

RESOLUTION 2017-101  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
ADOPTING AMENDMENTS TO THE CITY'S FINANCIAL MANAGEMENT POLICIES

WHEREAS, City Council has adopted Financial Management Policies for the City pursuant to Resolution 1994-174 (the "Financial Policies"); and

WHEREAS, Resolution 1994-174 provides that City Council may adopt amendments to the Financial Policies, which the Council has done several times over the years; and

WHEREAS, the City's Chief Financial Officer and City Manager are recommending new amendments to the Financial Policies; and

WHEREAS, the City is committed to sound and efficient financial planning and management consistent with the best practices as established by the Government Financial Officers Association ("GFOA"); and

WHEREAS, the new "Financial Management Policy 1- Budget Policy", with its recommended amendments, is attached and incorporated by reference as Exhibit "A" (the "Budget Policy"); and

WHEREAS, the Budget Policy is being revised to include new provisions pertaining to monthly budgeting, order of funding when multiple funding sources are available and contingency planning for unanticipated revenue shortfalls; and

WHEREAS, the new "Financial Management Policy 3 – General Financial Policies", with its recommended amendments, is attached and incorporated by reference as Exhibit "B" (the "General Financial Policies"); and

WHEREAS, the General Financial Policies is being revised to update the list of the City's funds, to revise the policy for setting the rates and charges for the Recreation Fund and to add policies for using the allocation of private activity bonds that the State offers to the City each year; and

WHEREAS, the new "Financial Management Policy 5 – Fund Balance Minimums", with its recommended amendments, is attached and incorporated by reference as Exhibit "C" (the "Fund Balance Policy"); and

WHEREAS, the Fund Balance Policy is being revised to reduce the minimum working capital requirement in the Golf Fund from 25% to 12.5% and to change the minimum fund balance standard for the Self Insurance Fund from "available working capital" to "available unrestricted net position," as this latter term is defined in the Fund Balance Policy; and

WHEREAS, the Council Finance Committee has reviewed the Budget Policy, the General Financial Policies and the Fund Balance Policy, as they have been revised, and voted to recommend that the Council approve each of them; and

WHEREAS, the City Council wishes to amend the Financial Polices, as most recently updated on December 20, 2016, in Resolution 2016-096, by adopting the revised Budget Policy, the General Financial Policies and the Fund Balance Policy in pursuit of the City's objectives of sound and efficient financial planning and management consistent with GFOA's best practices.

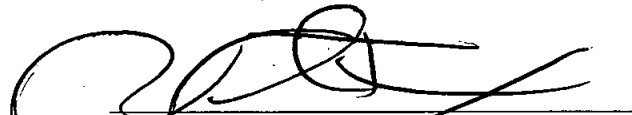
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS, as follows:

Section 1. That the City Council hereby makes and adopts the determinations and findings contained in the recitals set forth above.


Section 2. That the City Council hereby approves and adopts the Budget Policy, the General Financial Policies and the Fund Balance Policy, as amended by this Resolution.

Section 3. That the Budget Policy shall replace and supersede the "Financial Management Policy 1 – Budget Policy," the General Financial Policies shall replace and supersede the "Financial Management Policy 3 – General Financial Policies" and the Fund Balance Policy shall replace and supersede the "Financial Management Policy 5 – Fund Balance Minimums," as these three policies now read in the Financial Policies, and the Financial Policies, as previously amended and as amended herein, shall hereafter remain unchanged and in full force and effect until the same are amended or repealed by subsequent action of the City Council.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 21st day of November, A.D. 2017.

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Clerk



# Budget Policy

Issue Date:  
Version: 3  
Issued by: Budget  
Director

**Objective:**

*Governments allocate scarce resources to programs and services through the budget process. As a result, it is one of the most important activities undertaken by governments. The purpose of this policy is to establish parameters and provide guidance governing the budget for the City of Fort Collins (City).*

**Applicability:**

*This budget policy applies to all funds and Service Areas of the City.*

**Authorized by:**

*City Council Resolution 2014-058*

## 1.1 Overview

The Fort Collins City Charter establishes time limits and the essential content of the City Manager's proposed budget, however the budget preparation process is not prescribed, but is developed by the City Manager with input from the City Council.

The fiscal year of the City is the calendar year. The City may adopt budgets for a budget term of one fiscal year or more. After the Charter amendment in 1997 allowing the budget term to be more than one fiscal year, the Council has adopted two-year budgets that correspond with the election cycle.

The budget is a 2-year plan by which the City Council sets the financial and operational priorities for the City - through the budget, services are implemented. The budget along with the annual appropriation ordinance provides the basis for the control of expenditures. The State Constitution and the City Charter provide the basic legal requirements and time lines for the process. Council goals, ordinances and resolutions provide additional direction and respond to the needs of the community.

## 1.2 Principles for Budget Planning

The City provides a wide variety of services to the residents of the community. It is in the power of the City Council to adopt a budget and manage the available resources to best meet the service needs for the overall good of the community (City Charter Article II, Section 5 (c)).

In 2005 the City Council, on recommendation from the City manager, endorsed the Budgeting for Outcomes budget process. At a high level, the budgeting for outcomes methodology can be summarized as:

1. *Determine how much money is available.* The budget should be built on expected revenues. This would include base revenues, any new revenue sources, and the potential use of fund balance.
2. *Prioritize results.* The results or outcomes that matter most to citizens should be defined. Elected leaders should determine what programs are most important to their constituents.
3. *Allocate resources among high priority results.* The allocations should be made in a fair and objective manner.
4. *Conduct analysis to determine what strategies, programs, and activities will best achieve desired results.*
5. *Budget available dollars to the most significant programs and activities.* The objective is to maximize the benefit of the available resources.
6. *Set measures of monthly progress, monitor, and close the feedback loop.* These measures should assign monthly budget, spell out the expected results and outcomes and how they will be measured.
7. *Check what actually happened.* This involves using performance measures to compare actual versus budgeted results, and financial measures for budget versus actual results on a monthly basis.
8. *Communicate performance results. Internal and external stakeholders should be informed of the results in an understandable format.*

At that time, the City Council also identified the key outcomes it believed should be used in the new budget process. In addition, the 2005-2007 Policy Agenda sets forth the implementation and continued improvement of the collaborative budget process, aligning spending with desired outcomes.

In 2012, the City Council passed resolution 2012-076 promoting improved results through performance measures and data-driven decision making. In reference to the budget, an outcome-based performance measurement system will help ensure that available resources are used to achieve excellent results at low cost to the taxpayers and will enhance the citizen's understanding of the City and the services it provides.

## **1.3 Scope**

### **A. Comprehensiveness**

The proposed budget shall provide a complete financial plan for each fund of the city and shall include appropriate financial statements for each type of fund showing comparative figures for the last completed fiscal year, comparative figures for the current year, and the

City Manager's recommendations for the ensuing budget term (City Charter Article V, Part 1, Section 2). In addition, the City of Fort Collins Budget Document may include items such as:

- 1) Statement of organization-wide strategic goals.
- 2) A description of the budget process, including a timeline.
- 3) A Glossary of Budget Terms.
- 4) A City of Fort Collins organizational chart.
- 5) Letter from the City Manager.
- 6) Budget Overview which may include:
  - a) The economic outlook;
  - b) Revenue assumptions;
  - c) Summary of use of reserves;
  - d) Budget priorities and highlights.
- 7) Copy of signed appropriation ordinance and a schedule of 2<sup>nd</sup> year proposed appropriations.
- 8) Revenue, expense and changes in fund balance summaries.
- 9) Summary of employee full-time equivalent staffing by service area and department.
- 10) A section for each of the key strategic Outcomes, which may include:
  - a) Information indicating how the Offers in the Outcome are funded, by fund;
  - b) Major key purchases;
  - c) Major enhancements purchased;
  - d) Detailed listing of all offers funded and unfunded;
  - e) Strategic objectives of the Outcome.
- 11) Fund Statements.
- 12) Overview of debt position.
- 13) Current Capital Improvement Plan.
- 14) Summary of changes to user fees.
- 15) Summary of property tax mill levy and assessments.

The annual appropriation ordinance shall also include the levy in mills, as fixed by the Council, upon each dollar of the assessed valuation of all taxable property within the city, such levy representing the amount of taxes for city purposes necessary to provide, during the ensuing fiscal year, for all properly authorized expenditures to be incurred by the city, including interest and principal of general obligation bonds. If the Council fails in any year to make said tax levy as above provided, then the rate last fixed shall be the levy fixed for the ensuing fiscal year and the Financial Officer shall so certify (City Charter Article V, Part 1, section 5).

## **B. Budget Form**

The City of Fort Collins uses the Budgeting For Outcomes model to create the City budget. A new budget is designed from the ground up based on the results desired in each of the Outcomes defined by the City. The BFO budget-building process includes four steps:

- 1) Determine how much revenue will be available (the price people pay);
- 2) Determine the priorities of the City and its citizens and the results to be achieved;
- 3) Allocate the revenue needed to achieve the desired results;
- 4) Determine which budget items will best produce the desired results at the price allocated.

### **C. Basis of Budgeting**

All budgetary procedures conform to state regulations and to generally accepted accounting principles. The basis or principle used for budgeting is the same as that used for accounting, with a few exceptions, and varies according to the fund type.

*Governmental Funds* use the modified-accrual basis of accounting. This means that revenues are recognized when they are earned, measurable and available. Expenditures are recognized in the period that liabilities are due and payable. The budgetary basis is the same and is used in the General Fund, Special Revenue and Debt Service Funds, and Capital Project Funds.

*Proprietary and Fiduciary Funds* use the full accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when liabilities are incurred. However, the budgetary basis in these funds is primarily based on the modified-accrual approach. Instead of authorizing budget for depreciation of capital assets, the budget measures and appropriates cash outflows for capital acquisition and construction, which is a modified-accrual approach. In full accrual based accounting debt proceeds are recorded as liabilities rather than a revenue (funding source). For these reasons, a reconciliation and adjustment is made on these fund statements to show the difference between the budgetary basis and the accounting basis.

### **D. Budget Calendar**

The fiscal and accounting year shall be the same as the calendar year. "Budget term" shall mean the fiscal year(s) for which any budget is adopted and in which it is to be administered. Council shall set by ordinance the term for which it shall adopt budgets in accordance with this Article (City Charter Article V, Part 1, section 1).

On or before the first Monday in September, commencing in 2010 and every other year thereafter, the City Manager shall file with the City Clerk a proposed budget for the City for the ensuing *two-year term* (City Charter Article V, Part 1, section 2). The Council shall, within ten (10) days after the filing of said proposed budget with the City Clerk, set a time certain for public hearing and cause notice of such public hearing to be given by publication. At the hearing, all persons may appear and comment on any or all items and estimates in the proposed budget. Upon completion of the public hearing the Council may revise the budget estimates (City Charter Article V, Part 1, section 3).

After said public hearing and before the last day of November preceding the budget term, the Council shall adopt the budget for the ensuing term. The adoption of the budget shall be by ordinance. Before the last day of November of each fiscal year, the Council shall appropriate such sums of money as it deems necessary to defray all expenditures of the city during the ensuing fiscal year. The appropriation of funds shall be accomplished by passage of the annual appropriation ordinance. Such appropriation of funds shall be based upon the budget as approved by the Council but need not be itemized further than by fund with the exception of capital projects and federal or state grants which shall be summarized by individual project or grant (City Charter Article V, Part 1, section 4).

Appropriations for each year of the two-year budget will be approved by the City Council annually. Appropriations for the 2<sup>nd</sup> year of the biannual budget are adopted during the budget revision process. That process allows for adjustments to the originally adopted biennial budget that address new Council priorities or support changing needs based on economic conditions. The City Manager may present any budget adjustment recommendations to the City Council in Work Sessions and then Council may amend the budget and, as required by the State and City Charter, appropriate or authorize expenditures for the coming fiscal year.

#### **1.4 Roles and Responsibilities**

All powers of the city and the determination of all matters of policy shall be vested in the Council except as otherwise provided by the Charter. Without limitation of the foregoing, the Council shall have power to adopt the budget of the city.

The City Manager shall be responsible to the Council for the proper administration of all affairs of the City and to that end shall have power and be required to prepare the budget and submit it to the Council and be responsible for its administration after adoption.

The City Manager and Chief Financial Officer, along with the other executive directors, known as the Budget Lead Team (BLT), develop the guidelines, consistent with the policies, to be used for budget preparation. During the development of the budget, various department and division representatives may be called upon to provide their expertise.

From April through June, City staff from all departments and divisions prepares the Offers (budget requests) for inclusion in the budget.

#### **1.5 Budgeting Control System**

No appropriation shall be made by the Council which exceeds the revenues, reserves or other funds anticipated or available at the time of the appropriation, except for emergency expenses incurred by reason of a casualty, accident or unforeseen contingency arising after the passage of the annual appropriation ordinance (City Charter Article V, Part I, Section 8 (a)).

Control of expenditures is exercised at the fund level. Fund managers are responsible for all expenditures made against appropriations within their fund and can allocate available resources within the fund.

All appropriations unexpended or unencumbered at the end of the fiscal year *shall lapse* to the applicable general or special fund, except for:

- appropriations for capital projects which shall not lapse until the completion of the capital project; and
- federal or state grants which shall not lapse until the expiration of the federal or state grant (City Charter Article V, Part I, Section 11).

#### **A. Budget Transfers**

##### ***Between Funds or Capital Projects***

During the fiscal year, the Council may, by ordinance, upon the recommendation of the City Manager, transfer any unexpended and unencumbered appropriated amount or portion thereof from one fund or capital project account to another fund or capital project account provided that:

- 1) the purpose for which the transferred funds are to be expended remains unchanged;
- 2) the purpose for which the funds were initially appropriated no longer exists; or
- 3) the proposed transfer is from a fund or capital project account in which the amount appropriated exceeds the amount needed to accomplish the purpose specified in the appropriation ordinance (City Charter Article V, Part I, Section 10 (b)).

##### ***Within a Fund***

Budget control is maintained at the departmental level. The Chief Financial Officer has the authority to approve departmental expenses greater than budget so long as expenses are less than budget within a fund. In no case may the total expenditures of a particular fund exceed that which is appropriated by the City Council (City Charter Article V, Part I, Section 10 (a)).

#### **B. Applicable Amendments to the Budget**

##### ***Budget Increases***

There generally are four opportunities during the fiscal year for supplemental additions to the current year annual appropriation approved by Council:

- 1) The first is through the encumbrance carry-forward process whereby approved purchase orders that cannot be executed prior to the end of the fiscal year will have available budget carried forward into the new year.



- 2) The second is usually adopted in March/April to re-appropriate funds from the previous year's ending balance for projects or obligations that were approved but not completed during that year.
- 3) The third opportunity in the 2nd half of the year is used to fine-tune (clean-up) the current fiscal year for previously unforeseen events. In addition, if revenue is received during the fiscal year from a source that was not anticipated at the time of budget adoption or appropriation for the fiscal year, such as grants or implementation of a new fee, Council may appropriate that unanticipated revenue for expenditure when received anytime during the year.
- 4) Lastly, the Council, upon recommendation of the City Manager, may make supplemental appropriations by ordinance at any time during the fiscal year; provided, however, that the total amount of such supplemental appropriations, in combination with all previous appropriations for that fiscal year, shall not exceed the then current estimate of actual and anticipated revenues to be received by the city during the fiscal year. This provision shall not prevent the Council from appropriating by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated (City Charter Article V, Part I, Section 9).

#### ***Budget Decreases/Frozen Appropriations***

The budget may be decreased below adopted appropriations during the fiscal year due to changes in service demand, changes in economic conditions, and/or changes in Council goals. Each service area is responsible for developing a plan to reduce appropriations, which will be ready for implementation should the need arise. If the City Manager directs budget reductions, Council will be informed and the appropriations will be "set aside" through administrative action. While the appropriation amount is not changed, expenditures shall not exceed the reduced amount recommended by the City Manager.

#### **C. Order of Funding when Multiple Funding Sources Available**

Sometimes a given project or program has multiple sources of funding available. Examples of such projects include but are not limited to grant funded projects, jointly funded projects/programs between governmental and proprietary funds, or projects/programs where both dedicated tax revenues and General Fund tax revenues are available.

Unless stated otherwise within the authorizing ordinance, budget offer, or a contractual agreement, funding sources will be applied in the order of most-constrained to least-constrained in the judgment of City staff. For example, a project jointly funded by the General Fund and the Natural Areas Fund would first fund project spending using all available and appropriated Natural Areas revenues prior to spending appropriated General Fund revenues. This is in an effort to maximize the benefit of available sources in accordance with the principles described in section 1.2 above.

## **1.6 Balanced Budget Definition**

All funds are required to balance. As such, total anticipated revenues must equal the sum of budgeted expenditures for each fund. Revenues are derived from two sources: current revenue charges and unallocated reserves carried forward from prior years.

## **1.7 Contingency Planning for Unanticipated Revenue Shortfalls**

During times when the City experiences significant unanticipated revenue shortfalls, a contingency plan will be developed that outlines the necessary steps to align expenditures to meet the actual revenue received. The contingency plan will target the funds being impacted by the revenue shortfall. In general, the priority order of the steps in our contingency methodology are:

- Align ongoing expenditures with anticipated ongoing revenue
- Sweep vacancy savings and non-service related savings such as fuel or utilities if under budget
- If a Contingency Reserve has been established, utilize a portion of that reserve
- Develop a stop doing list utilizing the drilling platform prioritization.
- At a Service Area level, reduce expenditures related to
  - discretionary expenditures
  - new hires/vacancies (postponement of posting positions)
  - travel and training
  - reduced levels of support to programs

# General Financial Policies

Issue Date:  
Version: 4  
Issued by: City Council

## Objective:

*To outline the method and principles for allocation Administrative Charges; establishing the parameters for the Medical and Retirement Program; Fund Organization; Cost Recovery and Fee Setting; and Capital Improvement Program.*

## Applicability:

*This policy applies to all City funds. It does not apply to URA, DDA, PFA and Library.*

## Authorized by:

*City Council Resolution 2006-006, updated by Resolution 2015-055.*

### 3.1 Administrative Charges

Certain General Fund departments render services to departments in other funds and shall be equitably apportioned to those other funds. General Fund departments that do not have a direct billing mechanism shall have their costs allocated using the formula outlined in this section to other funds, and provide offsetting revenue in the General Fund.

#### A. General Fund Departmental Costs to be Allocated

Certain General Fund departmental costs to be allocated include City Council, City Manager, City Clerk, City Attorney, Human Resources, and Finance. Any services in these departments which are funded by user fees or dedicated revenues are excluded from the allocation.

The amount of costs to be allocated is the current adopted budget for each of the departments listed above less user fees and dedicated revenue. With a multi-year budget, the charge to each fund is increased by a determined percentage for the second future year and then adjusted to the actual calculation with the next multi-year budget.

#### B. How Costs Are Allocated

The Human Resources costs are allocated on a prorated basis to funds based on the total number of budgeted full-time-equivalent positions in each fund.

All other General Fund administrative costs are allocated on a prorated basis to the funds based upon adjusted expenditure budgets for the current year. Adjustments are made to recognize the lower amount of administrative services required for Capital, Debt Service, and Purchased Power payments. Capital project budgets are reduced by two-thirds and averaged over three years. Debt Service budgets are reduced by three-fourths and the entire Purchased Power budget is deducted from the Light & Power budget.

C. All Funds Receive Allocations but Not All Funds Are Charged

While Administrative Charges are allocated among all City funds, only specified funds are charged. Charges are not made to a fund if it is not self-supporting, it is an Governmental Internal Service fund, or if the funds role is merely to facilitate proper accounting procedures. For example, the Sales and Use Tax fund and Debt Service fund receive amounts which are then transferred to other funds. Charging these funds would lead to double charging many transactions and would not correspond to the level of service provided by the departments in the General Fund.

D. Review

During each budget process, the Administrative Charge calculation will be reviewed the Budget Office. Minor refinements in the allocation formulas are made as needed. Significant changes will be brought to the City Council for approval to assure that the equitable apportionment meets requirements of the Code/Charter.

## 3.2 Medical Insurance and Retirement Plan

A. Medical Insurance

In 1981, the City of Fort Collins set up a partially self-funded medical insurance program. The objective of a self-funding program is to reduce the cost of medical insurance by assuming the risk for certain plan expenses. Assuming a portion of the risk lowers the amount of charges compared to a conventional full insurance plan. For most of the last 33 years, the City has found this funding method to be a cost-effective means of providing a very desirable employee benefit.

To administer the self-funded and insured portions of the medical insurance plans, the City conducts a competitive proposal process every five years or more often if required. The insurance contracts are reviewed annually for both performance and cost. The types of services contracted for include plan administrative services, stop-loss protection against larger claims, life and accidental death and dismemberment insurance, and long-term disability coverage.

**B. Retirement Programs**

The City of Fort Collins contributes to two types of retirement plans: a Defined Benefit Plan and Defined Contribution Plans.

1. **Defined Benefit Plan - the General Employees Retirement Plan (Plan).** The pension plan is closed to new participants as of 1/1/1999.

The Plan document approved by the City Council outlines the details of the program. A Board meets monthly to oversee the program. Board members, in consultation with annual actuary report and other information, make recommendations to City Council for any plan changes that may be needed from time to time. The Plan currently calls for the employer (City or PFA) to contribute 10.5%. Because the plan is underfunded, a Supplemental Contribution is made at a fixed dollar amount each year. The Supplemental amount is reevaluated every 2 years in conjunction with the budget cycle and based on the latest actuarial valuation report.

2. **401(a) and 457 Money Purchase Plans.** Also known as Defined Contribution Plans, the contribution rates are as follows:

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%	6 months	0.0%	optional	no wait
Unclassified Management hired on or before 3/31/07	7.5%	6.0%	6 months	0.0%	optional	no wait
Direct Reports of City Council	10.0%	0.0%	no wait	match up to 3%	optional	no wait
Service Area Directors	10.0%	0.0%	no wait	match up to 3%	optional	no wait
Police & Dispatch (per union agreement) *	8.0%	8.0%	no wait	match up to 3%	optional	6 months
Community Service Officer	7.5%	3.0%	6 months	0.0%	optional	no wait

\* All employee groups vest immediately, except Police and Dispatch who follow schedule in union agreement.

Employee contributions to the 457 plan are limited to the amounts published by the IRS.

The City will contract with a third party administrator to provide the Defined Contribution Plans. City Staff comprised of both Finance and HR will oversee the program and performance of the third party administrator.

### 3.3 Fund Organization

Funds for accounting and financial reporting purposes have their own balance sheet and income statement.

The organization of the City's Funds is designed to enhance accountability and transparency, comply with Generally Accepted Accounting Principles, meet grant requirements, comply with City Code/Charter and comply with Colorado statutes. In City Article V, Part III, Section 25 the Financial Officer is empowered to create funds as appropriate.

The number of funds established should be the minimum needed for legal and operating requirements. Unnecessary funds can result in inflexibility, undue complexity and inefficient financial administration.

The City's funds are organized at two levels of groupings; Fund Groups and Fund Types.

#### Fund Groups

Governmental Funds	Used to account for activities primarily supported by taxes, grants and similar revenue sources.
Proprietary Funds	Used to account for activities that receive significant support from fees and charges.
Fiduciary Funds	Used to account for resources that a City holds as a trustee or agent on behalf of an outside party that cannot be used to support the City's own programs.

Within each Fund Group are Fund Types.

#### Governmental Fund Types

General Fund	Main operating fund used to account for and report all financial resources not accounted for and reported in another fund.
Special Revenue Funds	Used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specific purposes, other than debt service or capital projects.
Debt Service Funds	Used to account for and report resources that are restricted, committed or assigned to expenditure for principal and interest.
Capital Project Funds	Used to account for and report resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets.

### Proprietary Fund Types

Enterprise Funds	Used to account and report any activity for which a fee is charged to external users of goods and services
Internal Service Funds	Used to account and report any activity for which a fee is charged to other funds, departments, or agencies of the City and its component units on a cost reimbursement basis.

### Fiduciary Fund Types

Pension Trust Fund	Used to account and report resources that are required to be held in trust for the members and beneficiaries of defined benefit plans.
Agency Funds	Used to report resources held by the City in a purely custodial capacity.

The following is a list of all funds of the City, including legally separate entities but from a financial reporting perspective are treated as a component unit of the City.

<b>Group and Type</b>	<b>Legal</b>	<b>Ref.</b>	<b>Name</b>
<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	272	Natural Areas Fund
Special Revenue Fund	City	273	Cultural Services & Facilities
Special Revenue Fund	City	274	Recreation Fund
Special Revenue Fund	City	275	Cemeteries Fund
Special Revenue Fund	City	276	Perpetual Care Fund
Special Revenue Fund	City	277	Museum Fund
Special Revenue Fund	City	280	Community Development Block
Special Revenue Fund	City	281	Home Investment Partnership
Special Revenue Fund	City	290	Transit Services Fund
Special Revenue Fund	City	291	Street Oversizing Fund
Special Revenue Fund	City	292	Transportation Services Fund
Special Revenue Fund	Separate	293	GID #15 - Skyview
Special Revenue Fund	City	294	Parking Fund
Special Revenue Fund	City	300	Timberline/Prospect SID #94
Debt Service	City	304	Capital Leasing Corporation
Capital Projects Fund	City	400	Capital Projects Fund
Capital Projects Fund	City	270	Neighborhood Parkland Fund
Capital Projects Fund	City	271	Conservation Trust Fund
<i>Proprietary</i>			
Enterprise Fund	City	500	Golf Fund
Enterprise Fund	City	501	Light & Power Fund
Enterprise Fund	City	502	Water Fund

Enterprise Fund	City	503	Wastewater Fund
Enterprise Fund	City	504	Storm Drainage Fund
Internal Service Fund	City	601	Equipment Fund
Internal Service Fund	City	602	Self-Insurance Fund
Internal Service Fund	City	603	Data And Communications Fund
Internal Service Fund	City	604	Benefits Fund
Internal Service Fund	City	605	Utility Customer Service & Admin
<i>Fiduciary</i>			
Pension Trust Fund	City	700	Employees' Retirement Fund
<i>Governmental</i>			
Special Revenue Fund	Separate	800	URA - N. College District
Special Revenue Fund	Separate	801	URA - Prospect South TIF District
Special Revenue Fund	Separate	803	URA - Mall Fund
Special Revenue Fund	Separate	820	DDA Operating Fund
Special Revenue Fund	Separate	822	DDA Debt Service Fund

### 3.4 Cost Recovery and Fee Setting

- A. Enterprise Funds shall rely on charges and user fees to recover their costs, rather than taxes. Utility rates will be based upon the cost of service approach to reflect full distribution of costs to appropriate rate classes in order to effect equitable sharing of costs; Rates shall be established and maintained at a level sufficient to maintain positive net income in each of the utility funds after paying the full cost of operating and maintaining the utilities and keeping them in good repair and working order. Such rates shall also be sufficient to enable each utility, where applicable, to meet rate requirements of City or utility enterprise bond ordinances.
- B. The Internal Service Funds shall operate under the following guidelines.
1. Internal service fund charges are limited to the recovery of the cost of the service, including depreciation, rather than making a profit. Each fund's prior year financial statements and estimates of future costs form the basis for the calculation of charges.
  2. Charges should be set at a level to avoid significant adverse financial impacts on their customers. Fund customers and independent experts should be allowed to review and make recommendations about the level of charges. The Finance Department should approve the analysis and conclusions used to set rates.



3. Internal service funds should compete with similar services offered by the private sector. The City staff will compare rates every five years. If not competitive with the private sector, the Finance Department will analyze whether the private sector should provide the service.
4. Internal service funds may build up reserves. Customer-approved master plans and independent third-party actuarial reviews (for the Benefit and Self-Insurance funds) guide the level of reserves. Fund managers may spend reserves only for their approved purpose.
5. The City may buy equipment and facilities for the internal service funds through lease-purchase financing. Management's decision to recommend lease-purchase financing depends on: (1) cash flow needs; (2) budget constraints; (3) benefit to cost analysis; and (4) level of reserves.
6. Except for the Utilities Customer Service and Administration Fund, Internal service funds operate under the same guidelines and constraints as the General Fund and other governmental funds of the City. The Utilities Customer Service and Administration Fund shall operate under the guidelines of the Utilities Services Funds.

C. Cultural Services & Facilities Fund Fee Policy

1. Total revenue from fees and charges shall cover a minimum of 55% of Lincoln Center Operation and Maintenance and Performing and Visual Arts Programming Budgets. This includes revenues generated at the Lincoln Center from rentals, equipment, concessions and other miscellaneous sources and all total direct revenues from the Performing and Visual Arts Programming. A transfer from the General Fund will make up the difference between total revenue and expenditures.
2. The Cultural Services and Facilities Administration and Museum budgets provide minimal financial support. These programs are funded primarily by a transfer from the General Fund.
3. Major capital improvements and renovations will be financed through sources other than Cultural Services and Facilities Fund.
4. Solicitation of funds through donations, fund-raising events, and non-traditional sources shall be encouraged by the City staff, Lincoln Center League, the Cultural Resources Board and the City Council. Funding collected for any special purpose shall be earmarked for that purpose and those funds will be processed through the Fort Collins Foundation.

#### D. Recreation Fund Rates and Charges Policy

Recreation Rates and Charges shall cover between 68% to 75% of all operating costs, with the difference to be covered by the City's General Fund and/or 50% of the Keep Fort Collins Great portion dedicated to Parks & Recreation. Equipment and rolling stock shall be considered operating costs in the application of this policy. Recreation Rates and Charges shall not be expected to cover major capital items such as facility and land acquisitions, major renovations to facilities or other costs such as utilities, custodial or grounds maintenance.

### 3.5 Capital Improvement Program

1. Each Service Area or Department shall develop multi-year Master Plans for capital improvements. On a city-wide basis, staff shall compile a 10 year Capital Improvement Plan and update it every two years. Estimates of operating and maintenance costs should be included;
2. Appropriation requests must include not only the cost of construction or acquisition and the funding sources, but an estimate of operating and maintenance costs;
3. Capital improvements projects will be administered in accordance with the Capital Projects Procedures Manual;
4. Appropriations for capital improvements will be constructed and expenditures incurred only for the purpose as approved by City Council;
5. Staff should seek out grants and partnerships whenever appropriate.

### 3.6 Using State Allocation of Private Activity Bonds

- A. **Background:** Conduit debt is issued in a local government's name, but the resources for repayment come from individuals or entities that are not part of government. Entities seek conduit debt because of the government's ability to issue debt at favorable tax-exempt rates. Private Activity Bonds (PAB) are a form of conduit debt.

Colorado's Private Activity Bond allocation program is established by the Colorado Private Activity Bond Ceiling Allocation Act, Section 24-32-1701, et seq., C.R.S. Pursuant to Section

24-32-1706, annually the City of Fort Collins is offered a portion of the State ceiling as a local government. If the City does not issue bonds or assign bond capacity to an entity for a local project by September 15th annually, the cap automatically reverts back to the state's pool.

Historically, the City has provided this capacity on a first come first serve basis. It has not been uncommon for the City to receive no requests. Because more partners are using programs that can benefit from the lower interest rate that PAB's offer, the City is establishing this process.

- B. **Purpose:** PAB's allow certain private sector activities to receive lower interest rates. PAB's may be used for affordable housing development and rehabilitation, specific economic development programs and for industrial development purposes, among other permitted uses. The City will attempt to find local uses for this development tool.
- C. **Communication:** Information about the program should be placed on the City's website (fcgov.com). Consideration for other advertising and communication methods may be appropriate.
- D. **Awarding and Assigning:** Awarding PAB and Assigning PAB allocations are different processes. Assigning PAB to another qualified issuer is strongly preferred. This is to reduce the administrative investments and leverage the efficiency of qualified issuers who award PAB's regularly. If an entity applies for a direct award under the City's name, staff will attempt to find a qualified issuer that agrees to accept an assignment from the City and issue the PAB under their own authority.
- E. **Application due date:** Written applications to use of Fort Collin's annual PAB allocation are due to the City's Chief Sustainability Officer by March 15th.
- F. **Application Elements:**
  - a. The following items are required when applying for both assignments and direct awards.
    - i. A request letter signed by applicant describing the project the PAB would be used for and including: the applicant's name, address, phone, email address, and principal contact.
    - ii. Amount of allocation being requested.
    - iii. Bond counsel firm name, address, phone, email address and principal contact.
    - iv. Description of Applicant's local projects and years of operation
    - v. Number of years' entity has been doing business in State of Colorado
    - vi. Provide a Certificate of Good Standing from the Secretary of State's office.

- vii. Description of assets to be purchased, or constructed and expenses incidental to the project, including the sale of bonds.
  - viii. Explanation of how the project aligns with City objectives.
  - ix. Number of housing units and target demographics
  - x. Statement from competent bond counsel that the project is eligible for qualified private activity bonds.
- b. The following additional items are required in applications for direct awards of PAB:
- Debt Information**
- xi. Name, address, phone of principal contact of the proposed underwriter or lender.
  - xii. Anticipated timetable for bond transaction.
  - xiii. Estimated bond redemption and interest payment schedule
  - xiv. Indicate the type of letter of credit or similar instrument, which will back the debt
  - xv. Disclose if the applicant is involved in any litigation which may affect the validity or repayment of the bonds.
- Financial Information**
- xvi. Audited financial statements for the applicant for the last three years and interim statements for the current year. If not available, please explain why.
  - xvii. Projection of future revenues, expenditures and debt service coverage for the next five years supported by a feasibility study.
- Other**
- xviii. Describe the arrangements that will ensure compliance with arbitrage reporting and payment requirements.
  - xix. Name, address and principal contact person for applicant's local bank.
  - xx. Briefly describe any potential conflicts of interest of personal/ professional/ political relationships between the applicant's officers and/or directors or applicant's operations and the City of Fort Collins.
  - xxi. Any other information which provides evidence of the applicant's ability to repay the bonds and complete the project.
- Debt Security**
- xxii. All arbitrage calculations and payments must be performed by the trustee under the terms of the trust agreement or by any such other arrangement that will insure compliance. The City must be provided with copies of 8088-T's filed with the IRS.
  - xxiii. The private entity must provide the City with information on the status of the debt annually and upon any material event.
  - xxiv. The bond documents must indemnify the City against IRS assessments and legal fees arising from the financing.
  - xxv. The issuer's agent will be responsible for all continuing disclosure requirements.
- c. Items missing from application may result in disqualification from consideration.

- G. **Fees:** There are no fees for applications that request assignments to another qualifying issuer. However, the following fees apply to applications requesting a direct award of PAB from the City of Fort Collins.
- a. Issuance fee equal to the greater of: A. 0.25% of the par amount of the debt, or B. \$5,000. The fee is capped at \$25,000.
  - b. The cost of a review of the financing by an independent fiscal agent (to be selected by the City)
  - c. Any other direct cost incurred by the City related to the financing.
  - d. There will not be additional issuance fees for any amendment or modification of the original transaction even if it requires official action by City Council, except for actual direct costs of the City.

H. **Review Process**

- a. PAB Committee: Applications will be reviewed by a committee of at least 3 people. Members will include at least one representative each from Social Sustainability, Economic Health and Finance. Representatives from other departments, such as the City Manager's Office will be added as needed. Service Area Directors will make the necessary appointments to the PAB Committee.
- b. At a minimum, the following factors should be considered by the PAB Committee when making a recommendation:
  - i. How well the project applied for meets the land use, economic development and/or affordable housing goals of the City of Fort Collins.
  - ii. Project feasibility and timing.
  - iii. Leverage of other investment into the project.
  - iv. Maintenance of or increase in local tax base.
  - v. Competing uses for the City's allocation.
  - vi. Whether the City's allocation should be used in multiple projects.
  - vii. Whether the application should be considered by any City Board or commission.
- c. The PAB Committee will decide on a recommendation no later than July 1.
- d. City Council shall approve all PAB assignments or direct awards. The PAB Committee shall submit their recommendations to the City Council no later than August 15.

## **Getting Help**

*Please contact the Controller with any questions at 970.221.6772.*

# Fund Balance Minimums

Issue Date:

Version: 4

Issued by: City Council

## Objective:

*To set minimum fund balances as to mitigate risk, maintain good standing with rating agencies, and ensure cash is available when revenue is unavailable. The policy sets minimum fund balances, not targets or maximum balances. Each fund should be evaluated by staff to determine the appropriateness of maintaining fund balances above the minimums set in this policy. Contingencies for severe weather, prolonged drought, and anticipated capital spending should be considered independently from this policy.*

## Applicability:

*Funds—This policy applies to all City funds. It does not apply to URA, DDA, PFA and Library.*

## Authorized by:

*City Council Resolutions 1994-174, 2008-038 and 2014-058.*

## 5.1 Governmental Funds and Fund Balances

To set minimum fund balances so as to mitigate risks, maintain good standing with rating agencies, and ensure cash is available when revenue is unavailable. The policy sets minimum fund balances, not targets or maximum balances. Each fund should be evaluated by staff to determine the appropriateness of maintaining fund balances above the minimums set in this policy. Contingencies for severe weather, prolonged drought, and anticipated capital spending should be considered independently from this policy.

The Equity on balance sheet of a governmental fund is called Fund Balance. The current classifications of Fund Balance in governmental funds are primarily based on the origin of the constraints. The following categories are in decreasing order of constraints.

Non-Spendable	Permanent endowments or assets in a non-liquid form
Restricted	Involve a third party: State Legislation or Contractual Agreements
Committed	Set by formal action of the City Council
Assigned	By staff, and/or residual balances in a Special Revenue Fund
Unassigned	Remaining balances in the General Fund

Minimums outlined in section 5.2 relate only to **Assigned and Unassigned** balances.

## 5.2 Proprietary Fund and Working Capital

Internal Service Funds and Enterprise Funds are accounted for nearly identical to the private sector. The balance sheets include long term assets and long term liabilities. The resulting Equity section on their balance sheet, called Net Position, is not always a good measure of spendable financial resources. To get to spendable financial resources, a common calculation is to take Current Assets and subtract Current Liabilities, with the net result called Working Capital.

To further refine, for purposes of this policy, certain required restrictions are further subtracted and result in **Available Working Capital**. Some examples of required restrictions are unspent monies for Art in Public Places, Water Rights, and existing appropriations for capital projects. The minimums outlined in section 5.5 relate to Available Working Capital.

## 5.3 Minimum Balances

The following Minimum Balances refers to Assigned and Unassigned Fund Balances in governmental funds and Available Working Capital in the Internal Service Funds and Enterprise Funds.

### A. General Fund

**60 Day Liquidity Goal** - The Commitment for Contingency should be at least 60 days (17%) of the subsequent year's originally adopted budgeted expenditures and transfers out. The calculation for the minimum level shall exclude expenditures and transfers out for large and unusual one-time items.

Important note – the 60 Day Liquidity Goal is in addition to the Restricted Balance required by Article X, Section 20 of the State Constitution. This reserve must equal 3% of non-exempt revenue and can only be used for declared emergencies. Fiscal emergencies are specifically excluded by the State Constitution as qualifying use of this reserve.

### B. Special Revenue Funds

No minimum balance is required.



C. Debt Service Funds

No minimum balance is required.

D. Capital Project Funds

No minimum balance is required.

E. Enterprise Funds

Enterprise funds focus on working capital rather than fund balance.

Enterprise Funds shall maintain a minimum Available Working Capital equal to 25% of Operating Expenses, less Depreciation. Exception 1: In the case of L&P, operating expenses will include purchased renewable energy for resale but will not include regular purchased power for resale (i.e. Platte River Power Authority). Exception 2: In the case of Golf, the minimum fund balance will be 12.5%.

Important note – The Water Fund holds a balance for Restricted Water Rights. The balance equals the amount of cash in-lieu-of water rights payments and raw water surcharges less any expenses for acquiring water rights and water storage;

The enterprises funds should also be accumulating available working capital above these minimums for the purposes of funding future capital projects.

F. Internal Service Funds

Each fund is a unique operation and will maintain a minimum Available Working Capital as follows:

601	Equipment Fund	8.3%	Of annual operating expenses, excluding depreciation
602	Self-Insurance Fund *	25.0%	Of annual operating expenses
603	Data & Communications Fund	0.0%	N/A
604	Benefits Fund	30.0%	Of annual medical and dental expenses
605	Utility Customer Service Fund	0.0%	N/A

\* Self Insurance Fund will be measured against Available Unrestricted Net Position instead of Available Working Capital.

## **5.4 Below Minimum**

When circumstances result in balances below the minimum, staff should develop a plan to restore minimums fund balances and present it to Council Finance Committee.

## Definitions

**Non Spendable Fund Balances:** *Applicable to governmental funds. Permanent endowments or assets in a non-liquid form such as long term inter-agency loans.*

**Restricted Fund Balances:** *Applicable to governmental funds. Involve a third party such as State Legislative requirements, voter ballot language, or the Contractual Agreements with parties external to the City.*

**Committed Fund Balances:** *Applicable to governmental funds. Involve a of formal action by the City Council. An example is traffic calming revenues are required to be spent on traffic calming activities. Any unspent monies at end of year are classified as Committed to Traffic Calming in the General Fund.*

**Assigned Fund Balances:** *Are applicable to governmental funds. Assignments can be made by senior management. They represent the intent to use the monies for a specific purpose. An example of this it this the one time Harmony Road monies transferred by the State to the City. Although required to be used on Harmony Road, staff intends to use the monies only on Harmony Road improvements. These monies are considered when measuring compliance with minimum fund balances.*

**Unassigned Fund Balances:** *Are applicable only to the General Fund. These monies are considered when measuring compliance with minimum fund balances.*

**Working Capital:** *Is a term applicable to Internal Service and Enterprise Funds. It is the difference between Current Assets and Current Liabilities. Not all Working Capital is available. Available Working Capital does not include Restrictions for debt, Art in Public Places, approved capital appropriations, and other restrictions.*

**Unrestricted Net Position:** *Is a term applicable to Internal Service and Enterprise Funds. Not all Unrestricted Net Position is available. Available Unrestricted Net Position does not include unused Art in Public Places monies, approved capital appropriations, and other commitments.*

**Liquidity:** *Assets range from cash to land. The more easily and quickly an asset can be converted to cash determines its relative liquidity.*

**Reserves:** *A legacy term that previously referred to fund balances, or fund balances set aside for a specific purpose. It is no longer used on financial statements.*

**Fund Balance:** *Is a term applicable to Governmental Funds. Fund balance or Equity is the difference between Assets and Liabilities. Since governmental funds do not have long term assets and long term debt on their balance sheet, fund balance is similar and approximates working capital in the private sector and enterprise funds.*

## **Getting Help**

*Please contact the Controller with any questions at 970.221.6772.*