

RESOLUTION 89-174
OF THE COUNCIL OF THE CITY OF FORT COLLINS
ADOPTING THE FINANCIAL AND MANAGEMENT POLICIES
RELATING TO THE 1990 ANNUAL BUDGET

WHEREAS, the City Manager and City Council have reviewed various financial and management policies in conjunction with the annual budget process and five year plan; and

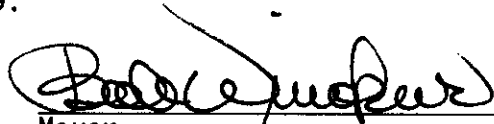
WHEREAS, the City of Fort Collins is committed to sound financial planning and direction; and

WHEREAS, these policies form the basis for various decisions affecting the 1990 Annual Budget; and

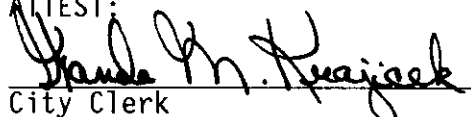
WHEREAS, City Council wishes to formally adopt these financial and management policies in conjunction with the adoption of the budget for the fiscal year beginning January 1, 1990 and ending December 31, 1990.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS, that the 1990 Financial and Management Policies attached hereto as Exhibit "A", and incorporated herein by reference, be, and the same hereby are, adopted as the basis for the Resolution adopting the 1990 Annual Budget for the City of Fort Collins.

Passed and adopted at the regular meeting of the City Council held this 3rd day of October, A.D. 1989.



Mayor

ATTEST:


City Clerk

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GENERAL

1.1. BUDGET SUBMITTAL AND PRESENTATION

- (a) On or before the first Monday in September of each year, the City Manager shall submit to the City Council a proposed budget for the ensuing budget year with an explanatory message. The proposed budget shall provide a complete financial plan for each fund of the City. It shall also 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 recommendation for the ensuing year.

The budget estimates are open to the public for inspection and copy. Within ten days City Council sets times for public hearings, at which time the public may comment upon the proposed budget. Before the last day of October of each year, the Council shall adopt the budget for the ensuing fiscal year.

- (b) The City of Fort Collins is committed to presenting a sound financial plan for operations and capital improvements. To this end, the City utilizes conservative revenue forecasts and:
1. Prepares separate five-year financial plans for operations and capital improvements;
 2. Allows staff to manage the operating and capital budgets, with City Council deciding allocations in both;
 3. Adopts financial and management policies which establish guidelines for five-year financial plans;
 4. Establishes target budgets yearly for all funds based upon adopted policies;
 5. Appropriates the next year's annual budget in accordance with the City Charter;
 6. Adjusts the annual budget to reflect changes in the local economy, changes in priorities, and receipt of unbudgeted revenues.
 7. Organizes the budget so that revenues are related to expenditures as much as possible;
 8. Provides department managers with immediate access to revenue and expenditure information for controlling their annual expenditures against appropriations;

9. Utilizes a performance measurement system for all activities in the City;
10. Evaluates recommendations which have a budget impact in light of annual appropriations and five-year financial plans.

1.2. BUDGET PROCESS AND PHILOSOPHY

(a) Charter Requirements

The City Charter requires a budget to be adopted for the ensuing fiscal year "before the last day of October of each year." A single appropriation ordinance is presented to Council at the first meeting in October of each year, containing the appropriations for all City funds for the ensuing year.

(b) Basis of Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses.

In Governmental Funds (General Fund, Special Revenue and Debt Service Funds, and Capital Projects Funds), the modified accrual basis of accounting is used. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the liability is incurred.

In Proprietary Funds (Enterprise Funds and Internal Service Funds), the accrual basis of accounting is used. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period incurred.

Although classified as Special Revenue Funds for budgetary purposes, the City's General Employees' Retirement and Police Pension Funds are classified as Trust and Agency Funds for Accounting purposes. The Fire Pension Fund is shown in Other Governmental with Poudre Fire Authority. Trust and Agency Funds are used to account for assets held by the City in a trustee capacity, or as an agent for others. Revenues and expenditures in these funds are recognized on the basis consistent with the fund's accounting measurement objective. For Pension Funds, the accrual method of accounting is used.

(c) Adoption Process

The annual budget process is based upon Charter requirements and City Council adopted Financial and Management Policies. In March, departments develop five year revenue projections and submit them to the Budget and Research Office, which develops target budgets for each department, based upon projected available resources.

Departments begin their budget development in April, based upon targets and a Budget Manual compiled by Budget and Research. Budget proposals are turned into Budget and Research in May, along with policy analyses relating to matters involving policy decisions that must be made by Council prior to development of the Recommended Budget.

All funds are expected to stay within their targets. Requests for funds above target amounts must be submitted in the form of Supplemental Requests. These requests are reviewed by the City Manager, and those having the greatest merit are incorporated into the Recommended Budget, if adequate resources are available. Each department meets with the City Manager to justify its budget submittal and Supplemental Requests.

In June, the Budget and Research Office prepares a list of policy issues for Council, containing summary information on the upcoming budget and policy analyses for review. This memo forms the basis for discussion at two Council worksessions, which provide staff with direction in developing the Recommended Budget.

The Recommended Budget is submitted to Council in late August and is made available to the public at the same time. During September, two additional Council worksessions are held; public input is solicited at two Public Hearings.

The budget for the upcoming year is adopted in October per Charter requirements, and a final adopted budget document is then printed.

(d) Changes to the Adopted Budget

1. Budget Increases

Funds are expected to confine spending to amounts appropriated during the Budget process. In certain cases, however, appropriations may be increased during the budget year in the following circumstances:

- **Carryover Encumbrances** - If a department has open purchase orders at year end, related appropriations are encumbered and carried over into the next year to cover the actual expense when it occurs.
- **Unanticipated Revenue** - If a fund receives revenue during the year from a source that was not anticipated or projected in the Budget, such as a grant or a bond issue, such revenue may be appropriated by Council for expenditure in the year received.
- **Prior Year Reserves** - In cases where a fund's reserves are greater than required by policies, Supplemental Requests may be funded, with Council appropriating amounts from reserves to fund items which were not included in the adopted Budget. Council may also appropriate reserves in case of emergency or unusual circumstances, if it determines that such appropriations are in the best interests of the City.

2. Budget Decreases

When economic developments dictate, budgets may be decreased during the year to levels below adopted appropriations. As part of the budget process departments submit **Program Reductions**, detailing in order of preference which appropriations they would relinquish should such action become necessary. If this action becomes necessary in the opinion of the City Manager, Budget and Research moves these appropriations to a line item called "Frozen Appropriations", and the City Manager will immediately inform the City Council of this action. While this does not lower the appropriations in a fund, it prevents them from being spent. If the situation should later change, the appropriations may be returned to other line items for expenditure.

(e) Level of Control and Budget Transfers

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 as they deem appropriate. There are two general types of budget transfers:

1. **Within Fund** - This is a transfer between line items and/or departments within a fund, and requires approval of the fund manager.
2. **Between Funds** - This type of transfer requires the Recommendation of the City Manager and formal action by the City Council.

In order to provide City Council with information and control over capital improvements taking place within the City, Council approval is also required to transfer appropriations between Capital Projects. This is normally done in cases where a project is completed under budget and Council wishes to use the unused appropriations to enlarge the scope of another project.

(f) Lapsing of Appropriations

Per the City Charter, any appropriations which are unspent at the end of the year lapse into fund balance, where they cannot be spent unless appropriated by Council with the following exceptions:

- **Capital Projects** - Appropriations for Capital Projects do not lapse until the project is completed and closed out.
- **Grant Funds** - Appropriations funded by federal or state grants do not lapse until the grant expires, or the project for which the grant was received is completed and closed out.

1.3. CATEGORIZATION OF CITY SERVICES

The City Council has reviewed and categorized all City services in order to set priorities for allocating available money. These categories are:

Basic or Core Services - services that are best performed at the local level and are most closely linked to protecting the health and safety of citizens. Legally mandated services or commitments are also included in this category.

Maintenance of Effort Services - services which the City has traditionally provided or which reflect a major capital investment requiring an expenditure of funds to maintain.

Quality of Life - activities which are provided for more specialized groups and enhance the desirability of Fort Collins as a place to live.

These categories were applied to City services in the following manner:

Basic or Core Services

Building Inspection
Debt Payments
Fire
Light & Power
Police
Storm Drainage
Streets
Water & Wastewater

Quality of Life

Community Services
Golf
Lincoln Center
Museum
Open Space
Recreation

Maintenance of Effort Services

Cemeteries
Engineering
Facilities
General Administrative Services
Internal Service Activities
Library
Natural Resources
Park Maintenance
Planning
Street Lighting
Transport

REVENUE POLICIES

2.1. REVENUE REVIEW AND PROJECTION

The City reviews estimated revenue and fee schedules as part of the budget process. Estimated revenue is conservatively projected for five years and updated annually. Proposed rate increases are based upon:

- fee policies applicable to each fund or activity;
- the related cost of the service provided;
- the impact of inflation in the provision of services;
- equity of comparable fees.

The City of Fort Collins maintains a diversified and stable revenue system to shelter the City from short-run fluctuations in any one revenue source.

2.2. SALES AND USE TAX DISTRIBUTION

The City's Sales & Use Tax totals 2.75 cents, developed as follows:

1968 - General City uses	1.00
1980 - General City uses	1.00
1982 - General City uses	.25
1989 - Street Capital Maintenance	.25*
1990 - CHOICES 95 Capital Improvement Program	.25*

	2.75

*Excluding sales of grocery food.

TAX ON ALL SALES & USES-EXCLUDING GROCERY FOOD: 0.50 cents

Capital Projects Fund

CHOICES 95 Capital Improvement Program	50%
Street Capital Maintenance	<u>50%</u>
TOTAL	100%
	====

Revenue generated by the Sales and Use Tax will be distributed, based on adopted budgets, in the following manner:

TAX ON ALL SALES & USES: 2.25 cents

(1) Fixed Dollar Amounts

Debt Service Fund
Ft. Collins/Loveland Airport Authority
Sales & Use Tax Reserves
Street Oversizing

(2) General Fund

Actual Sales and Use Tax revenue generated by the 2.25 cent tax in excess of the fixed dollar amounts listed above, will be transferred to the General Fund.

Actual Sales and Use Tax revenue generated by the 0.25 cent tax for Street Capital projects will be transferred to, and be retained in, the Capital Projects Fund for repair and maintenance of existing streets. Timely effective repair and maintenance helps to avoid costly reconstruction to streets after deterioration has become irreversible.

Actual Sales and Use Tax revenue generated by the 0.25 cent tax for the CHOICES 95 Capital Improvement Program will be transferred to, and be retained in, the Capital Projects Fund for construction of projects approved during the CHOICES 95 process. With this pay-as-you-go program, no debt will be incurred to complete projects.

2.3. GENERAL FUND FEES AND TAXES

The City of Fort Collins imposes a number of miscellaneous licenses, fees and taxes, which are reviewed annually in conjunction with the Revenue Policy, to determine rates and fee schedules for the ensuing year.

2.4 PRIVATE CONTRIBUTIONS

The City encourages the solicitation of private contributions for "Quality of Life Services". These services and programs represent an "extra" that the City has been able to provide to residents. In times of revenue constraints the City may not be able to provide the same level of service without additional support. Therefore, efforts should be made to secure private contributions in support of these programs and services, as these contributions are an integral part of their successful operation.

FINANCIAL ADMINISTRATION

3.1. ADMINISTRATIVE CHARGES

The General Fund provides services to all funds, requiring a formula for the allocation of Administrative Charges. The formula utilized in the allocation is as follows:

- 50% of the cost is allocated based on the ratio of each fund's budget to the total City budget (excluding Light & Power's Purchased Power) and;
- 50% of the cost is allocated based on a ratio of the number of City employees in each fund to the total number of City employees.

This policy is applied to all funds, with the exception of those funds subsidized by the General Fund.

3.2. BUILDING MAINTENANCE COSTS

As part of the 1985 Budget process, Council considered the City's policy relating to the maintenance of City buildings. Such maintenance has been classified into three categories:

1. General
2. Renovation
 - a. Minor
 - b. Major
3. Replacement

Priorities associated with the categories have also been established:

1. Life, Health, and Safety
2. Repair
3. Protecting Capital Investment
4. Quality/Enhancement

3.3. LEASE/PURCHASE

The City of Fort Collins has used lease/purchase financing for the provision of new and replacement equipment, vehicles and rolling stock in order to ensure the timely replacement of equipment and vehicles.

Other advantages that lease/purchase financing can offer over the traditional cash method of financing are:

- Decreasing the impact of inflation on the purchase of new and replacement equipment.
- Reducing the initial impact of the cost to user departments by enabling acquisition costs to be spread over the useful life of the equipment.
- Safeguarding the opportunity to use cash assets to earn higher interest than the interest cost of lease/purchasing.

Finally, it should be noted that the City is able to discontinue the equipment leases at its discretion so that future City Councils will have the option to continue or discontinue the policy of lease/purchasing City equipment.

3.4. MEDICAL INSURANCE

The City of Fort Collins entered into a partially self-funded medical insurance program in October 1981. This program allowed the City to cut out profit paid to a private carrier, invest available money (at higher rates), and maintain better cash flow. The initial savings were as high as expected and the program continues to provide a cost effective and very desirable employee fringe benefit.

The partially self-funded insurance program is enhanced by a consortium of cities to collectively bid administrative services, stop-loss insurance for unexpected emergencies, and life and accidental death and dismemberment insurance, resulting in lower rates.

3.5. PAYMENT IN LIEU OF TAXES (PILOT)

In accordance with the City Charter regarding municipality rates and finances, the water, sewer, and electric utilities "pay into the General Fund in lieu of taxes on account of the city-owned utilities such amount as may be established by the Council by ordinance".

The PILOT rate, as established by Council is 5% for the Water and Wastewater Utilities, and 6% for the Light and Power Utility. This rate is applied to the operating revenues per year for each utility. The PILOT establishes a rate approximately one and one-half (1.5) times the rate that would be charged if the utilities were privately owned.

3.6. PENSION FUNDS

The City of Fort Collins contributes to three pension plans, including:

- Fire
- General Employee Retirement
- State Pension - Fire

The Fire and General Employee Retirement Plans are administered by the City of Fort Collins. The rate of contribution for the City administered plans is based upon an annual actuarial analysis for the normal cost and unfunded liability of the number of employees participating in each pension plan.

The City's current pension plans consist of the following provisions:

- The City will maintain contribution rates at a level sufficient to meet all current normal costs of each pension plan;
- Any unfunded liability incurred by individual pension funds will be amortized over a period not to exceed twenty years;
- A thrift plan for City employees is an adjunct to the general employee retirement plan, to maintain comparability with benefits provided by other Front Range communities. Employee participation in this plan is optional.
- A money purchase plan is offered to City Police employees who do not belong to Social Security.

The Budget incorporates the following rate requirements to continue this policy:

Normal Costs	Fire	General Employee	Employee Thrift Plan	Police Money Purchase Plan
City Contribution	8%	3.553%	3%	8%
Employee Contribution	<u>8%</u>	<u>--</u>	<u>3%</u>	<u>8%</u>
TOTAL	16%	3.553%	6%	16%

Unfunded Liability	Fire	General Employee	Total
City Contribution	\$84,000	\$ 0	\$84,000

3.7. PERFORMANCE PAY PLAN

The City's goal as an employer is to attract and keep quality employees. To help accomplish this goal, the City has established a performance pay plan. The performance pay philosophy has been maintained for five general reasons:

1. to attract quality employees;
2. to retain quality employees;
3. to operate the City with fewer employees than comparable jurisdictions;
4. to provide an incentive and reward for productivity, and;
5. to recognize cost savings generated by productive employees.

Every effort will be made to provide the economic adjustment necessary for the performance pay plan by January of each year. If this is not financially feasible, as much as can be provided (given the priority demands on available resources) will be given in January.

In the area of compensation, the City initiated, in 1986, a three-year program to address the issue of comparable worth, which is concerned with compensation of individuals based upon their value to the organization.

3.8. POUFRE FIRE AUTHORITY - REVENUE ALLOCATION FORMULA

- (a) In December 1981, the City entered into an agreement with the Poudre Fire Protection District, creating the Poudre Fire Authority (PFA), which provides fire protection services to the City. The Revenue Allocation Formula outlines the City's contribution to the PFA:

Annual Operations and Maintenance Budget

The City will contribute funding for maintenance and operation costs of the Poudre Fire Authority which shall be established annually based upon a percentage of Sales & Use Tax revenues and a portion of the operating mill levy of the City's Property Tax. These funds are in addition to funds contributed by Poudre Valley Fire Protection District.

- (b) The City allocates 66.64% of the Property Tax mills to the PFA in 1990. In accordance with Resolution 89-175, the City currently contributes 5.108 mills of existing Property Tax to the PFA.

An allocation of 0.303 of one cent of the City's 2.25 cent Sales & Use Tax is applicable to all taxable sales and uses to the PFA. The Revenue Allocation Formula represents the City's contribution to the PFA for its operation and maintenance costs as well as for capital expenditures.

3.9. REBATE PROGRAMS

The City recognizes that certain segments of its population, specifically the handicapped and senior citizens on fixed incomes, may be unable to keep pace with increasing taxes and utility costs. In an effort to partially offset the cost of Property Taxes, utility billings and Sales Taxes on these segments of its population, the City has established several rebate programs, as follows:

Property Tax and Utility Charge Rebate Program

These programs provide financial assistance to handicapped residents and senior citizens, in the form of an annual rebate on Property Tax and Utility charges, who qualify under residency and income guidelines.

Sales Tax Rebate on Food Program

The City recognized the regressiveness of the Sales Tax on food and specifically excluded the sale of grocery food when enacting a voter-approved \$0.25 cent Sales and Use extension for street maintenance on July 1, 1989 and the extension of the 0.25 cent January 1, 1990, for the CHOICES 95 Capital Improvement Program

In addition to these measures, the City has a Sales Tax Rebate on Food Program. This program provides for an annual rebate to members of qualifying households on the basis of residency and income guidelines.

3.10. CAR ALLOWANCE

The City provides reimbursement to its employees for use of their personal vehicle on official City business. Payment is considered a reimbursement for expenses and not a form of compensation. All payments are based on the actual mileage traveled by the employee at a mileage reimbursement rate set by the City Manager.

GOVERNMENTAL AND PROPRIETARY FUNDS

4.1. GENERAL FUND

The General Fund is the largest and most diverse of the City's operating funds. It includes all resources not legally restricted to a specific use. The major source of revenue to the General Fund is the Sales & Use Tax, which accounts for approximately 56% of the fund revenue. Local Property Tax and the Lodging Tax are also included in the General Fund as are revenues derived from fees for services and materials, licenses, permits, and fines.

4.2. ENTERPRISE FUNDS

The City currently has six Enterprise Funds. These include Cemeteries, Golf, Light & Power, Wastewater, Storm Drainage, and Water. The Enterprise Fund classification has been used to account for various services for which there exists a significant potential for financing through user charges. Historically, services were accounted for in an Enterprise Fund only if they were financed more than 50% by user charges. In the 1990 Budget, all Enterprise Funds (with the exception of Cemeteries) will recover 100% of their costs through the five year projection.

The long term goal of all enterprise accounts is self-sufficiency. Toward this end, those funds which are not presently recovering at least 75% of their costs shall incrementally adjust their rate structures to achieve a positive income position. Those operations which cannot achieve a positive income position within a five year time frame may be accounted for as subsidized operations and not as Enterprise Funds.

(a) Light & Power Utility

The financial policies of the Light & Power Utility are administered in accordance with the City Charter. The budget/five year plan has been prepared in compliance with the following:

1. Fundamental Purpose

"To efficiently manage the City of Fort Collins' energy systems and services with sensitivity to the environment, the community, and conservation of resources. To enhance the quality of life for the consumers and the community through provision of sufficient electrical energy, reliably and economically."

2. Electric Rates

Electric 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 pay the full cost of operation and maintain the electric utility in good repair and working order;
- To provide an operating reserve equal to 8% of budgeted operating expenditures, excluding the cost of purchased power;
- To provide a future capital improvements reserve in an amount equal to the average annual cost (excluding debt financing) of the approved five-year capital improvement plan, considering any changes which, from time to time, may be made in such plan;
- To provide a purchase power reserve equal to approximately 25% of the annual revenue from the sale of electrical energy. This reserve shall be used to partially off-set, defer, or mitigate the impact of purchase power cost increases due to factors such as federal power issues or the competitive marketing of post 1994 surplus Rawhide power. Reserves projected to exceed the 25% level shall be reported to Council during the annual budget process.

3. Excess Retained Earnings

Priority for the accumulation of reserves and excess retained earnings shall be as follows: reserves shall first be accumulated in operating reserve, second in future capital improvements reserve, third in the purchase power reserve. After reserves are funded as specified in 2. above, any excess retained earnings shall be added to the purchase power reserve.

4. Operating Records

The Light & Power Utility will maintain a standard system of accounting which shall, at all times, correctly reflect all financial operations of the system and keep other such records and data as are generally used by the electric utility industry.

The accounts of the Light & Power Utility shall be kept separate and distinct from all other accounts of the City and shall contain proportionate charges for all services performed by other departments as well as proportionate credits for all services rendered to other departments.

(b) Water & Wastewater Utilities

Formally adopted financial policies are an important factor in planning the financial operations of the Water and Wastewater utilities. Policy statements have been developed and incorporated into the five year financial plan as follows:

1. Net Income

The net income of the Water and Wastewater Utilities shall be at least equal to the annual cost of the following:

- Principal reductions of outstanding bonds;
- Loan requirements to Federal or State agencies, and;
- Annual operating reserve increases.

2. Rate Requirements

Utility rates shall be set at a level to provide for the net income requirement in each fiscal year. Levelized rate increases are preferred and, when possible, should be achieved through levelized expenditures.

3. Reserves

The following reserves shall be established and maintained in the applicable utility:

- Operating Reserve - at least equal to 2% of the projected annual operating revenue.
- Plant Investment Fee Reserve - equal to the annual fees less annual cost allocated to System Expansions.
- Capital Reserve - equal to the amount of bond proceeds available at the end of one fiscal year to be expended in the next fiscal year.
- Debt Reserve - equal to the amount required by individual bond ordinance.

4. Capital Cost Financing

Annual capital cost shall be identified as one of three types, and financed as noted:

- Normal replacement of the existing system. Financed on a Pay-As-You-Go basis from a reserve for depreciation funded from current rates.
- System improvements that benefit the existing and future population. Debt financed over the life of the improvement and the annual debt service shall be funded from current rates.
- System expansions that benefit future populations. Debt financed over the life of the expansion, and annual debt service shall be funded from a combination of Plant Investment Fees and Contributions in Aid of Construction.

Federal and/or State grants may be utilized to fund portions of, or all, capital costs.

(c) Storm Drainage Fund

The primary purpose of the Storm Drainage Fund is to meet the public need for effective stormwater management, including flood control, capital improvements and the operation and maintenance of drainage facilities.

1. Operation and Maintenance Requirements

Utility rates will be set at a level to provide for the operation and maintenance requirement for each fiscal year. The rate is based on the category of land usage and a per square foot per month rate.

2. Capital Project Needs

A master plan has been developed for each basin to identify drainage needs, set fees, and determine capital improvement requirements. In the effort to balance storm drainage risk and liability, a 20-year storm drainage capital program has been developed that relates to the system requirements of each basin where a positive cost/benefit ratio exists.

To finance this capital program, a one-time basin fee is collected with new development and a monthly capital fee from property owners.

3. Capital Cost Financing

The financing of capital improvements will be accomplished through the following:

- a one-time basin fee that is collected with new development;
- monthly capital fee collected from property owners;
- bond issues that will be financed over the life of the improvement.

The annual debt service will be provided from the existing monthly capital fees.

4. Reserves

The following reserves have been established:

- Capital Reserve - equal to the amount of bond proceeds, monthly capital fees, and one-time new development fees available at the end of one fiscal year to be expended in the next fiscal year;
- Operating Revenue Reserve - equal to 2% of the projected annual operating revenue;
- Debt Reserve - equal to the amount required by the individual bond ordinance.

4.3. INTERNAL SERVICE FUNDS

Internal Service Funds are used for the operation of agencies which provide goods and/or services to other agencies within the City on a cost-reimbursement basis. These funds cover expenditures through the imposition of user charges.

4.4. SPECIAL REVENUE AND DEBT SERVICE FUNDS

Special Revenue Funds are used to account for the proceeds of revenue sources which are restricted by law or administrative action to expenditures for specified purposes. Special Revenue Funds include Cultural Services & Facilities, Recreation, Transit, Transportation, and the City's various Pension funds.

The Debt Service Fund is used for the payment of principal and interest on long-term debts. The major source of revenue in the Debt Service Fund is the Sales & Use Tax.

(a) Cultural Services & Facilities Fee Policy

The Cultural Services & Facilities Fund shall budget to recover at least 40% of its total cost in revenue generated through implementing the following policy:

1. Total revenue from fees and charges shall cover a minimum of 55% of Lincoln Center Operation & Maintenance and Performing & 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 & Visual Arts Programming. A transfer from the General Fund will make up the difference between total revenue and expenditures.
2. The Cultural Services & 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.

(b) Recreation Fund Fee Policy

The following fee policy for the Recreation Fund continues in effect.

1. The Recreation Division shall recover a minimum of 50% of its total costs in revenue generated through fees and charges.
2. Categories have been created for the Recreation Programs in order to evaluate which programs must cover total or partial expenditures. These categories are:

A. Total Support

1. Sports
2. Dance and Fitness

B. Partial Support

1. Aquatics
2. Outdoor Recreation
3. Arts and Crafts
4. Special Interests

C. Minimal Support

1. Senior Citizens
2. Special Events
3. Therapeutics
4. Youth Centers
5. Northside Recreation

Total revenue from fees and charges shall cover a minimum of 80% of "Total" and "Partial" support program costs. A transfer from the General Fund will comprise the difference between actual revenues and expenditures in these programs as well as programs requiring "Minimal" support.

3. Revenue generated from rentals, concessions, and other miscellaneous sources shall be considered an equal priority with class registrations when establishing fees and charges.
4. The Recreation Division shall provide designated programs for senior citizens and developmentally disabled persons at 1/2 the established fee, and to low-income citizens at 1/3 the established fee.
5. The Recreation Division shall charge rental for rooms, pool time, gym, ball field, and special equipment, as specified in written policies.

6. An admission fee shall be charged at the Northside Community Center for use of the weight room, locker room, and gym, during drop-in hours.
7. Solicitation of funds through donations, fund raising events, non-traditional sources, and various other needs shall be encouraged by the Parks and Recreation Advisory Board and City Council.

Funding collected for any special purpose shall be earmarked for that purpose, and the utilization of foundations for the furtherance of this goal shall likewise be encouraged.

CAPITAL IMPROVEMENT FUNDS

5.1. CITIZEN PARTICIPATION

With Resolution 87-130, Council solicited citizen involvement and participation in formulating a Capital Improvements Program known as Choices 95. This created a citizen committee to make recommendations on the capital improvement needs of the community and the financing of those improvements. The recommended Capital Improvement Program was presented to Council by the Choices 95 citizen committee along with a pay-as-you-go funding recommendation. The Choices 95 Capital Improvement Program committee was instrumental in the determination of projects and funding mechanism to be accomplished in the 1990-1997 Capital Improvement Program.

The residents of Fort Collins on March 7, 1989, approved the extension of a 0.25 cent Sales and Use Tax rate (excluding grocery food) to finance the Choices 95 Capital Improvement Program. This extension is effective for a seven year period beginning January 1, 1990. In addition, the residents also approved the extension of 0.25 Sales and Use Tax rate (excluding grocery food) to finance much needed resurfacing of the City's streets. This extension is effective July 1, 1989 and expires January 1, 1997.

5.2. CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program includes the Capital Projects Fund, the Conservation Trust Fund, and the Parkland Fund.

(a) Capital Projects Fund

The Capital Projects Fund includes two capital project classifications:

- General City Capital Projects
 - General Capital Projects
 - Choices 95 Capital Projects
 - Street Capital Maintenance
- Utility Capital Projects.

GENERAL CITY CAPITAL PROJECTS:

General Capital Projects include minor street repair, concrete program, pedestrian access ramps, major building maintenance and other minor capital projects. General Capital Projects are financed by transfers from the appropriate financing fund and can be financed through bond proceeds and/or grant funds deposited directly in the Capital Projects Fund.

Choices 95 Capital Projects were recommended by the Choices 95 citizen committee and approved by the voters of Fort Collins. The proceeds of the 0.25 cent Sales and Use Tax is specifically dedicated to finance these projects.

Street Capital Maintenance includes street resurfacing and maintenance projects. Council recognized the importance of maintaining existing City streets, and the voters approved using 0.25 cent Sales and Use Tax revenue to finance the projects.

UTILITY CAPITAL PROJECTS:

Includes Wastewater, Storm Drainage, and Water Funds and are financed by transfers from the respective financing fund. Sources of funding are bond proceeds and specific fees and charges. Light & Power Utility Capital Projects are included in the Light & Power Fund and therefore do not appear in the Capital Projects Fund.

(b) Conservation Trust Fund

The Conservation Trust Fund provides for the receipt and expenditure of revenue received from the Colorado State Lottery. The Lottery revenue finances capital projects which relate to the acquisition and development of open space and trails including associated administrative costs and charges. Consistent with Colorado statutes, the operation and maintenance of existing open space and trails may also be financed by these funds.

(c) Parkland Fund

The Parkland Fund provides for the development of neighborhood parks, as financed by a Parkland Fee. The Parkland Fee is collected from developers for each new dwelling unit established within the City limits. The Parkland Fund includes funds for neighborhood park capital improvements, with associated operation and maintenance costs included in the General Fund operating budget.

5.3 CAPITAL IMPROVEMENT POLICY

With the exception of the Choices 95 Capital Programs, the City will continue to operate under its existing Capital Improvement Policy:

- The City will develop a multi-year plan for capital improvements and update it annually;
- The City will make all capital improvements in accordance with the adopted Capital Improvement Program and the Capital Project Management Control System;
- The City will identify estimated costs and funding sources for each capital project requested before it is submitted to City Council;
- The City will use intergovernmental assistance to finance only those capital improvements that are consistent with the Capital Improvement Plan and City priorities and whose operating and maintenance costs have been included in the operating budget forecasts.

RESERVE POLICIES

6.1. POLICY STATEMENT

The accumulation of reserves protects the City from uncontrollable increases in expenditures or unforeseen reductions in revenues, or a combination of the two. It also allows for the prudent financing of capital construction and replacement projects.

6.2. TYPES OF RESERVES

The City of Fort Collins maintains the following reserves in its governmental and proprietary funds:

- **General Fund Designated for Revenue Shortfall** this reserve is held in the General Fund and is designed to be available for temporary financing of unforeseen needs of an emergency nature, and to permit orderly adjustment to revenue losses. The amount of money to be held in the general contingency reserve will not be less than 6% of the approved General Fund budget.
- **General Fund Designated for Buildings & Improvements** - this reserve provides for deferred maintenance needs, major renovations and repairs to maintain the City's facilities. An appropriate amount is determined based on the dollar value of City buildings and improvements.
- **General Fund Designated for Equipment Replacement** - this reserve provides for the timely replacement of operating equipment (vehicles or machinery) and the purchase of additional equipment due to increased need. An appropriate reserve amount is determined based on the total dollar value of City equipment.
- **Operating Reserves** - operating reserves are held in Enterprise, Internal Service, and some Special Revenue Funds. There are two types of Operating Reserves:
 1. An appropriated contingency which provides for unexpected or unanticipated expenditures during the years. It is typically budgeted at an amount equal to 2% of the annual operating budget by fund, but may be a fixed amount depending upon available funds.

2. Revenue reserve of working capital is established to provide for unforeseen revenue losses. If something happens to the economy, there is flexibility without worrying that current expenditures will exceed the total revenue available. The revenue reserve is calculated at an amount equal to 2% of projected annual operating revenue by fund.

This revenue reserve is not appropriated as part of the annual budget, but may be utilized at the end of the fiscal year, if necessary.

- **Capital Reserves** - Capital reserves are established in order to provide for normal replacement of existing capital plant and additional capital improvements financed on a pay-as-you-go basis.

The amount of the reserve is determined by averaging the dollar value of capital needs as shown in the Capital Improvement Program.

A second type of capital reserve is appropriated capital contingency, typically 5% of the amount annually appropriated for capital construction, which provides for the conceptual study and preliminary design of unanticipated capital improvements.

Debt financed capital improvements are, by definition, financed by proceeds of bond issues and do not require capital reserves.

- **Debt Reserves** - Debt reserves are established to protect bond holders from payment defaults. Adequate debt reserves are essential in maintaining good bond ratings and the marketability of bonds.

The amount of debt reserves are established by bond ordinance in association with each bond issuance.

INVESTMENT PROGRAM

This Investment Policy is intended to supplement and expand upon Ordinance No. 8, 1988 of the Council of the City of Fort Collins, Providing for the Investment and Deposit of Public Funds and Moneys of the City of Fort Collins (hereinafter referred to as the "Ordinance").

The Financial Officer, City of Fort Collins, Colorado (hereinafter referred to as the "Officer"), is charged with the responsibility of prudently and properly managing any and all funds of the City. Because these funds may be called upon for expenditure at any time, absolute maturity horizons must be identifiable for the purpose of liquidity. Moreover, these funds must be fully collateralized to minimize risk of principal. The following Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and sound cash management.

7.1 SCOPE

This policy shall apply to the investment of all financial assets and all funds of the City of Fort Collins (hereinafter referred to as the "City") over which it exercises financial control, including funds held in a trust capacity. In order to maximize use of the City's cash resources, all City moneys shall be pooled into one investment account with earnings credited separately. The investment income derived from this account shall be distributed to the various City funds in accordance with City Charter, Code and applicable state statutes.

7.2 OBJECTIVES

The City's principal investment objectives are:

- Preservation of capital and the protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated disbursements and cash flows.
- Diversification to avoid incurring unreasonable risks regarding securities owned.
- Maximizing security by selecting only proven dealers, brokers and financial institutions.
- Attainment of a market rate of return equal to or higher than the performance measure established by the Director of Finance.
- Conformance with all Federal, State and other legal requirements.

7.3 DELEGATION OF AUTHORITY

The ultimate responsibility and authority for investment transactions involving the City resides with the Officer who has been designated by the Charter of the City as responsible for City investments. The Officer may appoint other members of the City staff to assist him (her) in the cash management and investment function. The Officer must establish written administrative procedures for the operation of the City's investment program consistent with this Investment Policy. The Officer and any designee acting within these procedures shall not be held personally liable for specific investment transactions.

The Officer may in his (her) discretion, and consistent with City procurement procedures, appoint Investment Advisors registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. The advisors may be granted limited investment discretion regarding the City's assets placed under their management.

7.4 PRUDENCE

The standard of prudence to be used for managing the City's assets is the "prudent investor" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived."

7.5 ELIGIBLE INVESTMENTS

All investments will be made in accordance with the Ordinance adopted by the Council of the City of Fort Collins, a home rule municipality, and the Colorado Revised Statutes.

The Ordinance states: "The City may invest its public funds and moneys in any securities now or hereafter designated as legal investments in any applicable statute of the State of Colorado or in any of the following securities:

- Obligations issued by any agency, instrumentality or public corporation of the United States.
- Debentures or similar obligations issued by any federal intermediate credit bank or any bank for cooperatives.
- Obligations issued by or on behalf of the City.
- Obligations issued by or on behalf of any state of the United States or any political subdivision, agency, instrumentality or public corporation thereof having an investment grade rating from Moody's Investors Service or Standard & Poor's Corporation.

- Prime-rated bankers acceptances.
- Prime-rated commercial paper.
- Guaranteed investment contracts of domestically-regulated insurance companies having a claims-paying ability rating of "AA" or better from Standard & Poor's Corporation.
- Repurchase and reverse repurchase agreements of any marketable security described in this Ordinance which afford the City a perfected security interest in such security.
- Shares in any money market fund or account, unit investment trust or open- or closed-end investment company, all of the net assets of which are invested in securities described in this Section 1, to the extent not prohibited by Colorado Constitution Article XI, Section 2."

7.6 REPORTING & REVIEW

An investment report shall be prepared and submitted to the City Council, at least on a quarterly basis, of all of the investments held by the City, the current market valuation of the investments, transaction summaries and performance results. The Officer and his (her) investment staff shall meet at least quarterly to review the portfolio's adherence to appropriate risk levels and to compare the portfolio's total return to the established investment objectives and goals. The Officer shall periodically establish a benchmark yield for the City's investments which shall be equal to the average yield on the U.S. Treasury security which most closely corresponds to the portfolio's actual weighted average maturity. When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio should be included in the computation of the portfolio's rate of return. The Investment Policy will be reviewed periodically by the Officer and may be amended by the City Manager and the City Council as conditions warrant.

7.7 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

DEBT POLICY

8.1 AUTHORIZATION FOR MUNICIPAL BORROWING

The Charter of the City of Fort Collins authorizes the borrowing of money and the issuance of the following securities to evidence such indebtedness:

- Short-term notes.
- General obligation securities.
- Revenue securities.
- Refunding securities.
- Special assessment securities.
- Tax increment securities.
- Any other securities not in contravention of the Charter.

The Charter also regulates which securities may be issued only after a vote of the electors of the City and approved by a majority of those voting on the issue.

Election Required

Securities payable in whole or part from ad valorem taxes of the City except tax increment securities. The aggregate sum of these securities which have not been refunded or defeased shall not exceed 10% of the assessed valuation of taxable property within the City.

Election Not Required

Short term notes (12 months or less) issued in anticipation of the collection of taxes and other revenues.

Securities issued for water purposes.

Securities payable solely from revenues other than ad valorem taxes of the City.

Refunding securities issued to refund and pay outstanding securities other than those payable in whole or part from ad valorem taxes.

Securities for any special or local improvement district.

Tax increment securities payable from ad valorem tax revenues derived from increased valuation for assessment of taxable property within a plan of development or other similar area as defined by applicable state statutes.

8.2 CONDITIONS FOR USING DEBT

The City of Fort Collins will use debt financing only when it is considered appropriate. The issuance of debt will be considered appropriate when the following conditions exist:

- When non-continuous capital improvements are desired;
- When it can be determined that future citizens will receive a benefit from the improvement;
- When it is necessary to provide basic services to citizens (e.g., purchase of water rights);
- When the rights of bond buyers and subsequent investors are protected through full disclosure; and
- When total debt including that issued by overlapping governmental jurisdictions does not constitute an unreasonable burden to the citizenry.

8.3 SOUND FINANCING OF DEBT

When the City of Fort Collins utilizes long-term debt financing, it will ensure that the debt is soundly financed by:

- Conservatively projecting the revenue sources that will be used to pay the debt;
- Financing the improvement over a period not greater than the useful life of the improvements;
- Determining that the cost/benefit of the improvement, including interest cost, is positive;
- Maintaining a debt coverage ratio which ensures that combined debt service requirements will not exceed revenues;
- Restricting the total debt burden to levels recommended by national rating agencies that are now estimated to be 10%-15% of the combined operating and debt service fund expenditures; and
- Recognizing national ratios established for municipal debt such as per capita debt, and median debt and issuing debt that will place the City in the lower, conservative side of those ratios.

8.4 FINANCING METHODS

The City maintains the following policies in relation to the methods of financing used to issue debt:

- Total general obligation debt will not exceed 10% of assessed valuation, in accordance with the City Charter;
- Where possible, the City uses revenue or other self-supporting bonds instead of general obligation bonds;
- When appropriate, the City will issue non-obligation debt (e.g, Industrial Development Revenue Bonds) to promote community stability and economic growth;
- Fort Collins maintains good communications with bond rating agencies about its financial condition and whenever possible issues securities that have been rated by Moody's Investors Service or Standard and Poor's Corporation.
- Fort Collins will communicate with Larimer County, Poudre R-1 School District, the Poudre Valley Hospital District and any other entity whose debt would contribute to the overlapping debt ratio for the purpose of keeping such debt burden at a conservative level.

Annual budgets include debt service payments and reserve requirements for all debt currently outstanding and for that anticipated to be issued within the budget year.