

FINANCIAL MANAGEMENT POLICIES

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The Financial Management Policies are a compendium of all City policies that shape the Budget. They are intended to assist the Council and the City Manager in preparing the Budget and help communicate to residents and customers how the community goals are being addressed.

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BUDGET POLICY

1.1. OVERVIEW

The budget is a long-range plan by which the City Council sets financial policy. Through the budget, services are implemented. The budget along with the annual appropriation ordinance provides the basis for the control of expenditures. For the City of Fort Collins, direction for the budget emanates from many distinct sources. The State Constitution and the City Charter provide the basic legal requirements and time lines for the process. Council goals, ordinances and resolutions provide additional direction and respond to the needs of the community.

1.2. CHARTER PROCESS REQUIREMENTS

a. Budget Term

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

b. Budget Recommendation

On or before the first Monday in September preceding each budget term, the City Manager shall file with the City Clerk a proposed budget for the ensuing budget term along with an explanatory message. The proposed budget shall provide a complete financial plan for each fund of the City and shall include appropriate financial statements for each type of fund showing comparative figures for the last completed fiscal year, comparative figures for the current year, and the City Manager's recommendations for the ensuing budget term.

c. Public Record, Hearing

The City Manager's proposed budget shall be a public record and be available to the public for inspection and copying. The City Council shall, within ten (10) days after the filing of the proposed budget, set a time for a public hearing. At the hearing, the public may comment upon the proposed budget.

d. Adoption of Budget and Appropriation of Funds

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

1.3. CHANGES TO ADOPTED BUDGET

After the commencement of the fiscal year, the amounts appropriated for the proposed expenditures in the adopted budget are not subject to repeal and are considered appropriated for the purposes specified. The expenditures of City operating funds cannot exceed the budgeted appropriations for their respective fund. In certain cases, however, adopted budgets may be increased, decreased, or amounts transferred between funds.

a. Budget Increases

1. Supplemental Appropriations--The Council, upon recommendation by the City Manager, may make supplemental appropriations from actual revenues received, anticipated revenues, and prior year reserves provided that the total amount of the supplemental appropriation plus previous appropriations for the fiscal year does not exceed the actual or anticipated revenue total or the available reserve balance. No appropriation can be made which exceeds the revenues, reserves, or other funds anticipated or available except for emergencies due to accident or unforeseen event arising after the adoption of the annual appropriation.
2. Unanticipated Revenue--If a fund receives revenue during the fiscal year from a source that was not anticipated at the time of budget adoption such as grants, bond issue or implementation of a new fee, Council may appropriate such revenue for expenditure.
3. Encumbrance Carryover--If a fund has open and valid purchase orders at the end of a fiscal year, those related appropriations are encumbered and carried over to the ensuing fiscal year and added to the budgeted appropriations to cover the actual expense when it occurs.

b. Budget Decreases

The budget may also be decreased below adopted appropriations during the fiscal year. Changes in service demand, economic conditions, projected growth limits, and Council goals and direction may cause such budget reductions. Each service area is responsible for developing a plan to reduce appropriations. Each plan must be in place and ready for implementation should the need arise. If the City Manager directs budget reductions, Council will be informed immediately and the appropriations will be set aside through administrative action. While this administrative action does not lower the appropriations within a fund, expenditures from the fund shall not exceed the amount recommended by the City Manager. If the circumstances leading to the implementation of reductions change, the appropriations may be made available for expenditure.

c. Level of Control and Budget Transfers

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

2. During the fiscal year, the Council may by ordinance and upon the recommendation of the City Manager, transfer any unexpended and unencumbered appropriated amount from one fund or capital project account to another fund or capital project account, provided that:
 - a) the purpose for which the transferred funds are to be spent remains unchanged;
 - b) the purpose for which the funds were initially appropriated no longer exists; or
 - c) the transfer is from a fund or capital project account in which the amount appropriated exceeds the amount needed to accomplish the purpose specified by the appropriation.

1.4. LAPSED APPROPRIATIONS

All appropriations not spent or unencumbered at the end of the fiscal year lapse into the fund balance applicable to the specific fund, except for:

- a. **Capital Projects** - appropriations for capital projects which do not lapse until the project is completed and closed out; and
- b. **Grant Funds** - appropriations for federal or state grants which do not lapse until the expiration of the grant.

Council can terminate a capital project or a federal or state grant at any time prior to completion of the project or expiration of the grant.

1.5. BUDGET PHILOSOPHY

a. Philosophy

The City of Fort Collins is committed to presenting a sound financial plan for operations and capital improvements within growth limit guidelines. To achieve this end, the City utilizes conservative growth and revenue forecasts and:

- Prepares multi-year financial plans for operations and capital improvements;
- Allows staff to manage the operating and capital budgets, with City Council deciding allocations in both;
- Adopts financial management policies which establish guidelines for multi-year financial plans;
- Establishes budgets for all funds based on adopted policies;
- Appropriates the budget in accordance with the City Charter and State Constitution;
- Adjusts the budget to reflect changes in the local economy, changes in priorities, and receipt of unbudgeted revenues;

- Organizes the budget so that revenues are related to expenditures as much as possible;
- Provides department managers with immediate access to revenue and expenditure information for controlling their annual expenditures against appropriations;
- Utilizes a performance measurement system for all activities in the City;
- Evaluates recommendations that have a budget impact in light of annual appropriations and multi-year financial plans.

b. Budget Preparation

While the Charter establishes time limits and the essential content of the City Manager's proposed budget and the adoption of the budget, the language is silent on the budget preparation process.

The City's Financial and Management Policies guide the preparation of the budget. A Budget Issues Team composed of the City Manager, Deputy City Manager, and the Budget Director develops the guidelines, consistent with the Policies, to be used for budget preparation. During the development of the budget, various department and division representatives are called on to provide their expertise to the Budget Issues Team. In addition, the City Council and the Executive Lead Team provide guidance during preparation.

In March, programs develop multi-year revenue projections and submit them to the Budget Office. Based upon the revenue projections, guided by the mandated revenue and expenditure limitations, the Budget Office prepares target budgets for each of the service programs. All of the budget preparation information, including target budgets, is included in a Budget Manual that guides the programs in developing their budgets. In April and May, Council study sessions are held. At these sessions, Council has the opportunity to provide direction for development of the proposed budget for the ensuing budget term.

In early June, program budgets are due into the Budget Office. All programs must stay within their target budgets. Budget issues are identified and the target budgets may be adjusted, within available revenue, to address the identified issues. The City Manager's budget recommendation is submitted to City Council before the first Monday in September. The recommended budget is made available for public inspection at this time. In September, a recommended budget-in-brief is published in the local newspaper for public information. In addition, two public hearings and three Council study sessions are held in September and October. The budget for the ensuing budget term is adopted in November.

1.6 PRINCIPLES FOR BUDGET PLANNING

The City provides a wide variety of services to the residents of the community. It is the responsibility of City Council to adopt a budget and manage the available resources to best meet the service needs for the overall good of the community.

To aid in planning for the allocation of resources to meet the good of the whole community, Council adopted Resolution 2001-161, that set forth the Principles for Budget Planning. Those Principles as adopted by Council are as follows.

- a. The City should strive to attain the lowest possible interest rates on debt in order to minimize the cost to taxpayers and users of City services.
- b. The City should maintain adequate reserve levels to ensure minimal loss of service to the community should there be unforeseen reductions in revenues or a catastrophic occurrence.
- c. Employees of the City are a valuable resource in providing services to the community, and a compensation policy should be maintained for City employees that reflects the value of attracting and retaining quality employees.
- d. Primary services are those services that are necessary for the good of the entire community. They are basic to the safety, health, and welfare of the community, and the allocation of all resources necessary for the provision of primary services is the first priority in budget preparation. Primary services are:

Police	Water	Wastewater
Fire	Transportation	Stormwater
Building Inspection	Electric	Natural Resources
Development Review	Engineering	Facilities Maintenance
Affordable Housing	Pedestrian Access	(all public facilities including parks)

- e. Secondary services are those services that enhance the quality of life of the residents and to many, increase the value of living and working in the community. While the value of secondary services is recognized, the allocation of resources to those services shall be considered only after the necessary allocation has been made to fund primary services. Secondary services are:

Recreation	Neighborhood Resources	Performing Arts
Human Rights	Library	Cemeteries
Golf	Human Services Contract	Airport
Parks	Natural Areas	Museum

- f. Support services provide the management, guidelines, and operational assistance to carry out the provision of primary and secondary services. Resources should be allocated to support services to support the level and quality of primary and secondary services expected and desired by the community. Support services are:

General Administration	Finance	Legal
Budget	Human Resources	City Clerk
Clerical Support	Fleet Management	Municipal Court
Information Technology	Geographic Information Systems	

- g. No new services, other than those identified as primary services, shall be undertaken by the City until all existing primary, secondary, and support services have received a sufficient level of funding to meet the needs of the community.
- h. Any adjustment to the existing budget shall take into account the effect that such adjustment would have on future budget resources.

REVENUE POLICIES

2.1. REVENUE LIMITATION

Section 20 of Article X of the Colorado Constitution (Article X, Section 20 or “TABOR”) places limits on revenue and expenditures of the State and all local governments. Even though the limit is placed on both revenue and expenditures, the constitutional amendment in reality applies to a limit on revenue collections. Growth in revenue is limited to the increase in the Denver-Boulder-Greeley Consumer Price Index plus local growth (new construction and annexation). This percentage is added to the preceding year’s revenue base, giving the dollar limit allowed for revenue collection in the ensuing year. Any revenue collected over the limit must be refunded to the citizens, unless the voters approve the retention of the excess revenue. Federal grants or gifts to the City are not included in the revenue limit. City “enterprises” (electric, water, wastewater and stormwater utilities) are exempt from the imposed limits. Beginning in 2003, the Golf Fund revenue sources will allow it to be considered for enterprise status for purposes of Article X, Section 20. To become an enterprise, voters would need to approve a Charter amendment for the Golf Fund.

In November 1997, Fort Collins’ voters approved a ballot measure that allows the City to retain revenues that exceed the growth limit imposed by Article X, Section 20. The measure was effective for 1996 and ensuing years. The approved measure specified that any retained revenues over the growth limit must be used for certain designated purposes.

- Public health and safety (including, but not limited to, environmental monitoring and mitigation)
- Transportation
- Growth management
- Maintenance and repair of public facilities

While not included as part of the approved ballot measure, legal principles require that those revenues collected in excess of the growth limit from fees charged or other legally restricted revenues must be used for the purpose for which they were collected. In addition, such revenues must also be used for the designated purposes approved by the voters.

2.2 REVENUE REVIEW, DIVERSITY, AND MONITORING

- a. **Review and Projections.** The City reviews estimated revenue and fee schedules as part of the budget process. Major revenue sources in the general fund are sales & use tax, property tax, lodging tax, intergovernmental revenues, fines & forfeitures, user fees & charges, and transfers from other funds. Conservative revenue projections are made for the budget term. The projections are monitored and updated as necessary.
- b. **Diversity.** For all general government operations, the City will strive to maintain diverse revenue sources. The City recognizes that becoming too dependent upon one revenue source would make revenue yields more vulnerable to economic cycles.
- c. **Targets.** The City's major source of revenue for governmental activities and more specifically for programs within the General Fund is the Sales and Use Tax. The City will monitor the dependency on sales and use tax by tracking the percentage of the General Fund and General Government that comes from sales and use tax. Over the past five years, 1998-2002, the percentage of General Government Total Revenue from sales and use tax (the 2.25% portion not dedicated for specific uses by the voters) has been approximately 36%. The target for this percentage shall be 40%.

For the General Fund, the percentage has been approximately 60%. When the Comprehensive Annual Financial Report is completed each year, the Finance Department will monitor these two percentages and report the results to Council. For the General Fund the target shall be 60%.

- d. **Monitoring.** The percentages will be monitored each year with the preparation of the annual financial report. Preliminary estimates of the percentages should be available in April and be incorporated into the budget process. The percentages will be reviewed by Council.
- e. **Policy Action.** In the event the percentages exceed the targets, the City Manager will provide an analysis of the City's revenues to the Council. The City Manager may propose adjustments to revenue sources other than the sales and use tax (some examples include user fees, fines & forfeitures, transfers from other funds) to meet the targets or decrease the trend of increasing dependency on sales and use tax. Generally, for this policy to be effective, revenues from all other sources will need to grow at roughly the same rate as the sales and use tax collections.

2.3. FEE POLICY

As a home rule municipality, the City of Fort Collins has the ability to determine the extent to which fees should be used to fund City facilities, infrastructure and services. There are two kinds of fees that the City may establish: impact fees and special service fees. Impact fees are typically one-time charges levied by the City against new development to generate revenue for the construction of infrastructure and capital facilities needed to offset the impacts of the new development. Special service fees are charges imposed on persons or property that are designed to defray the overall cost of the particular municipal service for which the fee is imposed. This Policy sets forth principles for identifying: the kinds of services for which fees could appropriately be imposed by the City; methods for calculating the percentage of costs to be recovered by such fees; and the manner in which the fees should be allocated among individual fee payers.

a. Fees Should Be Cost Related

The amount of a fee should not exceed the overall cost of providing the facility, infrastructure or service for which the fee is imposed. In calculating that cost, direct and indirect costs may be included. That is:

1. costs which are directly related to the provision of the service; and,
2. support costs which are more general in nature but provide support for the provision of the service.

b. Percentage of Cost Recovery

The extent to which the total cost of service should be recovered through fees depends upon the following factors:

1. The nature of the facilities, infrastructure or services. In the case of fees for facilities, infrastructure and proprietary services, total cost recovery may be warranted. In the case of governmental services, it may be appropriate for a substantial portion of the cost of such services to be borne by the City's taxpayers, rather than the individual users of such services. Proprietary services are those which are provided for the benefit and enjoyment of the residents of the City, such as parks and recreation services. Governmental services are those which are provided by the City for the public good such as regulating land use, maintaining streets, and providing police and fire protection.
2. The nature and extent of the benefit to the fee payers. When a particular facility or service results in substantial, immediate and direct benefit to fee payers, a higher percentage of the cost of providing the facility or service should be recovered by the fee. When a particular facility or service benefits not only the fee payer but also a substantial segment of the community, lower cost recovery is warranted.
3. The level of demand for a particular service. Because the pricing of services can significantly affect demand, full cost recovery for services is more appropriate when the market for the services is strong and will support a high level of cost recovery.

4. Ease of collection. In the case of impact fees, which can be collected at the time of issuance of a building permit, ease of collection is generally not a factor. In the case of fees for services, however, such fees may prove to be impractical for the City to utilize if they are too costly to administer.

c. Establishment and Modification of Fees and Charges

All fees imposed by the City will be established by the City Council by ordinance. In the case of impact fees, utility fees and charges, and special service fees assessed against property the ordinance establishing the fees will determine:

1. the level of cost that should be recovered through the fees according to the criteria established in this Policy;
2. an appropriate method for apportioning the cost of providing each service among the users of the service; and,
3. a procedure for periodically reviewing and modifying the amount of fees in order to maintain appropriate cost recovery levels.

The amounts of these kinds of fees may be modified only by ordinance of the City Council.

The amounts of other kinds of special service fees, such as user fees charged for the use of City recreational and cultural facilities, may be determined by the City Manager, according to criteria established by the City Council by ordinance, absent any provision of the City Charter or Code to the contrary.

All fee revenues will be estimated by the City Manager and submitted to the City Council as part of the City Manager's recommended budget.

d. Rebate Programs

If the amount of a particular fee is considered to be too high to accommodate the needs of particular segments of the community and the public interest would be served by adjusting the amount or manner of payment of such fees in particular instances, the amount of the fee may be waived, rebated, or deferred as appropriate. In the case of fees established by ordinance, the criteria for waiving, rebating, or deferring payment of such fees shall be established by the City Council by ordinance.

2.4. SALES AND USE TAX DISTRIBUTION

The City's Sales and Use Tax totals 3.00 cents, developed as follows:

1968 - General City uses	1.00 cent
1980 - General City uses	1.00 cent
1982 - General City uses	0.25 cent
1998 - Natural Areas, Trails & Parks	0.25 cent*
1998 - Street Maintenance & Transportation	0.25 cent*
1998 - Capital Choices	<u>0.25 cent*</u>
	3.00 cents

*Excluding sales of grocery food.

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

TAX ON ALL SALES & USES: 2.25 cents

- Fixed Dollar Amounts
 - Annual Debt Service
 - Sales & Use Tax Debt Service Reserves
 - Street Oversizing
- General Fund

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

Actual sales and use tax revenue generated by the 0.25 cent tax for Natural Areas, Trails and Parks will be transferred to, and be retained in the Capital Projects Fund or corresponding operating funds to be used for acquisition, construction, enhancement and maintenance of natural areas, open lands, and trails; a community horticulture center, Fossil Creek community park construction; community park improvements; and regional trails.

Actual sales and use tax revenue generated by the 0.25 cent tax for Street Maintenance and Transportation will be transferred to, and retained in the Capital Projects Fund or corresponding operating funds to be used for the street maintenance and overlays, annual pedestrian improvements, phases I and II of the Mason Street Transportation Corridor, and phase I of the North College Avenue corridor improvements.

Actual sales and use tax revenue generated by the 0.25 cent tax for Choices Capital projects will be transferred to, and be retained in the Capital Projects Fund to be used for street/transportation projects and other community capital projects, identified during the Building Community Choices process, approved by the voters.

2.5. PRIVATE CONTRIBUTIONS

The City encourages the solicitation of private contributions. These services and programs represent extra services that the City has not been able to provide to residents through its regular revenue base. In times of revenue constraints the City may not be able to provide the same level of service without additional support. Therefore, efforts should be made to secure private contributions in support of these programs and services, as these contributions are an integral part of their successful operation. With respect to Article X, Section 20 of the State Constitution, the City's Finance Department will make a determination as to whether a contribution is a gift and is therefore excluded from constitutional limits.

GENERAL POLICIES

3.1. ADMINISTRATIVE CHARGES

Expenses for departments rendering services to other departments are equitably apportioned. For Enterprise, Internal, and Special Revenue Funds, direct charges are made to the funds receiving services when they are rendered. Certain departments within the General Fund provide services to all funds and do not have a direct billing mechanism. For these General Fund departments, a cost allocation formula has been developed to apportion costs to other funds and provide offsetting revenue to the General Fund.

a. General Fund Departmental Costs to be Allocated

Departmental costs to be allocated include City Council, City Manager, City Clerk, City Attorney, Human Resources, Finance, and Information Technology (IT). Any services in these departments which are funded by user fees or dedicated revenues are excluded from the allocation.

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

b. How Costs Are Allocated

1. The Human Resources costs are allocated to funds based on the total number of budgeted full-time-equivalent positions in each fund.
2. The administrative costs for IT are divided into the cost for each service and then allocated to each fund. Each service is allocated using an appropriate allocation method.
3. All other General Fund administrative costs are allocated to the funds based upon adjusted budgets for the current year. Adjustments are made to recognize the lower amount of administrative services required for Capital, Debt Service, and Purchased Power payments. Capital project budgets are reduced by two-thirds and averaged

over three years. Debt Service budgets are reduced by three-fourths and the entire Purchased Power budget is deducted from the Light & Power budget.

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

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

d. Review

During each budget process, the Administrative Charge calculation will be reviewed. Further refinements in the allocation formulas will be made as needed to assure that the equitable apportionment requirement of the Charter is met.

3.2. PAYMENT IN LIEU OF TAXES (PILOT)

In accordance with the City Charter regarding municipality rates and finances, the water, wastewater, and electric utilities "pay into the General Fund in lieu of taxes on account of the city-owned utilities such amount as may be established by the Council by ordinance". The established PILOT rate is based on the amount of taxes that would be levied if the utility were privately owned.

The PILOT rate, as established by Council is 6% for the Water and Wastewater Funds and for the Light and Power Fund. This rate is applied to the operating revenues per year for each fund.

3.3. LEASE-PURCHASE

The City of Fort Collins uses lease-purchase financing for the provision of new and replacement equipment, vehicles and rolling stock in order to ensure the timely replacement of equipment and vehicles. This method may also be used to acquire real property. Members of management staff have developed an equipment needs schedule for rolling stock which encompasses the demands of operating departments. This schedule is used to project equipment needs for each budget term.

The City leases the asset in installments according to a fixed payment schedule. Each installment includes principal and interest and the City builds equity and assumes risk in the asset over the term of the lease. The annual installments are appropriated by the Council each year.

Advantages of lease-purchase financing over the traditional cash method of financing are:

- Decreasing the impact of inflation on the purchase of new and replacement equipment.

- Resolving the problem of a capital replacement needs backlog.
- Conserving operating reserves.
- Reducing the initial impact of the cost to user departments by enabling acquisition costs to be spread over the useful life of the equipment.
- Safeguarding the opportunity to use cash assets to earn higher interest than the interest cost of lease-purchasing.

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

According to State of Colorado House Bill 90-1164, local governments are required to identify as part of their budgets: 1) the total expenditures during the ensuing fiscal year for all lease purchase agreements involving real and personal property; and 2) the total maximum payment liability under all lease purchase agreements over the entire term of the agreements, including all optional renewal terms.

The State does not include lease purchase in the legal definition of debt, however rating agencies include lease purchase financing in calculating the City's long-term financial obligations and overall debt burden.

3.4. HUMAN RESOURCE MANAGEMENT AND PRODUCTIVITY

The City of Fort Collins' goal as an employer is to attract and retain quality employees in recognition of their essential contribution in providing services to the citizens of Fort Collins. As a provider of services in the community, the experience, commitment and talent of our employees is critical to the quality and value of City services.

The City has two financial policies which address the human resource component of its cost of providing services:

a. Employee Compensation Policy

In order to attract and retain quality employees and also to recognize and reward quality performance, the City has established a system which guides the compensation of its employees. The objective of the compensation policy is to pay employees fairly, competitively and in a way that is understandable to the community and the organization.

1. For all classified employees and unclassified management of the City, compensation will be established through a total compensation methodology. Total compensation is defined as the sum of the salary paid and the City's cost for benefits. This method will use annual surveys of the relevant labor market. The labor market is defined as employers and jurisdictions that closely approximate the size and labor force of the City of Fort Collins. This market will primarily consist of Front Range communities, but may also include the state of Colorado or regional data as required.

Salaries plus benefits will be calculated at the 70th percentile by taking the maximum of comparable market data and establishing a total compensation point wherein 30% of the salaries plus benefits are higher and 70% of the salaries plus benefits are lower than the City's total compensation point.

2. This policy shall be supported by annual market data for benchmark positions. The Council Finance committee and the Personnel Board will conduct an annual review of the survey methodology and data to ensure that the intent of this policy is being met.
3. Hourly, temporary or contractual employee compensation rates will be set according to the prevailing market rate for that type of position within the Northern Colorado market; the existing pay plan may also be considered for similar positions. These employees are a valuable resource in the provision of services for the community, and the City will set those compensation rates in a manner that will attract high quality employees.

b. City Performance Goals and Measures Policies

The goals of the City of Fort Collins are to provide our citizens with outstanding services. In doing so, the City will commit to attracting and retaining quality employees and to recognizing and rewarding their quality performance.

To accomplish these goals, the City will:

1. Maintain staffing at a level that will enable the City to provide the necessary services in a high quality manner;
2. Provide ongoing assessment of customer satisfaction with the level of services provided by the City and continuously improve the quality of those services;
3. Develop and maintain a pay-for-performance review process to establish goals and to evaluate employee work performance;
4. Assess options to streamline operations by continuing to monitor the cost effectiveness of additional staffing vs. the cost of adding capital equipment; and
5. Measure the productivity-y and effectiveness of the City's work force.

3.5. MEDICAL INSURANCE AND RETIREMENT PLAN

a. Medical Insurance

In 1981, the City of Fort Collins set up a partially self-funded medical insurance program. The objective of a self-funding program is to reduce the cost of medical insurance by assuming the risk for certain plan expenses. Assuming a portion of the risk lowers the amount of charges compared to a conventional full insurance plan. For most of the last 22 years, the City has found this funding method to be a cost-effective means of providing a very desirable employee benefit.

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

b. Retirement Programs

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

1. Social Security;
2. 401(a) Money Purchase Plans for Service Directors, Classified and Unclassified Management, Police and Fire; and
3. 401(a) Defined Benefit Plan - the General Employees Retirement Plan. This plan is no longer open to new participants.

For the Social Security program, the City follows the program guidelines of the Social Security Administration. The Finance Department makes the appropriate employer and employee contributions with the bi-weekly payroll checks.

The City uses private companies to operate the money purchase plans. For City employees, the ICMA Retirement Corporation administers the money purchase plans. For employees of the Poudre Fire Authority, Prudential Management Investment Services administers the money purchase plan.

The City, through the Finance and Human Resource Departments, administers the defined benefit plan. In 1998, the General Employees Retirement Plan offered its members the opportunity to transfer their assets to a money purchase plan. Of over 800 members, 368 members decided to move to the money purchase plan. As of December 31, 1998, \$9 million of plan assets were transferred to the plan. The rate of contribution for the City administered plan is based upon an actuarial valuation to determine the plan's normal cost and unfunded liability for benefits. The City will maintain contribution rates at a level sufficient to meet all current normal costs of the pension plan. Should an unfunded liability be determined for the defined benefit plan, such liability will be amortized over a period not to exceed twenty years.

In addition to the pension programs, the City offers deferred compensation plans to City and Poudre Fire Authority employees as an adjunct to the general retirement plan. This helps the City maintain comparability with benefits provided by other Front Range communities. Employee participation in the deferred compensation plan is optional.

The Budget incorporates the following rate requirements to provide funding support for this retirement program policy:

Normal Costs	<u>Social Security Contribution</u>	<u>General Employee Retirement</u>	<u>Money Purchase Police/Fire</u>	<u>Money Purchase Management & Classified 1,2,3,4</u>
City Contribution	7.65%	4.5%	8%/8%	3%-10%
Employee Contribution	7.65%	none	8%/10%	0%-6%

- 1) For the City Manager, City Attorney, Municipal Judge, and Services Directors, the City contributes at a rate of 10% of base salary. There is no employee match required.
- 2) For Unclassified Management and Department Heads, the City contributes either 3% if the employee is in GERP or if the employee has the City contribute to the deferred compensation plan or 7.5% if the employee has opted out of the GERP and does not have the City contribute to the deferred compensation plan. Employees in this category contribute 6%.
- 3) For classified employees who transferred from the General Employee Retirement Plan in 1998, the City contributes 7.5%. If the classified employee remains in the GERP, the contribution rate is 3%, and if the employee has the City contribute to the deferred compensation plan, the contribution rate is 4.5%. Employees contribute either 0% or 3% of their salary.
- 4) The maximum contribution to a 401 money purchase plan is the lesser of 25% of salary or \$40,000. This maximum is indexed for inflation.

The table below shows the contribution rates to the 457 deferred compensation program:

	<u>Deferred Compensation</u>
City Contribution	3% to 7.5%
Employee Contribution	up to 25% of salary, not to exceed a total of \$12,000

3.6. FACILITY MAINTENANCE AND REPAIRS

a. Maintenance, Repair & Replacement (MM&R)

1. MAINTENANCE - The upkeep of building systems to realize their anticipated useful life. Includes periodic actions to assure continued service, operational efficiency, or to prevent breakdowns (for example, changing filters and belts on HVAC equipment.).

2. REPAIR/REPLACEMENT - Actions needed to restore building systems/components to a functional condition. Performed when systems/components have reached their useful life; become obsolete; pre-maturely worn out; or have failed (i.e., roof replacement).

b. Priorities for Maintenance and Repair Funding

1. Life, health, and safety (for example, heating system repair)
2. Repair and Restoration
3. Protect Capital Investment (preventive maintenance)

These priorities are used as the basis for funding recommendations in the budget process.

c. Funding Policy/Target

The City of Fort Collins recognizes the need to maintain City buildings to adequately support provision of services to its residents. The ongoing funding target for M&R of General Government facilities is 4% of Current Replacement Value (CRV) of the facilities.

3.7. POUDBRE FIRE AUTHORITY - REVENUE ALLOCATION FORMULA

In December of 1981, the City and the Poudre Valley Fire Protection District created the Poudre Fire Authority (PFA) through an intergovernmental agreement. The PFA provides fire protection services to Fort Collins and the surrounding area. The agreement specifies a Revenue Allocation Formula (RAF) for defining the City's contribution to the PFA for operations and maintenance. Originally, for PFA's operating costs, the City shared property tax and sales and use tax collections. In addition to operating costs, the agreement further provides authorization for the PFA to request funds for capital costs pursuant to the procedures set by the City and District. PFA's capital needs include land acquisition, construction of additional stations, and acquisition of major fire fighting apparatus. The RAF has served as the Poudre Fire Authority's funding mechanism from 1981 through the 1993 budget. After the State Constitution was amended in 1992, the RAF was revised. In its original form, the Revenue Allocation Formula allowed the PFA to realize the full extent of growth in sales and use tax and property tax collections. Article X, Section 20 of the State Constitution now limits the rate of growth to a combination of the Denver-Boulder-Greeley Consumer Price Index and additions to the local property tax base primarily due to construction and annexation. Accordingly, the Revenue Allocation Formula for the City's contribution to the PFA has been restructured to fit within the constraints of Article X, Section 20.

The City will continue its current policy of funding PFA capital needs by dedicating one mill of the City's total mill levy. The revenue from the dedicated mill will be managed according to the property tax mill levy and revenue limitation provisions of Article X, Section 20. The City's contribution to PFA for operation and maintenance will be calculated by the Revenue Allocation Formula. The Revenue Allocation Formula

allocates to PFA 67.09% of the property tax mills available for operations and 0.303 of one cent of the City's 2.25 cent sales and use tax applicable to all taxable sales and uses. The resulting contribution for operations and maintenance will then be compared to the constitutional growth limits. The City's operation and maintenance contribution to PFA will be the lesser of the contribution as determined by the Revenue Allocation Formula or the allowable contribution in accordance with the limits imposed by Article X, Section 20 of the State Constitution.

3.8. REBATE PROGRAMS

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

a. Property Tax and Utility Charge Rebate Program

These programs provide financial assistance to disabled residents and senior citizens, in the form of an annual rebate on property tax and utility charges, who qualify under residency and income guidelines.

b. Sales Tax Rebate on Food Program

The Council recognizes that sales tax on grocery food is a higher proportion of low-income individuals and families than higher income individuals and families. For this reason, the City specifically excluded tax on the sale of grocery food when enacting three 0.25 cent sales and use tax extensions, approved by the voters at an April 8, 1997, Municipal Election. The three 0.25 cent sales and use taxes that went into effect January 1, 1998, are used to fund natural areas, trails, and parks; street maintenance and transportation projects; and various other capital improvements proposed in the Building Community Choices program.

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

FUND POLICIES

4.1. GENERAL FUND

The General Fund is the largest and most diverse of the City's operating funds. It includes all resources not legally restricted to specific uses. The major source of revenue to the General Fund is sales & use tax, which accounts for approximately 60% of the revenue. Local property tax and Lodging Tax are also included, as are revenues derived from fees for services and materials, licenses, permits, and fines.

a. Service Productivity Incentive Policy

This Policy provides incentives for General Fund managers to improve planning and delivery of services. General Fund managers need a means by which to save unspent annual appropriations that result from increases in productivity. Without an incentive policy, managers tend to spend savings on short term needs rather than long-range service improvement. This policy creates incentives to more closely examine spending decisions and to consider program related savings before requesting additional General Fund resources.

Prudent cost-effective service delivery requires long range planning of both costs and resources necessary to provide the service. This Policy provides a framework within which managers can develop strategic plans rather than short term, line item cost approaches. Allowing managers to save and use resources from increased productivity emphasizes responsibility and accountability for efficient service delivery. It further allows more flexibility for General Fund managers, similar to the management conditions of enterprise funds.

b. Policy Structure

This Policy defines savings as unspent department or division level appropriations which managers have not committed for future years. Committed appropriations include encumbrances, unspent lease purchase, and any planned re-appropriations. The Policy further requires that the savings result from increased productivity in service delivery.

1. Budget Office staff will adjust department or division savings within a service area for any over spending by another department or division within the service area.
2. Budget Office staff will determine the department and division annual savings after the annual financial report is completed.
3. The following criteria guide the use of carry-over savings and appropriations.
 - a) The City Manager must review and approve requests for use of savings.
 - b) Increased productivity should generate the savings, rather than decreases in services.
 - c) Departments and divisions should use savings for the improvement of future service delivery.
 - d) City Council must approve, through an appropriation ordinance, the request for use of savings.
 - e) Annual General Fund revenue collections must be equal to or greater than the projected budget revenue.

The eligible productivity savings shall be separately accounted for in a General Fund designated reserve account. Requests for the use of accumulated savings from prior year(s) held in this reserve can be made by the department or divisions at any time during the year.

4.2. ENTERPRISE FUNDS

The City has five Enterprise Funds. These are Golf, Light & Power, Wastewater, Storm Drainage, and Water. The Enterprise Fund classification has been used to account for various services for which there exists a significant potential for financing through user charges. Historically, services were accounted for in an Enterprise Fund if financed more than 50% by user charges (of the five Enterprise Funds, all but the Golf Fund are also treated as "enterprises" within the meaning of Article X, Section 20 of the State Constitution). All Enterprise Funds will recover 100% of their costs.

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

a. Utility Services

The financial policies of the Utilities are administered in accordance with the City Charter. Each of the four utilities has been established, and is operated as an "enterprise" as permitted by the City Charter in accordance with Article X, Section 20 of the Colorado Constitution.

1. Fiscal Responsibility

Per the Charter, the Financial Officer will maintain a standard system of accounting which shall, at all times, correctly reflect all financial operations of each utility. The Utilities may keep other supplemental records and data as are generally used by various segments of the utility industry.

The Financial Officer shall keep accounts of each Utility Fund separate and distinct from all other accounts of the City. Accounts for the Utilities shall contain proportionate charges for all services performed by other departments as well as proportionate credits for all services rendered to other departments.

2. Utility Rates

Utility rates will be based upon the cost of service approach to reflect full distribution of costs to appropriate rate classes in order to effect equitable sharing of costs. Rates shall be established and maintained at a level sufficient to maintain positive net income in each of the utility funds after paying the full cost of operating and maintaining the utilities and keeping them in good repair and working order. Such rates shall also be sufficient to enable each utility, where applicable, to meet rate requirements of City or utility enterprise bond ordinances.

b. Electric Utility

The following policies pertain to the electric utility-Light and Power Fund. Since the utility is debt-free, these policies pertain primarily to maintenance of reserves. The utility shall be operated:

1. To provide an operating reserve equal to 8% of budgeted operating expenditures, excluding the cost of purchased power;
2. To provide a future capital improvements reserve in an amount equal to the average annual cost (excluding debt financing) of the approved five-year capital improvement plan, considering any changes which, from time to time, may be made in such plan;
3. To provide a purchase power reserve up to approximately 25% of the annual revenue from the sale of electrical energy. This reserve shall be used to partially offset, defer, or mitigate the impact of purchase power cost increases due to factors such as federal power issues. Significant changes to the 25% level shall be reported to the Council during the budget process.
4. Priority for the accumulation of reserves shall be as follows: reserves shall first be accumulated in the operating reserve, second in future capital improvements reserve, third in the purchase power reserve. In addition, 1% of specified capital project appropriations shall be reserved and restricted for the City's Art in Public Places program. After reserves are funded, any remaining working capital shall be added to the purchase power reserve.

c. Water Utility

The following policies pertain to the water utility-Water Fund.

1. Pledge of Revenues

The City's general obligation water bonds are general obligations of the City secured by a covenant to levy taxes to make all bond payments. Thus, they are backed by the full faith and credit of the City. In addition, the City has pledged revenues from monthly water charges, plant investment fees, supplemental user fees (collected pursuant to the Anheuser-Busch Master Agreement--hence "A-B supplemental user fees"), investment earnings, and all other income derived from the operation of the Water Fund toward payment of the bonds. The City's practice is to pay general obligation water bonds from revenues of the water system rather than through property taxation. The City has pledged the Water Fund revenues indicated above toward the payment of its water enterprise revenue bonds.

2. Flow of Funds

The City has committed to maintain rates and charges sufficient to generate sufficient "net revenues" of the water system to pay principal and interest on its water revenue bonds and general obligation water bonds. Net revenues include all revenues referred to above, less operation and maintenance (O&M) expenses. O&M expenses are those expenses necessary to operate, maintain, and repair the water system, but do not include any allowance for depreciation or capital replacements and improvements. After all O&M expenses are paid, the remaining net revenue is pledged to pay the revenue bonds principal, interest, and related costs. After all O&M and debt services expenses are paid, the City is required to maintain the following revenue bond accounts:

- a) Principal and Interest Reserve - at an amount equal to the accrued principal and interest on the water revenue bonds;
- b) Debt Service Reserve - at an amount specified in the bond ordinances.

Any remaining net revenues of the Water Fund may be used for any lawful purpose. These are used, in part, to fund major and minor capital improvements and the following reserves:

- a) Operating Reserve--at an amount equal to 5% of the projected operating revenue for the ensuing year;
- b) Water Rights Reserve--at an amount equal to the amount of cash in-lieu-of water rights payments and raw water surcharges less any expenditures for acquiring water rights;
- c) Art in Public Places Reserve--at an amount equal to 1% of eligible capital projects whose appropriations exceed \$250,000;
- d) Capital Reserve--at an amount equal to remaining working capital after all other reserves are satisfied.

3. Rate Maintenance

The Water Revenue Bond Ordinances require the City to charge and earn sufficient revenue to produce “net pledged revenues” that are equal to 110% of the actual annual debt service requirements for all outstanding water revenue bonds plus 100% of all costs payable to issuers of reserve fund sureties. Net pledged revenues are defined as all revenues of the Water Fund, less O&M expenses.

4. Water Capital Cost Financing

Capital cost will be identified as either:

- a) Minor Capital--relatively small capital acquisitions such as vehicles, lab equipment, or minor improvements; or
- b) Capital Projects--major additions, improvements, or expansions to utility plant.

Financing for minor capital is through water utility revenues. Financing for capital projects is principally through long-term debt financing.

d. Wastewater Utility

The following policies pertain to the wastewater utility-Wastewater Fund.

1. Pledge of Revenues

In accordance with the City and Wastewater Enterprise Bond Ordinances (together the "Bond Ordinances"), the City has pledged revenue from monthly sewer charges, plant investment fees, A-B supplemental user fees, investment earnings, and all other income derived from the operation of its wastewater utility toward the payment of its sewer revenue bonds.

2. Flow of Funds

The first charge against Wastewater Fund revenue is operation and maintenance (O&M) expenses--those expenses necessary to operate, maintain, and repair the sewer system. After all O&M expenses have been paid, the remaining net revenue is pledged to pay the sewer revenue bonds principal, interest, and related costs. After all O&M and debt services expenses are paid, the City is required to maintain the following reserve accounts (listed in pledge order):

- a) Principal and Interest Reserve--at an amount equal to the accrued principal and interest on the sewer revenue bonds;
- b) Debt Service Reserve--at an amount specified in the bond ordinances;
- c) Wastewater Bond Capital Reserve--at an amount equal to 25% of the O&M expenses budgeted for the fiscal year.

Any remaining net pledged revenues of the Wastewater Fund may be used for any lawful purpose. These are used, in part, to fund major and minor capital improvements and the following reserves:

- a) Operating Reserve--at an amount equal to 5% of the projected operating revenue for the ensuing year;
- b) Art in Public Places Reserve--at an amount equal to 1% of eligible capital projects whose appropriations exceed \$250,000;
- c) Capital Reserve--at an amount equal to remaining working capital after all other reserves are satisfied.

3. Rate Maintenance

The Bond Ordinances require the City to charge and earn sufficient revenue to produce "net pledged revenues" that are equal to 115% of the actual annual debt service requirements for all outstanding bonds plus 100% of all costs payable to issuers of reserve fund sureties. Net pledged revenues are defined as all revenues of the Wastewater Fund indicated above, less O&M expenses.

4. Wastewater Capital Cost Financing

Capital cost will be identified as either:

- a) Minor Capital--relatively small capital acquisitions such as vehicles, lab equipment, or minor improvements; or

- b) Capital Projects--major additions, improvements, or expansions to utility plant.

Financing for minor capital is through utility revenues. Financing for capital projects is principally through long-term debt financing.

e. Stormwater Utility

The following policies pertain to the stormwater utility - Storm Drainage Fund.

1. Pledge of Revenues

In accordance with the City and Storm Drainage Enterprise Bond Ordinances (together the "Bond Ordinances"), the City has pledged revenue from monthly charges, stormwater development fees, investment earnings, and all other income derived from the operation of its stormwater utility toward the payment of its storm drainage revenue bonds.

2. Flow of Funds

The first charge against Storm Drainage Fund revenue is operation and maintenance (O&M) expenses--those expenses necessary to operate, maintain, and repair the storm drainage system. After all O&M expenses have been paid, the remaining net revenue is pledged to pay the storm drainage revenue bonds principal, interest, and related costs. After all O&M and debt service expenses are paid, the City is required to maintain the following reserve accounts (listed in pledge order):

- a) Principal and interest reserve--at an amount equal to the accrued principal and interest on the storm drainage revenue bonds;
- b) Debt service reserve--at an amount specified in the bond ordinances.

Any remaining net pledged revenues of the Storm Drainage Fund may be used for any lawful purpose. These are used, in part, to fund major and minor capital improvements and the following reserves:

- a) Operating Reserve--at an amount equal to 5% of the projected operating revenue for the ensuing year;
- b) Art in Public Places Reserve--at an amount equal to 1% of eligible capital projects whose appropriations exceed \$250,000; and
- c) Capital Reserve--at an amount equal to remaining working capital after all other reserves are satisfied.

3. Rate Maintenance

The Bond Ordinances require the City to charge and earn sufficient revenue to produce "net pledged revenues" that are equal to 125% of the actual annual debt

service requirements for all outstanding bonds. Net pledged revenues are defined as all revenues of the Storm Drainage Fund indicated above, less O&M expenses.

4. Storm Drainage Capital Cost Financing

Capital cost will be identified as either:

- a) Minor Capital--relatively small capital acquisitions such as vehicles, equipment, or minor improvements; or
- b) Capital Projects--major additions, improvements, or expansions to the storm drainage system.

Financing for minor capital is through utility revenues. Financing for capital projects is principally through long-term debt financing.

4.3. INTERNAL SERVICE FUNDS

Internal Service Funds account for certain support services provided to other funds and external agencies. By imposing charges to the users of the services, they recover their costs. The Finance Department may recommend the creation, continuation, or ending use of an internal service fund based on documented customer needs and financial benefits. The City now operates five internal service funds. These include the Benefits Fund, Communications Fund, Equipment Fund, Utilities Customer Service and Administration Fund, and the Self-Insurance Fund.

The Internal Service Funds operate under the following guidelines.

1. Accounting guidelines limit internal service fund charges to the recovery of the cost of the service, including depreciation, rather than making a profit. Each fund's prior year financial statements and estimates of future costs form the basis for the calculation of charges.
2. Fund managers should set charges at a level to avoid adverse financial impacts on their customers. Fund customers and independent experts review and make recommendations about the level of charges. The Finance Department coordinates this analysis.
3. Internal service funds should compete with similar services offered by the private sector. The City staff will compare rates each year. If not competitive with the private sector, the Finance Department will analyze whether the private sector should provide the service.
4. Internal service funds may build up reserves. Customer-approved master plans and independent third-party actuarial reviews (for the Benefit and Self-Insurance funds) guide the level of reserves. Fund managers may spend reserves only for their approved purpose.
5. The City may buy equipment and facilities for the internal service funds through lease-purchase financing. Management's decision to recommend lease-purchase

financing depends on: 1) cash flow needs 2) budget constraints 3) benefit to cost analysis and 4) level of reserves.

6. Except for the Utilities Customer Service and Administration Fund, Internal service funds operate under the same guidelines and constraints as the General Fund and other governmental funds of the City. The Utilities Customer Service and Administration Fund operates under the guidelines of the Utilities Services Funds.

4.4. SPECIAL REVENUE AND DEBT SERVICE FUNDS

Special Revenue Funds are used to account for the proceeds of revenue sources which are restricted by law or administrative action to expenditures for specified purposes. The Debt Service Fund is used for the payment of principal and interest on long-term debts. The major source of revenue in the Debt Service Fund is the Sales & Use Tax.

a. Cultural Services & Facilities Fee Policy

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

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

Funding collected for any special purpose shall be earmarked for that purpose and those funds will be processed through the Fort Collins Foundation.

b. Art in Public Places

The purpose of this program is to encourage and enhance artistic expression and appreciation and to add value to the community through acquiring, exhibiting and maintaining public art. The program provides a funding mechanism and contains guidelines pertaining to the selection and acquisition of works of art, restrictions on the usage of certain funds available for the acquisition of art, upkeep and maintenance of public art, and other areas pertaining to the general administration of the program.

Following is a summary of the guidelines which provide a framework for the implementation and administration of the City's Art in Public Places program.

1. Program Funding

The APP program's link to funding is the City's Capital Improvements.

- a) The program encourages City departments to include artistic and aesthetic values in all construction projects, including those costing less than \$50,000, and all purchases of personal property that may be located or used in places open to the public.
- b) For eligible projects costing between \$50,000 and \$250,000, a city selected artist must be utilized and participate in the design of the project for the purpose of incorporating works of art into all aspects of the project to the fullest extent possible within the project budget. Costs incurred by the artist in providing these services to the City are to be paid from the project budget.
- c) Requests for appropriations in excess of \$250,000 for eligible projects must include an amount equal to one percent (1%) of the amount appropriated at the time of the request. One percent of the amount appropriated will be earmarked for works of art and subsequently reserved, if not spent, in the Cultural Services and Facilities Fund, with the exception of eligible appropriations in the Utility Funds (Light & Power, Water, Wastewater, and Storm Drainage). Each of the Utility Funds is required to establish their own accounts and reserves for the APP program to account for the 1% earmarked for works of art for eligible utility projects.

2. Program Administration

The APP Board, with the assistance of the APP Coordinator, will have the responsibility of coordinating and making recommendations regarding:

- a) acquisition of works of art,
- b) process to be used to select works of art and artists,
- c) works of art selection criteria,
- d) acquisition of donated artwork,
- e) certain restrictions on the use of restricted program funds, and
- f) encouraging donations for public art.

Program guidelines also include definitions of art in public places, work of art, construction project, and APP Coordinator as well as provisions for the installation of art and contractual agreements between the City and artists or donors of works of art.

3. Reserves

Art in Public Places Reserve - This reserve is restricted to Art in Public Places program use. Appropriations from this reserve and subsequent expenditures are restricted to the acquisition or lease of works of art, the maintenance, repair or display of works of art, and the expenses of administering the Art in Public Places program.

The reserve is funded by amounts equal to 1% of eligible requested capital project appropriations in excess of \$250,000, excluding Light & Power, Water, Wastewater, and Stormwater funds. These funds are required to set up their own restricted reserve accounts for Art in Public Places.

c. **Recreation Fund Fee Policy**

The following fee policy for the Recreation Fund was adopted by Resolution 90-132 on September 4, 1990. The goal of the policy is to provide for a more equitable distribution of the costs of recreational programs between program users and General Fund tax dollars.

Costs associated with the Recreation Fund shall be defined as either Program Costs or Community Good Costs.

1. Program costs are directly associated with the activities and facilities used by the citizens, and include the following:

a) Activity Costs

- 1) part time staff
- 2) materials
- 3) equipment
- 4) participant transportation
- 5) other costs directly associated with conducting activities

b) Facility Operation and Maintenance Costs

- 1) minor repairs
- 2) custodial equipment and supplies
- 3) building utilities
- 4) specialized items
- 5) other operations and maintenance costs directly associated with operating facilities

Fees should cover the cost of the direct program experience and facilities used. However, fees may be established in accordance with the market value of the recreational services provided. The fees charged will not exceed the cost of providing direct services to program users.

2. Community Good costs are those costs that are necessary to provide a program but are not directly experienced by the user. Such costs include the following:
 - a) full time recreation staff
 - b) office operation costs such as telephone and computer charges
 - c) training costs
 - d) dues and subscriptions
 - e) insurance
 - f) office supplies and equipment
 - g) other costs not directly experienced by the users

The General Fund shall cover "Community Good" costs. General Fund will also cover deficits in programs that cannot recover all their costs through fees. Generally, these include programs designed for special populations where it is not feasible to cover the total cost of participation, or programs, like youth sports where Council policy requires a fee discount. Because costs that are defined as "Community Good" costs are supported by the General Fund, they are subject to the same operational guidelines as established for other General Fund budgets.

3. Designated Reserves

Revenues collected by the Recreation Division that exceed expenditures in any given fiscal year are used to fund designated reserves.

- a) Designated for Operations - to be maintained at 7% of the program costs portion of the fund, excluding one-time capital items and lease purchase payments. This reserve will only be used to cover revenue shortfalls.
- b) Designated for Scholarships - established to pay fees for participants who are unable to afford full fees for programs; targeted at 3% of the program cost portion of the fund, but the level of funding is determined by the Recreation Manager, based on tentative plans for future needs and the availability of net resources.
- c) Designated for Buildings and Improvements - to be used for one-time improvements and upkeep of recreation facility infrastructure. The reserve level is determined by the Recreation Manager, based on tentative plans for future needs and the availability of net resources.
- d) Designated for Life Cycle/Capital Needs - to be used for one-time improvements and upkeep of equipment or for one-time purchases over what was budgeted to maintain safety and improve service delivery. The reserve level is determined by the Recreation Manager, based on tentative plans for future needs and the availability of net resources.
- e) Designated for Programs - to be used for the start-up of new or the expansion of existing recreation activities and services which require additional revenue.

RESERVE POLICIES

5.1. POLICY STATEMENT

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

5.2. TYPES OF RESERVES

The City of Fort Collins maintains reserves that are required by law or contract and that serve a specific purpose. These types of reserves are considered restricted and are not available for other uses. Within specific funds, additional reserves may be maintained according to adopted policies. All expenditures of reserves must be approved by Council. This may occur during the budget process or throughout the budget year.

a. GENERAL FUND

A top priority goal of the Council is to improve the fiscal health of the City. Revenue projections are conservative and authorized expenditures are closely monitored. In stable economic times, the combination of these two strategies leads to revenue collections higher than actual expenditures. The net revenue is then available to first fund the Restricted Reserve for Emergencies required under Article X, Section 20 of the State Constitution and then the designated reserves. Year-end balances in the designated reserves may be used as a funding source in the next budget term. The General Fund reserves are funded from net revenues to maintain them at appropriate levels.

1. Restricted Reserves

- a) Restricted for Emergencies - this reserve is required under Article X, Section 20 of the State Constitution. Therefore the use of this reserve is restricted to the purpose for which it was established. This reserve can be used for declared emergencies only.

All City Funds, excluding the Utility Funds, are required to maintain a Restricted Reserve for Emergencies. For ease in accounting for these reserves, each fund will contribute the required percentage into the General Fund to be held in the General Fund Reserve for Emergencies. The General Fund required percentage will be funded from the existing Designated Reserve for Financial Uncertainty.

- b) Restricted for Affordable Housing - this reserve is restricted to affordable housing use. City Council may appropriate funds for affordable housing purposes. Funds appropriated for the promotion of affordable housing and not expended during the year shall lapse to the Affordable Housing Reserve. Any appropriation from this reserve shall be restricted for the purpose of affordable housing.

2. Designated Reserves

- a) Designated for Financial Uncertainty - this reserve is maintained in the General Fund and is designed to provide orderly adjustment to unforeseen reductions in revenues in the current year if budgeted revenues are less than actual revenues and expenditures, including encumbrances, are greater than actual revenues. The minimum amount of money to be held in this reserve should be approximately 3.5% of approved General Fund operating expenditures.

If revenue shortfalls are measurable during the current budget year, the Charter allows use of monies from this reserve to cover authorized expenditures. Similarly, Charter authorized adjustments may be made as part of the year-end closeout if additional monies are needed to cover authorized expenditures. The City Manager will notify the City Council when draws are made from this reserve.

- b) Designated for Equipment Replacement Loans - this reserve provides a revolving loan pool for the timely replacement of operating equipment (vehicles, machinery, and computer equipment). Operating managers may borrow from this loan pool to "bridge" the period of time when the equipment is needed and the next available lease/purchase package. Typically, lease/purchase packages are assembled and presented to Council twice a year. At that time, the principal amount of any loan from this reserve will be repaid, plus interest at the prevailing rate.
- c) Designated for Productivity Savings - this reserve provides General Fund managers the flexibility of long-range service planning through the use of accumulated savings from increased productivity in service delivery. The eligible productivity savings held in this reserve are separately accounted for by the department or division that generated the savings.

Requests for the use of accumulated prior year(s) savings can be made to the City Manager at any time during the year. City Council must approve, through an appropriation ordinance, the use of the savings.

- d) Designated for Contingencies - this reserve provides for the temporary financing of unforeseen opportunities or needs of an emergency nature including increases in service delivery costs. Monies held in this reserve may be appropriated during the current budget year and may also be used for the ensuing budget years as a revenue source if projected expenditures needed to maintain appropriate levels of service exceed projected revenues. Of all General Fund reserves, this is the most flexible. The amount of money to be held in this reserve should not exceed 10% of the approved General Fund operating expenditures.

The combined total of the designated reserves should not exceed 20% of the approved General Fund operating expenditures. (NOTE: this recommendation is the high end of a range for year-end reserves from the

State of Colorado financial handbook for local governments.) The target is 15%. This does not include the reserve Designated for Productivity Savings.

- e) Reserve Designated for Facilities Maintenance & Repairs – This reserve provides maintenance and repairs funds to adequately maintain the City's General Fund buildings. The target funding level of the reserve is four (4) percent of the current replacement value (CRV) of the General Fund buildings.

Facility Maintenance Reserve monies maintained in this reserve are authorized for expenditure, as needed, in the annual budget term. Any funds appropriated for building maintenance and repairs that are not expensed by year end will lapse into the reserve for future use.

- f) Reserve Designated for Transportation Capital - This reserve provides funds for transportation capital projects. When Transportation Services identifies a project, staff will present an appropriation ordinance for Council to approve.

b. Other Funds

1. Operating Reserves - operating reserves are held in Enterprise, Internal Service, and some Special Revenue Funds. There are two types of Operating Reserves:
 - a) An appropriated contingency which provides for unexpected or unanticipated expenditures during the year. It is typically budgeted at an amount equal to 2% of the annual operating budget by fund, but may be a fixed amount depending upon available funds.
 - b) Revenue reserve of working capital is established to provide for unforeseen revenue losses. If something happens to the economy, there is flexibility without worrying that current expenditures will exceed the total revenue available. The revenue reserve is calculated at an amount equal to 2% of projected annual operating revenue by fund. This revenue reserve is not appropriated as part of the annual budget, but may be utilized at the end of the fiscal year, if necessary.
2. Capital Reserves - Capital reserves are established in order to provide for normal replacement of existing capital plant and additional capital improvements financed on a pay-as-you-go basis. Debt financed capital improvements are, by definition, financed by proceeds of bond issues and do not require capital reserves. The amount of the reserve is determined by averaging the dollar value of capital needs as shown in the Capital Improvement Program.

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

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

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

The City Council may establish, upon recommendation of the Financial Officer, supplemental Debt Service reserves in addition to those expressly required by Bond Ordinance. Such reserves shall not be deemed to confer any rights upon Bondholders over and above those set forth in the Bond Ordinance for each bond issue.

CAPITAL IMPROVEMENT FUNDS

6.1. CITIZEN PARTICIPATION

The City has a significant investment in its streets, public facilities, parks, natural areas and other capital improvements. In past years, the City Council and the residents of Fort Collins, through their actions, have demonstrated a firm commitment to, and investment in, the City capital projects. The importance of community involvement in the process of evaluating capital projects dates back to the 1970's. Over the years, citizen committees have been involved in planning for capital projects, such as the Designing Tomorrow Today (DT2) capital plan, Re-Evaluation of Capital Projects (RECAP) plan, and most recently, the Choices 95 capital improvement plan. This tradition has continued with the Building Community Choices capital improvement plan which went into effect on January 1, 1998.

The residents of Fort Collins on April 8, 1997, approved the extension of three 0.25 cent sales and use taxes (excluding grocery food), packaged as the Building Community Choices capital plan, to finance 1) natural areas, trails and various parks projects; 2) street maintenance and transportation projects; 3) a variety of community enhancement projects. These three sales and use tax extensions became effective January 1, 1998. The natural areas tax will expire on December 31, 2030; the other two expire on December 31, 2005.

6.2. CAPITAL IMPROVEMENT POLICY

The City will continue to operate under its existing Capital Improvement Policy:

1. The City will develop a multi-year plan for capital improvements and update it annually;
2. The City will identify estimated costs and funding sources for each capital project requested before it is submitted to City Council;
3. All City capital improvements projects will be administered in accordance with the Capital Projects Procedures Manual;
4. All City capital improvements will be constructed and expenditures incurred for the purpose as approved by City Council;

5. The City will use a variety of different sources to fund capital projects, with an emphasis on the “pay-as-you-go” philosophy;
6. Funding for operating and maintenance costs for approved capital projects must be identified at the time projects are approved.

6.3. CAPITAL IMPROVEMENT PROGRAM

The City’s Capital Improvement Program includes General City Capital, 1/4 Cent Community Choices, 1/4 Cent Natural Areas and Parks, 1/4 Cent Street Maintenance and Transportation, Capital Expansion, Conservation Trust, Neighborhood Parkland, and Utility Capital.

a. General City Capital

General City Capital includes minor street repair projects, concrete sidewalk repair projects, construction and improvements to pedestrian access ramps, repair and maintenance of public facilities, funding for land acquisition and implementation of the City’s Civic Activity Center Plan and the General Government Services Strategic Facility Plan, and other miscellaneous projects.

b. 1/4 Cent Community Choices

1/4 Cent Capital Choices projects were approved by the voters of Fort Collins, at a municipal election on April 8, 1997. The voters approved the extension of a 1/4 cent sales and use tax, from which the proceeds would be dedicated to finance a variety of community projects. Projects include improvements to Prospect Road, Taft Hill Road and Shields Street; improvements to a Northeast Truck Route; construction of a new Northside Aztlan Center, City/School District community projects; an addition to the EPIC ice arena; library technology enhancements; and land acquisition for future building including a library, a performing arts center and police building.

c. 1/4 Cent Natural Areas, Trails, and Parks

1/4 Cent Natural Areas, Trails, and Parks projects were approved by the voters of Fort Collins, at a municipal election on April 8, 1997. The voters approved the extension of a 1/4 cent sales and use tax, from which the proceeds would be dedicated to finance natural areas, parks, and trails projects. Projects include the acquisition, construction, enhancement, and maintenance of natural areas, open lands, and trails; a community horticulture center; construction of Fossil Creek Community Park; improvements to community parks; and a regional trail system.

d. 1/4 Cent Street Maintenance and Transportation

1/4 Cent Street Maintenance and Transportation projects were approved by the voters of Fort Collins, at a municipal election on April 8, 1997. The voters approved the extension of a 1/4 cent sales and use tax, from which the proceeds would be dedicated to finance street maintenance and transportation projects. Projects include the Pavement Management Program (street maintenance and overlay project); expansion of the

annual sidewalk program; Mason Street Transportation Corridor, Phase I and II; and North College Corridor Improvements, Phase I.

Portions of the General City Capital and the three dedicated 1/4 cent sales and use taxes are a part of the City's Capital Projects Fund; other portions are included in the operating budgets.

e. Capital Expansion

The Capital Expansion Fund provides for growth related capital improvements for Library, Community Parkland, Police Services, Fire Services, and General Governmental Facilities Services. Revenues from the capital expansion fees are a form of development fee imposed on new development. The purpose of the fees is to ensure that future growth and new development contribute its proportionate share of providing capital improvements associated with such growth.

f. Utility Capital Improvements

Utility Capital Projects, specifically Light & Power, Stormwater, Wastewater and Water are budgeted within the appropriate enterprise fund. Sources of funding for utility capital projects are bond proceeds and specific fees and charges. Examples of projects include undergrounding of overhead electrical lines, improvements to water and wastewater systems, and basin improvements associated with the City's storm drainage system.

g. Conservation Trust Projects:

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

h. Neighborhood Parkland Projects:

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

DEBT POLICIES

7.1. POLICY STATEMENT

The City of Fort Collins recognizes the primary purpose of capital facilities is to support provision of services to its residents. Using debt financing to meet the capital needs of the community must be evaluated according to two tests - efficiency and equity. The test of efficiency equates to the highest rate of return for a given investment of

resources. The test of equity requires a determination of who should pay for the cost of capital improvements. In meeting the demand for additional capital facilities, the City will strive to balance the load between debt financing and "pay as you go" methods. The City realizes failure to meet the demands of growth may inhibit its continued economic viability, but also realizes too much debt may have detrimental effects. Through the rigorous testing of the need for additional debt financed facilities and the means by which the debt will be repaid, the City will strike an appropriate balance between service demands and the amount of debt. The City of Fort Collins uses lease purchase financing for the provision of new and replacement equipment, vehicles and rolling stock to ensure the timely replacement of equipment and vehicles and to decrease the impact of the cost to the user department by spreading the costs over several years. This method may also be used to acquire real property. The type of lease that the City uses is termed a conditional sales lease, in effect a purchase rather than a rental of property. The annual installments for all leases are appropriated by the Council each year. For purposes of securing credit ratings and monitoring annual debt service as a percentage of operating expenditures; lease purchase financing is considered a long-term liability of the City and therefore will be issued under the same conditions as long-term debt.

7.2. AUTHORIZATION FOR MUNICIPAL BORROWING

The Charter authorizes the borrowing of money and the issuance of the following securities to evidence indebtedness:

1. short-term notes,
2. general obligation securities,
3. revenue securities,
4. refunding securities,
5. special assessment securities,
6. tax increment securities, and
7. any other securities not in contravention of the Charter.

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

7.3. CONDITIONS FOR USING DEBT

Debt financing of capital improvements and equipment will be done only when the following conditions exist:

1. When non-continuous projects (those not requiring continuous annual appropriations) are desired;
2. When it can be determined that future users will receive a benefit from the improvement;
3. When it is necessary to provide basic services to residents and taxpayers (for example, purchase of water rights);
4. When the rights of bond buyers and subsequent investors are protected through full disclosure; and
5. When total debt, including that issued by overlapping governmental entities, does not constitute an unreasonable burden to the residents and taxpayers.

7.4. DEBT INDICATORS AND TARGET LEVELS OF DEBT

While no absolute measures of debt burden exist, the City recognizes that municipal bond rating agencies and financial analysts have established key debt indicators by which they evaluate the credit strength of issuers. Since debt issued by entities sharing the same geographic area, for example, Poudre R-1 School District, cannot be controlled by the City, the indicator that will be used will be calculated using only direct debt issued by the City itself. The indicator does not include debt issued by the City or by the City Council as the Board of Directors for the City's utilities, as the revenue collected for services are the source of repayment. The City Council has chosen to use direct debt service as a percent of General Fund and debt service expenditures to monitor its debt.

This indicator measures how the City's debt burden compares to financial operations. As debt service requirements increase, the flexibility to make decisions regarding other expenditures is reduced. Excessive debt may be indicated if the percentage is maintained at very high levels. A debt service to operating budget expenses ratio of 10 to 15 percent is considered fair; over 15 percent is generally considered poor.

THE TARGET INDICATOR IS:

Direct debt service as a percent of operating expense: 15 percent for the 2004-2008 period.

Using the debt indicator as defined above, the City will have some debt capacity. This means the City could use some of its operating revenue to support additional debt during the five-year projection period.

Since the City's sustained growth causes demand for capital improvements financed through debt or lease financing, the City target is set at a level slightly above the median for cities of comparable size. The indicator is a full loading of governmental debt and is calculated in the same manner that rating agencies use.

7.5. SOUND FINANCING OF DEBT

When the City utilizes debt financing, it will ensure that the debt is soundly financed by:

1. Conservatively projecting the revenue sources that will be used to pay the debt;
2. Financing the improvement over a period not greater than the useful life of the improvements;
3. Determining that the benefits of the improvement exceed the costs, including interest costs;
4. Maintaining a debt service coverage ratio which ensures that combined debt service requirements will not exceed revenues pledged for the payment of debt; and
6. Evaluating proposed debt against the target debt indicators.

7.6. FINANCING METHODS

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

1. Total General Obligation (payable from Property Tax levies) debt will not exceed 10% of assessed valuation per the City Charter;
2. Where possible, the City will use revenue or other self-supporting bonds instead of General Obligation Bonds;
3. When appropriate, the City will issue non-obligation debt, for example, Industrial Development Revenue Bonds, to promote community stability and economic growth;
4. Staff will maintain open communications with bond rating agencies about its financial condition and whenever possible, issue rated securities; and
5. Staff will exchange information with Larimer County, Poudre R-1 School District, the Poudre Valley Hospital District and other entities whose debt would contribute to the overlapping debt indicators for the purpose of monitoring such debt burdens.

The budget includes appropriations for debt service payments and reserve requirements for all outstanding debt and for debt anticipated to be issued within the ensuing budget term.

7.7. BOND MARKET DISCLOSURE

The Securities and Exchange Commission (SEC) requires the City of Fort Collins to covenant in its bond documents to provide bondholders certain annual financial information. The provision of the information is done through qualified information repositories. The SEC rule did not establish a standard format for the financial information. The required information may be presented in an appropriate disclosure document determined by the City in consultation with legal counsel.

In addition to annual financial information, the City is required to covenant in the bond documents that it will provide notice of the following “material events” to the information repositories, with respect to the City’s bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the City’s bonds;
7. modifications to rights of the owners of City bonds or bond calls; or
8. rating changes.

The City is further required to covenant that it will provide notice in a timely manner if it fails to comply with its disclosure undertakings.

The City considers its Comprehensive and Financial Report (CAFR) to be the most appropriate document in which to provide the continuing disclosure information. In addition to the required annual financial information, the CAFR contains financial and statistical information and related disclosures that are useful to existing and potential

investors in the secondary bond market as required by the rule. In accordance with the City's bond ordinances, the Financial Officer is authorized and directed to report all material events, as defined above, to the appropriate information repositories.

CASH MANAGEMENT AND INVESTMENT POLICY (Summarizing Resolution No. 90-44)

8.1. POLICY STATEMENT

This policy was adopted by the Council of the City of Fort Collins as Resolution 90-44. It is intended to supplement and expand upon Ordinance No. 109, 1988, "Providing for the investment and deposit of public funds and moneys of the City of Fort Collins."

8.2. SCOPE

This policy shall apply to the investment of all general and special funds of the City of Fort Collins (hereinafter referred to as the "City") over which it exercises financial control, including the City of Fort Collins Firefighters Pension and General Employees Retirement Funds.

8.3. OBJECTIVES

The City's principal cash management and investment objectives are:

1. Preservation of capital through the protection of investment principal.
2. To maximize the cash available for investment.
3. Maintenance of sufficient liquidity to meet the City's cash needs.
4. Diversification of investments to avoid incurring unreasonable risk regarding a specific security, maturity periods, or institution.
5. To maximize the rate of return for prevailing market conditions for eligible securities.
6. Conformance with all federal, state and other legal requirements.

8.4. DELEGATION OF AUTHORITY

Responsibility for the collection and investment of all City funds is assigned to the Financial Officer by the Charter, subject to direction of Council by resolution. The Financial Officer may appoint other members of the Finance Department to assist in the cash management and investment function.

The City Manager shall appoint an investment committee consisting of the Financial Officer and at least two (2) other employees of the City knowledgeable in the area of governmental investments. The purpose of the committee shall be to provide advice to the Financial Officer regarding the operation of the Cash Management and Investment Program. The committee shall also review the actual rate of return on the portfolio as compared to the target rate of return.

The Financial Officer shall have the discretion to appoint one or more investment advisors registered with the Securities and Exchange Commission. All investments

made through such investment advisors shall be within the guidelines of this Cash Management and Investment Policy.

8.5. PRUDENCE

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

8.6. ELIGIBLE INVESTMENTS

All investments will be made in accordance with Ordinance 109, 1988 and the Cash Management and Investment Policy adopted by the Council of the City of Fort Collins by Resolution 90-44. The following is a summary of the authorized investments:

1. Any securities now or hereafter designated as legal investment for municipalities in any applicable statute of the State of Colorado.
2. Interest-bearing accounts or time certificates of deposit at state or federally-chartered savings and loan associations or national banks in Colorado which are designated as depositories for public moneys.
3. Obligations of the United States Government and obligations issued by an agency, instrumentality or public corporation of the United States.
4. Obligations issued by or on behalf of the City.
5. Obligations issued by or on behalf of any state, political subdivision, agency, instrumentality or public corporation having an investment grade rating from Moody's Investors Service or Standard & Poor's Corporation.
6. Prime-rated bankers acceptances and prime-rated commercial paper.
7. Guaranteed investment contracts of domestically-regulated insurance companies having a claims-paying ability rating of "AA" or better from Standard & Poor's or A+ from Best Rating Services.
8. Repurchase and reverse repurchase agreements of any marketable security described in Ordinance No. 109, 1988 which afford the City a perfected security interest in such security.
9. Local government investment pools authorized by the State of Colorado.
10. Shares in any money market fund or account, unit investment trust or open-or close-end investment company, all of the net assets of which are invested in securities described in this section, to the extent not prohibited by Colorado Constitution or State Statutes.

Pension funds may also be invested in equipment trust certificates, real property and loans secured by first mortgages or deeds of trust on real property, tax certificates issued on real property in Colorado, and common or preferred stock or debt obligations of U.S. Corporations.

Through authorization by the Colorado Revised Statutes, the City may participate in securities lending programs to enhance total investment return.

8.7. REPORTING AND REVIEW

An investment report shall be prepared on a quarterly basis and submitted to the City Manager. An annual summary shall be published in a newspaper of local circulation. The Financial Officer and designated investment staff shall meet at least quarterly to review the portfolio's adherence to appropriate risk levels and to compare the portfolio's total return to the established investment objectives and goals.

8.8. ETHICS AND CONFLICTS OF INTEREST

City officers and employees involved in the investment process shall adhere to the rules of conduct concerning conflicts of interest as stated in Art. IV, Section 9 (B) of the Charter of the City of Fort Collins, Colorado.

8.9. POLICY REVISIONS

This Cash Management and Investment Policy will be reviewed periodically by the City Manager and the Financial Officer and may be amended by City Council as conditions warrant.

ECONOMIC DEVELOPMENT POLICY (Summarizing Resolution 94-126)

9.1. POLICY STATEMENT

The City of Fort Collins has chosen a partnership model for economic development. The partnership is between the public and private sector, and the citizens of Fort Collins. The City provides many services to existing and prospective business. The City facilitates the processes and procedures required for site development, provides data and demographic information, invests in municipal infrastructure, and considers other initiatives on a case-by-case basis.

The private sector shares responsibility with the public sector for the retention and expansion of business or industry with the City. This may include marketing and promotion of the community, outreach to existing business, and assistance in project financing and small business counseling.

9.2. ROLE OF THE CITY OF FORT COLLINS

Businesses considering expansion or relocation are most concerned and interested in the overall quality of life. Some measures of quality of life include: the quality of primary and secondary schools, the skill of the work force, the quality of municipal services, and the state of the natural environment.

The City's primary role in economic development focuses on those areas which directly involve City process and procedure. The City's goal is to encourage and support economic development and economic opportunities which provide primary employment,

increase private investment within the community and improve the quality of life for its residents.

The City strives to achieve this goal through the following policies:

1. Promotion of the City as a good place to live and work.
2. Emphasis on comprehensive, quality municipal services as the City's primary contribution to the community's economic development effort.
3. Create a positive climate for both local and new business.
4. Assist small business retention and expansion as appropriate.
5. Encourage and promote workforce training, retraining, education, and employee support services to assist in the creation and expansion of meaningful employment opportunities.
6. The City's role in dealing with prospective expansion or relocations focuses on planning and the provision of municipal services and facilities such as streets and utilities.
7. Financial incentives will be considered on a case by case basis after thorough staff analysis and Council discussion of the merits of each individual proposal.

The City has identified several action steps to be used to implement the policies above:

1. Work with other public and private entities to promote policies and programs which encourage education, training, workforce development, and basic, advanced, and technological skills enhancement.
2. Provide prospective businesses with information regarding municipal services, schools, recreational opportunities, health care, and other services available within the community.
3. Notify existing and prospective businesses of the opportunities available through Colorado State University and the private sector in the areas of product and process development.
4. Maintain and enhance utility and technological infrastructure and strive to provide consistently reliable and efficient service.
5. Maintain a reasonable and equitable tax structure.
6. Provide assistance to business and industry about City process and procedure.
7. Afford new and existing business and industry the opportunity to seek financial incentives from City, state, and federal sources.

9.3. ROLE OF THE PRIVATE SECTOR

The private sector plays a significant role in the success of the overall economic development strategy. The private sector mission is to work with the City and other public organizations to retain and expand basic industry within the City and county. This effort requires the support of the Northern Colorado Economic Development Corporation, the Chamber of Commerce and other entities referenced below, as well as local banks, financial institutions, and existing business and industry.

The private sector role is characterized by its ability to work with new and existing business in a confidential manner. Real estate values, business climate, financing options, and site options are most appropriately discussed by the private sector.

9.4. ROLE OF OUTSIDE ENTITIES

The efforts of the City and private sector to enhance the economic prosperity of the community are directly and indirectly supported by several organizations and entities including:

- Colorado State University
- Downtown Development Authority
- Larimer County
- Convention & Visitor's Bureau
- Poudre R-1 School District
- Private Industry Council
- Employment and Training Service.

Though each has an independent focus, their work contributes to the overall quality of life and prosperity enjoyed with the community. In this way, the network required to conduct an effective community-based economic development is provided.

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