



Financial Policy

City of Collinsville

Ordinance 19-24

FUND BALANCE

FUND BALANCE POLICY #1: UNRESERVED FUND BALANCES

- To maintain the City's credit rating and meet seasonal cash flow shortfalls, the budget shall provide for an ending fund balance of between 15% and 20% of estimated annual revenues for both the General Fund and Enterprise Fund.
- Should the fund balance fall below 10% of revenues, a plan for expenditure reductions and/or revenue increases shall be submitted to the City Council by the City Manager. If the balance should exceed 20%, the excess shall be utilized for one-time expenditures as recommended by the City Manager to the City Council.
- If the fund balance falls below 10%, the City shall rebuild the balance within two fiscal years.

REVENUE

REVENUE POLICY #1: DIVERSIFICATION OF REVENUE

- The City will strive to maintain a diversified and stable revenue system to shelter the government from short run fluctuations in any one revenue source and ensure its ability to provide ongoing services.

REVENUE POLICY #2: CHARGES FOR SERVICES

- All fees for licenses, permits, fines, and other miscellaneous charges shall be set at the amount necessary to recover the City's cost of providing the service. These fees shall be reviewed annually and adjusted when needed.

REVENUE POLICY #3: BUSINESS-TYPE ACTIVITY

- Fees that generate revenue in the Enterprise Fund will be set at an amount sufficient to fully support the total direct and indirect expenses of the Enterprise Fund, including debt service obligations and capital costs. These fees shall be reviewed and adjusted annually.

REVENUE POLICY #4: GRANTS

- The City shall explore all grant opportunities.
- A grant may not be pursued if the cost of matching funds or increased operating expense is deemed to outweigh the benefit of accepting the grant money.

EXPENDITURE/EXPENSE

EXPENDITURE/EXPENSE POLICY #1: BALANCED BUDGET

- The City shall attempt to conduct its operations on a “pay-as-you-go” basis, with current-year expenditures/expenses funded by current-year revenues.
- The budget shall be considered balanced if ending fund balance exceeds the 15% target in Fund Balance Policy #1, even if current-year expenditures/expenses exceed current-year revenues.

EXPENDITURE/EXPENSE POLICY #2: PURCHASING

- The City's procurement procedures shall allow purchasing without prejudice, seeking to obtain the maximum value for each dollar spent.
- Purchasing, bidding and contract procedures adopted by City Ordinance shall be strictly followed.

CAPITAL IMPROVEMENT

CAPITAL POLICY #1: COMMUNITY INVESTMENT PLAN

- A high priority shall be placed on replacement of capital items that have deteriorated to the point of becoming hazardous, incur high maintenance costs, are negatively affecting property values, or are no longer functionally serving their intended purposes.
- Replacement of capital items shall be timed at fairly stable intervals so as not to spend excessively in one year and restrictively the next.

CAPITAL IMPROVEMENT POLICY #2: INTERGOVERNMENTAL ASSISTANCE

- Intergovernmental assistance shall be used to finance only those capital improvements that are consistent with the City's priorities, and within the City's budget for maintenance costs.

ACCOUNTING

ACCOUNTING POLICY #1: ACCOUNTING SYSTEM AND STANDARDS

- The City's accounting system shall comply with prevailing federal and state statutes and regulations.
- The City Council shall receive periodic reports of the City's financial condition.
- Internal controls will be routinely monitored to ensure that they are relevant and reliable in the prevention of fraud and negligent errors.
- The City's budget shall be prepared and executed on the modified accrual basis of accounting.
- The City's financial statements shall conform to Accounting Principles Generally Accepted in the United States of America (GAAP.)
- An audit of the City's financial statements will be performed annually and shall result in an unqualified opinion by the City's independent auditor. The auditor shall report directly to the City Council.
- The City's financial statements shall conform to program standards of GFOA's Certificate of Achievement for Excellence in Financial Reporting.

DEBT

DEBT POLICY #1: USE OF DEBT

- Short-term debt (less than one year) outstanding at the end of the year will not exceed 5% of revenues (including tax anticipation notes but excluding bond anticipation notes).
- Debt financing shall be limited to one-time capital improvement projects and only when the project's useful life will exceed the term of financing.
- Long-term debt (more than one year) financing shall not be considered appropriate for operating expenditures or any recurring purpose.

DEBT POLICY #2: DEBT LIMIT

- The City of Collinsville became home-rule by special census on August 24, 2005 and no longer has a bonded debt limit imposed by State Statute. However, the City Council believes it is prudent not to exceed 8.625% of assessed valuation with general obligation bonds.
- Refunding bonds may be authorized by the City Council provided such refunding does not result in an increase in the interest rate and does result in a savings over the life of the bonds.

DEBT POLICY #3: LEASES

- Lease purchases shall be considered only when the useful life of the item is equal to or greater than the length of the lease. If the item may become technologically obsolete or is likely to require major repair during the lease purchase, then the item should be purchased outright.

DEBT POLICY #4: RATING AGENCY RELATIONSHIP

- The City shall comply with annual disclosure obligations to bond rating agencies and investors.
- The City shall consider bond rating implications before incurring additional debt.

INVESTMENT

INVESTMENT POLICY #1: LEGALITY

- Investments may be made in any type of security allowed by Illinois statutes regarding the investment of public funds.

INVESTMENT POLICY #2: SAFETY

- Preservation of investment principal is more important than liquidity or return.
- The City Treasurer shall use the “prudent person” standard in the context of managing the City’s investment portfolio. 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.
- Funds on deposit (checking accounts, certificates of deposit, etc.) in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third-party institution in the City of Collinsville’s name.
- All security transactions, including collateral for repurchase agreements, shall be conducted on a delivery-verses-payment (DVP) basis. Securities will be held by an independent third-party custodian designated by the City Treasurer and evidenced by safekeeping receipts and a written custodial agreement.
- Investments shall be diversified by type of investment, number of institutions, or length of maturity.

INVESTMENT POLICY #3: LIQUIDITY

- The City's investment portfolio shall remain sufficiently liquid to meet cash flow requirements.
- The City will invest primarily in short-term securities such as certificates of deposit, money market funds, or similar investment pools.

INVESTMENT POLICY #4: RETURN

- The City shall invest public funds in a manner which will provide the highest investment return with the maximum security while meeting cash flow demands.
- The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.