City of Louisville

# City Council
# Finance Committee

## Meeting Agenda

**Monday, January 14, 2019**
**City Hall – Spruce Room**
**749 Main Street**
**8:00 a.m.**

I. Call to Order

II. Roll Call

III. Approval of Agenda

IV. Approval of the Minutes from the November 19, 2018 Meeting (page 2)

V. Public Comments on Items Not on the Agenda

VI. Approval of Designated Places for Posting Public Meeting Notices (page 9)

VII. Use of Historic Preservation Funds for Museum Campus Development (page 10)

VIII. Overtime Budgets, Policies, and Procedures (page 14)

IX. Financial Policies – Initial Review of Proposed Amendments (page 20)

X. Finance Committee 2019 Work Plan Review (page 51)

XI. Staff Reports/Discussions
- None

XII. *Possible* Discussion Items for Next Regular Meeting – *Tentatively* Scheduled for Monday, February 18, 2019 at 8:00 a.m.
- Quarterly Reports
- Outside Louisville Sales Tax Categorization
- 2019 Budget Calendar
- Recreation Center Sales Tax and TABOR Issues
- Accounts Receivable Write-Offs

XIII. Adjourn

# City Council
# Finance Committee
## Meeting Minutes
**Friday, November 19, 2018**
**City Hall, Spruce Room**
**749 Main Street**

**CALL TO ORDER**

The meeting was called to order at 7:59 a.m.

**ROLL CALL**

The following were present:

| | |
|---|---|
| City Council: | Council Member Maloney and Council Member Lipton |
| Staff/Others Present: | Heather Balser, City Manager, Kevin Watson, Finance Director, Chris Neves, IT Director, Tracy Winfree, Interim Director of Parks and Recreation, Sharon Nemechek, Library and Museum Director, Cara Golden, Accounting Manager, and Penney Bolte, Tax Manager |
| Absent: | Mayor Muckle |

**APPROVAL OF THE AGENDA**

Finance Committee Member Lipton approved the agenda as presented. Finance Committee Chairperson Maloney requested item (X) Discussion on Credit Card Convenience Fees for Golf Course and item (XI) Renewal & Replacement Plans be advanced to items (VI) and (VII) respectively.

**APPROVAL OF THE MINUTES FROM THE OCTOBER 15, 2018 MEETING**

Finance Committee Member Lipton approved the October 15, 2018 meeting minutes as presented.

## PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

None.

## DISCUSSION ON CREDIT CARD CONVENIENCE FEES FOR GOLF COURSE

Interim Director of Parks and Recreation Tracy Winfree asked the Finance Committee about the possibility of passing on credit card convenience fees to Golf Course users. Director Winfree stated that presently, the City pays these fees.

Chairperson Maloney asked what percentage of purchases at the Golf Course are made by credit card. Director Winfree stated there is a high percentage of credit card usage resulting in approximately $32K of fees expense to the Golf Course annually. Finance Committee Member Lipton asked about the rate of the credit card percentage fees. Accounting Manager Golden stated that the fees range from 3.5% to 6% depending on the brand of card, and the rewards program of the individual card types.

Chairperson Maloney stated that the credit card expense should be recovered in the Golf Course charges and fees, not by passing on the direct expense. City Manager Balser stated that this issue needs to be addressed for all City services, and built into the various fee structures.

City Manager Balser and Director Winfree stated they would review the fee calculations for the Golf Course.

The reports and corresponding narrative can be located in the packet of the November 19, 2018 Finance Committee Meeting.

## RENEWAL & REPLACEMENT PLANS – RECREATION CENTER & GOLF COURSE

Director Watson presented to the Finance Committee the 25-Year Building and Equipment Renewal and Replacement Projections for the Golf Course and the Recreation & Senior Center.

Committee Members reviewed the data and discussed the next steps for fine-tuning the data. Finance Committee Chairperson Maloney stated that he would like future discussions regarding the structure of the model, and also whether the Golf Course should be an Enterprise Fund.

Finance Director Watson agreed and suggested a deeper review of the Golf Course expenses over the winter, to include actual to budget data, and continued discussion on cost recovery.

Finance Committee Member Lipton stated the he would like the budgets updated by June. The Finance Committee and staff discussed the timing issues and seasonal revenues. City Manager Balser suggested an updated model be presented at the City Council retreat in June after 2nd quarter revenue and expense actuals can be updated.

Chairperson Maloney stated that he would also like to define the Golf Course and General Fund responsibilities related to the costs for the building, parking lot, ponds, irrigation, and FF&E. Chairperson Maloney stated that once these issues are determined, new policies will need to be established. Member Maloney also stated that the water rates for the Golf Course need to be reviewed, commenting that he is not in agreement with the arbitrary use of residential rates for an enterprise in lieu of commercial rates.

Finance Committee Members moved on to discuss the Recreation & Senior Center Model. Again, Finance Committee Members and staff discussed numerous areas for further discussion including, a review of the structure of the Model, a De-Brucing ballot issue for 2019, the 15% General Fund subsidy, capital projects funding, incorporating indirect costs, and a close review of the projected fee revenue and admissions.

Member Lipton stated that he would like to see monthly data for the Recreation & Senior Center, specifically detailed data on monthly admissions and membership to verify whether or not the anticipated projections are on target. Member Lipton stated that he would also like to see the final costs of the construction. City Manager Balser stated that staff would provide the requested information. Member Maloney stated that receiving dashboards quarterly should be sufficient.

The reports and corresponding narrative can be located in the packet of the November 19, 2018 Finance Committee Meeting.

**NON-PROFIT GRANT PROGRAM**

Finance Committee Member Lipton asked if other cities distribute non-profit grants, and why it is the responsibility of the Finance Committee. Director Watson stated that historically, the Finance Committee makes a recommendation to City Council. City Manager Balser stated that other cities do distribute grants and suggested the matter be discussed with the full City Council.

Member Lipton stated that specific questions, such as “what services does the entity provide to Louisville residents”, should be incorporated into the grant application. Chairperson Maloney stated that this topic should be added to the 2019 Work Plan. Director Watson stated that the City had previously brought in a consultant, Ms. Shari Edelstein, to discuss this process, and that the Finance Committee could elect to do so again.

Finance Committee Members agreed unanimously to fund the following non-profit agencies in the amounts noted for 2019 and 2020.

| | 2019 | 2020 |
|---|---|---|
| Association for Community Living in Boulder County | $ 1,000 | $ 1,000 |
| Bounder County Cultivate | $ 2,000 | $ 2,000 |
| Boulder County Legal Services | $ 600 | $ 600 |
| Clinica Family Health Services | $ 5,400 | $ 5,400 |
| Coal Creek Meals on Wheels | $ 2,500 | $ 2,500 |
| Community Food Share | $ 2,500 | $ 2,500 |
| Dental Aid | $ 2,000 | $ 2,000 |
| Imagine Foundation – Developmental Disabilities Center | $ 1,000 | $ 1,000 |
| Impact on Education | $ 2,000 | $ 2,000 |
| Intercambio Uniting Communities | $ 500 | $ 500 |
| Safehouse Progressive Alliance for Nonviolence | $ 1,500 | $ 1,500 |
| Sister Carmen Community Center | $ 4,000 | $ 9,000 |
| TRU Community Care | $ 1,500 | $ 1,500 |
| Voices for Children CASA | $ 500 | $ 500 |
| | $27,000 | $32,000 |

The reports and corresponding narrative can be located in the packet of the November 19, 2018 Finance Committee Meeting.

**FEES, RATES & CHARGES**

Finance Director Kevin Watson presented to the Finance Committee the proposed changes to fees, rates and charges for 2019 and a draft of the Resolution to be presented to City Council.

Finance Committee Member Lipton asked if the yellow highlighted items are those now subject to the 5% inflator. Director Watson confirmed.

Member Lipton stated that the Recreation Monthly Pass fees for Couple – Resident and Couple – Non-Resident do not make sense. City Manager Balser agreed and stated she would have Interim Director Winfree make any necessary corrections.

The Finance Committee approved the Resolution and Exhibits with the above noted correction.

The reports and corresponding narrative can be located in the packet of the November 19, 2018 Finance Committee Meeting.

**SALES TAX REPORTS FOR THE MONTH AND QUARTER ENDED SEPTEMBER 30, 2018**

Tax Manager Penney Bolte presented the month-end and quarter-end sales tax reports to the Finance Committee for the period ending September 30, 2018. Manager Bolte stated that there was a typo in paragraph 3 of her communication, and that the last sentence should read, "Excluding audit revenue, sales tax is trending 9% above 2017 YTD."

Finance Committee Chairperson Maloney asked to confirm that the revenue and percentages included in the reports included the new Recreation & Senior Center sales/use tax. Director Watson and Manager Bolte confirmed, stating that the new Recreation Center tax represents an approximate 4.3% increase in the City's sales and use tax revenue for 2018.

Finance Committee Member Lipton stated that he feels there is "a lot of noise" in the Sales Tax Reports. Member Lipton stated that he feels the revenue is being inflated by damage repairs from the recent hail storm, and that revenue is much weaker than what is being represented in the reports.

Tax Manager Bolte stated that she tries to convey sales and use tax anomalies in her written communication to the Committee each quarter. Member Lipton stated that he is interested in receiving information on economic variables that would assist the Finance Committee in fiscal planning.

Tax Manager Bolte stated that she would provide the Finance Committee some additional reporting options for discussion in February when she presents the year-end report.

The reports and corresponding narrative can be located in the packet of the November 19, 2018 Finance Committee Meeting.

**INTERNAL CONTROL EVALUATIONS FOR OFFSITE REVENUE COLLECTION AREAS**

Finance Director Kevin Watson presented the proposed engagement letter submitted by the City's auditors Eide Bailly for Finance Committee review.

Director Watson stated that this will be a separate, more comprehensive review of four main revenue collection areas of the City including the Recreation Center, Library, Golf Course and Municipal Court. The fee for this review is $9K and must be approved by City Council.

The Finance Committee Members expressed their full support of the review, and recommended the proposal be presented to the full Council.

The reports and corresponding narrative can be located in the packet of the November 19, 2018 Finance Committee Meeting.

**FINANCE COMMITTEE 2019 WORK PLAN**

Finance Committee Chairperson Maloney outlined his list of topics to be added for discussion in 2019. They include:

TABOR – Feb.
Review Renewal & Replacement for Recreation Center & Golf Course – 1Q
Financial Policies for Reserve Levels – End of 1Q
Budget Scenarios – 2Q
Review Budget Approaches (zero-based) – 2Q
Non-Profit Grant Program Application Process – 4Q

Finance Committee Members and staff discussed the timing of policy discussions, and coordinating those discussions with the availability of data. Also, City Manager Balser stated that the Finance Committee and staff should temper the work plan in recognition that there will be a new City Council in 2020.

Chairperson Maloney stated that he appreciated this year's budget process but wants to recap what things went well, and what things didn't. Chairperson Maloney also stated that he would work with Director Watson to fine-tune the 2019 Work Plan.

The reports can be located in the packet of the November 19, 2018 Finance Committee Meeting.

**STAFF REPORTS**

<u>Use of Historic Preservation Funds</u>
City Manager Balser presented an email from Planning & Building Safety Director Rob Zuccaro which outlined several reasons why the use of Historic Preservation funds is not currently permitted for development and design work. This response was in answer to an inquiry made by the Finance Committee to use Historic Preservation funds for work on the Museum design and development.

City Manager Balser stated that, while the ballot language doesn't preclude the use of funds for this purpose, it has not been the City's policy to do so. City Manager Balser also stated that this topic will require further discussion with the Historic Preservation Committee and City Council.

Finance Committee Member Lipton requested City Manager Balser bring this item back with a process for how this can be done, presenting balanced pros and cons, and outlining the community benefits. Chairperson Maloney agreed and asked that this item be added to the 2019 Finance Committee Work Plan for 1Q.

<u>OT Report</u>
In response to an inquiry made by Finance Committee Member Lipton in the October 15, 2018 Finance Committee Meeting, City Manager Balser handed-out a report of City overtime to the Finance Committee Members.

**DISCUSSION ITEMS FOR THE NEXT REGULAR MEETING**

The next regular Finance Committee Meeting is scheduled for Monday, January 14, 2019 at 8:00 a.m. There will be no December meeting.

Items scheduled for discussion at the next meeting include:

- Dashboards
- 2019 Finance Committee Work Plan

**ADJOURN**

The meeting was adjourned at 9:54 a.m.

# FINANCE COMMITTEE COMMUNICIATION

**SUBJECT:** APPROVAL OF DESIGNATED PLACES FOR POSTING PUBLIC MEETING NOTICES

**DATE:** JANUARY 14, 2019

**PRESENTED BY:** KEVIN WATSON, FINANCE

## SUMMARY:

Section 24-6-402(2)(c) of the Colorado Open Meetings Law requires the all public bodies designate the public place or places for posting of notices of public meetings. The designation must be made at the local body's first regular meeting of each calendar year and may be made by vote or resolution.

## RECOMMENDATION:

All meetings will be noticed by the posting of an agenda at the following locations:

- City Hall, 749 Main Street
- Police Department/Municipal Court, 992 West Via Appia
- Recreation/Senior Center, 900 West Via Appia
- Louisville Public Library, 951 Spruce Street
- City web site at www.louisvilleco.gov

The Finance Committee Meetings are normally scheduled for the Monday preceding the third Tuesday of the month, at 8:00 a.m., in the Spruce Room at City Hall. At each meeting, the Committee will establish the exact date, time, and place for the next meeting.

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# FINANCE COMMITTEE COMMUNICATION

**SUBJECT:** USE OF HISTORIC PRESERVATION FUNDS FOR MUSEUM CAMPUS DEVELOPMENT

**DATE:** JANUARY 14, 2019

**PRESENTED BY:** ROB ZUCCARO, DIRECTOR OF PLANNING & BUILDING SAFETY

**SUMMARY:**

The Finance Committee requested an analysis of the possible use of Historic Preservation Funds to for plan development of the museum campus addition. Attached is a memorandum from the Planning & Building Safety Department addressing the issue.

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*Department of Planning and Building Safety*
*749 Main Street • Louisville CO 80027 • 303.335.4592 • www.louisvilleco.gov*

# MEMORANDUM

**To:** Finance Committee Members

**From:** CMO and Department of Planning and Building Safety

**Subject:** Use of Historic Preservation Funds (HPF) for Museum Campus Addition Plan Development

**Date:** January 14, 2019

**Current Practice**:
The Finance Committee has requested an analysis of the possible use of Historic Preservation Fund (HPF) money to fund plan development/design for a potential museum campus addition. To date, the City has not allowed property owners to use the grant program to fund the development of plans/design. The City has almost exclusively used funds to reimburse for work that has received an alteration certificate and met adopted design criteria. The only exceptions have been for acquisition of property and funding of pre-landmark historic structure assessments.

**Assessment and Analysis:**
Following approval of 2008 Ballot Issue 2A that created the Historic Preservation Fund (HPF) sales tax, the City adopted a series of ordinances and resolutions to establish the requirements and procedures to fund incentives for historic preservation. In addition to providing funding incentives for preservation and restoration projects, funding is also available for new construction grants for commercial structures. According to Louisville Municipal Code (LMC) Sec. 3.20.605, the City may use HPF to:

> *Provide incentives for new buildings and developments within historic Old Town Louisville to limit mass, scale, and number of stories; to preserve setbacks to preserve pedestrian walkways between buildings; and to utilize materials typical of historic buildings, above mandatory requirement*.

After consulting with the City Attorney’s office, staff finds that the City Council could reasonably interpret the current ballot and ordinance language to allow use of the HPF to fund plan development/design, so long as such plans meet the stated intent for new construction to “limit mass, scale, and number of stories; to preserve setbacks to preserve pedestrian walkways between buildings; and to utilize materials typical of historic buildings, above mandatory requirement.” City Council would need to implement the funding of plan/design through the adoption of a funding resolution or ordinance. The resolution or ordinance could represent a broader policy change to cover all new construction grants for commercial properties or be limited to the specific scope of the museum campus expansion.

**Additional Considerations**:

The current standard process to receive grant funds begins with an applicant proposing a final design for a landmarked property to the Historic Preservation Commission (HPC) and receiving HPC approval of an “alteration certificate.” With an approved alteration certificate, the HPC and City Council may approve grant funds based on the presented scope of work and standard criteria that meet established preservation best practices. The City then disperses grant funds as a reimbursement following the completion of the work.

The following resolution language supports this process:

> Res. 20, 2009: *to be considered for incentives funding, the owner must complete an application and submit it to the HPC, together with sufficient building plans, if appropriate.*
>
> Res. 20, 2010 and Res. 2, 2012: *Grants may be given in installments upon the satisfactory completion of portions of the project, or given in total upon the satisfactory completion of the project. Conditions for the satisfactory completion of the project shall be given when the grant is awarded. Grants may be revoked if the conditions are not met. Grants given prior to the beginning of a project may be given only in suitable situations, as recommended by the HPC and approved by City Council.*

Staff notes that Res. 20, 2010 and Res. 2, 2012 both state, “Grants given prior to the beginning of a project may be given only in suitable situations, as recommended by the HPC and approved by City Council.” The resolutions and City code do not define “suitable situations” and the term is open for interpretation. The current interpretation of this language is to cover situations where alteration certificates have been granted but other conditions exists such as the need for upfront funding for the purchase of project materials due to a lack resources. Changes and/or modifications to resolutions, polices or design criteria may be necessary for the use of HPF money in this instance.

Additionally, under current policies grant funds available for new construction on commercial property are also limited to $75,000. According to Res. 2, 2012:

> *Owners of property on which new commercial structures or additions to existing commercial structures are proposed are eligible for grants of up to $75,000 total from the Historic Preservation Fund in order to limit mass, scale, and number of stories; to preserve setbacks, to preserve pedestrian walkways*

*between buildings; and to utilize materials typical of historic buildings, above mandatory requirements.*

Using the available funds for conceptual design development could leave no grant funding available for the construction of the building. The current Resolution only allows use of funds beyond the $75,000 maximum in cases of "extraordinary circumstances." The City has previously interpreted the criteria of "extraordinary circumstances" to cover unusual expenses that similarly situated properties do not face. For example, if a property faces extraordinary expenses beyond what a typical renovation project would face to fix a foundation, funding beyond the maximum allowed amounts could be justified as an "extraordinary circumstance." City Council could decide to award grant funding for the museum campus plan development on a one-time basis but not change the broader policy and procedures for other grant-funded projects.

Pros and Cons for utilization of HPF money for plan development/design of the museum campus include the following:

**PROS:**

- Use of HPF is consistent with the intended use of the funds to provide incentives for appropriately designed new construction and supports historic preservation efforts
- Use of HPF provides flexibility to address museum campus plan development/design work
- Use of HPF allows the City to begin design work sooner as a result of additional funding sources

**CONS:**

- Use of HPF may result in grant funds directed towards projects that do not receive an alteration certificate and do not meet adopted design criteria
- Use of HPF may result in grant funds directed towards projects that do not get built
- Current funding is limited to $75,000 and the museum campus project may not meet the criteria to be awarded additional funding
- Using HPF on a one-time basis for a City project could raise questions about equity/consistency in application and use of the funds

# FINANCE COMMITTEE COMMUNICATION

**SUBJECT:** OVERTIME BUDGETS, POLICIES, AND PROCEDURES

**DATE:** JANUARY 14, 2019

**PRESENTED BY:** KATHLEEN HIX, DIRECTOR OF HUMAN RESOURCES

**SUMMARY:**

The Finance Committee requested a discussion on the City's overtime budget, policies, and procedures. Attached is a memorandum from the Human Resource Department addressing the issues. Also attached are copies of the Overtime Pay Section and Call Back Pay Section of the Employee Handbook.

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# Memorandum

To: Heather Balser, City Manager

From: Kathleen Hix, Human Resources Director

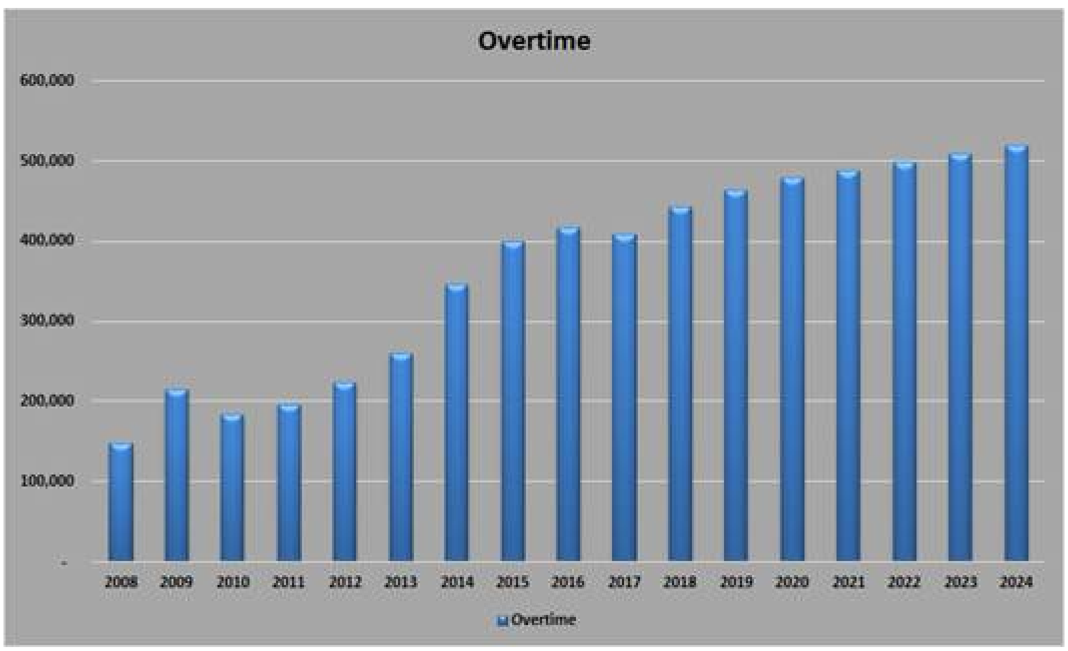
Subject: Overtime budget and policies

Date: November 15, 2018

Cc: Megan Davis, Deputy City Manager

**Summary of Overtime budget**

Below is a chart that summarizes the actual citywide overtime from 2008 through 2017 and projects overtime through 2024 based on assumptions used during the 2019/2020 budget process.




Overtime has significantly increased from 2008 and can be attributed to the following circumstances:

- In 2014 and 2015, the Police Department's overtime increased by approximately 1000 hours due to turnover which required existing staff to work additional hours to cover shifts. Five employees left in 2014 and an additional 12 employees left the department in 2015.

- The rank of Corporal was added to the Police Department's staffing in 2015 which allowed for career development opportunities but also increased wages at the same time. This was also a factor in the increase to the Police Department's overtime budget.
- In 2016 and 2017, the expansion was underway of the Wastewater Treatment Plant. Wastewater Treatment Plant staff worked slightly over 1700 hours of overtime during that period.
- In 2017 and a portion of 2018, the Police Department changed their shift schedule from 8, 10-hours shifts in a pay period to 7, 12-hours shifts which resulted in 4 hours of overtime each pay period for most sworn police staff.
- The Police Department has a thorough overtime approval process in place and employees must turn in overtime request slips in advance and it must be approved prior to them using overtime.
- Not only have overtime hours increased, but wages have also increased from 2008 through 2018. This compounds the cost to the City when paying for overtime.

Below is a chart that provides additional details regarding overtime for the Police Department, and the Wastewater Treatment Plant.

| Police-Patrol | 2014 | 2015 | 2016 | 2017 | YTD 2018 |
|---|---|---|---|---|---|
| OT Hours | 1,589 | 2,285 | 2,072 | 1,564 | 1,851 |
| OT Wages | $79,358.00 | $ 115,647 | $ 105,520 | $ 81,577 | $ 101,538 |
| Average OT $/Hr | $ 49.94 | $ 50.61 | $ 50.93 | $ 52.16 | $ 54.86 |

| WWTP Upgrade detail - large increase in 2017 | | | 2016 | 2017 |
|---|---|---|---|---|
| OT Hours | | | 527 | 1760 |
| OT Wages | | | ~17,000 | ~25,000 |

**<u>Changes in policies for overtime</u>**

In 2009, the City changed the Overtime Pay policy to NOT include certain types of leaves as hours worked. Specifically, Administrative Leave, Civil Leave, Comp Time, Extended Illness Bank (EIB), Family Bereavement Leave, Injury Leave, Paid Leave Bank (PLB), Military Leave, and Stand-By Pay were no longer counted as hours worked. This policy change was put into place to help control overtime costs and was in compliance with applicable wage laws.

In 2013, the City updated the Call-Back Pay policy based on feedback received during the 2012 employee survey process. The previous Call-Back Pay policy stated employees would receive a minimum of 2 hours of Call-Back pay if they were called back into work for an unplanned or unexpected event. The policy was changed from a minimum of 2 hours of Call-Back pay to a minimum of 2 hours at time and one-half of their regular hourly wage. Call-Back pay is part of the calculations in the overtime analysis above. Call-Back pay is often used for snow removal, water breaks, and other types of unplanned or unexpected events.

**Other contributing factors**

The City has chosen to pay employees who work on holidays a premium rate of pay at time and one-half of their regular hourly rate. Paying employees' premium pay for holidays is not required by the Fair Labor Standard Act (FLSA) however, the City has chosen to do so based on a comparison of other cities holiday pay practices and in an effort to compensate employees in a "fair" manner.

Holiday pay is also included in the overtime pay analysis chart above. The City currently has 10 holidays: New Year's Day, Martin Luther King Jr. Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day and the day after, Christmas Eve, and Christmas Day. The Recreation and Senior Center, Water and Wastewater facilities, and the Police Department are operating on most of these holidays. At times, both the Operations Staff and the Parks Staff have to work on a holiday to plow and shovel snow. This can result in paying an employee Holiday Pay, Overtime Pay, and Call-Back Pay depending on the day and time the snow event occurs. These costs are all captured in the City-wide chart which summarizes all overtime pay.

I've also included the City's current Overtime Policy and Call-Back Pay Policy in a separate attachment for your reference and information.

Please let me know if you would like additional information or analysis.

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**Overtime Pay** *(updated effective 08-29-2009)*
*Eligible employment status:*
- *Full-Time Employees*
- *Benefited Part-Time Employees*
- *Part-Time Employees*
- *Seasonal Employees*
- *Temporary Employees*

We try to avoid asking employees to work overtime, but occasionally an employee may be requested to work additional hours. While the City is required to pay an employee for overtime worked, inappropriate or unnecessary overtime may result in disciplinary action.

Exempt employees are not eligible for overtime pay.

All non-exempt employees will be compensated for overtime work at the statutory rate of one and one-half times (1 ½) their regular hourly rate.

Overtime is calculated in the following manner:
- For non-exempt employees the normal work period is defined as 40 hours occurring within seven consecutive 24 hour periods beginning on Saturday at 0001 hours (one minute after Midnight), and ending on the following Friday at 2400 hours (Midnight). All hours worked in excess of 40 during the work period will be paid at the overtime rate or comp time.

- For 7K Exempt employees, below the rank of Division Commander, the normal work period is defined as 80 hours occurring within 14 consecutive 24 hour periods beginning on Saturday at 0001 hours (one minute after Midnight), and ending on the second Friday at 2400 hours (Midnight). All hours worked in excess of 80 during the work period will be paid at the overtime rate.

Administrative Leave, Civil Leave, Comp Time, Extended Illness Bank (EIB) leave, Family Bereavement Leave, Injury Leave, Paid Leave Bank (PLB), Military Leave, and Stand-by Pay, are not counted as hours worked when computing overtime.

Unauthorized or unexcused absences, either paid or unpaid, will not be counted as hours worked when computing overtime.

Time spent in City sponsored or job-related training programs, seminars, and meetings are considered hours worked for the purpose of determining overtime.

Taking courses in a public or private institution or pursuing additional education outside of regular working hours is not considered hours worked for the purposes of determining overtime, regardless of whether the activity is job related.

**Call Back Pay** (*Updated October 5, 2013)*
*Eligible employment status:*

- *Full-Time Employees*
- *Benefited Part-Time Employees*
- *Part-Time Employees*
- *Seasonal Employees*
- *Temporary Employees*

Sometimes it may be necessary to call individuals back to work either before or after their normal work day. If you are called back to work to assist with an unscheduled or unplanned event that requires prompt attention and your position is non-exempt or 7K exempt, as defined by the provisions of the Fair Labor Standards Act, you will be paid a minimum of two hours at time and one-half of your regular hourly rate. If the call from your supervisor occurs, within 30 minutes of your shift ending, call back pay will not be applicable and the extra hours of work will be deemed an extension of your normal shift and may be used as hours worked in the calculation of overtime premium.

**SUBJECT:** **FINANCIAL POLICIES – INITIAL REVIEW OF PROPOSED AMENDMENTS**

**DATE:** **JANUARY 14, 2019**

**PRESENTED BY:** **KEVIN WATSON, FINANCE DIRECTOR**

**SUMMARY:**

The City of Louisville's initial Fiscal Policies were adopted in 1984 and were updated intermittently until 1997. In 2015, staff updated and modernized the policies. Staff worked closely with the Finance Committee and on December 15, 2015, the City Council formally approved the new Financial Policies by Resolution 92, Series 2015. The Finance Committee requested a discussion on possible amendments to the current policies.

The current policies include an Introduction Section and the following Policy Sections:
1. General Policies
2. Reserve Policies
3. Debt Policies
4. Revenue Policies
5. Operating Budget Policies
6. Investment Policies
7. Capital Asset Management Policies
8. Accounting, Auditing, and Financial Reporting Policies

Staff recommends the Finance Committee discuss possible amendments to the following Policy Sections.

**Introductory Section**
The proposed amendments include minor changes to definitions for *Capital Budget* and *Capital Improvement Plan (C-I-P)*. The proposed amendments include the elimination of the term *Open Space & Parks Fund Targeted Fund Balance*.

**Policy Section 1 – General Policies**
The proposed amendments include minor changes to some of the financial indicator formulas to better match the definitions within the Introductory Section.

**Policy Section 2 – Reserve Policies**
The proposed amendments include:
- The elimination of the Open Space & Parks Fund targeted fund balance requirement;

- The formula definition for the recurring annual transfer from the General Fund to the Open Space & Parks Fund;
- A statement that, "*The City Council will annually consider interfund transfers of excess General Fund or Capital Project Fund balances to the Open Space & Parks Fund for property acquisition reserves.*";
- The establishment of a minimum unrestricted fund balance and a capital asset renewal and replacement reserve for the Recreation Fund; and
- The establishment of a minimum unrestricted fund balance and a capital asset renewal and replacement reserve for the Golf Course Fund.

**Policy Section 4 – Revenue Policies**
The proposed amendments include a statement that annual fee inflators may be used during years in which a calculation of full cost is not done.

**Policy Section 5 – Operating Budget Policies**
The proposed amendments include minor changes due a six-year (versus five-year) Capital Improvement Program, a six-year (versus five-year) Long-Term Financial Plan, a biennial (versus annual) budget process, and quarterly (versus monthly) Finance Committee financial reports.

**Policy Section 7 – Capital Asset Investment & Management Policies**
The proposed amendments include minor changes due a six-year (versus five-year) Capital Improvement Program and a biennial (versus annual) budget process.

**Policy Section 8 – Accounting, Auditing, & Financial Reporting Policies**
The proposed amendments include minor changes due quarterly (versus monthly) Finance Committee financial reports. The proposed Amendments also proposes to increase the capitalization threshold from $5,000 to $10,000.

Attached are the current versions of the Introductory Section and all eight Policy Sections. The proposed amendments are redlined. Staff requests the Committee discuss these and any other amendments the Committee wants to consider.

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# FINANCIAL POLICIES

## Introduction

The City of Louisville is an organization charged with providing a wide range of services that are supported by a wide range of revenue sources. The City's Financial Policies have been established to guide the City in providing these services in the most efficient way possible within the bounds of available revenue.

Financial policies are central to a strategic, long-term approach to financial management and are intended to serve as a blueprint to achieve the financial stability required to accomplish the City's goals and objectives. More specifically, the intent of adopting a written set of financial policies is to institutionalize good financial management, clarify strategic intent for financial management, define certain boundaries and limits on actions that staff may take, support good bond ratings, promote long-term and strategic thinking, manage risks to financial condition, and comply with established best practices in public management.

The City's Financial Policies have been written in relatively broad terms as guidelines for financial management decisions. These policies should not be confused with administrative statements of operating procedure, which cover the detailed steps needed to accomplish business processes.

The City's Financial Policies shall be adopted by resolution of the City Council. The policies shall be reviewed annually by management and any modifications made thereto must also be approved by resolution of the City Council.

## Definitions

- *Advanced Refunding* – a refunding in which the outstanding bonds are callable and remain outstanding for a period of more than 90 days after the issuance of the refunding bonds. Proceeds from the sale of the refunding bonds are used to purchase permissible legal securities, which are deposited into an escrow account.

- *Agencies* – federal agency securities and/or Government-sponsored enterprises.

- *Arbitrage* – the difference between the interest paid on the tax-exempt securities and the interest earned by investing the proceeds in higher-yielding taxable securities. The Internal Revenue Service regulates arbitrage on the proceeds from the issuance of municipal securities.

- *Bankers' Acceptance* – a draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

- *Broker* – brings buyers and sellers together for a commission.

- *Capital Budget* – the first two years of the ~~Five~~Six-Year Capital Improvement Plan. These amounts are automatically included in the annual biennial budget process.

- *Capital Improvement Plan (C-I-P)* – a plan that describes the capital projects and associated funding sources the City intends to undertake ~~in the next fiscal year plus four additional future years~~during the next six years.

- *Collateral* – Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies (Public Deposit Protection Act; CRS 11-10.5-101 et seq.)

- *Current Refunding* – a refunding in which the outstanding bonds are retried within 90 days after the new bonds are sold.

- *Competitive Bond Sale* – bonds are marketed to a wide audience of investment banking (underwriter) firms. Sealed bids are submitted at a specific date and time and the underwriter is selected based on its bid for the City's securities.

- *Dealer* – as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

- *Delivery-versus-Payment* – delivery of securities with an exchange of money for the securities. Delivery-versus-receipt is delivery of securities with an exchange of a signed receipt for the securities.

- *Full Accrual Basis of Accounting* – under this basis of accounting, revenue is recognized when earned and expenses are recognized when the liability is incurred.

- *Fund* – An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources, together with all related liabilities, obligations, reserves, and equities, which are segregated for the purpose of carrying out specific activities or attaining certain objectives.

- *Fund Balance* – the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in a governmental fund.

    - *Non-spendable Fund Balance* – fund balance that is inherently non-spendable, such as the long-term portion of loans receivable, the principal of an endowment, and inventories.

    - *Restricted Fund Balance* – fund balance that has externally enforceable limitations on its use, imposed by parties such as creditors, grantors, or laws and regulations of other governments.

    - *Committed Fund Balance* – fund balance with limitations imposed by the government itself at its highest level of decision making. For example, for the City of Louisville, this would be limitations imposed on fund balance by the Council through an ordinance or resolution.

  - *Assigned Fund Balance* – fund balance that is earmarked for an intended use at either the highest level of decision making or by a body or an official designated for that purpose.

  - *Unassigned Fund Balance* – all fund balances that are left after considering the other four categories. Use is the least restricted in this category of fund balance.

  - *Unrestricted Fund Balance* – a category of fund balance that comprises committed fund balance, assigned fund balance, and unassigned fund balance. Unrestricted fund balance is, therefore, unconstrained or the constraints are self-imposed, so they could be lifted in order to make fund balances available for other purposes.

- *General Fund Operating Expenditures* – as used in the financial indicators, this term refers to total General Fund expenditures, less non-recurring interfund transfers-out.

- *General Fund Operating Revenue* – as used in the financial indicators, this term refers to total General Fund revenue, less other financing sources (such as sales of assets) and interfund transfers-in.

- *General Fund Recurring Expenditures* – as used in the financial indicators, this term refers to total General Fund expenditures, less non-recurring interfund transfers-out.

- *General Fund Recurring Revenue* – as used in the financial indicators, this term refers to total General Fund revenue, less non-recurring building-related revenue, non-recurring and non-operational grants, other financing sources, and interfund transfers-in.

- *General Fund Sales Tax Revenue* – as used in the financial indicators, this term refers to total sales tax revenue less any sales tax rebates due to Business Assistance Packages.

- *General Obligation Bonds* – bonds backed by the "full faith and credit" of the City. Bondholders have the authority to compel the City to use its taxing power, or to use other revenue sources, to generate the revenue necessary to repay the bonds. General obligation bonds are subject to the City's debt limitation and voter approval is required.

- *Liquidity* – refers to the ease in which an asset can be converted into cash without a substantial loss of value.

- *Modified Accrual Basis of Accounting* – under this basis of accounting, revenue is recognized when it become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when they are expected to draw on current spendable resources.

- *Negotiated Bond Sale* – the City selects the underwriter in advance of the bond sale. The Financial Advisor and City staff work with the underwriter to bring the issue to the market and negotiate all rates and terms of the sale.

- ~~*Open Space & Parks Fund Targeted Fund Balance* – as used in the financial indicators, this term refers to 15% of current operating expenditures plus an amount sufficient to cover the City's share of the total projected cost of acquiring the three highest priority candidate open space properties~~

- *Private Bond Placement* – the City sells its bonds to a limited number of sophisticated investors, and not the general public.

- *Program* – A set of activities, operations, or organizational units designed and directed to accomplish specific service outcomes or objectives for a defined customer.

- *Refunding* – refinancing an outstanding bond issue by issuing new bonds.

- *Revenue Bonds* – bonds secured by revenue generated by user fees or by other non-ad valorem revenue sources typically generated by the project being financed. Only the specific revenue source is pledged for the bond repayment. No taxing power or General fund pledge is provided as security. Revenue bonds are not subject to the City's debt limitation and voter approval is not required.

- *TABOR* – the Taxpayer Bill of Rights amendment to the Colorado Constitution and other Colorado law and court decisions.

- *Treasuries* – securities issued by the U.S. Treasury to finance the national debt. Treasury Bills are non-interest bearing discount securities that mature in one year or less. Treasury Notes are coupon bearing securities having initial maturities of two to ten years. Treasury Bonds are coupon-bearing securities having initial maturities of more than ten years.

- *Underwriter* – a dealer that purchases new issues of municipal securities from the issuer and resells them to investors. The difference between the price at which the bonds are bought and the price at which they are offered to investors is the underwriter's discount.

- *Utility Fund Budgetary Basis Expenses* – as used in the financial indicators, this term refers all expenses under the City's budgetary basis of accounting, less capital outlay and interfund transfers-out.

- *Working Capital* – current assets less current liabilities. Used as a measure of *reserves* in proprietary funds. Proprietary funds, unlike governmental funds, report both capital assets and long-term debt, even though neither is directly relevant to near-term financing. Therefore, the difference between proprietary fund assets and liabilities (net position) is not equivalent to the fund balance reported in governmental funds, and is not a useful indicator of *reserves*.

- *Yield* – the rate of annual income return on an investment, expressed as a percentage. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

City of Louisville
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# FINANCIAL POLICIES

| General Policies | **Policy Section: 1**<br>**Adopted by Resolution No. ~~92, Series 2015~~**<br>**Effective Date: ~~December 15, 2015~~** |
|---|---|

## Purpose and Scope

General Policies are financial policies that are not easily categorized under any of the other policy sections. Among other things, these policies will direct management to calculate specific information about the City of Louisville's current fiscal condition, past and future trends, as well as providing guidelines for making fiscal decisions and assuring that the City continues to pursue a financially prudent course.

## Policies

1.1 **Financial Indicators.** The City of Louisville shall annually calculate and publish financial indicators consistent with those listed in Appendix "A". All indicators shall be calculated as of year-end and published each year in the budget document, along with the previous year's indicators for up to ten years. Any indicator that shows a warning trend when compared to prior years shall be more closely analyzed for reasons why a change has occurred.

**City of Louisville, Colorado**
**Financial Policies**
**General Policy 1.1**
**Appendix A - Financial Indicators**

| Category | Description | Formula | Warning Trend |
|---|---|---|---|
| Revenue: | | | |
| | General Fund Revenue Per Capita | General Fund Operating Revenue<br>Population | Decrease |
| | General Fund Intergovernmental Revenue | General Fund Intergovernmental Revenue<br>General Fund Operating Revenue | Increase |
| | General Fund Sales Tax | General Fund Sales Tax Revenue<br>General Fund Operating Revenue | Decrease |
| | General Fund Property Tax | General Fund Property Tax Revenue<br>General Fund Operating Revenue | Decrease |
| | General Fund Actual Revenue vs. Budget | General Fund Actual Revenue<br>General Fund Budgeted Revenue | Decrease |
| Expenditures: | | | |
| | General Fund Expenditures Per Capita | General Fund Operating Expenditures<br>Population | Increase |
| | General Fund Expenditures vs. Budget | General Fund Actual Expenditures<br>General Fund Budgeted Expenditures | Increase |
| | City-Wide Employees Per Capita | City-Wide Employees (FTE's)<br>Population | Increase |
| | City-Wide Employee Benefit Cost | City-Wide Employee Benefits Cost<br>City-Wide Employee Wages Cost | Increase |
| Operating Position: | | | |
| | General Fund Operational Surplus/(Deficit) | General Fund ~~Recurring~~ Operating Revenue<br>General Fund ~~Recurring~~ Operating Expenditures | Decrease |
| | General Fund Operating Margin | General Fund Operational Surplus/(Deficit)<br>General Fund ~~Recurring~~ Operating Revenue | Decrease |
| | General Fund Reserves | General Fund Unrestricted Fund Balance<br>General Fund Operating Expenditures | Decrease |
| | Open Space & Parks Fund Reserves | Open Space & Parks Fund Total Fund Balance<br>Open Space & Parks Fund Targeted Fund Balance | Decrease |
| | Water Utility Fund Working Capital | Water Utility Fund Working Capital<br>Water Utility Fund Budgetary Basis Expenses | Decrease |

**(continued)**

**City of Louisville, Colorado**
**Financial Policies**
**General Policy 1.1**
**Appendix A - Financial Indicators**
**(continued)**

| Category | Description | Formula | Warning Trend |
|---|---|---|---|
| Operating Position: (continued) | | | |
| | Wastewater Utility Fund Working Capital | Wastewater Utility Fund Working Capital / Wastewater Utility Fund Budgetary Basis Expenses | Decrease |
| | Storm Water Utility Fund Working Capital | Storm Water Utility Fund Working Capital / Storm Water Utility Fund Budgetary Basis Expenses | Decrease |
| | Combined Utility Fund Debt Burden | Total Combined Utility Fund Revenue / Total Combined Utility Fund Debt Service | Decrease |
| | Combined Utility Fund Net Position | Combined Utility Fund Current Year Net Position / Combined Utility Fund Prior Year Net Position | Decrease |
| | City-Wide Cash & Investments | City-Wide Unrestricted Cash & Investments / City-Wide Current Liabilities | Decrease |
| | City-Wide Net Position | City-Wide Current Year Net Position / City-Wide Prior Year Net Position | Decrease |
| | City Wide Accumulated Depreciation | City Wide Accumulated Depreciation / City-Wide Depreciable Assets | Increase |
| | City-Wide Debt Per Capita | City-Wide Total Debt / Population | Increase |

City of Louisville
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# FINANCIAL POLICIES

## Reserve Policies

**Policy Section: 2**
**Adopted by Resolution No. ~~92, Series 2015~~**
**Effective Date: ~~December 15, 2015~~**

### Purpose and Scope

The City of Louisville desires to maintain an appropriate level of financial resources to guard its citizens against service disruption in the event of unexpected revenue shortfalls or unanticipated one-time expenditures. This policy is also intended to document the appropriate reserve levels to protect the City's credit worthiness and maintain its good standing with bond rating agencies.

Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities. This policy establishes the reserve amounts the City will strive to maintain in its General Fund and its other major operating funds. This policy also stipulates the conditions under which those reserves may be used and how the reserves will be replenished if they fall below established reserve amounts.

The City will measure its compliance with this policy as of December 31st of each year, as soon as practical after final year-end information is audited and becomes available.

### Policies

2.1 **General Fund Reserves.** The minimum unrestricted fund balance of the General Fund shall be maintained at or above 15% of current operating expenditures. For purpose of this policy, operating expenditures are defined as all expenditures less any interfund transfers to other funds, regardless of whether the transfers are considered recurring or non-recurring.

While the minimum unrestricted fund balance is set at 15% of current operating expenditures, the targeted unrestricted fund balance will be at or above 20% of current operating expenditures. This higher target is in recognition of:

- the General Fund's reliance on revenue sources that are subject to fluctuations (sales and use taxes);
- the General Fund's exposure to unexpected and significant one-time expenditure outlays (transfers to the Capital Projects Fund, mid-year changes to operations, disasters, etc.); and
- the potential drain on General Fund resources from other funds (recurring support transfers to the Open Space & Parks Fund, ~~and~~ the Cemetery Fund, and the Recreation Fund).

The use of General Fund reserves will be limited to addressing unanticipated, non-recurring needs. Reserves shall not normally be used for recurring annual operating expenditures. However, reserves may be used to provide the City time to restructure operations (as might be required in an economic downturn), but such use will only take place in the context of a long-term financial plan. Use of reserves below the 20% target requires authorization from City Council.

In the event reserves are used resulting in an unrestricted fund balance below the 15% minimum, a plan will be developed to replenish the reserves as quickly as reasonably possible and presented as part of a long-term financial plan. Methods of replenishing fund balance may include the use of non-recurring revenue, year-end surpluses, and, if legally permissible, excess resources from other funds.

2.2 **Open Space & Parks Fund Reserves.** The entire fund balance for the Open Space and Parks Fund is restricted by voters for acquisition, development, and operation of open space, trails, wildlife habitats, wetlands, and parks.

The minimum fund balance of the Open Space and Parks Fund shall be maintained at or above 15% of current operating expenditures. For purpose of this policy, operating expenditures include only open space and parks operations and exclude all interfund transfers and capital outlay.

~~The targeted fund balance of the Open Space and Parks Fund will include the minimum fund balance *plus* an amount sufficient to cover the City's share (considering other likely joint partners) of the total projected cost of acquiring the three highest priority candidate open space properties. As the highest priority properties are purchased, this amount will be adjusted.~~
The Open Space & Parks Fund requires a recurring annual transfer from the General Fund to fund its operating deficit. This transfer will be calculated by taking the amount of funding provided by the General Fund for Parks in 2007 ($626,900) and inflating that amount on an annual basis by the Consumer Price Index (All Urban Consumers, Not Seasonally Adjusted, for the Denver, Boulder, Greeley Area).

The City Council will annually consider interfund transfers of excess General Fund or Capital Project Fund balances to the Open Space & Parks Fund for property acquisition reserves.

~~Use of reserves below the targeted amount requires authorization from City Council.~~ In the event reserves are used resulting in an unrestricted fund balance below the 15% minimum~~In the event reserves are used to acquire open space property resulting in a fund balance below the targeted amount~~, a plan will be developed to replenish the reserves as quickly as reasonably possible and presented as part of a long-term financial plan. Methods of replenishing fund balance may include transfers from other funds, securing loans from other agencies to jointly purchase property, seeking approval of bonds to finance property acquisition, and/or delaying/reducing expenditures for development, construction, operation, and maintenance of open space zones, trails, wildlife habitats, wetlands, and parks.

2.3 **Cemetery Fund Reserves.** The minimum unrestricted fund balance of the Cemetery Fund shall be maintained at or above 15% of current operating expenditures. For purpose of this policy, operating expenditures are defined as all expenditures, excluding interfund transfers and capital outlay.

The Cemetery Fund requires a recurring annual transfer from the General Fund to fund its operational deficit. This transfer will be adjusted on an annual basis to ensure that the unrestricted fund balance of the Cemetery Fund is maintained at or above 15% of current operating expenditures.

2.4 **Combined Utility Fund Reserves.** The Water, Wastewater, and Storm Water Utility Funds are enterprise funds and, therefore, the measure of reserves is based on levels of working capital rather than on levels of fund balance. It is important to maintain adequate levels of working capital in these funds to mitigate risks and to ensure a stable fee structure and service level.

The minimum working capital for the Water, Wastewater, and Storm Water Utility Funds shall be maintained at or above 25% of current operating expenses, as measured on the City's budgetary basis. For purpose of this policy, operating expenses are defined as all budgetary-basis expenses, excluding interfund transfers and capital outlay.

2.5 **Recreation Fund Reserves.** The minimum unrestricted fund balance of the Recreation Fund shall be maintained at or above 15% of current operating expenditures. For purpose of this policy, operating expenditures are defined as all expenditures, excluding interfund transfers and capital outlay.

In addition to maintaining an operating reserve, the Recreation Fund will also maintain a capital asset renewal and replacement reserve. The purpose of this reserve is to accumulate funds for the eventual replacement of Recreation Center and Memory Square Pool assets. The calculation of this reserve will be made by the Finance Department and the methodology used will be approve by the Finance Committee on an annual basis.

2.6 **Golf Course Fund Reserves.** The minimum unrestricted fund balance of the Golf Course Fund shall be maintained at or above 15% of current operating expenditures. For purpose of this policy, operating expenditures are defined as all expenditures, excluding interfund transfers and capital outlay.

In addition to maintaining an operating reserve, the Golf Course Fund will also maintain a capital asset renewal and replacement reserve. The purpose of this reserve is to accumulate funds for the eventual replacement of Golf Course assets. The calculation of this reserve will be made by the Finance Department and methodology used will be approve by the Finance Committee on an annual basis.

City of Louisville
COLORADO • SINCE 1878

# FINANCIAL POLICIES

## Debt Policies

**Policy Section: 3**
**Adopted by Resolution No. 92, Series 2015**
**Effective Date: December 15, 2015**

### Purpose and Scope

To enhance creditworthiness and engage in prudent financial management, the City of Louisville is committed to systematic capital planning and long-term financial planning. Maintaining the City's bond rating is an important objective and, to this end, the City is continually working to improve its financial policies, budgets, forecasts, and financial health.

These policies establish criteria for the issuance of debt obligations by the City so that acceptable levels of indebtedness are maintained. The objectives of these policies are to ensure that the City obtains debt financing only when necessary, that the process for identifying the timing and amount of debt financing be as efficient as possible, that the most favorable interest rates and related issuance costs are obtained, and that future financial flexibility remains relatively unconstrained.

Debt financing includes general obligation bonds, revenue bonds, notes payable to the Colorado Water Resources & Power Development Authority, leases, and any other City obligations permitted to be issued or incurred under Colorado law, the City's Municipal Code, and the City's Charter.

This policy does not apply to the Urban Revitalization District, a legally separate entity, but a component unit of the City for financial reporting purposes.

### Policies

3.1 **Use of Debt Financing.** Although the City will normally finance projects on a cash basis (pay-as-you-go), the City may decide that the most equitable way of financing a project is through debt financing (pay-as-you-use).

Factors which may favor *pay-as-you-go* financing include circumstances where:

- the project can be adequately funded from available current revenue and reserves;
- the project can be completed in an acceptable timeframe given the available resources;
- additional debt levels could adversely affect the City's credit rating or repayment sources; or
- market conditions are unstable or are not conducive to marketing debt.

Factors which may favor *pay-as-you-use* financing include circumstances where:

- current revenue or reserves are insufficient to pay project costs;
- a project is immediately required;
- revenue available for debt issues are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating, which can be maintained;
- market conditions present favorable interest rates and demand for municipal debt financing; or
- the useful life of the project or asset is five years or greater.

The City will not use long-term debt to finance any recurring purpose such as current operations. Debt financing will be used only for capital improvement projects and large equipment purchases. Debt payments shall not extend beyond the estimated useful life of the project or the equipment being financed.

3.2 **Limitations and Constraints on Debt Financing.** Per Article 12, Section 12-1, of the City of Louisville Charter, the total amount of the City's indebtedness shall not at any time exceed three (3) percent of the actual value, as determined by the County Assessor, of taxable property within the City, except such debt as may be incurred by supplying water.

Per Article 12, Section 12-3, of the City of Louisville Charter, any lease-purchase agreement, except for the acquisition of water rights, entered into by the City shall be approved by the City Council by non-emergency ordinance.

Per the Taxpayer Bill of Rights (TABOR) amendment to the Colorado Constitution, all multiple-year debt shall first be approved by the City's taxpaying electorate unless it is issued for a TABOR-defined government enterprise, refinances bonded debt at a lower interest rate, or sufficient cash reserves are pledged irrevocably for future payments. The City's TABOR-defined enterprises include the Water Utility Fund, the Wastewater Utility Fund, the Storm Water Utility Fund, and the Golf Course Fund. Operating leases, lease-purchases, and certificates of participation (COP's) that are subject to annual appropriation are not considered multiple-year debt and are not subject to TABOR election requirements.

3.3 **Structure of Debt Financing.** City debt will be structured to achieve the lowest possible net interest cost given market conditions, the urgency of the capital project, and the nature and type of any security provided. City debt will be structured in ways that will minimize impacts on future financing flexibility. To the extent possible, repayment of debt shall be structured to rapidly recapture credit capacity for future use.

City debt will be amortized for the shortest period consistent with a fair allocation of cost to current and future beneficiaries of the project being financed, and in keeping with other related provisions of this policy. The City shall normally issue general obligation bonds or revenue bonds with a maximum life of twenty years or less.

The City will normally seek to amortize general obligation bonds and revenue bonds with level payments (principal plus interest) over the life of the issue. Pushing higher debt service costs to future years will only be considered under special circumstances. The City will also avoid repayment schedules that consist of low annual payments and a large payment of the balance due at the end of the term. There shall always be at least one interest payment in the first fiscal year after a bond sale. Principal repayment shall start no later than the second year after the bond issue.

Call provisions for bond issues shall be made as short as possible, consistent with the lowest interest cost to the City. Unless specific compelling reasons exist, all bonds shall be callable only at par.

Credit enhancements may be used if the costs of such enhancements are lower than the reduction in net debt service payments or if they provide other significant financial benefits to the City.

3.4 **Bond Counsel.** The City will retain an external bond counsel through a competitive process administered by the Finance Department and the City Attorney's Office. All debt issues of the City will include a written opinion by bond counsel on the validity of the bond offering, the security for the offering, and whether and to what extent interest on the bonds is exempt from income and other taxation.

3.5 **Financial Advisor.** The City will retain an external financial advisor through a competitive process administered by the Finance Department. For each debt issuance, the financial advisor will provide the City with information and recommendations on all aspects of the issuance, including market opportunities, method of sale, structure, term, pricing, and fees.

3.6 **Method of Sale.** As a matter of general policy, the City shall seek to issue its general and revenue bond obligations with a competitive sale process unless it is determined by the City's Financial Advisor and Finance Director that such a method will not produce the best results for the City. Other methods of sale that may be authorized by the Financial Advisor and Finance Director are a negotiated sales process and a private placement process.

Conditions that may favor a negotiated sale process are:

- The bond issue is, or contains, a refinancing that is dependent on market timing;
- At the time of the issuance, the interest rate environment or economic factors that affect the bond issue are volatile;
- The nature of the debt is unique and requires particular skills from the underwriter; or
- The debt issuance is bound by a compressed timeline due to extenuating circumstances that prevent a competitive process from being accomplished.

Whenever a negotiated sale process is determined to be in the best interests of the City, the City will use a competitive process to select its investment banking team.

In such instances where the City, through competitive bidding, deems the bids as unsatisfactory, or does not receive bids, it may, at the election of the Finance Director, immediately enter into a negotiated sale process or private placement process.

3.7 **Refunding of Debt.** Periodic reviews of all outstanding debts will be undertaken by the Finance Director and Financial Advisor to determine refunding opportunities. Refundings will be considered (within legal constraints) if and when there is a net economic benefit of the refunding, or if the refunding is essential in order to amend covenants to enhance operations and management. As a general rule, refundings will only be considered if the present value savings (net of all costs) of a particular refunding will exceed five percent (5%) of the refunded principal.

3.8 **Arbitrage Liability Management.** It is the City's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the law. The City will not issue obligations except for identifiable projects with very good prospects of timely initiation. Because of the complexity of the arbitrage rebate regulations and the severity of non-compliance penalties, the City will use the services of Bond Counsel and other arbitrage compliance experts when determining arbitrage liability, reporting, and exemptions.

3.9 **Financial Disclosure.** The City is committed to full and complete financial disclosure and to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, accurate, and timely financial information. Continuing disclosure requirements under Rule 15c2-12 issued by the Securities and Exchange Commission (SEC) may apply to certain debt transactions of the City. The City will comply with all such Federal or other State reporting requirements on a timely basis. The City is committed to meeting continuing disclosure requirements of the national information repositories.

City of Louisville
COLORADO ▪ SINCE 1878

# FINANCIAL POLICIES

## Revenue Policies

**Policy Section: 4**
**Adopted by Resolution No. ~~92, Series 2015~~**
**Effective Date: ~~December 15, 2015~~**

### Purpose and Scope

The City of Louisville collects revenue from various sources, the largest of which are from sales and use taxes, utility fees, property taxes, and intergovernmental revenue. The structure, equity, fluctuation, and collection of revenue are important for financial stability and are reviewed by bond rating agencies to determine the City's credit quality.

### Policies

4.1 **Diversification and Stabilization.** The City will strive to maintain a diversified and stable revenue system to reduce the overall effects of fluctuations in any one revenue source.

4.2 **Equity.** Revenue will be derived from a fair, equitable, and adequate resource base, while minimizing tax differential burdens. Services having a City-wide benefit shall be financed with revenue sources generated from a broad base, such as sales taxes and property taxes. Services where the customer determines the use shall be fully or partially financed with user fees and charges related to the level of service provided.

4.3 **Collections.** The City will monitor all taxes, fees, and charges to make sure they are equitably administered and collections are timely and accurate. The City will pursue collection of delinquent amounts (including related penalties and interest) as authorized by the Louisville Municipal Code.

4.4 **Recurring and Non-recurring Revenue.** The City's objective is to fund all recurring expenditures with recurring revenue. Non-recurring, one-time revenue should be used to fund only non-recurring, one-time expenditures. The preferred use of non-recurring revenue is to invest in projects that will result in long-term operational cost savings.

4.5 **Intergovernmental Revenue.** The City will pursue intergovernmental aid, including grants, for those programs and activities that address a recognized need and are consistent with the City's goals and objectives, and will attempt to recover all allowable costs associated with those programs. The City will avoid using grants for ongoing service delivery needs. Any decision to pursue intergovernmental aid should only be made after consideration of the present and future funding requirements, costs of administering the funds, costs associated with special conditions or regulations attached to the aid, and ongoing operational costs after the aid period.

4.6 **User Fees and Services Charges.** The City will periodically recalculate the full cost of providing services in order to provide a basis for setting the associated user fee or service charge. Full cost shall incorporate direct and indirect costs, including operations (with City labor costs), maintenance, overhead, debt service, equipment, and capital charges. The intent of this policy is to set fees at a level that is related to the actual cost of producing the good or service. The City will also periodically examine and compare rates from other cities providing similar services. It is recognized that competing policy objectives may result in user fee levels that recover only a portion of the costs. For years in which a complete recalculation of full costs is not done, an annual fee inflator may be applied to certain fees.

4.7 **Fees for Children's Recreational Services and Senior Programs.** The City may set fees for children's recreational programs and senior services at levels below the full cost of providing those services.

4.8 **Fees for Non-Resident City Services.** Non-residents may be required to pay higher fees than residents for City services.

City of Louisville
COLORADO • SINCE 1878

# FINANCIAL POLICIES

## Operating Budget Policies

**Policy Section: 5**
**Adopted by Resolution No. ~~92, Series 2015~~**
**Effective Date: ~~December 15, 2015~~**

### Purpose and Scope

The formulation of the annual operating budget, including the publication of the budget document, is one of the most important financial activities that the City of Louisville undertakes each year. The budget process provides a comprehensive plan to deliver efficient services to residents and stakeholders of the City in a manner that aligns resources with the policies, goals, mission, and vision of the City. This policy is intended to provide guidelines to assist in the formulation of financial discussion and the broader implications of financial decisions. This policy shall apply to all funds with an adopted budget.

### Policies

5.1 **Budgetary Basis of Accounting.** The "basis of accounting" is a term used to describe the timing of revenue and expenditure recognition. In other words, when the effects of transactions or events should be recognized. In governmental accounting, the basis of accounting used for financial reporting purposes, as required by generally accepted accounting principles (GAAP), is not required for use in preparing a budget document. Under GAAP, governmental funds are required to utilize a modified accrual basis of accounting and proprietary funds (enterprise and internal service) are required to utilize a full accrual basis of accounting for financial reporting purposes. The City of Louisville's *budgetary* basis of accounting is a modified accrual basis for *all* fund types, including proprietary funds. Some of the differences between the City's budgetary basis of accounting and the GAAP basis of accounting for proprietary fund types are:

- *Issuance of debt* – budgeted as a revenue item, adjusted at year-end to a liability for financial reporting purposes.
- *Principal payment on debt* – budgeted as an expense item, adjusted at year-end to a reduction in the liability for financial reporting purposes.
- *Capital acquisition* – budgeted as an expense item, adjusted at year-end to an asset acquisition for financial reporting purposes.
- *Depreciation* – not recognized for budgeting purposes, recorded at year-end as an expense for financial reporting purposes.

5.2 **Level of Budgetary Control.** The level of budgetary control is the level at which spending cannot exceed the budgeted amount without City Council authorization. The level of control is also the level of detail the City Council approves in the appropriation resolution. The City's current level of budgetary control is at the fund level. However, department management is responsible for administering their respective programs within the financial constraints described by the budget as adopted.

Article 11, Section 11-6 of the City of Louisville Charter states, *"During the fiscal year, no officer or employee shall expend or contract to expend any money, or incur any liability, or enter into any contract which, by its terms, involves the expenditure of money in excess of the amounts appropriated by the City Council. Any contract, verbal or written, made in violation of this subsection shall be void, and no moneys of the City shall be paid on such contract; except that the City Council may ratify such a contract if it determines that ratification would be in the best interest of the City, and if it adopts a resolution making the necessary appropriation."*

5.3 **Balanced Budget.** The City's definition of a balance budget requires each fund's revenue plus appropriated fund balance/working capital to be equal to, or greater than, each fund's total appropriations. However, it is the City's intent to go further and develop *structurally* balanced budgets for the General Fund and the other major operating funds (excluding capital project funds). In a structurally balanced budget, annual recurring revenue will be projected to equal or exceed annual recurring expenditures for each fund. If a structural imbalance (recurring expenditures exceeding recurring revenue) should occur in the General Fund or in any of the major operating funds, a plan will be developed and implemented to bring the budget back into structural balance.

5.4 **Budget Form.** Article 11, Section 11-2 of the City of Louisville Charter states, *"The proposed budget shall provide a complete financial plan for the City in a format acceptable to the City Council. Except as otherwise provided by this Charter, the proposed budget shall be prepared in accordance with State statutes establishing the local government budget law and the local government uniform accounting law."*

5.5 **Capital Improvement Plan (C-I-P).** A ~~Five~~Six-Year Capital Improvement Plan will be presented to the City Council for consideration during the biennial budget development process. The annual capital budget will be based on the first year of the approved C-I-P.

5.6 **Long-Term Financial Plan (LTFP).** ~~Five~~Six-year financial forecasts for each of the City's major operating funds will be presented to the City Council for consideration during budget development. The LTFP will coordinate the C-I-P with the operating budget and will provide insight into potential future financial imbalances so that action can be taken before a crisis occurs.

5.7 **Budget Amendment.** The City Council may amend or supplement the budget by resolution at any time after its initial adoption. A public hearing is required.

5.8 **Budget Control System.** The City will develop and maintain a budgetary control system to help it adhere to the budget. All departments are part of the budget control system and will have access to individual department reports that compare budget-to-actual financial performance. The Finance Department will report City-wide budget-to-actual performance on a ~~monthly~~ quarterly basis for both revenue and expenditures to the City Finance Committee.

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# FINANCIAL POLICIES

## Investment Policies

**Policy Section: 6**
**Adopted by Resolution No. 92, Series 2015**
**Effective Date: December 15, 2015**

### Purpose and Scope

It is the policy of the City of Louisville to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all Colorado Revised Statutes, the City of Louisville Charter, and the City of Louisville Municipal Code.

The provisions of this investment policy shall apply to all funds held in the custody of the City and all of its offices. Except for cash in certain restricted and special funds, the City shall consolidate, or "pool", cash and investment balances from all funds to maximize investment earnings and to increase efficiencies with regards to investment pricing, safekeeping, and administration. The investment income derived from the pooled cash and investment accounts shall be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### Policies

6.1 **Objectives.** In order of priority, the primary objectives of investment activities shall be safety, liquidity, and yield:

- *Safety.* Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio through the mitigation of credit risk and interest rate risk.

- *Liquidity.* The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. In addition, a portion of the portfolio may be placed in local government investment pools (LGIPs) which offer same-day, constant dollar liquidity for short-term funds.

- *Yield.* The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Securities generally shall be held to maturity with the following exceptions:

- o A security with a declining credit may be sold early to minimize loss of principal.
- o A security swap would improve the quality, yield, or target duration of the portfolio.
- o Liquidity needs of the portfolio require the security to be sold.

6.2 **Delegation of Authority.** The Finance Director shall be the designated investment officer of the City and shall be responsible for all investment decisions and activities, under the direction of the City Manager. The Finance Director shall establish investment policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director.

The Finance Director may delegate the authority to conduct investment transactions and manage the operation of the investment portfolio to one or more subordinates and/or an external registered investment advisor who shall act in accordance with established procedures on internal controls and in compliance with this investment policy.

6.4 **Legal Investments.** All investments shall be made in accordance with Colorado Revised Statutes (CRS) as follows: CRS 11-10.5-101, et seq., Public Deposit Protection Act; CRS 24-75-601, et seq., Funds - Legal Investments for Government Units; CRS 24-75-603, et seq., Depositories; CRS 24-75-701 and 702, et seq., Local Governments - Local Government Pooling and that the investment or deposit meets the standard established in section CRS 15-1-304. Any revisions or extensions of these sections of the CRS will be assumed to be part of this Investment Policy immediately upon enactment.

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the settlement date or in accordance with state and local statutes and ordinance. Pursuant to CRS Section 24-75-601.1(1), as amended from time to time, and subject to the limitations set forth therein, the securities listed herein shall be eligible for investment of public funds by the City. In the event of a conflict between CRS 24-75-601.1(1) and this policy, other than this policy being more restrictive that CRS 24-75-601(1), CRS 24-75-601.1(1) shall control. Nothing herein shall preclude the City from adopting a policy to permit securities other than those listed in CRS 24-75-601.1(1) for investment of public funds.

CRS 24-75-601(1) and this policy authorize the following investments:

- Any security issued by, fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment; allowing for inflation indexed securities. The period from the date of settlement of this type of security to the maturity date shall be no more than five years, unless the City Council authorizes investment for a period in excess of five years.

- Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The Federal Farm Credit Bank, A Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, The Federal National Mortgage Association, the Government National Mortgage Association, or an entity or organization that is not listed in this paragraph but that is created by, or the creation of which is authorized by, legislation enacted by the United States Congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph. The period from the date of settlement of this type of security to its maturity date shall be no more than three years. Any entity or organization listed in this paragraph may represent up to but not more than 35% of the investment portfolio. The total of the above mentioned entities or organizations and inclusive of corporate or bank securities cannot represent more than 95% of the investment portfolio.

- Any security that is a general or revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. The period from the date of settlement of this type of security to the maturity date shall be no more than three years.

- Any interest in a local government investment pool pursuant to CRS 24-75-701, et seq.

- Any guaranteed investment contract (GIC) if at the time the contract or agreement is entered into, the long-term credit rating, financial obligations rating, claims paying ability rating, or financial strength rating of the party, or of the guarantor of the party, with whom the public entity enters the contract or agreement is, at the time of issuance, rated in one of the two highest rating categories by two or more nationally recognized securities rating agencies that regularly issue such ratings. Contracts or agreements purchased under this paragraph shall not have a maturity period greater than three years.

- Any dollar-denominated corporate or bank security issued by a corporation or bank that has a maturity of less than three years from the date of settlement and, at the time of purchase, must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below “AA– or Aa3” by any credit rating agency. The aggregate value of all securities referred to in this paragraph shall equal no more than 25% of the total portfolio.

- Money market instruments, such as commercial paper or bankers' acceptance, must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "A1, P1, or F1" by any credit rating agency.

- Any money market fund that is registered as an investment company under the federal “Investment Company Act of 1940”, as amended, at the time the investing public entity invests in such fund. The money market fund must: 1) have no commission fee on the charged on purchases or sales of shares; 2) have a constant daily net asset value per share of $1.00; 3) limit assets of the fund to U.S. Treasury Securities; 4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 270-2A-7; and 5) have a rating at the time of purchase of at least AAAm by Standard & Poor’s or Aaa/MRI+ Moody’s

- The purchase of any repurchase agreement of marketable securities referred to in the preceding paragraphs. A Master Repurchase Agreement must be executed with the bank or dealer. The securities must be delivered to the City’s custodian or to a third-party custodian or third-party trustee for safekeeping on behalf of the City. The title to or a perfected security interest in such securities along with any necessary transfer documents must be transferred to the City or the City's custodian. The collateral securities of the repurchase agreement must be collateralized at no less than one hundred two percent and marked to market no less frequently than weekly. Collateralization is required per the Public Deposit Protection Act, CRS 11-10.5-101 et seq. The securities subject to the repurchase agreement may have a maturity in excess of five years. The repurchase agreement itself may not have a maturity of more than five years from the date of settlement unless the City Council authorizes investment for a period in excess of five years.

- Certificates of deposit in state or national banks or in state or federally chartered savings banks, which are state-approved depositories per CRS Section 24-75-603, et seq. (as evidenced by a certificate issued by the State Banking Board) and are insured by the FDIC. Certificates of deposit, which exceed the FDIC insured amount, shall be collateralized in accordance with the Colorado Public Deposit Protection Act. Certificates of deposit must comply with CRS Section 30-10-708 (1). The aggregate value of all certificates of deposit shall equal no more than 25% of the total portfolio.

6.4 **Standards of Care and Performance.** The "reasonable prudence" standard shall be used by investment officials in the context of managing an overall portfolio. The "reasonable prudence" standard provides that investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of the capital.

Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

In addition, officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the City Manager any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

6.5 **Authorized Financial Institutions, Depositories, and Broker-Dealers.** Unless utilizing the services of an external registered investment advisor, the Finance Department shall maintain a list of financial institutions and depositories authorized to provide investment services to the City. In addition, the Finance Department shall maintain a list of approved security broker/dealers that may include "primary" dealers or regional dealers qualifying under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). To qualify for consideration for investment transactions with the City, all financial institutions and broker-dealers must supply the following, as appropriate:

- Proof of state registration (except for those firms providing safekeeping and custodial services only).
- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines.
- Proof of Financial Industry Regulatory Authority (FINRA) certification.
- Evidence of adequate insurance coverage.
- Certification of having read and understood and agreeing to comply with the City's investment policy.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the Finance Director.

6.6 **Safekeeping and Custody.** All trades of marketable securities will be executed "delivery versus payment" (where applicable) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

Securities will be held by an independent third-party custodian selected by the City and evidenced by safekeeping receipts in the City's name. The safekeeping institution shall provide on an annual basis a copy of its most recent report on internal controls (Statement of Standards 70).

Moreover, management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal controls structure should address the following points:

- Control of collusion.
- Separation of transaction authority from accounting and recordkeeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Written confirmation of transactions for investments and wire transfers.
- Dual authorization of wire transfers.

Compliance with these controls shall be reviewed and confirmed through the City's annual independent audit.

6.7 **Performance Standards & Reporting**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The City's investment strategy is passive. Given this strategy, the basis used by the Finance Director to determine whether market yields are being achieved shall be the ColoTrust local government investment pool, the one-year US Treasury Bill, and the two-year Agency Benchmark.

The Finance Director shall provide the Finance Committee monthly investment reports that provide the status and characteristics of the current investment portfolio. The investment report should include schedules on:

- Portfolio diversification.
- Maturity distribution.
- A listing of all securities held by authorized investment category.
- Par value, amortized book value, and market value for all securities held.
- Monthly activity – purchases, sales, calls, and interest received.

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# FINANCIAL POLICIES

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|---|---|
| **Capital Asset Investment & Management Policies** | **Policy Section: 7**<br>**Adopted by Resolution No. ~~92, Series 2015~~**<br>**Effective Date: ~~December 15, 2015~~** |

**Purpose and Scope**

Capital assets have a major impact on the ability of the City of Louisville to deliver services, the economic vitality of the City, and the overall quality of life for the City's citizens. The purpose of this policy is to provide general guidelines for a comprehensive process of allocating limited resources to capital investments. This policy applies to all funds included in the City's ~~Five~~Six-Year Capital Improvement Plan.

**Policies**

7.1 **General Process for ~~Five~~Six-Year Capital Improvement Plan (C-I-P).** The Finance Department is responsible for coordinating the C-I-P process within the annual budget calendar and for compiling the requested, recommended, and adopted C-I-P document.

Each year, City departments will submit a list of prioritized projects for inclusion into the C-I-P. The City Manager will review the requests and make the final recommendations to City Council. City Council will review the recommended C-I-P and direct any changes for the final C-I-P. The first two years of the C-I-P will be included in the ~~Annual~~ Biennial Operating & Capital Budget presented to the City Council for formal adoption in November.

The City shall provide meaningful opportunities for all stakeholders to provide input into the C-I-P development process.

7.2 **C-I-P Project Selection.** An objective set of criteria will be used to assess and evaluate project proposals. Although specific criteria may be updated from time to time, the following concepts are core principles to be considered in the development of such criteria:

- Long-Term Forecasts – Long-term forecasts will be prepared to better understand resources available for capital spending and to assess operational impacts and eventual maintenance and replacement costs.

- Impact of Other Projects – Projects shall not be considered in isolation. One project's impact on others should be recognized and costs shared between projects where appropriate.

- Full Costing – Cost analysis of a proposed project should encompass the entire cost of the project, including annual maintenance and other impacts to the operating budget.

- Predictable Project Timing & Scope – Schedule and scope estimates should be practical and achievable within the requested resources, including financial and human.

7.3 **Balanced C-I-P.** The adopted C-I-P will be balanced. This means that for the ~~five~~ six-year period, revenue plus the use of fund reserves will equal or exceed total project expenditures.

7.4 **Asset Maintenance & Replacement.** It is the City's intent to maintain its existing assets and a level that protects the initial capital investment and minimizes future maintenance and replacement costs. Based on an asset inventory and risk assessment, staff shall include recommendations for asset maintenance in the C-I-P. It is the City's intent to ensure that adequate resources are allocated to preserve the City's existing infrastructure to the best of its ability before allocating resources to other capital projects.

# FINANCIAL POLICIES

## Accounting, Auditing, & Financial Reporting Policies

**Policy Section: 8**
**Adopted by Resolution No. ~~92, Series 2015~~**
**Effective Date: ~~December 15, 2015~~**

### Purpose and Scope

The City of Louisville desires to maintain a system of financial management that safeguards City assets, promotes financial transparency, and provides timely, accurate, and relevant financial information to citizens, elected officials, and management. This policy pertains to all funds and operations of the City and, to the extent reasonably possible, all component units of the City.

### Policies

8.1 **Accounting.** The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles applicable to state and local governments. The City's accounting and reporting policies will conform to the generally accepted accounting principles (GAAP).

8.2 **Auditing.** Article 11, Section 11-7 of the City of Louisville Charter states, *"The Council shall provide for a financial audit, which shall be performed at least annually by a certified public accountant selected by the Council. The Audit shall be performed in accordance with the State statutes establishing the local government audit law. Copies of the audit shall be made available for public inspection."*

In compliance with the Charter, an annual audit will be performed by an independent certified public accounting firm in accordance with Generally Accepted Governmental Auditing Standards and the auditor's opinion will be included in the City's Comprehensive Annual Financial Report (CAFR).

The City's Finance Department shall be responsible for managing the audit procurement process. The City Council will appoint the independent auditor and approve each year's audit engagement letter. The audit engagement term shall typically be for five to ten years, subject to annual review, approval, and appropriation.

8.3 **Audit Committee.** The City's Finance Committee will act as the City's Audit Committee. The Audit Committee will provide an independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. The City's independent auditors will meet with the Audit Committee at lease annually and have direct access to the Audit Committee if City staff is unresponsive to auditor recommendations or if the auditors consider such communication necessary to fulfill their legal and professional responsibilities.

8.4 **Financial Reporting.** The City's Comprehensive Annual Financial Report (CAFR) will be published annually to present the results, financial position, and results of operations of the City for the prior year. As an additional independent confirmation of the quality of the City's financial information, the City will annually submit its CAFR to the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting program.

The Finance Department will provide ~~monthly~~ quarterly interim financial reports to the Finance Committee after the close of each ~~month~~quarter. The reports will be designed to keep the Committee continuously informed of the City's overall financial status.

8.5 **Internal Controls.** The goals and objectives of the City's internal control policies are to safeguard City assets and to foster reliance on public information for decision-making purposes at all levels both internally and externally. Management shall establish the presence of integrity, ethics, competence, and a positive control environment. Directors are responsible for establishing, executing, and maintaining control policies and procedures at the detail level within their specific departments.

The City's internal control structure will be based on the Committee of Sponsoring Organizations of the Treadway Commission on Fraudulent Financial Reporting (COSO) framework and comprised of the following elements:

- **Control Environment** – Factors include integrity and ethical values, commitment to competence, leadership philosophy and operating style, assignment of authority and responsibility, and policy and procedures;
- **Risk Assessment** – Routine assessment of risk and its impact on internal controls;
- **Control Activities** – Such as segregation of duties, authorization of transactions, retention of records, supervision and monitoring of operations, and physical safeguards;
- **Information and Communication** – Policies and procedures are documented and accessible; and
- **Monitoring** – Assessment of the quality of performance over time to determine whether controls are effective and track resolution achievements of identified problems.

8.6 **Capitalization of Assets.** The terms capital assets, capital outlay, and fixed assets are used to describe assets that are used in operations that have initial lives extending beyond a single reporting period, such as water rights, infrastructure, land, buildings, improvements other than buildings, and equipment. It is incumbent upon departments to maintain adequate control over all resources, including capital assets, to minimize the risk of loss or misuse.

Not all capital assets are required to be reported on the City's balance sheet. Specifically, capital assets with extremely short useful lives or of small monetary value are properly reported as an "expenditure" or "expense" of the period in which they are acquired. Capital assets that are reported on the City's balance sheet are said to be "capitalized" and must meet the capitalization criteria outlined in this policy.

The City's capitalization criteria are, as follows:

- Assets should be capitalized only if they have an estimated useful life of at least two years following the date of acquisition.

- The capitalization thresholds shall normally be applied to individual items rather than to groups of similar items (e.g., chairs), unless the effect of doing so would be to eliminate a significant portion of total capital assets (e.g., library books).

- The capitalization threshold for each individual item is $~~5,000~~10,000.

- Directors are responsible for establishing control and inventory procedures at the department level for non-capitalized assets such as office equipment, communications equipment, fleet management inventory, firearms, etc.

8.7 **Accounts Receivable Write-Off.** Accounts receivable is an asset account reflecting amounts owed to the City. Staff will make every effort to collect all receivables. Only receivables deemed uncollectible can be written off. In order to be deemed uncollectible, a receivable must meet the following criteria:

- All standardized collections procedures have been exhausted;

- Further measures to collect the debt have been determined as inappropriate; and

- The characteristics of the debt are such that write-off is appropriate (e.g., the debt is small relative to the cost of further collection efforts).

The City Manager or Finance Director is authorized to approve a write-off of up to $100 per individual account. Staff's request to write-off accounts greater than $100 must be approved by the Finance Committee. The amounts and reasons for all write-offs will be documented and made available for audit.

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# FINANCE COMMITTEE COMMUNICATION

**SUBJECT:** FINANCE COMMITTEE 2019 WORK PLAN REVIEW

**DATE:** JANUARY 14, 2019

**PRESENTED BY:** COUNCILMEMBER MALONEY
KEVIN WATSON, FINANCE DIRECTOR

**SUMMARY:**

Attached is a <u>draft</u> Finance Committee Work Plan for 2019 presented for discussion purposes only.

## City of Louisville Colorado Finance Committee 2019 Work Plan (Draft)

Topics will be discussed in the quarter which they are listed. Items that are not complete will roll to the next quarter.

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**Quarterly Reports: material exceptions will be discussed at monthly FC meetings**

- Sales & Use Tax Reports
- Financial Statements
- Capital Improvement Program Reports
- Enterprise Dashboards (recreation, golf, utilities)
- Cash and Investments Reports

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**First Quarter**

- Review appropriate uses of HPF for development purposes (Jan)
- Review City policies for overtime (Jan)
- Financial policies – initial review (Jan)
- Work Plan Review (Jan)
- Quarterly Reports that are available (Feb)
- Outside Louisville Sales Tax Categorization (Feb)
- 2020 Budget – Review calendar and "off-year" process (Feb)
- Recreation Center Sales tax collection and TABOR issues (Feb)
- Write-offs of Accounts Receivable (Feb)
- Reuse Water rates (Mar)
- Remaining Quarterly Reports (Mar)
- Continued Discussion on Financial Policies – Reserve Levels (Mar)

**Second Quarter**

- Presentation from Eide Bailly on Review of Internal Controls and Off-Site Cash Collection Processes (Apr)
- Presentation from Chandler on Economy and Investments (Apr)
- Review Budget Scenarios and Process for 2021 Budget including zero-based and negative and positive adjustments scenarios (Apr)
- Quarterly Reports that are available (Apr)
- Budget Amendment (May)
  - 2018 carryover
  - 2019 changes
- Remaining Quarterly Reports (May)
- Review Renewal and Replacement schedule and budget for Recreation Center (Jun)
  - Athletic Fields Issue
- Review Renewal and Replacement schedule and budget for Golf Course (Jun)

**Third Quarter**

- Revenue Projection Dashboards
- Presentation from Eide Bailly on 2018 Audit
- Presentation of 2018 CAFR
- 2019/20 Budget Review
  - Performance Measures
  - Property Tax Rates
- Long-Term Financial Plan
  - Revenue Assumptions
  - Expenditure Targets
- Quarterly Reports

**Fourth Quarter**

- Revenue Projection Dashboards
- Review 2020 Budget
- Quarterly Reports
- Review of 2020 Proposed Fees
- Review Non-Profit Grant application process for 2021-2022