MIDVALE CITY CORPORATION
RESOLUTION 2018-R-43

A Resolution of Midvale City adopting the policies stated in the attached “Midvale City Financial Policies” document.

Whereas, city staff and Council have long followed guidelines and policies related to finance, both written and unwritten; and

Whereas, formal policies promote stability and continuity for any organization; and

Whereas, financial policies define a shared understanding of how the municipality will develop its financial practices and manage its resources to provide the best value to the community; and

Whereas, a solid set of financial policies can help support a good bond rating, thereby reducing the cost of borrowing; and

Whereas, the Government Finance Officers Association recognizes financial policies as an essential part of public financial management.

Now therefore be it resolved, that the Midvale City Council approves and adopts the policies stated in the attached “Midvale City Financial Policies” document.

This resolution shall become effective immediately upon passage thereof.

Passed and adopted by the City Council of Midvale City, State of Utah, this 16th day of October, 2018.

Robert M. Hale, Mayor

ATTEST:

Roni L. Andreason, MMC
City Recorder

Voting by the City Council: “Aye” “Nay”
Quinn Sperry ☑   ☐
Paul Glover ☑   ☐
Dustin Gettel ☑   ☐
Paul Hunt ☑   ☐
Bryant Brown ☑   ☐
Introduction

This document formally memorializes financial policies currently in effect for Midvale City elected officials and staff. This 2018 edition may be expanded and refined over time.

As stated by Jeffrey L. Esser, Executive Director of the Government Finance Officers Association, “financial policies are a key element of sound fiscal administration. Policies provide the guidance or “rules of the game” that shape the decisions of public managers. When policies are effective, they can preserve or enhance the fiscal health of governments. By contrast, weak policies promote fiscal instability and can also reduce citizen confidence in government.”

Questions regarding information in this document should be directed to Dalin Hackett, Midvale City, 7505 S. Holden Street, Midvale, Utah, 84047, telephone (801)-567-7220, Email address dhackett@midvale.com.
Midvale City, Utah

Financial Policies

Purpose

The purpose of Financial Policies is to set forth parameters and guidelines for prudent fiscal operational practices and management. These policies were developed by Midvale’s Department of Administrative Services with assistance from the Government Finance Officers Association publication “Financial Policies” by Shayne C. Kavanaugh and the City’s Financial Advisor, Lewis Young Robertson & Burningham. These policies have been approved by executive management, and formally adopted by resolution by the Midvale City Council.

Formal Adoption of Financial Policies

These Midvale City Financial Policies were adopted by a resolution of the Midvale City Council (2018-R-43) on October 16, 2018.
Midvale City, Utah

Financial Policies

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General Fund Reserve Policies

Purpose

- Comply with Utah state law
- Plan for contingencies
- Maintain good standing with rating agencies
- Avoid interest expense
- Generate investment income
- Ensure cash availability when revenue is unavailable
- Create a better working relationship between the governing board and staff

Utah Code § 10-6-116 requires that municipalities maintain a fund balance between five and twenty-five percent of the estimated general fund revenues.

Midvale City will maintain a General Fund fund balance (reserve) of fifteen percent of budgeted general fund revenues.

The reserve may be used at the discretion of the City Council for temporary shortfalls, or if the Mayor declares a state of disaster. Once used, the reserve should be replenished in a timely manner.

Unassigned general fund balance in excess of fifteen percent may be used for one-time purchases.
Reserve Policies in Other Funds

Purpose

- Provide working capital
- Support continuity of operations
- Maintain a stable fee structure
- Provide capital replacement funds
- Maintain good standing with rating agencies
- Create a better working relationship between the governing board and staff

Capital Projects Fund

This fund is used to track spending on major capital projects, therefore; there is no need to maintain a budgetary cushion.

Internal Service Funds (Fleet, IT)

The purpose of the Fleet and IT Internal Service Funds is to accumulate resources to replace vehicles and computer equipment according to assigned replacement schedules and to recover the operating costs of both funds. City funds are charged replacement costs pro rata over the life of the vehicle or computer equipment based upon estimated replacement cost less estimated sales proceeds. Internal Service Funds recover operations costs in the year they are incurred by charging City funds their pro rata share of the operations costs. Interest earned on investment of reserves is used to offset the cost of annual operations. Fund balance for Internal Service Funds represent resources collected from City funds to be used for future purchases of vehicles and computer equipment. Reserves for future operations costs are not needed because operations costs are funded in the year they are incurred.

Enterprise Funds (Public Utilities, Storm Water Utility, Sanitation, Street Lighting, Telecommunications)

Midvale City will strive to maintain working capital (current assets less current liabilities) of no less than 60 days worth of annual operating expenses for the Sanitation, Street Lighting and Telecommunications Funds, and no less than 180 days worth of annual operating expenses for the Public Utilities and Storm Water Utility Funds.

In an effort to maintain adequate reserves, the City shall conduct an analysis of its utility rates on an annual basis. Rate increases, if needed, shall be proposed to City Council during the annual budgeting process.

In order to substantiate the value of Accounts Receivable in the enterprise funds, the City will enforce aggressive collection practices, including termination of service for accounts 60 days past due.
The minimum working capital reserve may be used at the discretion of the City Council for temporary shortfalls or to downsize operations. Once used, the reserve should be replenished in a timely manner. Excess working capital may be used for capital improvements or for one-time purchases.

Other Funds

Adequate reserves will be considered.
Revenue Policies

Purpose

- Ensure sufficient and stable revenues in order to consistently produce desired programs and services
- Develop and maintain revenue sources that are fair and consistent

Midvale City strives to achieve diversification and stabilization of the revenue base. While recognizing that property taxes are the most stable, the City will not increase property taxes when other revenues such as sales tax and franchise fees are adequately funding operations.

The City will not use one-time revenues towards ongoing expenditures.

User fees will be charged to obtain cost recovery for regulatory services such as building permits, plan checks, and business licensing.

Administrative fees will be charged by the General Fund to the Enterprise Funds in order to recapture direct and indirect costs which benefit all funds. These fees will be reviewed annually in association with the budget process.

A municipal fee schedule shall be reviewed and adopted by the City Council annually in conjunction with the operating and capital budgets.

Before applying for and accepting intergovernmental aid, the City will assess the merits of a particular program as if it were funded with local tax dollars. Local tax dollars will not be used to make up for losses of intergovernmental aid without first reviewing the program and its merits as a budgetary increment.

A conservative approach will be used to forecast revenues. However, when such an approach leads to considerations of raising taxes or cutting services, a more objective approach will be analyzed in order to avoid unpopular budget-balancing measures that later prove unnecessary.

Multi-year forecasts will be prepared and presented to the Council annually as part of the budget process.
Expenditure Policies

Purpose

- Ensure that public funds are spent with integrity, directness, and transparency
- Ensure that expenditures are directed to services that citizens prefer

Ongoing expenditures will not expand beyond the City’s ability to pay for them with current revenues. When practical, resources should be used for preventative investments that can be made to avoid even larger costs in the future.

Funding for new programs and services should be limited to the extent that they can be reasonably funded over the near-to-long term given the current revenue stream.

Increasing efficiencies and effectiveness of the delivery of City services through process review, technology improvements, or outsourcing must be considered before adding permanent staff.

Staff shall prepare an analysis of costs borne by the General Fund which benefit other funds, most importantly, enterprise funds. Enterprise Funds will reimburse the General Fund for these costs through administrative fees, which are appropriated as part of the budget each year.

Efforts will be made to maintain compensation packages that are sufficient to attract and retain quality employees. Salary range structures shall be evaluated periodically to determine the relative competitiveness of the pay structure to the job market. The midpoint of the salary range is the market value against which the City will assess its pay plan relative to the job market. If the midpoint of the City’s salary range is more than five percent below market for any given position, the grade of that particular position shall be adjusted upward.

The City’s pay plan shall be reviewed and adopted annually by the City Council in conjunction with the annual budget.

Staffing shall not exceed the authorized level, and all new positions must be approved by City Council before they are filled.
Operating Budget Policies

Purpose

- Acknowledge that the operating budget is among the most important public documents produced by the City
- Ensure the budget sets forth the City’s taxing and spending direction
- Establish policies that allow leeway for the inevitable give-and-take of politics

Midvale will adopt an annual operating budget for all funds.

Budgets are prepared on a cash basis. Under the cash basis, capital expenditures and the redemption of bonds are recorded as expenditures. Depreciation and amortization costs are not budgeted since these costs are non-cash transactions.

Budget policies define the broad guidelines under which the budget process will operate. Staff is then responsible for designing a process that conforms to the policies.

Because the City’s budget is a spending plan, and because circumstances change throughout the fiscal year, staff may propose budget adjustments for any or all funds throughout the year. Those adjustments require discussion and adoption by the City Council to become effective.

The City Administrator has authority to reallocate line items within a department budget, but any inter-departmental budget adjustments must be approved by the City Council. Grants, additional personnel, new programs, etc. must be appropriated by the City Council.

The City Administrator, after meeting with all City departments, will present a balanced budget to the Mayor and City Council in May of each year. This document will serve as a working tool for the City Council in developing their operating budget.

Consistent with Utah Code § 10-6-111, a tentative budget will be prepared and filed with the City’s elected officials on or before the first regularly scheduled meeting of the governing body in May of the current period. The tentative budget will be reviewed and discussed in Council meetings throughout May and June.

A public hearing will be held in May to adopt the tentative budget. An additional public hearing will be held prior to the adoption of the final budget. Citizen participation and comment is encouraged.

Consistent with Utah Code § 10-6-118, the City Council will adopt a final budget before June 22 of each fiscal period, or, in the case of a property tax increase, before August 17 of the year for which a property tax increase is proposed.

The City Council will adopt its certified property tax rate on the same date as the final budget is adopted.
Capital Asset Management Policies

Purpose

- Recognize the major impact capital projects have on the quality of local government services, the community's economic vitality, and the overall quality of life for citizens
- Stimulate informed debate and to help leaders make optimal choices

The City will develop and maintain a Capital Improvement Plan which includes a realistic project timing and scope, and operating budget impacts.

Appropriations for capital projects are for the period of construction or acquisition, and do not lapse at the end of the fiscal year. Funds remaining in the project budget after its completion may be appropriated for other capital projects or revert to the General Fund.

Appropriate ongoing funding for maintenance is a high priority. Deferring maintenance or asset replacement has the potential for reducing a government's ability to provide services and/or threatening public health, safety and overall quality of life. In addition, as the physical condition of an asset declines, deferring maintenance and/or replacement may increase long-term costs and liabilities.

The City has established an Internal Service Fund for the purpose of accumulating resources to replace vehicles according to a replacement schedule established by the Fleet Manager, and to recover fleet operating costs from appropriate funds. The City has also established an Internal Service Fund for the purpose of accumulating resources to replace computer equipment according to a replacement schedule established by the Information Technology Manager, and to recover IT operating costs from appropriate funds.

Department managers/heads shall exercise supervision of all inventories of tangible City property within the control of or assigned to their departments, this includes ensuring all City assets are safeguarded and kept in good working condition. All City property located in warehouse(s) or storage areas shall be inventoried annually, and accountability for the property shall reside with the respective department manager/​head.
Long-term Financial Planning Policies

Purpose

- Assist the government in providing stable tax and service levels to the community over a multi-year period
- Uncover minor problems which, left unresolved, could require dramatic action later
- Demonstrate a sound commitment to sound financial management and a willingness to control spending

Each year, staff shall develop a forecast of operating expenditures and revenue for the next five years. The presentation and discussion of the forecast and resulting long-term financial plan will be an integral part of the annual budget process.

Midvale City will address imbalances in future revenues and expenditures in establishing property tax rates.
Debt Policies

Purpose

- Ensure that debt is used wisely and that future financial flexibility remains relatively unconstrained
- Establish criteria for the issuance of debt obligations so that acceptable levels of indebtedness are maintained
- Transmit the message to investors and rating agencies that the City is committed to sound financial management
- Provide consistency and continuity to public policy development

The City may use debt to help distribute the payments for a capital asset over its useful life so that benefits more closely match costs.

The City may also use pay-as-you-go financing, in that it helps to keep the City’s debt burden down.

As there are merits to both methods of financing, Midvale may use a combination of debt and pay-as-you-go to finance capital assets.

Using long-term debt for operations is discouraged.

Issuing debt with a longer amortization period than the life of the asset it is financing is prohibited.

Debt service as a percent of general expenditures of the General Fund shall not exceed fifteen percent.

Capitalization of interest, the practice of using bond proceeds to pay the interest due on debt during the construction period of an asset, is generally acceptable.

Long-term financing must comply with federal, state, and local legal requirements.

The City will consider debt issuance (rather than paying cash) when interest rates are low. The City might use its debt capacity to acquire capital assets for a lower total cost when construction costs are increasing or are very low.

The City shall engage the following outside professionals to assist with bond sales, as bond sales are not a routine activity for most local governments:
- Financial Advisor
- Bond Counsel
- Underwriter
- Paying agent/Registrar
Bond proceeds will be invested in accordance with the City’s general investment policy. Staff must take steps to minimize arbitrage liability on bond proceeds in order to avoid penalties.

Refunding bonds will be considered when there is an interest rate savings, a change in anticipated revenues, or when the City Council desires a change in the provisions of a bond covenant.

Midvale City shall comply with all ongoing disclosure conditions and shall file such required documents in a timely manner.

Interfund loans are contemplated for short-term use only. Any transfers between funds where reimbursement is not expected within one fiscal year shall not be recorded as interfund borrowings; they shall be recorded as interfund operating transfers.
Investment Policies

Purpose

- Maximize interest income while preserving principal and maintaining sufficient liquidity to meet expenditure obligations.

Midvale City shall comply with the state of Utah’s “Money Management Act”.

Unless approved by the City Administrator, all funds will be invested with the Utah State Treasurer’s Public Treasurers Investment Fund.

The pooling of funds is authorized, and interest earnings will be credited to the source of the invested funds at the end of each month based on the average daily cash balances during the month.

Appropriate separation of duties is required; in no circumstance can the same individual prepare the deposit, take the deposit to the bank, and/or reconcile the bank statement to the books.
Accounting, Auditing, and Financial Reporting Policies

Purpose

- Set the tone at the top for how the City will account for its financial resources and be accountable for making financial information available to the public
- Satisfy external financial reporting requirements as well as meet the City's managerial needs.

Midvale City has established an Audit Committee to serve as a practical means for the City to provide independent review and oversight of the government's financial reporting processes, framework of internal control, and independent auditors.

The Audit Committee shall report to the City Council at least annually.

Accounting records will be maintained in accordance with state and federal law and regulations.

Midvale adopts the Government Finance Officers Association recommendation that governments use a multi-year audit contract for a period of no less than five years.

Annual financial reporting in compliance with generally accepted accounting principles (GAAP) is required.

Monthly revenue and expenditure reports for each fund shall be presented to the City Council.

A listing of checks issued shall be supplied to the City Council monthly.

Midvale City will strive for transparency and shall comply with all state records transparency requirements.

Capital assets are defined as assets costing at least $5,000 with an expected useful life in excess of one year.

Sensitive non-capitalized items such as computers shall be inventoried and controlled.
Internal Control and Risk Management Policies

Purpose

- Protect assets in order to ensure continuity of service
- Maintain a safe work and service environment,
- Ensure the efficiency of risk management activities

The City shall work closely with its insurer to accomplish goals stated above and to minimize the cost of risk management activities.

The Human Resources Director shall be designated as the Risk Manager. Senior Staff shall serve as the risk management committee. Meetings shall be held quarterly to review insurance claims and reported incidents.

Employees will be provided with the official Midvale City Policies and Procedures Manual regarding employment, and shall file an acknowledgment of receipt and understanding of the manual with the Human Resources department annually.

City employees and councilmembers are required to report conflicts of interest and to refrain from participating in or deliberating on any matters regarding such interest.

Sexual Harassment training shall be conducted annually for all employees.

The City shall appoint an Emergency Operations Manager who is responsible for maintaining the City’s Emergency Management Plan.

Midvale City staff shall participate in regional and statewide safety exercises in coordination with area police and fire.

Internal Controls shall be developed to:
- Segregate duties
- Provide security over assets and records
- Ensure periodic reconciliation and verification
- Assure proper authorization
Local Economic Development Finance Policies

Purpose

- Improve local economic conditions through direct and indirect intervention

Midvale City’s Redevelopment Agency may use tax increment financing to improve designated project areas within the City.

Midvale City will strive to attract businesses that pay a salary equal to or above the average wage level for Midvale, and businesses that provide healthcare and retirement benefits to their employees.

Although some taxing entities within Midvale city boundaries may charge impact fees, Midvale City itself does not charge impact fees.

The City employs an Economic Development Director who is charged with attracting new businesses to the City, as well as serving as a liaison between the private sector (in many cases, the developer) and City staff.
Procurement Policies

Purpose

- Ensure that the procurement process is fair
- Ensure good stewardship over public funds
- Help clarify the goals of the purchasing system

The City will strive to consider full lifecycle costs of a good or service rather than simply accepting the lowest initial purchase price.

Quality should be an integral evaluation component when reviewing vendor proposals. Purchasing decisions will be based on best value, not lowest cost.

Procurements will be conducted fairly and the process and results will be open to the public.

Training on Midvale’s purchasing ordinance will be provided to City staff on a regular basis, at least once every two years.

Midvale City staff and elected officials shall comply with Midvale Municipal Code § 3.02 regarding procurement. Important purchasing thresholds for expenditures for supplies, services or construction are described below:

- Expenditures of twenty-five thousand dollars or more shall be made pursuant to the formal bidding procedures set forth in Midvale Municipal Code § 3.02.110. An expenditure of twenty-five thousand dollars or more must be approved by the City Administrator. Any expenditure of one hundred thousand dollars or more must be approved by the City Council.

- Expenditures for three thousand dollars or more, but less than twenty-five thousand dollars, shall be made pursuant to the informal bidding procedures set forth in Midvale Municipal Code § 3.02.100.

- The following expenditures of the City shall be referred to as “exempt expenditures” and may be made without formal or informal bidding procedures, but should be made with as much competition as practicable under the circumstances.
  - Minor. Any expenditure amounting to less than three thousand dollars.
  - Sole Source. Any expenditure for goods or services which are clearly by their nature not reasonably adapted to award by competitive bidding. Sole source procurements must be approved the City’s Purchasing Committee.
  - Emergency. See Midvale Municipal Code § 3.02.070 for procedures to follow.
- State Bidding. Any expenditure for which competitive bidding or price negotiation has already occurred on the state level.

- Interlocal Cooperation. Any expenditure made in conjunction with an agreement approved by resolution of the City Council between the City and another city or governmental entity.

- Professional Services. Any expenditure for professional services which by their nature are not reasonably adapted to award by competitive bidding. Such expenditures shall be awarded at the discretion of the City Administrator based on the recommendation of the department head. If the City Administrator determines that competitive bidding for certain professional services would benefit the City, the procedures set forth in Midvale Municipal Code § 3.02.130, Request for proposals (professional services), must be followed.

- Special Sale. Any expenditure made in conjunction with any public auction, closeout sale, bankruptcy sale or other similar sale when the procurement officer determines in writing that such purchase may be made at a cost below the market cost for the same or similar goods and such determination is reviewed and approved by the City Council.

- Exchanges. Any exchange of supplies, materials, property, or equipment between the City and any other public or private party made by mutual agreement of the respective parties.

- Utah Correctional Industries. Supplies, services, or construction produced by Utah Correctional Industries may be purchased without seeking competitive quotes or bids.

The Mayor is the only individual with authority to bind the City. The Mayor's signature is required on all City contracts.