

# *POLICIES AND GUIDELINES*





## Budget Process



The entire budget process from financial plan to budget to budget amendment is a year round process.

The City's budget process started in July with the financial plan process. The five year financial plan was formulated based on strategic goals and FY 2016 level of services and budget as well as percent increases in the categories of property tax, personal services, and non-personal services that were based on historical information and projections. If departments deemed material operating increases were needed in FY 2017 for the current level of services, the amounts were added into the plan.

In August and September the financial plan allowed city management to have a discussion of needs, legislative impacts, and funding issues prior to the beginning of the budget process.

The budget process began in October with the distribution of the budget instructions and forms. During October and November the budget was formulated and operational funding increase requests, revenue changes, and capital improvement projects were drafted. During this time Finance met with departments to review needs and prepare requests. The FY 2017 budget focus was:

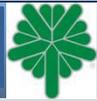
- Maintaining current service levels
- Not increasing the property tax levy

In late November Finance finalized the information and created a variety of reports used in the next stages of the process. In December Finance and the City Manager reviewed budget information and requests with departments to determine which requests and charges would become part of the FY 2017 budget. In January after property tax information was available, the budget was finalized and the general fund budget was balanced whereas revenues were equal to expenditures. Also in January the City finalized the capital improvement projects to be included in the budget. The process not only included reviewing the merits and prioritization of each project as it relates to other projects, but also the overall impact of the recommended funding, operational considerations, and their relationship to the City's overall budget and related tax levy.

Throughout this entire process Council was kept informed of the overall budget situation. In February the City Manager presented the proposed budget to the City Council. Beginning on February 19<sup>th</sup>, the adopted version of the budget was available for citizen inspection on the City's internet website and a book was available at the Finance Department, Clerk's Office, and Library as required by the State of Iowa. On February 20<sup>th</sup>, the notice of the public hearing was published. On March 8, 2016, the public hearing was held to present the budget. Citizens were encouraged to provide comments before or at the public hearing. In order to adopt the budget a vote of yeas was needed by at least the majority of City Council. On March 8, 2016, the budget was adopted with a unanimous vote of yeas by present council members. The budget was certified to the Linn County Auditor by March 15, 2016 as required by the State of Iowa. The schedule of the budget process is on the following page.



## Budget Time Table



### FY 2017 Budget Timetable

Due Date	Description
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Citizen input and department planning occurs throughout the year as well as during the time frame set forth below.

**Preliminary:**

September	Review of financial plan
September	Capital equipment requests due to Fleet

**Phase 1:**

September	Department information pages updated for the budget book
October	Operating and CIP process begins
October	Rollback, MFPRSI, IPERS information available
October	Information due from general fund & internal service areas to Finance
October	Personal services budget available
October	Departments provided Information Technology, Finance, Admin charges
November	Citizen Survey
November	Risk charges and insurance available
November	Departments provided Facility Maintenance & Fleet Service charges
November	Information due from all other areas to Finance
November	Data entry and quality control checks complete
November	Budget information for December meetings compiled

**Phase 2:**

December	Budget to Finance Director
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**Phase 3:**

December	Utilities annual meeting with large industrial users and contributing cities
December	Director meeting with City Manager/Finance
December/January	Council budget book preparation
January	Property tax information available from County
January	Prepare balanced budget

**Phase 4:**

February	Budget presentations to Council
February	Creation of adopted budget books

**Phase 5:**

February	Council motion to publish Notice of Public Hearing on agenda
February	Budget available for public and publish Notice of Public Hearing to present budget
March	Public hearing to present budget & resolution for Council to adopt the budget
March	Budget certification to Linn County Auditor
April - May	Finance prepares GFOA budget book



## Budget Amendment Process



The City of Cedar Rapids budgets on a line item or object of expenditure level within each department to establish accountability for department operations', budgetary results however are measured on a total departmental basis.

The adopted budget represents projections known at the time budget is created. Since the budget is created 18 months prior to fiscal year end, the City uses the budget amendment process to address changes from the original projections. The budget amendment does not impact property tax levies but is used to meet state requirements if actual expenses will exceed originally budgeted amounts. The state does not require revenue amendments however the City often does amend the budget if actual revenues will materially differ from originally budgeted amounts.

Throughout the year the Finance Department tracks and reports to the City Manager and City Council material budget amendments that will be requested. This process ensures unbudgeted expenditures do not jeopardize the City's financial strength and ensures department accountability.

During March and April, Finance and departments complete a final review of budget amendments needed. In late April, Finance and the City Manager review budget amendment requests with departments. In late April/early May the proposed budget amendment is presented to the City Council Finance Committee.

In May the notice of the public hearing is published, the public hearing is held, and the amendment is adopted. During the public hearing citizens are encouraged to provide comments. In order to adopt the budget amendment a vote of yeas is needed by at least the majority of City Council. The budget amendment is certified to the Linn County Auditor by May 31<sup>st</sup> each fiscal year in accordance with the State of Iowa.

### Typical Budget Amendment Timetable

Due Date	Description
July – April	Track and report budget amendment requests
April	Finance and City Manager review
May	Publish Notice of Public Hearing to present budget
May	Public hearing and resolution to adopt the budget amendment
May	Budget certification to Linn County Auditor



## Basis of Budgeting



The basis of accounting refers to when revenues and expenditures are recorded in accounts and reported in financial statements. The City's funds can be compared to the operating statements in the City's Comprehensive Annual Financial Report (CAFR) with few exceptions.

Enterprise, internal service, and trust and agency funds use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and budgeted for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All other funds, including the general fund, use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available (susceptible to accrual). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions and claims and judgments, are recorded only when payment is due (matured).

Property taxes, when levied for, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. For budgeting purposes, the entire special assessment revenue is budgeted in the current fiscal year. Substantially all shared revenues are recorded when the underlying exchange transaction has occurred. For governmental funds revenue from grant revenues is recorded as deferred inflow of resources until they become available. Revenue from federal awards is recognized when the City has done everything necessary to meet the eligibility requirements. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. For budgeting purposes, grant revenue is budgeted in the fiscal year the related expenditures are budgeted. Licenses and permits, fines and forfeits, rents and royalties, charges for services, miscellaneous, and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City does not budget for year end transactions relating to asset depreciation, debt, notes accrual, or payables, and construction work in progress.



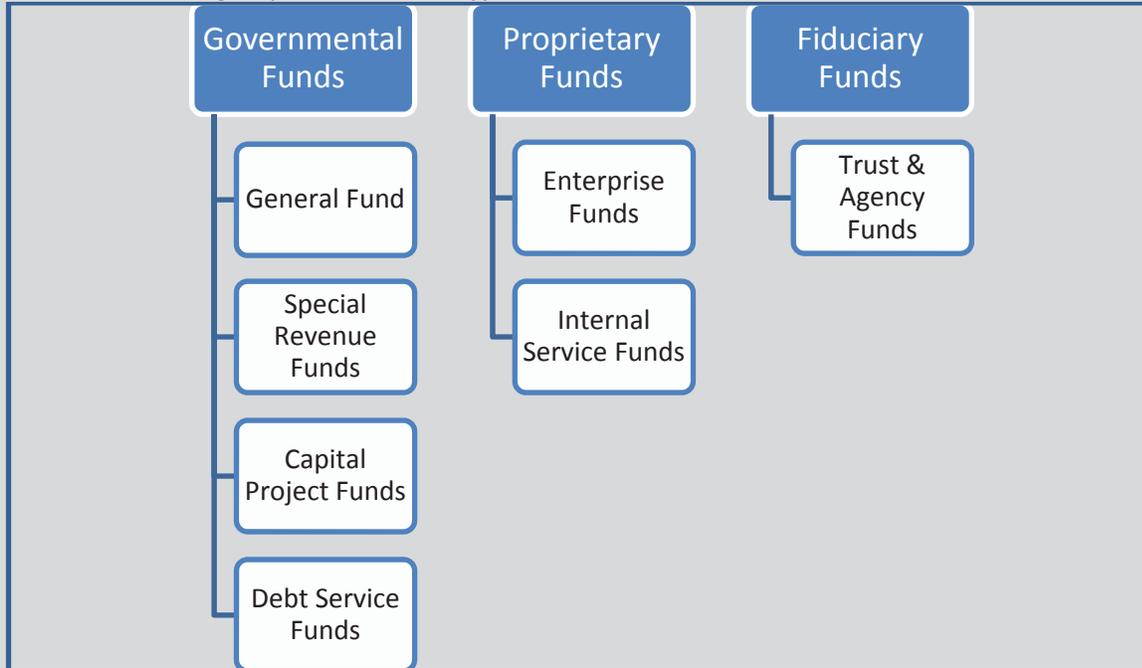
## Types of Funds Budgeted



Funds are a self-balancing set of accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cedar Rapids has three groups of funds:

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds

Within each of these groups are different types of funds as shown below.



### Descriptions for the 3 Main Groups of Funds

#### Governmental Funds

Governmental fund types are the general fund, special revenue funds, capital projects fund, and debt service funds. These are used to account for the sources and uses of revenue for the primary unit of government.

#### Proprietary Funds

Proprietary fund types are enterprise funds and internal service funds. These funds are considered self-supporting because they are funded by user charges and fees.

#### Fiduciary Funds

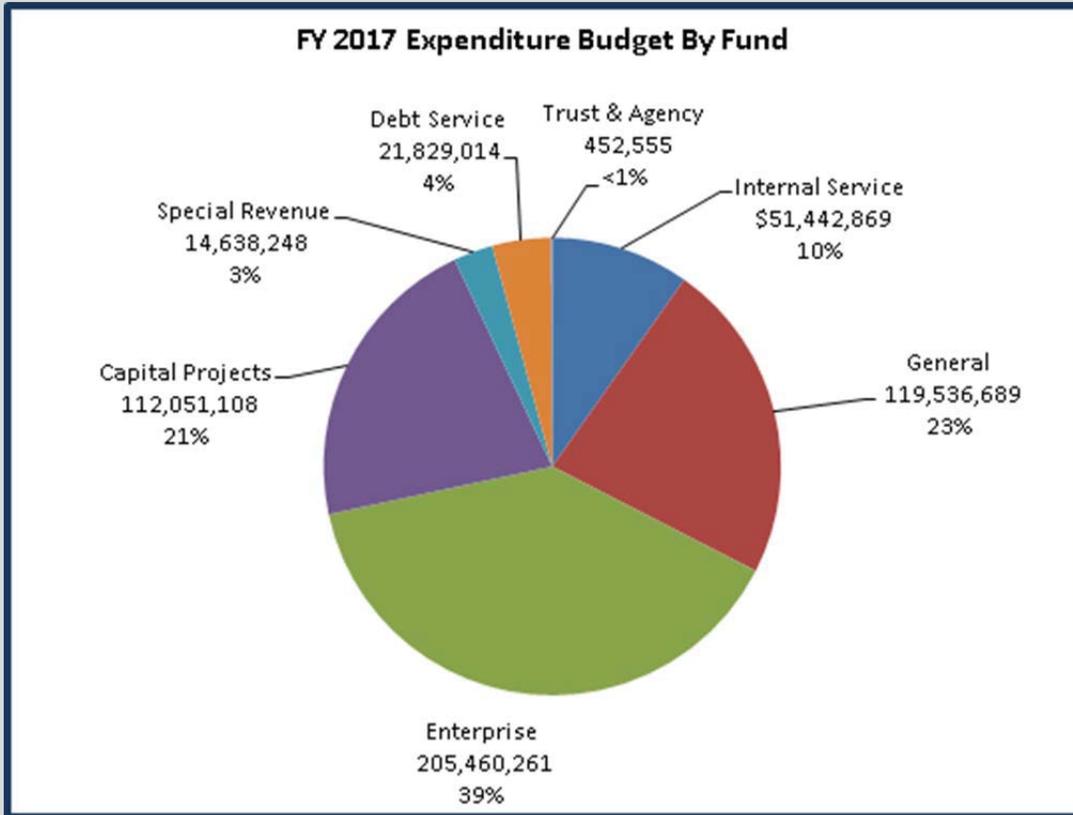
Fiduciary fund types are trust and agency funds. These funds are used to account for financial resources held in a trustee capacity.



## Types of Funds Budgeted & Appropriation of



All of the City of Cedar Rapids types of funds (general, special revenue, capital project, debt service, enterprise, internal service, and trust and agency) are appropriated for FY 2017. Actual expenditures may not exceed appropriations. Any fund whose revenues or expenditures constitute more than 10% of the revenues and expenditures of the appropriated budget are considered a major fund. The breakdown of the City's fund structure is below.



### Fund Descriptions (Major Funds)

The City reports and budgets for the following major funds.

#### **General Fund**

The General Fund is the primary operating fund of the City that accounts for all financial resources and expenditures, except those required to be accounted for by other funds. This fund includes services such as police, fire, public works, library, and parks and recreation.

#### **Enterprise Funds**

Enterprise funds account for operations and activities that are financed and operated in a manner similar to a private business enterprise and where the cost of providing goods and services to the general public on a continuing basis is expected to be financed or recovered primarily through user charges. This fund includes services such as water, sewer, and solid waste and recycling.

#### **Internal Service Funds**

Internal service funds are used to account for the financing of goods and services provided by a city department or agency to other city departments or agencies on a cost reimbursement basis. This fund includes internal service departments such as risk management, fleet services, joint communications, and facilities maintenance.



### **Capital Project Funds**

Capital project funds account for expenses and resources related to the acquisition and construction of capital facilities, improvements, and other major fixed assets. These capital project funds are financed with revenue other than enterprise or internal service fund monies. These funds include revenues and expenditures for areas such as street improvements, bridge improvements, and trail improvements.

### **Fund Descriptions (Non-major Funds)**

The City reports and budgets for the following non-major funds.

### **Special Revenue Funds**

Special Revenue Funds are utilized to account for revenues derived from sources for a specific use which are required to be accounted for as a separate fund. These funds include revenues and expenditures for areas such as SSMID districts or tax increment financing districts.

### **Debt Service Funds**

Debt service funds are used to account for the accumulation of resources for and the payment of principal, interest, and related costs for general long-term debt and special assessment debt.

### **Trust and Agency Funds**

Trust and agency funds are used to account for assets held by the City in a trustee or custodial capacity for the City's retirement funds and for other entities, such as individuals, private organizations, or other governmental units. These fund types are further classified as expendable trust funds or pension trust funds.



# Types of Funds Budgeted



Within each fund are organizational general ledger structures called departments used to track revenues and expenditures with a unique function for delivery of services. The departments are shown below.

General Fund	Special Revenue Funds	Capital Project Funds	
<ul style="list-style-type: none"> <li>•Police</li> <li>•Fire</li> <li>•Building Services</li> <li>•Building Demolition</li> <li>•Public Works</li> <li>•Street Lighting</li> <li>•School Crossing Guards</li> <li>•Bridge Maintenance</li> <li>•Community Development</li> <li>•Development Services</li> <li>•Parks and Recreation</li> <li>•Information Technology</li> <li>•Finance</li> <li>•Purchasing</li> <li>•Human Resources</li> <li>•Attorney</li> <li>•City Manager</li> <li>•Council and Mayor</li> <li>•City Clerk</li> <li>•Library</li> <li>•Contingent</li> <li>•Civil Rights</li> <li>•Gateways</li> <li>•Downtown District</li> <li>•Capital Replacement</li> <li>•Pooled Revenues</li> <li>•Investment Earnings</li> <li>•Memorial</li> <li>•Band</li> <li>•Agricultural Lands</li> </ul>	<ul style="list-style-type: none"> <li>•Community Development</li> <li>•HOME</li> <li>•Hotel Motel</li> <li>•Leased Housing</li> <li>•Flood Local Option Sales Tax</li> <li>•Streets Local Option Sales Tax</li> <li>•Growth Reinvestment Initiative</li> <li>•Road Use Tax</li> <li>•Self Supported Municipal Improvement District</li> <li>•Tax Increment Financing</li> <li>•Animal Control</li> <li>•Civil Rights</li> <li>•Fire</li> <li>•Police</li> <li>•Parks and Public Property</li> <li>•Library</li> <li>•Ice Arena</li> <li>•Misc Special Revenue Other</li> </ul>	<ul style="list-style-type: none"> <li>•Streets</li> <li>•Storm Sewer</li> <li>•Bridge</li> <li>•Traffic</li> <li>•Park</li> <li>•Fire</li> <li>•Forestry</li> <li>•Police</li> <li>•Recreation</li> <li>•Riverfront</li> <li>•Ushers Ferry</li> <li>•Veterans Stadium</li> <li>•Veterans Memorial Building</li> <li>•Library</li> <li>•Animal Control</li> <li>•Downtown</li> <li>•Riverwall</li> <li>•Geographic Information System</li> <li>•Aquatic</li> <li>•Trail</li> <li>•Urban Renewal</li> <li>•2008 Flood Recovery</li> <li>•Growth Reinvestment Initiative</li> <li>•Financial System</li> <li>•Miscellaneous</li> <li>•Information Technology</li> <li>•Building Demolitions</li> <li>•City Facilities</li> </ul>	
Debt Service Funds	Enterprise Funds	Internal Service Funds	Trust & Agency Funds
<ul style="list-style-type: none"> <li>•Funds are set up for each debt issue or refunding</li> </ul>	<ul style="list-style-type: none"> <li>•Transit</li> <li>•Golf</li> <li>•Water</li> <li>•Water Pollution Control</li> <li>•Sanitary Sewer Maintenance</li> <li>•Storm Sewer Maintenance</li> <li>•Solid Waste &amp; Recycling</li> <li>•Parking</li> <li>•Ice Arena</li> <li>•Paramount Theatre</li> <li>•U.S. Cellular and Doubletree by Hilton at the U.S. Cellular Center</li> <li>•The Eastern Iowa Airport</li> </ul>	<ul style="list-style-type: none"> <li>•Joint Communications</li> <li>•Facility Maintenance</li> <li>•Fleet Services</li> <li>•Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>•Fire 411 Pension</li> <li>•Police 411 Pension</li> <li>•Payroll Funds</li> </ul>



Budget and financial policies are in place to ensure the effective delivery of necessary services so as to minimize the financial burden on the taxpayers while maintaining the integrity of the City's finances. The following pages outline the City's budget and financial policies.

**Policy Statements**

- The City will develop and incorporate financial, service, and program performance measures into its budgeting process.
- Budget documentation will include a concise summary and guide to key issues for both the operating and capital budgets.
- Charges for services and fees will be utilized in financing governmental goods and services where feasible.
- Current revenues will be sufficient to support current expenditures. The City will generally avoid budgetary procedures that utilize existing cash balances to meet current expenditures.
- The City will endeavor to maintain a diversified and stable revenue system.
- A review of user fees charged for general governmental services will be made periodically to determine that all user fees and charges are at a level related to the cost of providing these services.
- Annually, the increase of actual revenue for the levy of property tax, excluding taxable value gained through annexation, new construction, and increases mandated by the voters or other governmental jurisdictions, generally will not exceed ten percent.
- All enterprises of the City will be expected to maintain revenue sufficient to cover all direct and indirect costs, including an allowance for depreciation over the long-term and a rate stabilization fund.
- The City will annually budget for all of its capital improvements.
- An unreserved, undesignated fund balance within the General Fund equal to twenty-five percent of the following fiscal year's budgeted expenditures shall be maintained as an operating reserve.
- The City will develop specific goals and criteria for its economic development incentives.

**Balanced Budget**

It is City practice to adopt an operating budget that is balanced whereas revenues equal expenditures. The City maintains the policy to use current revenues to support current expenditures and generally avoids budgetary procedures that utilize existing cash balances to meet current expenditures.

In FY 2017, the general fund is balanced whereas revenues equal expenditures. Other operating budgets are generally balanced with current revenues with a few exceptions of where prior year revenue collection in excess of expenditure requirements are being utilized as funding sources. The special revenue and capital project budgets are balanced with current revenues or may use existing cash on hand from past fiscal years to fund expenditures.

**Budgetary Controls**

While budgetary control is exercised at the program level, management control is exercised on a major object of expenditure level. Daily operations are closely monitored through the City's financial system which provides appropriations reporting, weekly cash management forecasting reports, transaction reporting, and current, monthly, and year-to-date actual and budget expenditure reports. Estimated revenues are also closely monitored as to their impact on budgeted expenditures. If a department falls short of its revenue projections, adjustments must be made in its appropriations to reflect these shortfalls. Encumbrance accounting and reporting is employed in all funds for management control purposes. Appropriations lapse at the end of the fiscal year.



### **Budget and Department Accountability Policy**

The City of Cedar Rapids measures budgetary results on a total departmental basis with revenue and expenditures being measured separately. Budget amendments that will be requested are tracked and reported monthly. However these adjustments are subject to official City Council approval in May. The State of Iowa requires that cities do not spend more than their expenditure budget by program. To ensure compliance with the State and department accountability, the City has the following policies.

#### **Revenues - Policies for all areas:**

- Revenues are budgeted conservatively
- Actual revenues are expected to meet or exceed budgeted amounts
- Having revenue in excess of budget or having a fund/project balance does not mean a department can spend more than their expenditure budget

#### **Expenditures - Policies for all areas:**

- Excluding transfers out, total actual expenses may not exceed total budgeted expenses regardless of funds/cash available.
- Expenses should be charged to the appropriate account based on account definitions regardless if budget is remaining for the account. Actual expenses can be over for one account and under for another as long as in total budgeted expenses are not exceeded.

#### **Additional expenditure policies for general fund departments:**

- Personal Services – Except for overtime, departments may not reallocate unspent personal service budget (wages and benefits) for other uses.
  - Reason: Per Council policy established when budget was adopted, savings from vacated positions is used to balance the general fund.
- Capital outlay – Departments are authorized to purchase only items approved as part of budget. Changes from the approved list require approval coordinated by the department's analyst.
- Controllable expenses – Departments are to manage expenses considered controllable expenses, to ensure total actual expenses do not exceed total budgeted expenses. These expenses include:
  - Overtime
  - Discretionary expenses (I.e. office supplies, training, etc.).
- Not fully controllable expenses – Budget is set by Finance for expenses that are considered not fully controllable by a department as they are subject to external, normal maintenance, or economic factors. Departments may not reallocate unspent budget. If budget is exceeded due to external/economic factors, Finance will reallocate budget to the department as needed. These expenses include:
  - Fleet Maintenance and Lease charges
  - Facility Maintenance charges and rent
  - Non-discretionary expenses – other (I.e. fuel, electricity, etc.)
    - Fuel budget is based on a set number of gallons and estimated cost per gallon. If budget is exceeded due to fuel *costs per gallon*, Finance will reallocate budget to the department as appropriate. If budget is exceeded due to the department *using more gallons* than budgeted, the department must identify a plan to address the overage.

### **One Time Revenues Sources or One Time Expenditure Reductions**

The City does not typically budget for one-time revenue sources or one-time expenditure reductions, as the practice only delays or shifts the financial burden to future budget years.



### **Financial Planning**

The financial plan is a tool identifying financial needs and issues over a five year period and the associated funding and service implications as a result of those needs and issues.

The City's management team takes a very active role in the financial planning and management of the City for both short-term daily operations and long-range planning. Each year the City prepares a five year financial plan. The financial plan identifies potential financing needs of the City, allows for reviewing financial projections, implications, and cash and investment management, and also is a tool for discussing priorities for the community. The financial plan provides a road map into the future and a framework for future decision making.

### **Cash Transfers**

In order for the City to comply with Iowa law, local ordinances, or for expedience, it is sometimes necessary to transfer revenues and expenditures from one fund/department to another. This is a cash transfer. All transfers in are considered revenues and all transfers out are considered expenditures. City-wide, transfers in must equal transfers out.

### **Fund Balance**

Fund balance is the difference between assets and liabilities on the balance sheet. It is City policy to maintain in reserves a minimum of 25% of the next fiscal year's budgeted general fund expenditures. By maintaining an appropriate reserve balance the City is able to react to both known and unknown events that will have an impact on the City finances without disrupting services provided to its citizens in the short term. Encumbrances outstanding at year-end are reflected as reservations of the governmental fund balances, which serve as authorizations for expenditures in the subsequent year.

### **Internal Controls**

The management of the City is responsible for the establishment and continued maintenance of an internal control structure to ensure that all City assets are protected from loss, theft, or misuse. The management must also ensure that adequate accounting data is available to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance these objectives are met. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Capital Financing**

The City normally relies on internally generated funds and/or grants and contributions from other governments to finance its capital needs. Debt will be issued for a capital project only when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries or users, or in the case of an emergency capital need. Debt shall not fund operating expenses with the only exception related to disaster recovery for the 2008 flood, where certain disaster recovery bonds may be sold to fund qualifying expenses as Build America Bonds or Recovery Zone Bonds. Bond proceeds should be limited to financing capital expenditures such as the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment, and movable pieces of equipment, such as fire engines, or other costs as permitted by law. Acceptable uses of bond proceeds can be viewed as items which can be capitalized. Capitalized interest is an eligible item for bonding. Utility revenue bond proceeds may be used to establish a debt service reserve as allowed by federal and State law. Non-capital furnishings and supplies will not be financed from bond proceeds. Refunding bond issues designed to restructure currently outstanding debt are an acceptable use of bonds proceeds. The City will not use short-term borrowing to finance operating needs except in the case of an



extreme financial emergency which is beyond its control or reasonable ability to forecast. Recognizing that bond issuance costs add to the total interest costs of financing, bond financing should not be used if the aggregate cost of projects to be financed by the bond issue does not exceed \$1M.

### **Debt Limit and Capacity**

The City has set a target for the City's general obligation outstanding debt at 80%, (except as a result of extenuating circumstances such as disasters) of the limit prescribed by State statute, which is currently five percent (5%) of actual value of property within the city. These levels are consistent with the City's creditworthiness objectives. Debt reserve capacity is computed by multiplying the City's total assessed valuation by 5% and then subtracting the outstanding general obligation debt from the calculated amount.

### **Debt Structure**

Debt will be structured to achieve the lowest possible net cost to the City given market conditions, the urgency of the capital project, the type of debt being issued, and the nature and type of repayment source. Moreover, to the extent possible, the City will design the repayment of its overall debt so as to rapidly recapture its credit capacity for future use. The City shall strive to repay from 30 to 60 percent of the principal amount of its general obligation debt within five years and at least 60 percent within ten years. The City shall strive to repay from 40 to 50 percent of the principal amount of its revenue debt within ten years.

Debt will be structured for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users. General obligation bonds will adhere to state code as to length of debt.

### **Revenue Bonds**

It is a long-term goal that each utility or enterprise will ensure future capital financing needs are met by using a combination of current operating revenues, State Revolving Fund revenue, and revenue bond financing. Therefore a goal is established that surplus operating revenues in excess of 25% of next fiscal year budget be allocated to the depreciation fund or be used to offset capital improvement project costs. It is City policy that each utility or enterprise should provide adequate debt service coverage of at least 1.25 times the annual debt service costs. A specific factor is established by City Council that projected operating revenues in excess of operating expenses less capital expenditures, depreciation and amortization in the operating fund should be at least 1.25 times the annual debt service costs.

### **Operating Versus Capital Expenditures – Definitions and Policies**

- **Capital Budgeting** – Process of determining which improvements will be funded and their source of funding.
- **Capital Expenditure / Capital Assets** – Capital assets includes land, buildings and structures, and improvements other than buildings, which include infrastructure, construction in progress, and machinery and equipment. Capital expenditures are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.
- **Capital Equipment** – Expenditure for capital items of less than permanent nature and normally at a lower costs than a capital improvement.
- **Capital Improvement / Project** – Major outlays for capital assets or improvements that are tracked and capitalized as projects.
- **Operating Expenditures** – Expenses of normal maintenance and repairs presumed to benefit the current fiscal period. These expenses are not classified as capital improvement or capital equipment as they do not add value to the asset or materially extend the asset life. These costs are not capitalized.

Buildings, improvements other than buildings, and machinery and equipment are depreciated using the straight line method over the following estimated useful lives:



- Building and structures – 20 to 50 years
- Improvements other than buildings – 5 to 100 years
- Infrastructure – 10 to 70 years
- Machinery and equipment – 3 to 20 years

### **Capital Improvement Policy Statements**

The City's capital improvement financial management policy objective is to provide future generations the ability to construct improvements through borrowed capital without imposing a severe financial burden. The policy statements are:

- The City will annually budget for all of its capital improvements.
- The City will determine the least costly financing method for all new projects.
- Any capital project financed through the issuance of debt will be programmed so as to be paid off completely within the expended useful life of the project.
- The City will utilize intergovernmental contributions, when available, to finance capital improvements that are consistent with the City's plans and priorities.
- Prior to undertaking a capital project, a projection of the ongoing operations and maintenance costs will be analyzed in relation to operating budget forecasts.
- Pay as you go financing of capital improvements will be utilized where feasible. Enterprise funds should develop reserves to pay for new capital improvements.
- Total general obligation debt will not exceed five percent of the City's actual assessed value as required by Iowa law.
- Where possible, the City will maintain a CIP Mini Fund at a minimum level of \$1M from which the investment earnings will be allocated annually to fund capital improvement projects as determined by the City Council.
- Where possible and when financially prudent, the City will use special assessments and revenue bonds instead of general obligation bonds.
- General obligation debt will be issued and abated by non-property tax revenue in those instances where debt capacity is available and it is financially advantageous to the City.
- The City will maintain effective communications with bond rating agencies concerning its financial condition. The City will follow a policy of full disclosure on its financial reports and bond prospectus.