest charges, cashing personal checks, weapons, ammunition or other hazardous materials, services performed for the City, traffic citations or parking fines.
4. Refunds – Departments must have written refund policies readily available for citizens that align with the goods and services provided by the department. Any administrative fees to be charged for the processing of refunds should be disclosed. Refunds are to be fully documented and appropriately approved prior to processing.



Number: F-2  
Effective: 3-7-23  
Revised:

### ALTERNATIVE FINANCING TECHNIQUES

This policy is intended to guide the City regarding the review and issuance of alternative financing techniques other than cash purchases and long-term debt.

Cash purchase is the preferred method for acquisition of capital equipment and real property for the City of Ketchum. It is recognized that circumstances exist that would support other means of financing such transactions, to include lease-rental, lease-purchase, internal advances and external financial agreements.

City Council shall be consulted and must approve any capital acquisition strategy that involves a financing mechanism other than an approved cash purchase.



Number: F-3  
Effective: 3-7-23  
Revised:

### CONDITIONS FOR DEBT ISSUANCE POLICY

The following conditions shall guide the City in the issuance of any debt or alternative financing techniques:

- The City will not issue long term debt or alternative financing instruments to fund governmental operations. The City will manage its cash in a fashion that will prevent any borrowing to meet needed operating expenses. The City will primarily rely on current revenue and cash set-asides to finance its capital improvements and equipment. The City believes in funding a significant portion of capital improvements and equipment on a “pay-as-you-go” basis.
- Long-term borrowing or alternative financing techniques will be confined to public works infrastructure (e.g., roads/water/wastewater), land acquisitions, buildings and other capital facilities, attached furniture and fixtures or equipment, capitalized technology assets and movable pieces of equipment, such as fire engines, or other costs as permitted by law.
- Projects with a useful life of less than five years will not be eligible for inclusion in any long-term borrowing or long-term alternative financing instrument. This policy does not apply to short-term revenue anticipation or tax anticipation notes, registered warrants or lines of credit issued for cash flow or emergency purposes.
- The primary tool used to plan for debt or alternative financing techniques is a capital improvement plan (CIP). To be considered for debt financing, equipment or capital projects must be included in the City’s Capital Improvement Plan.
- Debt financing will include general obligation bonds, revenue bonds, limited obligation revenue bonds, certificates of participation, and other alternative financing techniques. In appropriate situations; special assessment, revenue, or other self-supporting debt may be considered.
- The City may consider refunding outstanding debt when legally permissible and financially advantageous. All debt refunding is undertaken for the principal reason of achieving interest rate savings. Debt refunding for other reasons should proceed only when the advantages have been clearly shown, taking into account not only the dollar savings, but also the effect of relief from onerous covenants and requirements.



Number: F-4  
Effective: 3-7-23  
Revised:

### CONDUIT FINANCING POLICY

This policy is intended to identify the City's role as it relates to conduit financing such as bonds or other debt instruments related to Local Improvement Districts, Business Improvement Districts and Community Infrastructure Districts.

The City will require a commitment from all institutions that borrow under the City's name to agree to provide the municipal securities market with continuing information.

The City will encourage all conduit securities to be issued with a complete official statement or other disclosure document. The documents shall clearly describe the limited source of repayment and lack of direct financial support from the City.

The City shall obtain a clear, unqualified opinion of competent counsel that it shall not be liable for the payment of principal and interest in the event of a default by the conduit borrower. If no such opinion can be obtained and the City deems it to be in its best interests that the conduit financing be allowed to proceed, the conduit borrower shall purchase insurance or a letter of credit in the City's name to protect taxpayers in the event of default.



Number: F-5  
Effective: 3-7-23  
Revised:  
Legal Reference: I.C. 50-1019

### DEBT CHARACTERISTICS POLICY

This policy is intended to guide the structure of debt instruments to ensure the cost effective and timely repayment and minimize the risk to the investor.

Type of Instrument - The type of instrument utilized will be determined based on the purpose, term, and market conditions at the time of issuance to provide the City with the greatest flexibility and least cost. The City will not generally consider derivatives as part of its financing plan. This presumes the particular debt issuance has received an affirmative vote of the people or judicial confirmation.

Feasibility and Sizing of Debt Offerings - In determining the feasibility and size of a debt offering, City Administration shall verify that the available funding and current appropriation, as represented by city staff and/or financial experts, is sustainable and adequate to cover the debt service and ongoing operating and maintenance costs of the facility or equipment for which the debt issue is proposed.

Repayment Provisions - To the extent possible, the City will design the repayment of a debt issuance in context of the fund's overall debt, annual cash flow capacity and long-term financial sustainability.

Term of Debt - The term of any debt issuance shall not exceed the useful life of the project, facilities or equipment financed with proceeds of the debt issuance.

Debt Service Fund and Debt Service Coverage – Each year when the City appropriates funds, the funds will be appropriated for in the Debt Service account sufficiently to cover the payment according to the terms of each borrowing for those borrowings issued for non- enterprise departments.

Additionally, the City will reserve a sufficient debt service coverage level from the proceeds of a bond issue and/or available revenues in the Debt Service account in accordance with applicable bond covenants and rating agency requirements.

Fixed Rate and Variable Rate Debt - The City may issue debt that has a variable rate in order to achieve savings. Periodically City Administration will analyze each outstanding variable rate debt issue to determine if the issue should be converted to fixed rate debt and report findings to City Council for consideration and further direction.

Credit Enhancements and Rating - The City may use credit enhancements (letters of credit, bond insurance, etc.), but only when net debt service on the debt issue is reduced by more than the costs of the enhancement. The City will seek a credit rating on all new issues which are expected to be sold in the public market.



Number: F-6  
Effective: 3-7-23  
Revised:

DEBT INVESTOR RELATIONS POLICY

City Administration shall coordinate investor relations for the City including dissemination of information to all interested parties, such as credit rating agencies, direct investors, Nationally Recognized Municipal Securities Information Repositories (NRMSIR's) and State Information Depositories (SID's), through methods including, but not limited to, printed materials, electronic exchange of information, and face-to-face meetings.



Number: F-7  
Effective: 3-7-23  
Legal Reference: I.C. 50-1019

### DEBT ISSUANCE PROCESS POLICY

This policy is intended to describe the various processes associated with issuing debt.

Selecting Service Providers - The City may retain an independent financial advisor for advice on debt structuring, the rating review process, marketing debt issuances, sale and post-sale services and to prepare and/or review the official statement. The City may also retain independent bond counsel for legal and procedural advice on all debt issuances. As necessary, the City may also retain other service advisors, such as trustees, underwriters, and pricing advisors. A firm or individual serving as financial advisor may not also serve as underwriter on the same issue.

Any process utilized to select professional service providers in connection with the City's debt program shall be in conformance with City purchasing policies, procedures and requirements. Selection will be done in a manner that is objective, promotes competition, incorporates clear and rational selection criteria, eliminates conflicts of interest, is independent of political influence, is perceived as fair by the respondents, will result in the selection of the most qualified firm and in a cost-effective transaction.

Sale Method - The City will use competitive sale as the preferred means of issuing certificated debt. Negotiated sales may be permitted if there is evidence of volatile market conditions, complex security features or other overriding factors. The use of a negotiated sale will require analysis indicating that a negotiated sale would result in a lower true interest cost (TIC) than would a competitive sale as of that same date and structure, given market conditions at the time of decision-making and the then-expected structure of the issue.

Bond Allocations and Payment of Management Fees in Negotiated Sales - The City will allocate management fees based on designation rules which will reward the accomplishment of sales objectives. Designations will only be paid to those firms that place orders for debt. The specific designation rules will be set separately for each financing. However, the City reserves the right to pay management fees only to the senior manager and co-senior managers in a financing.

Evaluation of Competitive Bids - All bids will be evaluated based upon their true interest cost (TIC).

Good Faith Deposits - In the event that a good faith deposit is required, a surety bond from a third party may be submitted in lieu of the good faith deposit, provided that the surety bond is drawn upon a third party acceptable to the City and that the surety guarantees the receipt by the City of a good faith deposit from the winning bidder within 48 hours of the time that the bid was opened.

Official Notice of Sale - The Official Notice of Sale shall be designed by the Treasurer or designated agent to maximize the flexibility of the prospective purchasers and may include a permitted discount, term bonds with mandatory sinking fund installments and other features that may enhance the attractiveness of the offering consistent with the receipt of the lowest possible true interest cost.

Rating Agency Applications - The City will seek a credit rating on all new issues which are expected to be





sold in the public market. The City will continue to apply for ratings on securities which have been rated by one or more of the rating agencies in the past. The City will, on an ongoing basis, provide the rating agencies with all necessary information relating to outstanding debt issued by the City.

Preparation of Disclosure Documents and Compliance with SEC and MSRB Rules - The City acknowledges the responsibilities of the underwriting community and pledges to make all reasonable efforts to assist underwriters in their efforts to comply with SEC Rule 15c2-12 and MSRB Rule G-36.



Number: F-8  
Effective: 3-7-23  
Revised:  
Legal Reference: I.C. 50-1019

### DEBT LIMITATIONS POLICY

This policy is intended to specify the restrictions and/or limits on the use of debt.

Allowable Uses - The City of Ketchum will seek voter authorization to issue general obligation debt only for essential projects, after it is determined that the project costs are appropriate for multi-year financing and that the bonds are not subject to any other exceptions to constitutional and statutory bond referendum requirements. In addition, such authority will be sought only after it is determined by City Council that no other funds are available to meet the projected costs. Lease purchase financing and Certificates of Participation will only be undertaken when the project is considered essential to the efficient operation of the City or as allowed by law.

The City will favor the use of limited obligation revenue bonds to finance capital improvements as a means of insuring that beneficiaries of an enterprise-type operation pay for a fair share of the costs to maintain a City service.

Proceeds from long-term debt will not be used for current, ongoing operations.

Debt Level and Capacity – In accordance with state law, the City will not issue general obligation bonds or incur other tax-supported indebtedness for any purpose in an amount which, with all outstanding and unpaid indebtedness, will exceed two percent (2%) of the taxable market value of the property subject to taxation as determined by the last assessment.

The City's annual debt service level (as opposed to total amount outstanding) may be limited at the discretion of the City Council based on other debt capacity indicators such as a percentage of fund revenue or expenditures and per capita ratios that assess the community's ability to pay.

Limitation on Maturity - The term of any debt issuance shall not exceed the useful life of the project, facilities or equipment financed with proceeds of the debt issuance and in no case exceed 30 years.



Number: F-9  
Effective: 3-7-23  
Revised:  
Legal Reference: I.C. 57-205

DEBT SCOPE AND AUTHORITY POLICY

The City Council will approve the issuance of any debt prior to issuance. City Administration shall have such authority as is necessary to implement and carry out debt management policies related to all debt issued by the City of Ketchum regardless of purpose, source or type. Upon approval, and in accordance with State Code, each debt instrument shall be executed and signed by the Mayor or City Administrator, countersigned by the Treasurer, and will be attested to by the signature of the Clerk under the official seal of the City.



Number: F-10  
Effective: 3-7-23  
Revised:  
Legal Reference: I.C. 50-1019

INVESTMENT OF DEBT PROCEEDS POLICY

This policy is intended to describe the parameters specific for investing bond proceeds. All debt proceeds will be invested in adherence to the approved City Cash Management and Investment policies unless otherwise directed in such documents as the trust indenture, escrow agreement or bond ordinance, and approved by the City Council.

The City will comply with all applicable U.S. Internal Revenue Service and U.S. Treasury arbitrage requirements for bonded indebtedness in order to preserve the tax-exempt status of such debt issues.



Number: F-11  
Effective: 3-7-23  
Revised:

POST-ISSUANCE TAX COMPLIANCE POLICY FOR TAX-EXEMPT BONDS

This policy is intended to ensure the City complies with all applicable post-issuance requirements of federal income tax law to preserve the tax-exempt status of bonds issued by City.



Number: F-12  
Effective: 3-7-23  
Revised:

MUNICIPAL SECURITIES CONTINUING DISCLOSURE POLICY

This policy is intended to ensure that the City efficiently carries out its continuing disclosure obligations with respect to the municipal securities it issues pursuant to Rule 15c2-12, as amended, promulgated under the Securities Exchange Act of 1934, as amended.



Number: F-13  
Effective: 3-7-23  
Revised:

## FUND BALANCE POLICY

Fund balance is an important indicator of the City's financial position. Fund Balance is the difference between assets and liabilities in governmental funds. Maintaining reserves is considered a prudent management practice. Adequate fund balances are maintained to allow the City to continue providing services to the community in case of unexpected emergencies or requirements and/or economic downturns. The following classifications will apply to fund balance in the City's governmental funds:

- *Restricted Fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Assigned Fund balance* - amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. This authority has been delegated to the City Treasurer to assign amounts to be used for a specific purpose.
- *Unassigned Fund balance* - amounts that are available for any purpose; these amounts are reported only in the general fund.

Designated City personnel are authorized to classify available fund balance for specific purposes in accordance with Governmental Accounting Standards Board Statement #54. It is the policy of the City that expenditures for which more than one category of fund balance could be used, that the order of use is: Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

This policy establishes the amounts the City will strive to maintain in its General Fund balance, the conditions under which fund balance may be spent, and the method by which fund balances will be restored. These amounts are expressed as goals, recognizing that fund balance levels can fluctuate from year to year in the normal course of operations for any local government.

Reserves shall be used only after fully exhausting all other annual contingencies.

### Unassigned Funds

The Unassigned Fund Balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications.

It is the intent of the City to limit use of Unassigned General Fund balances to address unanticipated, non-recurring needs or known and planned future obligations. Fund balances shall not normally be applied to recurring annual operating expenditures. Unassigned balances may, however, be used to allow time for the City to restructure its operations in a deliberate manner, but such use will only take place in the context of long-term financial planning.

Any use of Unassigned Funds must be approved by the City Council, upon recommendation of the City Administrator.



The Unassigned Funds include, in part, reserves as outlined below. They are reported as unassigned in accordance with GASB statement #54.

- Cash Flow Reserve

The City will maintain a General Fund “Cash Flow Reserve” of no less than seventeen percent (17%) of the estimated base General Fund revenues for the subsequent fiscal year. The Cash Flow Reserve is intended to be a reserve for unexpected events that would have a significant impact on the City’s ability to maintain sufficient working capital such as failure of the State or Ada County to remit revenues to the City, unexpected mandates, unexpected loss of State shared revenues, to offset the unexpected loss of a significant funding source for the remainder of the fiscal year.

The Cash Flow Reserve is also intended for unexpected, large-scale events where excessive damage of one million dollars or more is incurred or may incur and where immediate, remedial action must be taken to protect the health and safety of residents (e.g. floods, fires, storm damage).

Any usage of Cash Flow Reserve must be appropriated by the City Council. In the event the Cash Flow Reserve funds are used, the City shall strive to restore the General Fund Cash Flow Reserve to the seventeen percent (17%) level.

#### Reporting

Classification and fund balance of the City’s governmental funds at the end of each fiscal year will be presented to City Council in the City’s Comprehensive Financial Annual Report.





Number: F-14  
Effective: 3-7-23  
Revised:  
Legal References: I.C. 50-1013;  
I.C. 57

## INVESTMENT POLICY

It is currently the policy of the City of Ketchum to invest public funds with the State of Idaho-Local Government Investment Pool.

**Governing Authority:** As derived by Idaho Code 57-127, the Treasurer, or designee, is authorized and empowered to invest idle City monies. The Treasurer, or designee, shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate staff and approved investment advisors.

**Investment Objectives:** The primary objective of the City's investment program is to safeguard government funds while providing adequate liquidity to meet the City's daily operating needs. The priorities for investment decisions are (in order of importance):

1. Preservation of capital;
2. Provide for adequate liquidity; and,
3. Seek a fair rate of return.

**Authorized Investments:** The City may invest in any of the securities identified as eligible investments listed in Idaho Code 50-1013.

**Standard of Care:** All decisions shall be in accordance with the Prudent Person Rule which states, "investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

**Conflicts of Interest and Ethics:** All officers of the City that engage in financial transactions shall act in accordance with the highest ideals of honor, integrity and ethics. Employees shall act in strict accordance with Idaho State laws and City ordinance governing ethics and conflicts of interest with the City's investment program and requires disclosure of any financial interest employees and officials may have in the financial institutions the City is working with or instruments the City is investing in.

**Reporting and Compliance:** At least once a year, an investment report will be provided to the City Council reflecting an accurate accounting of the City's investments.