

# CITY OF GRAND ISLAND

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## FISCAL POLICIES MANUAL

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### **I. INTRODUCTION:**

The fiscal policies outlined in this document and the supplements are intended to be:

1. Fully consistent with the Mission and Purpose Statement for the City Of Grand Island. “Enhance the quality of life in the Grand Island Community, to recognize the vitality and diversity of our neighborhoods, and to promote development by providing effective and responsive services through vision, respect and courtesy.”
2. Enhance quality of life for Grand Island citizens by providing needed services while limiting growth in government budget and size.
3. Make City government clearly and directly accountable to its citizens.

Fiscal Policies are used here to mean the combined policies of Grand Island City government with respect to taxes and other fiscal resources, spending and debt management used in support of the City's public services program. The budget process is the major vehicle for determining and implementing the relevant policies. Fiscal policy applies management principles to social and economic data in meeting budgetary objectives. Its purpose is to provide guidance for good public practice in the planning and financing of public expenditures. Fiscal policy which is both realistic and consistent provides useful guidance for the long-term programming of services and facilities. It provides a set of assumptions under which budget and tax decisions should be made. While established for the best management of governmental resources, fiscal policy also helps set the parameters for governments' role in the broader economy of the community.

Policy formulation is the dual responsibility of the City Administrator and Finance Director, who develops policy recommendations, Mayor, and the City Council, who reviews the recommendations and establishes policy through the adoption of appropriate Ordinances and Resolutions.

The current fiscal policy is presented on the following pages under six broad policy headings: General Financial Objectives, Accounting, Auditing, and Financial Reporting Policies, Fund Balances, Investment Policies, Capital Improvement Policies, Debt management Policies, and Communication and Disclosure Policies.

### **II. GENERAL FINANCIAL OBJECTIVES**

The City of Grand Island's general financial goals are stated as follows:

- 1) To maintain an adequate financial base for purposes of sustaining a prescribed level of services as determined by the State, Mayor, and City Council.

- 2) To adhere to accounting and management practices as set by the Government Finance Officers' Association (GFOA), statements issued by the Governmental Accounting Standards Board (GASB), and Generally Accepted Accounting Principles (GAAP) guidelines.
- 3) To respond to local and regional economic conditions, to adjust to changes in the service requirements of our community, and to respond to changes in State and Federal priorities and funding.
- 4) To maintain appropriate amount of cash reserves by ensuring that the City is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.
- 5) To promote fiscal conservation and to obtain the highest credit rating possible by insuring that the City is at all times in a solid financial condition. This can be defined as:
  - a. Cash Solvency - the ability to pay current bills in a timely fashion.
  - b. Budgetary Solvency - the ability to balance the budget.
  - c. Long-run Solvency - the ability to pay future costs.
  - d. Service Level Solvency - the ability to provide needed and desired services.
- 6) To assure taxpayers that City government is well managed by using prudent financial management practices and maintaining a sound fiscal condition.

### **III. ACCOUNTING, AUDITING AND FINANCIAL REPORTING**

The goals of the Finance Department are fully consistent with the following stated budget and accounting policies of the Grand Island City government. That is, to provide the best financial data possible to allow Administrative and the general citizenry an understanding of the complete financial circumstances surrounding public decision-making so the financial consequences of those decisions can be properly assessed and the rational allocation of City resources be enhanced.

#### **A. Accounting and Reporting Capabilities:**

The City of Grand Island's governmental accounting system must make it possible:

- to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the city in conformity with generally accepted accounting principles as defined by the GASB, and
- To determine and demonstrate compliance with finance-related legal and contractual requirements.

#### **B. Fund Accounting:**

The accounting system shall be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions.

### **C. Fixed Assets and Long-Term Liabilities:**

Fixed assets shall be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets shall be recorded at their estimated fair market value at the time received. Depreciation of general fixed assets shall be recorded in the accounts of individual funds.

### **D. Basis of Accounting**

The basis of accounting will be determined to most efficiently measure financial position and operating results.

### **E. Financial Reporting:**

Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information shall be prepared to facilitate oversight, and where necessary or desired, for external reporting purposes.

An independent public accounting firm shall perform an annual audit and will publicly issue an opinion concerning the City's finances.

### **F. Budgeting:**

The City of Grand Island shall prepare a comprehensive annual budget using the basis of accounting determined in Section III-D covering all funds for each ensuing fiscal period.

The Annual Appropriation Bill, when signed into law, establishes revenue, expenditure/expense and obligation authority at the summary control level of total appropriations for all funds. The City Administrator and the Finance Director shall exercise supervision and control of all budgeted expenditures within these limits, holding expenses below appropriations or allowing over-runs in individual line-items providing that at no time shall the net expenditures exceed the total appropriation for that fund as originally authorized or amended by the Mayor and City Council.

No appropriations measure shall be submitted to or adopted by the Mayor and City Council in which estimated total expenditures, including an accrued deficit, exceed estimated total revenues, including an available surplus.

There are five appropriation types unless regulated otherwise by other statutes; Personnel costs which include all employee compensation and benefit related expenses; Operating expenses which are all expenses that are required for operations; capital expenditures for assets falling within the Capitalization threshold; Debt Service which includes all debt related payments; and fund transfers.

No obligation shall be incurred against, and no payment shall be made from, any appropriation type unless there is sufficient unencumbered balance in the appropriation and sufficient funds are or will be available to meet the obligation.

The Finance Director, after the end of each month, shall transmit to the Mayor and City Council a report depicting the financial condition of budgeted operations, including, but not limited to:

- 1) A report of actual revenues by General Fund departments compared with budgeted revenues.
- 2) A report of actual expenditures by General Fund departments compared with authorized appropriations.
- 3) A statement of Cash Position for all funds with sources and uses of funds compared to prior year and fiscal year-end.
- 4) A Sales Tax Analysis report with historical monthly receipts and annual projection.

All appropriations are annual as authorized by the General Appropriations Act and the unexpended portion shall lapse at year end.

Budgeting comparisons shall be presented in the financial statements as required by GASB and all budgetary procedures shall conform to existing State Law.

The budget shall provide for adequate maintenance of the capital plant and equipment, and for their orderly replacement.

The budget shall provide for adequate funding of the City's retirement programs.

The operating budget shall describe the major program goals to be achieved, and the services and programs to be delivered for the level of funding provided.

#### **IV. FUND BALANCE**

The establishment and maintenance of adequate cash balances and reserves allows the City financial flexibility and security and is recognized as an important factor considered by bond rating agencies and the underwriting community when reviewing City debt issuance. Along with maintaining the City's credit worthiness, such cash balances and reserves provide the means to handle economic uncertainties, local disasters and other unanticipated financial hardships, as well as, to meet cash flow requirements. In addition to the designations noted below, fund balance levels will be sufficient to meet funding requirements for projects approved in prior years that are carried forward into the new year; debt service reserve requirements; and other reserves or designations required by contractual obligations or generally accepted accounting principles.

- General Fund - The City shall maintain the fund balance of no less than 20% and no greater than 30% of the proposed operating (personnel and operating expenditures combined) budget expenditures for the General Fund.
- Capital Project Funds - There is no minimum fund balance requirement for the Capital Project Funds.
- Debt Service Funds - The City shall maintain sufficient reserves in its debt service funds which shall equal or exceed the reserve fund balance of twelve (12) months of debt service or as required by bond ordinances.
- Enterprise Funds - The City shall strive to maintain the fund balance at no less than 30%

of the proposed operating budget expenditures for the Enterprise Funds. Fund balance may also include funds equal to the projected cost of replacement, additions of existing capital assets financed on a "pay as you go" basis, and contingency funds.

- Internal Service Fund
  - Health Insurance Cash Balance - The City shall strive to maintain cash balance at no less than four (4) to six (6) months of the proposed operating budget expenditures for Health Insurance as long as the City is self-insured.
  - Property & Casualty Cash Balance - The City shall strive to maintain a cash balance at no less than four (4) to six (6) months of the proposed operating budget expenditures for Property & Casualty.
  - Workers Compensation Cash Balance - The City shall strive to maintain a cash balance at no less than four (4) to six (6) months of the proposed operating budget expenditures for Workers Compensation.
  - Information Technology Cash Balance - The City shall strive to maintain a cash balance at no less than 10% of the proposed operating budget expenditures for the Information Technology.
  - Fleet Services Cash Balance - The City shall strive to maintain a cash balance at no less than 10% of the proposed operating budget expenditures for the Fleet Services.
- Pension Trust Funds - The City shall strive to maintain the fund balance based on the minimum actuarially determined contribution.
- Agency Funds - There is no minimum fund balance requirement for Agency Funds.
- Use of Fund Balance - Fund Balance shall be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. Should such use reduce the balance below the appropriate level set as the objective for that fund as indicated above, restoration recommendations will accompany the decision to utilize said fund balance.

## **V. PURCHASING POLICIES:**

The City Council establishes purchasing policies as detailed in the City Code.

Through the Procurement Code, the City of Grand Island is protected by various safeguards. The Code sets requirements at certain cost levels for bidder security, payment and performance bonding. Ethics for City officials and employees are also clearly established to prevent the acceptance of gratuities and kickbacks, as well as, preventing any City official or employee financial gains from a procurement contract.

The competitive bidding procedure for larger purchases defines any exceptions outlined by the Code and gives basic instructions to user departments for day to day purchasing.

## V. REVENUE AND INVESTMENT POLICIES:

Administration of Revenue and Investment Policies is the responsibility of the City Treasurer (Finance Director). The two main objectives of the Finance Director in the role of City Treasurer are the custodian of all City funds and the collector of receipts.

The goals and objectives of the Treasurer's Office include:

- To guarantee the safety of City funds by adhering to statutory requirements regarding bonding and placement of funds and maintaining a system of controls to monitor such activities.
- To maximize earnings on temporarily available funds by seeking the best available combination of safety, interest rates, and lengths of short term investments.
- To conform to the guidelines and objectives as detailed in the Investment Policy document as approved by council.

### A. REVENUE POLICIES:

When exercising the City's tariff and taxing powers, the City will comply with the following principles:

**1) Stability** - A diversified and stable revenue system shall be maintained to ensure fiscal health and absorb short run fluctuations in any one revenue source. Ongoing operating costs should be supported by ongoing, stable revenue sources.

**2) Sufficiency** - Fees should cover the full cost of issuance, administration and enforcement.

**3) Efficiency** - A fee should be levied in a way which can be easily and inexpensively administered by the City and complied with by the taxpayer. A minimum of the revenue raised through a fee or tax should be consumed in the process of raising it.

**4) Simplicity** - Charges and levies should be readily understood by the taxpayer and the official. The amount of the charge or levy should be easily computed and verified.

**5) Equitability** - No arbitrary distinctions should be made among taxpayers or classes of taxpayers. However, distinctions will be made when the City believes that such distinctions are appropriate and will not have a disproportionate impact on taxpayers or a class of taxpayers.

**6) Growth** - Fees, charges or levies should not be excessive, so as to either discourage reasonable economic growth or to place the City of Grand Island in a position of comparative disadvantage with other communities. Revenues from growth or development should be targeted to costs related to development or invested in improvements that will benefit future residents or make future services provision more efficient.

**7) Reliability and Continuity** - Fluctuating federal and state grants should not be used to fund ongoing programs. Grant applications to fund new service programs with State or Federal funds shall be reviewed by the City, with significant consideration given to whether locally generated funds will be required to support these programs when original funding is

no longer available. A minimum of locally generated revenues will be used to replace funding for activities which are or have traditionally been the responsibilities of the Federal and State governments.

**8) Full Cost Recovery** - Where the City of Grand Island provides services on behalf of other governmental jurisdictions, the City shall establish and maintain agreements and contracts with those jurisdiction - including the Federal Government, the State of Nebraska, Hall County, joint agencies, other counties and incorporated cities, and taxing districts - to strive to ensure the City of Grand Island is reimbursed for the full cost of those services.

**9) Maximization** - In order to maximize revenues, the City shall, to the fullest extent possible:

- a. Aggressively collect revenues.
- b. Establish all fees and use charges at levels related to recovery of full costs incurred in providing the related services.
- c. Review fees and user charges annually so as to provide for changes in rates to keep pace with changes in the costs of providing services.
- d. Charge fees for all services that benefit limited interests within the community, except for human needs services to persons with limited ability to pay.
- e. Make revenue projections for five years and revise annually.

## **B. INVESTMENT POLICIES:**

Consistent with the Treasurers' Office stated goals and objectives, the City operates under the following general investment policies:

- 1) The City analyzes the cash flow of all funds on a regular basis to ensure maximum cash availability.
- 2) Market conditions and investment securities are reviewed on a regular basis to determine the maximum yield to be obtained.
- 3) The City will invest as much of its idle cash as possible on a continuous basis. These investments shall be in quality issues and in compliance with Council Resolutions and State Statutes regarding investment requirements.

## VI. CAPITAL IMPROVEMENT POLICIES:

### A. General

- 1) A Fixed Asset Inventory of the City's physical assets and their conditions shall be developed and maintained.
- 2) The Department Directors, in conjunction with the City Administrator, shall develop a multi-year plan for capital improvements and update it annually. The Capital Improvement Program shall identify estimated costs and funding sources for each capital project, as well as the City Administrator's relative priority, before it is submitted to the Mayor and City Council for review, modification and approval.
- 3) City operating budgets shall provide for adequate facility maintenance and operations. Ongoing maintenance funds shall be estimated and identified prior to making the decision to undertake capital improvements.
- 4) The City shall make improvements to existing facilities and adopt non-capital strategies to increase capacity prior to making recommendations for new facilities.
- 5) The City shall rehabilitate or replace structures which have service problems, safety concerns, or are economically inefficient to operate.

### B. Financing Capital Projects is categorized as follows, with financing as noted for each category:

- 1) **Replacement** - Capital expenditures relating to normal replacement of worn or obsolete capital plant should be financed on a pay-as-you-go basis, with debt financing considered where appropriate.
- 2) **Expansion** - Capital expenditures relating to the construction of new or expanded facilities necessitated by growth should be financed primarily on a pay-as-you-go basis, but when the new improvements can be determined to benefit the overall population in the future, debt financing may be appropriate.
- 3) **Unusual** - Some capital expenditures for improvements enhance the quality of life in the City of Grand Island and are consistent with the City's goals but cannot be categorized as essential for the provision of basic services or maintenance of the useful life of existing facilities. Source of funding shall be determined by looking to the ultimate beneficiary of each capital improvement.

### C. Prioritization of Capital Projects - Capital improvement needs are to be identified, categorized and prioritized as follows:

- 1) First Priority: Essential Basic Services.
- 2) Second Priority: Essential Maintenance of Effort Services.
- 3) Third Priority: Essential Quality of Life Services.



- 4) Fourth Priority: Desirable Basic Services.
- 5) Fifth Priority: Desirable Maintenance of Effort Services
- 6) Sixth Priority: Desirable Quality of Life Services.

## **VII. DEBT MANAGEMENT POLICIES:**

A. The following debt management policies shall be used to provide the general framework for planning and reviewing debt proposals. The City recognizes that there are no absolute rules or easy formulas that can substitute for a thorough review of all information affecting the City 's debt position. Debt decisions should be the result of deliberate consideration of all factors involved including but not limited to life expectancy of capital improvement and/or expansion.

B. The City of Grand Island will use debt financing when it is appropriate. It shall be judged appropriate only when the following conditions exist:

- 1) When non-continuous capital improvements are desired.
- 2) When it can be determined that future citizen's will receive a benefit from the improvement and/or expansion.

C. The City may use short-term borrowing (Notes) to finance operating needs as a bridge between maturity dates of long term investments, but reasonable forecasting should minimize this need. However, interim financing in anticipation of a definite fixed source of revenue such as property taxes, an authorized but unsold bond issue, or a grant is acceptable. Such tax, bond or grant anticipation notes and warrants shall not:

- 1) Have maturities greater than 2 1/2 years;
- 2) Be rolled over for a period greater than one year; or
- 3) Be issued solely on the expectation that interest rates will decline from current levels.

D. Uses of Debt Financing:

- 1) Bond proceeds shall be limited to financing the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment, and infrastructures
- 2) Non-capital furnishings and supplies shall not be financed from bond proceeds.
- 3) Refunding bond issues designed to restructure currently outstanding debt is an acceptable use of bond proceeds.

E. Taxpayer Equity - A significant proportion of the City's property tax payers and citizens should benefit from projects financed by limited general obligation bonds. This principle of taxpayer equity shall be a primary consideration in determining the type of projects selected for financing.

F. When the City of Grand Island utilizes long-term debt financing it shall ensure that the debt is soundly financed by forecasting, conservatively but accurately, all revenue sources that will be utilized to pay the debt.

### **VIII. COMMUNICATION AND DISCLOSURE POLICIES:**

The City of Grand Island's primary financial reporting objectives are keyed to open communication and full disclosure.

A. Financial reporting shall assist in fulfilling the City's duty to be publicly accountable and enable users to assess that accountability.

B. Financial reporting shall assist users in evaluating the operating results of the City of Grand Island for the year.

C. Financial reporting shall assist users in assessing the level of services that can be provided by the City and its ability to meet its obligations as they become due.

D. These primary objectives are divided further into six basic objectives; financial reporting shall:

- 1) Provide information to determine whether current-year revenues were sufficient to pay for current-year services.
- 2) Demonstrate whether resources were obtained and used in accordance with the City's legally adopted budget; it shall also demonstrate compliance with other finance-related legal or contractual requirements.
- 3) Provide information to assist users in assessing the service efforts, costs and accomplishments of the City of Grand Island.
- 4) Provide information about sources and uses of financial resources and how the City financed its activities and met its cash requirements.
- 5) Provide information necessary to determine whether the City's financial position improved or deteriorated as a result of the year's operations.
- 6) Disclose legal or contractual restrictions on resources and risks of potential loss of resources.

E. The City of Grand Island shall maintain good communications with bond rating agencies to inform them about the City's financial condition. Each bond prospectus shall follow the Governmental Finance Officers Association disclosure guidelines.

F. These objectives are not considered to be static. Revisions are to be expected as needs change or as requirements for additional financial reporting information emerges.

## **IX. CODE OF PROFESSIONAL ETHICS:**

A. City officials and employees are enjoined to adhere to legal, moral and professional standards of conduct in the fulfillment of their professional responsibilities.

### **1) Personal Standards –**

a. City officials and employees shall demonstrate and be dedicated to the highest ideals of honor and integrity in all public and personal relationships to merit the respect, trust and confidence of governing officials, other public officials, employees, and of the public.

b. They shall abide by approved professional practices and recommended standards.

**2) Responsibility as Public Officials** City officials and employees shall recognize and be accountable for their responsibilities as officials in the public sector.

a. They shall be sensitive and responsive to the rights of the public and its changing needs.

b. They shall strive to provide the highest quality of performance and counsel.

c. They shall exercise prudence and integrity in the management of funds in their custody and in all financial transactions.

d. They shall uphold both the letter and the spirit of the constitution, legislation and regulations governing their actions and report violations of the law to the appropriate authorities.

**3) Professional Development** The City shall emphasize and support a program of professional development. City officials and employees are expected to support programs to enhance their competence and that of their colleagues. Public officials shall promote excellence in the public service.

**4) Professional Integrity Information** - City officials and employees shall demonstrate professional integrity in the issuance and management of information.

a. They shall not knowingly sign, subscribe to, or permit the issuance of any statement or report which contains any misstatement or which omits any material fact.

b. They shall prepare and present statements and financial information pursuant to applicable law and generally accepted practices and guidelines.

c. They shall respect and protect privileged information to which they have access by virtue of their office.

d. They shall be sensitive and responsive to inquiries from the public and the media, within the framework of state or local government policy.

## **5) Professional Integrity- Relationships**

a. They shall exhibit loyalty and trust in the affairs and interests of the government they serve, within the confines of this Code of Ethics.

b. They shall not knowingly be a party to or condone any illegal or improper activity.

c. They shall respect the rights, responsibilities and integrity of their colleagues and other public officials with whom they work and associate.

d. They shall manage all matters of personnel within the scope of their authority so that fairness and impartiality govern their decisions.

e. They shall promote equal employment opportunities, and in doing so, oppose any discrimination, harassment or other unfair practices.

**6) Conflict of Interest** - City officials and employees shall actively avoid the appearance of or fact of conflicting interest.

a. They shall discharge their duties without favor and shall refrain from engaging in any outside matters of financial or personal interest incompatible with the impartial and objective performance of their duties.

b. They shall not, directly or indirectly, seek or accept personal gain which would influence, or appear to influence, the conduct of their official duties.

c. They shall not use public property or resources for personal or political gain.