Chair:
James Ostlund (2014)

Committee Members:
Arlene Mitchell (2015)
Katy Peters (2014)
David Radziej (2015)
Vacant
Vacant

Council Liaison:
Fran Holmes

Financial Planning and Analysis Committee
December 10, 2013
6:00 p.m.
City Hall

Address:
1245 W Highway 96
Arden Hills MN 55112

Phone:
651-792-7800

Website:
www.cityofardenhills.org

City Vision

Arden Hills is a strong community that values its unique environmental setting, strong residential neighborhoods, vital business community, well-maintained infrastructure, fiscal soundness, and our long-standing tradition as a desirable City in which to live, work, and play.

Agenda

CALL TO ORDER

1. APPROVAL OF THE AGENDA

2. MINUTES

   2.A. 12-10-2013 Minutes

   Documents: 12-10-2013.PDF

3. UNFINISHED AND NEW BUSINESS

   3.A. Oath Of Office

   Oath of Office for Katy Peters, Arlene Mitchell and David Radziej.

   3.B. 03-11-2014 Memo

   Documents: 03-11-2014 MEMO.PDF

   3.B.i. Purchasing Policy

   Documents: 2014 PURCHASING POLICY.PDF

   3.B.ii. Fund Balance Policy

   Documents: FUND BALANCE POLICY-2014.PDF

4. REPORTS

   A. Reports from the City Council
   B. Financial Planning and Analysis Committee Comments and Requests

ADJOURN

A quorum of the City Council may be present at this meeting.

FINANCIAL PLANNING & ANALYSIS COMMITTEE
Tuesday, December 10, 2013
6:00 P.M.
Council Chambers, Arden Hills City Hall

CALL MEETING TO ORDER AND ROLL CALL

The meeting was called to order by Jim Ostlund at 6:05 pm.

MEMBERS PRESENT: Jim Ostlund; Arlene Mitchell; Katy Peters
MEMBERS NOT PRESENT: David Radziej; David Grant, Council Liaison
OTHERS PRESENT: Sue Iverson, Director of Finance and Administrate Services; Kyle Howard, Finance Analyst

Call to Order

1. APPROVAL OF THE AGENDA
   Motioned: Arlene Mitchell
   Seconded: Katy Peters

2. APPROVAL OF THE MINUTES
   Motioned: Arlene Mitchell
   Seconded: Katy Peters

3. UNFINISHED AND NEW BUSINESS
   A. Continue Discussion on GIS Report

   Director Iverson, gave the committee an update on the GIS Report and what changes have been made since the last meeting. Explaining the Sheriff and Fire Department calls have been separated and calculated based on land use per the committees request. Director Iverson stated the data shows that a single family used more emergency services in the past two years, followed closely by tax exempt properties. Director Iverson, then went on to talk about Fiscal Disparities based on land use. Director Iverson noted that the City receives more fiscal disparities per capita from Bethel University and the mobile home park than are generated from a single family home. The discussion continued with the committee remarking on how this data was slightly different then they expected. They questioned how the City compares to others Cities on percentage of total tax exempt properties. Director Iverson, said she did not have that data, but could provide it at a later meeting if requested. She then said that the GIS model is still a work in progress, stating that the goal is to get it to a point where it can aid in forecasting future costs of projects and new developments.

   Financial Analyst Howard, gave an update on the Utility rates for 2013, stating that the forecast model that was created at the end of 2012 was forecasting close to the projections. Analyst Howard stated that the City still needs one more year of solid data to calculate if any further adjustments will be needed. Staff for 2013 still had a large number of accounts and estimated bills that would adversely skew the data to generate a clear picture of the rates. Analyst Howard, mentioned the new system has been very successful in allowing staff to monitor excessive usage of water and notify home owners of possible leaks or other issues. After next year, staff hopes that the majority of leaks and other issues will be fixed, allowing for the model to be rerun and checking at that time if rates need further adjustment.

4. REPORTS
   A. Reports from the City Council

   None provided.

5. ADJOURNMENT
   Motioned: Jim Ostlund at 7:25 pm.
   Seconded: Katy Peters

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Jim Ostlund, Chair

_____
Susan K. Iverson, Finance Director

MEMORANDUM

DATE: March 11, 2014

TO: Financial Planning and Analysis Committee

FROM: Sue Iverson, Director of Finance and Administrative Services
Kyle Howard, Finance Analyst

SUBJECT: **Review of the Purchasing and Fund Balance Policy**

Purchasing Policy

The City's purchasing policy was originally drafted back in 2004. This policy has become outdated and parts were no longer in compliance with the current State Statutes. The area that was out of compliance was the Competitive Bidding process. Staff has revised the policy to comply with the State Statutes. Staff has also added a section that requires the department directors to code invoices related to their department as part of monitoring their budgets. A New Vendor section was also added to require directors to obtain w9's from new vendors they use. The last change to the Policy was updating employee titles.

Fund Balance Policy

The City's Fund Balance policy was last updated in November of 2011. Staff has reviewed the policy and has made a few changes. The first change authorizes the Director of Finance and Administrative Services to transfer the excess unassigned General fund balance over 50% to the Permanent Improvement Revolving Fund. The other items changed were related to consistency of titles throughout the document, mainly changing "Finance Director" to "Director of Finance and Administrative Services".

Requested Action

Review and Discussion.

CITY OF ARDEN HILLS
PURCHASING POLICY
(Revised 3/06/2014)

GENERAL PHILOSOPHY

The City of Arden Hills is committed to be responsible, prudent, and wise in spending the taxpayer's funds.

The purchasing policy was developed by the City to be followed and enforced. It is difficult to identify every possible scenario in this document that might be considered prudent or imprudent. In addition, the city is cognizant of the value not only of the following spending policies, but also the public perception of prudence. The City employees should make every attempt to adhere to the policies and exercise good business judgment in spending. It is recognized that even the best policies will need to be revised periodically and modified as needed.

PURCHASING

POLICY:

The City's policy is to purchase goods and services at the most cost effective and competitive rates, yielding the desired service, turnaround and value for the dollar. This practice must ensure the best utilization of funds, vendor selection, and adherence to ethical business practices including integrity, honesty, and avoidance of conflict of interest.

SCOPE:

This policy applies to purchase of goods or services that includes: competitive bidding, vendor selection, signature authority, purchase orders and coding.

COMPETITIVE BIDDING

1. ~~Purchases between $7,500 and $50,000. Purchases of goods and services must be competitively bid. At least, two written bids must be obtained from the vendors.~~

   Purchases between $25,000 and $100,000. Purchases of goods and services must be competitively bid. At least, two written bids must be obtained from the vendors.

2. ~~Purchases over $50,000 must be advertised as sealed bids.~~

   Purchases over $100,000 must be advertised as sealed bids.

3. ~~Purchases at and over $2,500, but under $7,500. Obtain a minimum of two verbal or faxed bids from vendors.~~
4. ~~No bids required for purchases under $2,500~~

Purchases at or under $25,000 may be made either upon quotation or in the open market, in the discretion of the governing body.

It is not the policy of the City to accept the lowest bidding vendor. The acceptance of the bid may be based on a number of factors, including: Cost, demonstrated working experience in the specific area, past experience with the City, overall quality of work, and in emergency situations.

Exception to this policy may be made in order to maintain continuity of services, their in -depth knowledge of the City's operations or systems, the uniqueness of the services offered, and in emergency situations. Examples include, but not limited to: Auditing Services, Financial Services, Engineering Services, Legal Services, Maintenance Contracts, Building Maintenance, Architectural Services, and other similar services. Exception can also be made if the project requires unique skills or if bids cannot be obtained due to lack of interest from the vendors. It is the responsibility of the department head to document the rationale for the vendor selection, particularly when the lowest bid is not accepted and/or if a bid was only received or obtained from one vendor.

Spending Not Requiring Council Action

AUTHORIZATION LIMITS

Individual	$ Limit - Budgeted	$ Limit - Unbudgeted
City Administrator	up to $ 7,500	up to $ 5,000
Director of Finance and Administrative Services	up to $ 5,000	up to $ 2,500
Public Works Director	up to $ 2,500	up to $ 1,000
Community Development Director	up to $ 2,500	up to $ 1,000

Note: All payments in excess of $7,500 must be approved by the City Council, unless the project, in aggregate, was previously approved by the City Council. The department director, along with the concurrence of the Director of Finance and Administrative Services, may delegate signature authority to another individual in their department for a set dollar amount, which should be significantly lower than their own signing authority. This authority must be in writing and be kept in the Finance Department.

Items not requiring Council authorization prior to payment, but is part of the approved budget and over the authorization limits as described above:

- Payroll and payroll related payments
- Employee Expense reimbursements
- Insurance Premiums
- Routine Operations (utilities, supplies, cleaning services, etc.)
- Items that were previously approved by the Council.
- Emergency payments or other payments to avoid late fees or interest charges.

1. Finance will process payments on a weekly basis. Payments that do not require Council authorization will be issued on Fridays.
2. Payments that require Council action will be issued after the approval.
3. A complete list of all paid and unpaid claims will be presented at the regular Council meeting under the consent agenda items.

PURCHASE ORDERS & CODING INVOICES

It is a prudent business practice to issue purchase orders prior to the purchase of goods and services. As a practical matter, no purchase orders are required for purchases under $1,000. Purchase orders can only be signed by the authorized individuals as outlined above with their respective signing authority. The City Administrator or the Director of Finance and Administrative Services may co-sign a purchaser order if the order exceeds the director's authorization level.

Purchase orders are issued by the individual departments and retained by them until the goods and services are received. Upon the receipt of the invoice, the department head will approve the invoice for payment and forward the invoice, along with the purchase order to the Director of Finance and Administrative Services for processing.

All invoices are required to be coded and signed by the department head, or authorized delegate, before forwarding them to the Finance Department for processing.

NEW VENDORS

Selecting new vendors is at the discretion of the department head. When selecting a new vendor the department head is required to also obtain a w9 from the vendor. The city requires a w9 before payment can be processed for the vendor.

CITY OF ARDEN HILLS
COUNTY OF RAMSEY
STATE OF MINNESOTA

FINANCIAL POLICIES-
FUND BALANCE

Fund Balance and Net Asset Guidelines (Fiscal Year-End)

Purpose

The purpose of the fund balance policies is to establish appropriate fund balance levels for each fund that is primarily supported by property tax revenues or user fees. These policies will ensure that adequate resources are available to meet cash flow needs for carrying out the regular operations of the City, as well as to meet the fund balance requirements identified in the City's Long Range Financial Management Plan. The funds that will be addressed in this policy are: General Fund, Cable Fund, EDA Funds, Equipment, Building & Replacement Fund, Parks Fund, Public Safety Capital Fund, Permanent Improvement Revolving Fund (PIR), Risk Management Fund, and Enterprise Funds.

Primary Policy Considerations

1. To meet the cash flow requirements of the City.
2. To maintain adequate fund balances and net assets in each individual fund of the City.
3. To provide for emergencies and contingency needs of the City.

Policy Statements

1. The Finance DirectorDirector of Finance and Administrative Services as a part of the annual budget process shall prepare an analysis of this policy. The analysis shall project the status of the budget year ending fund balances and net assets.

2. The City Council authorizes the Director of Finance and Administrative Services and/or City Administrator to assign fund balance that reflects the City's intended use of those funds. When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's polity to use resources in the following order; 1) committed, 2) assigned, 3) unassigned. These fund balance classifications apply only to Governmental Funds, not Enterprise Funds.

3. The General Fund balance shall be assigned as of December 31st for the following purposes in the amounts described below:

    a. The City will strive to maintain an unassigned balance in the General Fund of 50% of the general fund's total annual operating budget (this reserve includes the designation for cash flows). Since a significant source of revenue in the General Fund comes from property taxes, maintaining a fund balance that is equal to at least six months of operating expenditures ensures that sufficient resources are available to fund basic City functions

between property tax settlements. This range is in conformance with guidance from the Office of the State Auditor (OSA). ~~Amounts that exceed 50% may be transferred out to other funds~~. The Director of Finance and Administrative Services is authorized to transfer any amount that exceeds 50% to the Permanent Improvement Revolving Fund(PIR). An assignment or restriction of fund balance may be used to offset revenues earned in one year where substantial services are required to be performed in the next fiscal period.

b. The City will maintain an amount sufficient to cover accumulated vacation and compensatory time balances and that portion of PTO leave that would be payable under the City's severance pay policy or union contracts. This amount shall be adjusted annually as part of the year-end close and annual financial report process.

c. For specific purposes as authorized by the City Council or the City's intended use of the funds.

Funds shall be assigned first for compensated absences, second for cash flow needs and lastly for emergencies/contingencies.

4. The Cable Fund is a Special Revenue Fund that provides for cable and communication related expenses to disseminate information to the public. It receives the majority of its funding from franchise fees which are restricted for this use.

   The City will strive to maintain a fund balance in the Cable Fund in an amount sufficient to support the ongoing operating expenditures and capital expenditures planned in the CIP and in congruence with the Long Range Financial Management Plan.

5. EDA Funds are Special Revenue Funds that carryout economic and industrial development and redevelopment consistent with policies established by the City Council. It receives the majority of its funding from specific taxes or other earmarked revenue sources.

   The City will strive to maintain fund balances in the EDA Funds in an amount sufficient to support the ongoing expenditures, obligations and in congruence with the Long Range Financial Management Plan. Revenues not legally restricted will be committed.

6. Fund balances in Debt Service Funds for future debt payments are restricted.

7. Capital Funds are used to account for the financing of street rehabilitations projects, equipment replacement, public safety equipment, and facility rehabilitation or renovation. Revenue sources are provided mainly through property taxes, special assessments, Park dedication fees, and charitable gambling. Street projects, equipment purchases, and renovations are programmed into the City's Capital Improvement Plan and are generally planned years in advance.

   The City will strive to maintain fund balances in the Equipment Building & Replacement Fund, Public Safety Capital Fund, Parks Fund, and the Permanent Revolving Improvement Fund in an amount sufficient to support the ongoing capital expenditures planned in the CIP and in congruence with the Long Range Financial Management Plan. Revenues not legally restricted will be assigned.

8. Enterprise Funds were established to account for the operation of Water, Sanitary Sewer, Recycling, and Surface Water Management. These operations are designed to be self-supporting from user charges.

   City enterprise funds shall have operating cash reserves sufficient to provide for monthly cash flow, and for a reasonable level of equipment and infrastructure replacement. Major reconstruction or system upgrades, may need to be funded from enterprise revenue bonds. Annual utility rate reviews will be made in regard to projected operating expenses and capital improvements. The Council will, on an annual basis, establish rates in accordance to operating cost recovery and the projected capital improvement.

9. Internal Service Funds were established to account for operations which are designed to be self-supporting from "internal" user charges.

   a. Risk Management Fund

      This fund was established to pool dividends received the City's insurance providers for positive claims experience. This funds tracks dividend revenues and deductible costs for claims. The goal of this fund is to build a fund balance that would allow the City to increase deductible limits in order to reduce premium costs. Dividends from the City's health insurance provider are also used to provide wellness programs. Funds received from the League of Minnesota Cities Insurance Trust are committed while funds received from the City's health insurance carrier are assigned.

   b. Engineering

      This fund is used to account for the provision of engineering services to development projects, infrastructure projects, and the City in general. This fund is financed predominantly through user charges both internally and externally to developers and is normally not expected to carry a fund balance at year-end.

   c. Central Garage and Equipment

      This fund is used to account for the materials, supplies, and expenses of the Central Garage and equipment of Public Works which is comprised of the following departments; Streets, Parks, Water, Sanitary Sewer, and Surface Water Management. This fund is financed predominantly through user charges internally to the public works departments. Fund balance is assigned for the purchase, replacement, and repair of equipment and vehicles used by public works.

10. Fund balances will be assigned according to the above guidelines up to the amount available after restrictions and other commitments. This policy is not intended to require the reporting of deficit unassigned fund balances.

Nonspendable Fund Balances – consists of amounts that are not in spendable form.

The City has several amounts unavailable for appropriation such as: prepaid items, inventories, etc.

Restricted Fund Balance and Restricted Net Assets – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions. It is the portion of fund balance that is not appropriable for expenditure or is legally segregated (restricted net assets) for specific future uses.

The City has several items that are legally restricted to a certain use such as: police forfeiture funds, federal and state economic development revolving loans, park dedication fees, and bond proceeds.

Committed Fund Balance – consists of internally imposed constraints. These constraints are established by Resolution of the City Council. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
Assigned Fund Balance – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City's Director of Finance and Administrative Services and/or City Administrator is authorized to establish assignments of fund balance.

Unassigned Fund Balance – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

General Fund – The uassigned fund balance should be at a minimum 50% of operating expenditures (this includes the designation for cash flows). The City's goal will be to strive to follow this recommendation.

Enterprise Funds – It is expected that unrestricted net assets will be large. These funds have large investment in infrastructure that needs to be maintained. The City will periodically complete a rate study for these funds to ensure rates and unrestricted net assets are sufficient to operate and maintain these activities.

Review and Approval

The fund balance policy shall be formally approved and adopted by resolution of the City Council and any future changes to the policy must be approved by the City Council.

Approval by the City Council the 28th Day of November, 2011.

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David Grant, Mayor

ATTEST:

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Patrick Klaers, City Administrator