City of Boulder

CITYWIDE FINANCIAL AND MANAGEMENT POLICIES

August 2015

The purpose of the City of Boulder's Financial and Management Policies is to provide guidelines and goals that will influence and direct the financial management practice of the city. A financial policy that is adopted, adhered to, and regularly reviewed is recognized as the cornerstone of sound financial management. An effective financial policy:

- Provides principles and guidelines that minimize costs and reduce risk
- Maintains appropriate financial capacity for present and future needs
- Ensures legal compliance and appropriate internal controls.

The following financial and management policies are intended to be consistent with the City of Boulder's Charter and the Boulder Revised Code. The related section of the City Charter can be found at: City Charter Article VI Finance and Record. The Boulder Revised Code can be found at: Boulder Revised Code.

SECTION 1: Budget Policy

1.1 Budget Submittal and Adoption

- No later than three months before the end of each fiscal year, the City Manager shall prepare and submit to the Council an annual budget for the ensuing year.
- City Council will adopt a budget every year by December 1 prior to the budget period.
- The legal period of the council adopted budget is one fiscal year.
- The fiscal period for the City of Boulder is January 1 to December 31.

1.2 Form of Budget

- The budget shall present an itemized statement of the appropriations recommended by the City Manager for estimated expenses and for permanent improvements for each department and each division for the ensuing fiscal year.
- Comparative data of the appropriations and the expenditures for the current and last preceding fiscal year as well as the increases or decreases in the recommended budget shall be provided.

1.3 Balanced Budget

- Annual budgets shall be balanced. Budgeted expenditures and transfers-out will not exceed reasonable projections of the sum of current year revenues, transfers-in, and available fund balances.

- One-time revenues shall only be used to cover one-time costs and ongoing revenues shall only be used to cover ongoing costs.
- Debt service shall not be utilized for operating expenses.

1.4 Changes to Adopted Budget

- Normally, initial appropriations (excluding carryovers and encumbrances) will be made only in the context of the annual budget process when all city needs can be reviewed and prioritized in a comprehensive manner. The annual budget process will also include a projection of the multi-year impact of decisions. Two annual, one-time adjustments to the initial appropriations may be submitted to City Council for approval.

1.5 Budget Process

- While the Charter establishes time limits and the essential content of the City Manager's proposed budget, the budget preparation process is not prescribed. The preparation process is developed by the City Manager with input from the City Council.
- The city will develop its annual budget in such a manner in order to incorporate historical trend analysis for revenues and expenditures with an adjustment for current financial trends and developments as appropriate.

1.6 Form of Budget

- The budget shall present an itemized statement of the appropriations recommended by the City Manager for estimated expenses and for permanent improvements for each department and each division for the ensuing fiscal year.
- Comparative data of the appropriations and the expenditures for the current and last preceding fiscal year as well as the increases or decreases in the recommended budget shall be provided.

1.7 Budgetary Control

- The City of Boulder monitors revenues and expenditures on an ongoing basis and ensures that expenditures do not exceed appropriation in a fund for the annual fiscal period.

SECTION 2: 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 projected in a "most likely" scenario for five years and updated annually.
- A long-rage financial plan that accounts for long-term revenue and expenditures is updated every 5 years.

2.2 User Fee Guidelines

- The City of Boulder is allowed to recapture, through fees, up to the full cost of providing specific services. The fees will be calculated based on the end user of the service, administrative costs, and market rates.

- Proposed rate increases are based on the Citywide Pricing Policy Guidelines, adopted by council in 1994. User fees shall be aligned with these guidelines over a five-year period.
- Fees will be reviewed and updated on an ongoing basis.
- After a fee has been set, any subsidy or reduced rate user fee offered by the City of Boulder will be based primarily on economic or financial need and are available to City of Boulder residents only. The basis for determining financial need will be 50% of the average median income (AMI) for Boulder County.

2.3 Utility Charges

- Proposed rate increases to monthly user fees are developed using a cost-of-service methodology which includes the following:
  - Determination of the Utility's revenue requirements for operations, maintenance, and capital construction;
  - Ability of the Utility to maintain adequate reserves and meet debt service coverage requirements;
  - Analysis of customer demands and usage characteristics;
  - Allocation of revenue requirements to customer service characteristics;
  - Development and design of rate schedules.
- Other charges for specific services are designed to recover costs and follow the Citywide Pricing Policy Guidelines, adopted by council in 1994.
- Plant Investment Fees, one-time charges to customers connecting to the utility system, are based on the replacement value of the utility assets and are reviewed every 3-5 years.

2.4 Property Tax

- Mill levies shall be certified compliant with the City Charter and TABOR restrictions (with the exception of voter approved removal of TABOR limitations, commonly known as “de-Brucing”).
- The City Council shall make an annual appropriation, which shall amount to not less than the return of one-third of a mill tax levied upon each dollar of assessed valuation of all taxable property in the City of Boulder.

2.5 Excise Taxes

- In November 1998, the electorate approved a ballot issue that increased the current excise tax rates by an inflationary factor. The rate will be adjusted annually by an inflation factor until the maximum amount included in the ballot issue is reached.

2.6 Education Excise Tax

- Education Excise Tax revenues shall be expended in a manner that supports both Boulder Valley School District (BVSD) and City of Boulder needs and objectives.
- Potential projects for Education Excise Tax expenditure may be proposed either by the city or BVSD.

2.7 Asset Forfeiture Revenue

- Asset forfeiture/seizure revenue resulting from crime prevention/apprehension activities by the Police Department shall be held in reserve and spent only in accordance with the related Federal Guidelines.

2.8 Accrued Interest –Earmarked Funds

- The determination of whether earmarked funds shall accrue interest income is whether the General Fund costs required to collect and administer such funds are allocated to the subject funds.
- Interest income shall not be distributed to funds unless they are bearing their appropriate allocation of administrative costs.

2.9 Unspent Revenues

- On an annual basis, any unspent revenues subject to and in compliance with the associated limitations of TABOR revenue and spending constraints shall be "reserved" and therefore will be considered "spending" in the current fiscal year.

SECTION 3 – Financial Administration

3.1 General Information

- The Finance Department shall collect taxes and maintain financial records.

3.2 Financial Audit

- In accordance with City Charter requirements, the city will contract for an annual audit by a qualified independent certified public accountant. The city will strive for an unqualified auditors' opinion.

3.3 Administrative Charges

- The city shall employ a cost allocation system to identify the full cost of providing services to the public and recover certain costs incurred by various funds in providing support services to other city departments.
- The system shall accomplish the following objectives: complete recovery of costs incurred with the exception of the costs of "general governance"; equitable allocation of costs to users; provision of incentives for service providers to deliver products and services efficiently and effectively; provision of a stable cost allocation system to facilitate the organization's budgeting for charges and revenues; promotion of customer confidence in and acceptance of the accuracy, reasonableness, and fairness of the charges they incur.
- Charges for "general governance" (City Council, City Clerk council support and elections, etc.) shall not be cost allocated to restricted funds but instead shall be entirely funded out of the General Fund. The "general governance" category shall not include election costs for ballot issues related to funds with earmarked revenue sources. Costs for non-General Fund ballot issues shall be charged to the appropriate fund.

- Boulder Housing Partners (formerly the Housing Authority) shall not be charged cost allocation. The City Attorney serves as General Counsel to Boulder Housing Partners and all costs for services provided by the City Attorney's Office shall be borne by the General Fund.

3.4 Building Maintenance/Renovation

- To protect city investment in facilities, funds shall be budgeted annually for maintenance of such facilities. To extend the life of these assets, the goal shall be to increase the funds budgeted annually for maintenance of facilities to approximately 2 percent of the replacement cost (with the exception of debt financed facilities).
- The Facility & Asset Manager will prioritize maintenance/renovation needs to ensure that critical systems are properly maintained so that facility safety and operations continue without interruption.
- If/when the revenue base permits, facility maintenance funding shall be given a high priority before consideration of other service restorations or additions.

3.5 Replacement Costs

- Funds shall be reserved annually for replacement of city equipment and computers, and these costs will be reflected in the operating expenditures of the activity using the equipment, to facilitate accurate costing of service delivery.
- Recognizing the contribution of technology in efficient and effective service provision, improvements in technology shall be important considerations in resource allocations.
- Vehicles shall normally be purchased rather than leased and a vehicle replacement fund shall be maintained for replacement of vehicles at the end of their useful life. In the limited situations where vehicles may be leased (temporary vehicles, fire apparatus, etc.) specific approval by the City Manager is required.

3.6 Vehicle Charges

- It is the expectation of the City Manager's Office that all departments will meet the objectives of the Fleet Evaluation Study. These objectives are for no increase in miles driven in the conduct of City business and no net increase in the number of fleet units.

3.7 Grant Expenditures

- Expenditures related to grants shall continue only during the period of time they are funded by the grant.
- Any grant employees will be considered fixed-term.
- The City Manager shall appoint a Grants Committee of Finance and Budget staff to review applications for new grants before they are submitted to the granting agency.

3.8 Property & Casualty and Workers Compensation Funds

- Both the Property & Casualty and the Workers' Compensation liability will be self-insured. The goal for both is to fully fund an actuarially calculated liability as of the end of the prior year at the appropriate confidence level.
- An actuarial study will be completed every two years in order to determine the appropriate reserve levels.

3.9 Accumulated Sick, Vacation Time, & Appreciation Bonus

- To facilitate the long-term financial sustainability of the City, liabilities associated with accumulated sick time, vacation time, appreciation bonuses, and/or any other employee benefits that would result in liability upon termination or retirement shall be fully funded.

3.10 Compensation Policy

- The Human Resources Department shall develop and maintain a compensation philosophy that support responsible stewardship of public funds, while enabling the city to attract, engage, empower and retain exceedingly talented employees who are committed to serving the community.

SECTION 4 – Capital Improvement Plan

4.1 Capital Improvement Plan (CIP) Submission

- In coordination, the Finance and Planning departments will submit annually to the City Manager, not less than sixty days prior to the date for submission of the City Manager's proposed budget to the City Council, a list of recommended capital improvements to be undertaken during the forthcoming six-year period, accompanied by a six-year capital budget.
- While the Charter establishes time limits and the essential content of the proposed CIP budget, the budget preparation process is not prescribed. The preparation process is developed by the City Manager with input from the City Council.

4.2 Inclusion of Operating Costs

- Prior to approval of capital projects, associated operating costs must be identified, in accordance with the CIP Guiding Principles, and included in balanced multi-year operating budgets.

4.3 Capital Improvement Project Contingency Funds

- CIP project contingency funds may be expended by the Project Manager, with Director approval, for unanticipated needs or changes that are within the original scope of the project.
- Requested modifications exceeding the original scope of the project shall be presented to council for approval.

4.4 CIP Arts Funding

- Where feasible, Project Managers, when designing capital projects should incorporate public art into the design.

SECTION 5 – Pension Plan Policies

5.1 Authorization to Expend Funds for Administrative Costs

- If budgetary conditions permit, the city may authorize defined contribution (money purchase) pension plans to expend certain forfeiture funds for administrative costs. The plan board(s) may submit a request annually to the City Manager to be considered in the context of the city's annual budget process.

5.2 Increase for "Old Hire" Police and Fire Pension Plans

- "Ad hoc"/cost of living increases, from within the pension plans, for retirees of the Old Hire Police and Old Hire Fire Pension Plans will be funded only if adequate funds are available, on an actuarially sound basis, from existing plan assets.

SECTION 6 – Debt Policies

6.1 Policy Statements

- The City shall not become indebted for any purpose or in any manner to which the total amount exceeds three percent of the assessed valuation of the taxable property within the City (including existing debt).
- Debt shall be considered only for capital purchases/projects and the term of the debt shall not exceed the useful life of the financed asset.
- The City will follow all continuing disclosure requirements for debt issuance.
- The term of any bond issues and the rate of interest shall be fixed by the ordinance submitting the question to the registered electors of the city.
- When using the competitive bond sales method, bonds shall be sold to the responsible bidder with the lowest true interest cost to the City.
- Municipal bonds, Interfund loans, equipment leases (with the exception of vehicles) and sale/leaseback agreements are approved methods for financing capital projects.

SECTION 7 – Reserve Policies

7.1 Fund Reserves

- The table at the end of this section defines individual reserve goals by fund

7.3 Declared Emergency

- In the case of a declared emergency within the City, applicable insurance coverage (subject to the related deductibles) would be the first funding

source utilized. Emergency reserves and reserve funds established for other purposes may be utilized for needs related to emergency situations.

- The following reserve categories could be utilized if required (as prioritized based upon the importance of the needs related to the emergency versus the negative impact of the steps necessary to replenish reserves in the future):

  General Fund (no legal restrictions):
  - Emergency/stabilization reserve
  - Computer replacement reserve
  - Facility renovation and replacement reserve
  - Workers compensation reserve (would have to "book" any unfunded liability)
  - Property & casualty self-insurance reserve (would have to "book" any unfunded liability)
  - Insurance stabilization reserve

  Restricted funds (only for emergency purposes within the function of each fund):
  - Emergency/stabilization reserves
  - Various replacement reserves

SECTION 8 – Cash Management and Investments

8.1 Investment

- It is the policy of the City of Boulder to invest public funds in a manner which will provide preservation of capital, meet the daily liquidity needs of the City, diversify the City's investments, conform to all cited local and state statutes governing the investment of public funds, and generate market rates of return.
- Investments shall be made in accordance with the City Charter and city ordinances and resolutions concerning social or environmental issues.

8.2 Diversification

- It is the policy of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be reviewed periodically by the Investment Committee.

8.3 Cash Management

- All excess cash, except for cash in certain restricted and special accounts, shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proration their respective average balances bear to

the total pooled balance. Interest earnings shall be distributed to the individual funds on a quarterly basis.

8.4 Reporting

- The City Manager, or City Manager's delegate, shall prepare regular reports, at least annually, to the City Council on the investment earnings and performance results of the City's investment portfolio.