

FINANCIAL AND FISCAL POLICIES

The City of Iowa City's financial policies set forth the basic framework for the overall fiscal management of the City. These policies assist the decision-making process of the City Council. These policies provide guidelines for evaluating both current activities and proposals for future programs.

Most of the policies represent long-standing principles, traditions and practices, and follow generally accepted accounting principles which have guided the City in the past and have helped maintain financial stability.

OPERATING BUDGET POLICIES

- The City will prepare an annual balanced budget for all operating funds.
- The City will maintain a budgetary control system to ensure adherence to the budget and will prepare monthly reports comparing actual revenues and expenditures to budgeted amounts.
- Operating budgets are established on a fund/department/program basis.
- A contingency account will be maintained in the annual General Fund operating budget to provide for unanticipated expenditures or to meet unexpected small increases in service delivery costs, budgeted annually at approximately $\frac{3}{4}$ of one percent of expenditures and transfers out. The City Council will be informed semi-annually on staff initiated amendments from the contingency account to the operating programs within the General Fund.
- Budget amendments may be made throughout the year with approval of the Department Director, Director of Finance and the City Manager. The City Council formally reviews and approves all amendments processed by staff twice a year in August/September and May.
- Increases or amendments to operating budgets are made only in the following situations:
 - emergency situations
 - transfer from contingency
 - expenditures with offsetting revenues or fund balance
 - carry-over of prior year budget authority for expenses that had not been paid as of the end of the fiscal year.

OPERATING BUDGET PREPARATION CRITERIA

General Guidelines

- Maintain the fiscal integrity of the City's operating and capital improvement budgets in order to provide services and to construct and maintain the City's infrastructure.
- Maintain the City's responsible fiscal position and AAA bond rating.

- Present budget data to the City Council in a format that will facilitate annual budget decisions based on a three-year planning perspective. Provide the City Council with a summary of the three-year forecasts.
- Encourage citizen involvement in the annual budget decision-making process through public hearings, informal meetings, budget briefs and related informational efforts.

Service Level Guidelines

- Deliver service levels which are consistent with the citizens' willingness to pay and the City's available resources.
- Base decisions to reduce service levels or eliminate programs on City-wide priorities.
- Recognize that City employees are one of the City government's most valuable resources and are essential to the delivery of high quality, efficient services.

Revenue Guidelines

- Property tax levy rates will not exceed the limits as established by the State of Iowa.
- Revise user fee rate structures to charge the costs of service provided to the benefiting customers, while maintaining sensitivity to the needs of low income citizens.
- Support federal and state legislation which provides property tax relief. Oppose legislation which imposes local service mandates without fiscal support.

Expenditure Guidelines

- Support responsible management efforts to increase productivity by providing resources for office automation, preventive maintenance, risk management/employee safety, and employee training.

REVENUE POLICIES

- The City will try to maintain a diversified and stable revenue system to minimize short-run fluctuations in any one revenue source.
- The City will attempt to maximize benefits from major revenue sources as a way of maintaining a stable property tax rate.
- The City will follow an aggressive policy of collecting revenues.
- The City will establish all user charges and fees at a level related to the full cost (operating, direct, and indirect) of providing the service, whenever practical.
- The City will review licenses, fees, and charges annually to determine if the revenues support the cost of providing the service.
- Property tax funding for recreation activities will not exceed 60% of operational costs with the exclusion of capital outlay and other improvements.

- Parking, Refuse, Wastewater Treatment, Stormwater, Landfill, Broadband Telecommunications and Water funds will be self-supporting through user fees.
 - Rate adjustments will be submitted to the City Council by ordinance if state or locally legislated, or by resolution (if not state or locally legislated).
- The City will use up to 5% of the annual Road Use Tax allocation to fund employee benefits for the Streets and Traffic Engineering personnel.

ECONOMIC DEVELOPMENT POLICIES

- It shall be the policy of Iowa City to maintain an economic development plan. The purpose of the plan is to attract new development including residential, commercial and industrial uses. Further, the purpose of the plan is to retain the city's existing business operations and to encourage them to expand and foster spin-off business operations. The city's plan also supports organizations which help to incubate, grow, foster, and create new business operations by providing non-traditional collaborative environments.
- The expected results of the economic development plan are: increased economic activity, more jobs, lower unemployment, higher wages, greater property values, more tax revenues, more ownership and entrepreneurial opportunities and revitalization of underutilized or blighted areas.
- The city will consider the use of incentive programs including city, state and federal economic development funds, tax increment financing, public private partnerships and other tools in order to achieve the expected results.
- Various evaluative tools including financial pro forma's, written evaluation reports, established benefit metrics, and other performance tools shall be used to monitor the use of economic incentives from the early stages of project development through the issuance of an incentive and post incentive to make sure the objectives are met.
- Developers who receive incentives will be expected to enter into development agreements which delineate the terms, conditions, understandings and the expected results of receiving an incentive.
- It will be the policy of the City of Iowa City to endeavor to attract, recruit, retain, foster and develop business that is new to our region or metropolitan statistical area (MSA) through the use of incentives. The city will not actively recruit business from other jurisdictions within our MSA unless a business is seeking to expand or considering a relocation outside the state. Should businesses from jurisdictions within our MSA wish to locate in the City of Iowa City we will notify our neighboring jurisdiction of the interest. It will be the general practice of the City of Iowa City to not provide economic incentives to business wishing to relocate from another jurisdiction within our MSA unless a business is seeking to expand or considering a relocation outside the state.
- When incentive programs are utilized they will be used to maximize the benefits to the City of Iowa City. The dollar amount of the incentive and time duration of the incentive shall be smallest amount necessary to achieve the maximum amount of city benefit as determined by the City of Iowa City, City Council.

- Despite the need for the program to be flexible and nimble in order to respond to the ever changing economic conditions of the marketplace it will be the policy of the city to insure that the process of using incentives is an open and transparent public process which instills confidence in the public's understanding of how economic development incentives are utilized.

CAPITAL IMPROVEMENT PROGRAM BUDGET POLICIES

- The City will develop a multi-year Capital Improvement Program (CIP), which will be reviewed and updated annually, comply with City Council goals and be compatible with the Comprehensive Plan whenever possible.
- The complete multi-year CIP funding plan must be balanced each year by matching projected expenditures with proposed revenue sources by fund.
- Funding for projects should be obtained through borrowing from:
 - bond market, general obligation or revenue bonds
 - enterprise fund operations and reserves
 - internal loans
- The City may utilize General Fund cash balances to fund capital projects whenever available and feasible. For the Airport, it is policy that the General Fund will match up to \$100,000 in grants received per year.
- The City shall utilize available funding sources for capital improvements whenever practical and feasible such as but not limited to:
 - federal and state grant funds
 - special assessments
 - developer contributions
- The City will maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for the adequate maintenance and the orderly replacement of the capital plant and equipment from current revenues when possible.

RESERVE POLICIES

- The City will establish a contingency line-item in the annual General Fund operating budget to provide for unanticipated expenditures or to meet unexpected small increases in service delivery costs, budgeted at $\frac{3}{4}$ of one percent of expenditures and transfers out.
- Operating cash balances at fiscal year-end will be maintained at a level to ensure sufficient cash flow throughout the fiscal year. General Fund cash balances will not go below 15%, with a ceiling of 25%. Cash balances in excess of 25% will be considered for tax relief.
- Reserves will be maintained in the Water, Wastewater and Parking Funds in accordance with existing bond covenant provisions.
- Reserves will be maintained for equipment replacement and for unexpected major repairs in the following areas: Parking, Wastewater, Water, Landfill, Transit, Broadband

Telecommunication, Equipment Replacement, Information Technology Services, and Central Services as well as Library Computer Equipment and Parkland Acquisition and Replacement.

- Reserves, based on actuaries, will be maintained for the Risk Management Loss Reserve, Medical and Dental Insurance Funds.
- All City trucks, cars and necessary accessories will be maintained on a replacement cost basis each year. A separate reserve fund has been set up to fund these replacements. Additions to the fleet are made through allocations in the annual budget. Fire Department vehicles and Transit buses will be purchased through the issuance of debt.
- All general obligation debt will be paid from the Debt Service Fund. General Obligation debt applicable to Enterprise Fund projects will be paid out of the Debt Service Fund, but will be abated from revenues from the respective Enterprise Fund(s).

INVESTMENT POLICIES

- Disbursement, collection, and deposit of all funds will be managed to insure maximum investment opportunity for City funds.
- The City will strive to maximize the return on its investment portfolio, with the primary objective of preserving capital in accordance with the City's investment policy and prudent investment practices.
- All City funds not restricted by bond issue covenants will be pooled for investments, with interest allocations made monthly.

DEBT POLICIES

- The City will confine long-term borrowing to capital improvements and Community and Economic Development initiatives. Short term borrowing will be applicable for large dollar rolling stock (buses, fire apparatus) purchases and computer systems.
- Total general obligation debt will not exceed 5% of total taxable assessed value of real property.
- The debt service property tax levy shall not exceed 30% of the total property tax levy.
- The City will follow a policy of full disclosure on every financial report and bond prospectus.
- The City will use "pay as you go" financing to fund general capital improvement projects, whenever feasible and practical.

COMPENSATED ABSENCES

Administrative employees hired prior to June 15, 1983 and all other employees hired prior to June 29, 1985, upon death, retirement or termination (except firefighters) are entitled to be paid for one-half of the total accumulated sick leave hours at the current effective hourly rate for that employee up to the sick leave payout amount calculated as of June 28, 1985, whichever is less.

After June 28, 1985, employees accumulate vacation, sick leave, and other benefits at various rates depending on bargaining group and length of service. Employees are paid for their total unused vacation time upon death, termination (except firefighters) or retirement. However, sick leave can only be used during employment. The cost of compensated absences are recognized when payments are made to employees and the City amends the budget at that time.

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES

- Quarterly financial reports will be prepared.
- A three-year financial plan for all operating funds will be prepared by the City Manager and presented to the City Council for their review.
- A Multi-Year Capital Improvement Program budget will be prepared, reviewed and revised annually.
- An independent audit will be performed annually for all City funds.
- The City will produce a Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting principles as outlined by the Governmental Accounting Standards Board.

PURCHASING POLICIES

- Purchases for all City departments for the City of Iowa City shall be in accordance with the City Procurement Policy/Purchasing manual.
- Methods of source selection are as follows:
 - Public Improvements

Competitive sealed bidding shall be used for Public Improvement Contracts of \$100,000 or greater (Code of Iowa) or Road Projects of \$57,000 or greater. This process shall consist of:

- Public hearing on plans and specifications
- Approval of plans and specifications by City Council or Commission
- Invitation for bids
- Bid opening
- Bid acceptance and bid evaluation
- Bid award – City Council/Commission authorization

The competitive quotation process is required for public improvement projects estimated between \$57,000 and \$100,000. This process shall consist of:

- Notice to bidders
- Bid opening
- Bid evaluation
- Bid acceptance and award by City Manager or Commission
- Notice of award in minutes of next meeting of City Council or Commission

The informal quotation process is required for public improvement projects and street, bridge and culvert projects under \$57,000. This process shall consist of:

Invitation to bid

Bid opening

Bid evaluation

Bid acceptance and award by City Manager over \$5,000, Department Director over \$1,500 or Division Head under \$1,500

-Professional Services

The consultant selection procedures guide all City departments involved in procuring engineering, architectural, and other professional services. Within approved budgets, the City Manager may approve contracts up to \$50,000 and the City Council approves contracts over \$50,000.

-Major Purchases

The Purchasing Division operates a "voluntary purchasing" system rather than a complete "centralized purchasing" system. Under the voluntary system, departments obtain standard operating items, within approved budgets, utilizing Purchasing procedures. The Purchasing Division reviews various categories of merchandise and services and makes recommendations for consolidation and standardization of purchases to reduce duplication and overall costs.

-Emergency Procurement

In the event of an emergency, supplies, services or construction may be purchased without regard to normal purchase selection procedures to protect the health and welfare of the public. The City Manager shall keep the City Council informed of the extent of the emergency.

-Gifts/Conflict of Interest/Interest in Public Contracts

Conduct shall be in accordance with the Code of Iowa - Chapters 68B.22 Gifts, 331.342 Conflict of Interest and 362.5 Interest in Public Contract. A City officer or employee shall not have an interest, direct or indirect, in any contract or job of work or material or the profits thereof or services to be furnished or performed for the officers or employees of the City.

RISK MANAGEMENT POLICIES

- It shall be the policy of the City of Iowa City to assume the risk of property damage, liability and dishonesty in all cases in which the exposure is so small or dispersed that the loss would not significantly or adversely affect the operations or financial position of the City.
- Insurance will not be purchased to cover loss exposures below prevailing deductible/retention amounts of current insurance held by the City of Iowa City, unless such insurance is required by statute or by contract, or in those instances in which it is desirable to obtain special services, such as inspection or claim adjustment services in connection with insurance. The deductible/retention amounts will be reviewed once annually by the Director of Finance and the Risk Manager to ensure appropriateness of the amounts.

- Insurance will be purchased where possible against all major exposures which might result in loss in excess of the City's insurance reserve through the purchase of the following types of insurance:
 - All risk insurance on real and personal property.
 - General liability insurance.
 - Automobile liability insurance.
 - Fidelity and crime insurance.
 - Catastrophic workmen's compensation insurance.

The City will self-insure in those instances where the cost of insurance is so high that it would be more cost effective to assume the risk.

- Real property will be insured on replacement cost basis, as determined by a competent appraisal service, against as wide a range of perils as possible. The value will be reviewed once annually by the Risk Manager and the City's insurance advisor.
- Loss prevention recommendations made by insurance companies, the state fire marshal or local fire authorities will, whenever possible, be implemented. In those cases in which such recommendations are not followed, a written report in which an explanation or justification is made will be filed with the Director of Finance and the City Manager within 30 days of receipt of the report.
- Insurance will be purchased only through licensed agents or agencies who have the staff and technical competence to adequately service the insurance provided.
- Insurance will be placed only in insurance companies rated A+ or A in Bests. Insurance placed in other companies will require a written report of the particulars, such report to be filed with the Risk Manager.
- The administration of the risk management policy will be a responsibility of the Risk Manager. Such responsibility includes placement of insurance coverage, maintenance of property appraisals and inventories, processing of claims and maintenance of loss records, and supervision of loss prevention activities.
- Settlement of claims are handled through the Risk Management Division and/or City Attorney Office. The Risk Manager is authorized to settle claims up to \$3,000, the City Manager authorizes claim settlements between \$3,000 and \$20,000 and City Council approval is needed for settlements above \$20,000.