

2024 ADOPTED FINANCIAL POLICIES

REVENUE POLICIES

Types of Revenue Sources

The City of Longmont will achieve and maintain a revenue structure that is diversified and has the ability to grow with the City.

The City maintains a large number of separate funds to budget and account for all revenues and expenses. Each fund has its own dedicated sources of revenue. The City has tried to structure each fund and its revenues so that it can grow as needed to support service demands from the community.

Revenue Projections

Each year the Finance Department will project revenues in the General Fund for the ensuing five years. The first year of the five-year projection will be used in the annual operating budget. All projections will be made using objective, analytical techniques.

The City strives to follow this policy.

Sales Tax Collections

The City will follow an aggressive policy of prompt and efficient collection of sales and use taxes. The Finance Department will contract with sales tax auditing staff whose responsibility will be the collection of sales and use taxes.

The City has a Sales Tax Division. The staff in that division are responsible for maintaining sales and use tax accounts, and assuring prompt collections. The City contracts with a third party to conduct sales and use tax audits.

Sales Tax Receipts

The 3.53 cent sales and use taxes charged and collected by the City shall be split in the following manner: Street System Maintenance and Improvement Fund (0.75 cents); Open Space Sales Tax Fund (0.20 cents); Public Safety Sales Tax Fund (0.58 cent); and 2.0 cents to be allocated between the General Fund and the Public Improvement Fund. The City Council will analyze the split between the General Fund and the Public Improvement Fund annually and set it in response to the operating and capital needs of the City.

The City currently follows this policy.

Allocation of the 2% Non-earmarked Sales and Use Tax

The City Council will analyze the split between the General Fund and the Public Improvement Fund annually and set it in response to the operating and capital needs of the City. The current allocation of the 2.0 cents of sales and use tax revenue will be budgeted as 85% to the General Fund and 15% to the Public Improvement Fund. Additionally, 1.0 cent of the 2.0 cent non-earmarked sales & use tax generated from the Harvest Junction East development will be transferred from the General Fund and the Public Improvement Fund to the Harvest Junction East Fund to repay the loan from the Fleet Fund to the Harvest Junction East Fund.

Because of the volatility of use tax revenue, in periods of economic decline, the allocation of revenues in the budget will be as much of the sales tax as possible to the General Fund and as much of the use tax as possible to the Public Improvement Fund while still maintaining the 85% and 15% allocation of budgeted revenues respectively. Actual revenues received will be credited between the two funds in accordance with their respective budgeted shares of the non-earmarked sales and use tax as stated in the following implementation policy.

In the 2024 Budget the allocation of the 2.0 cents of sales and use tax revenue will be 85% of the sales tax and 85% of the use tax to the General Fund and 15% of the sales tax and 15% of the use tax to the Public Improvement Fund.

Fees for Licenses, Permits, Fines and Other Miscellaneous Items

All fees for licenses, permits, fines and other miscellaneous charges shall be reviewed annually and set to recover the City's expense in providing the service. In addition, these fees may be annually adjusted to reflect changes in

the Denver area consumer price index. A revenue manual listing all such fees and charges of the City shall be maintained and updated periodically.

The 2024 Operating Budget includes fee increases for Water, Sewer and Storm Drainage that were previously adopted by City Council.

Grants

The City will explore and pursue all appropriate grant opportunities. Before accepting any grants, the City will consider the current and future impacts of accepting any type of grant. Before accepting the proposed funding or asset(s), all grants will be reviewed and approved by the City Manager or designee. All grants that entail significant policy considerations will be presented to City Council for approval, including grants requiring Intergovernmental Agreements.

The City strives to follow this policy when considering and accepting all grants.

Gifts and Bequests

Gifts and bequests given to the City for the use of any of its departments or divisions will be used for the purposes intended by the donor. Unrestricted gifts will be expended on the recommendation of the related advisory board.

This is the City's current practice for all gifts and bequests.

Property Tax

The taxes levied on all real and personal property within the City of Longmont will accrue to the appropriate operating fund.

The tax levied by the City Council on all real and personal property within the City of Longmont is shown in the budget to accrue only to the General Fund and the Longmont Urban Renewal Authority Fund. The separate taxes levied on real and personal property within the boundaries of the Downtown Development Authority and the General Improvement District accrue to the DDA and GID funds, respectively.

Entitlement Funds

Community Development Block Grant funds will be actively sought by submitting all required documentation to HUD to allow the City to remain an Entitlement City. The City will use these funds to further the national program objectives and local goals, which include: increasing the supply of and improving existing affordable housing stock, providing a suitable living environment, and expanding economic opportunities, all principally to benefit persons of low and moderate income.

HOME funds will be actively sought by submitting all required documentation to the City of Boulder for submission to HUD to allow the Boulder County/Broomfield HOME Consortium to remain a Participating Jurisdiction under program requirements. The City will use the HOME funds to further the national program and local goals of increasing the supply of and improving the existing affordable housing stock. Again, low and moderate income persons will be the primary beneficiaries

Because neither the CDBG nor the HOME funds are a guaranteed revenue source and are intended for specific purposes, they will not be relied upon as an alternative source of capital improvement or general operating funds. In addition, the use of CDBG and/or HOME funds should not have a negative effect on the General Fund unless approved by Council.

The City currently follows this policy.

Incremental Development Revenue

As Longmont continues to mature as a city and remaining greenfield site development transitions to infill and redevelopment, the City will review all revenues from building permits and plan check fees to manage expectations around ongoing revenues from these sources. Each year the City will designate a benchmark, above which the revenues budgeted from these sources would be considered incremental development revenue. Incremental development revenue will be limited to development related expenses, either one-time or ongoing but subject to reduction if not sustained in the future.

In the 2024 Budget there is a projection of 750 new dwelling units. The benchmark established in the 2008 budget was 120 dwelling units. Starting with the 2020 budget this benchmark was increased to 200 dwelling units. The 2024 budget includes incremental development revenue of \$399,062 from 550 dwelling permits. This incremental development revenue is used to cover ongoing expenses in the 2024 Operating Budget associated with development related activities.

Incremental Lumber Use Tax Revenue

As Longmont continues to mature as a city and remaining greenfield site development opportunities transition to infill and redevelopment, the City should be cautious in treating revenues from lumber use tax as typical ongoing revenues. Each year the City will designate a benchmark, above which the revenue budgeted from this source would be considered incremental lumber use tax revenue. Incremental lumber use tax revenue will only be available for expenses that are one-time in nature in the event that this level of revenue is not sustained in the future.

The benchmark established in the 2020 budget is \$5,094,566. As lumber use tax is projected below this level for 2024, there is \$0 of incremental lumber use tax revenue included in the 2024 Budget.

Oil and Gas Revenue

Royalty proceeds received by the City from City owned oil and gas mineral rights and leases will be deposited into the fund or funds that own the mineral rights. The revenues will be used first to defray all costs related to air quality, water quality, and soil monitoring, or other site investigations necessary to ensure public safety. Non-property specific costs, or City costs related to plugged and abandoned oil and gas facilities located on private property, are properly paid from the General Fund. All non-royalty revenues associated with costs of operating or maintaining specific sites will be deposited into the fund or funds that own those sites. A reserve of five years of estimated costs has been established in the General Fund.

The City currently follows this policy.

OPERATING POLICIES

Balanced Budget

The City of Longmont budget will balance operating expenditures with operating revenues. Fund balances will be used as a funding source in the General Fund for capital and one-time expenditures only.

The budget document shows all sources of funds to pay for the proposed program of expenses. The contribution from fund balance in the General Fund is also shown. The Annual Operating Budget uses the contribution from fund balance to pay for capital purchases and one-time expenses only.

Budget Control

The City will establish a method of budget control to ensure compliance with the annual budget.

The City's Munis Financial System has security and budgetary controls that define who can charge expenses to accounts and will not let Departments overspend available budgets. The Finance Department also reviews the City's monthly financial statements to monitor budget compliance.

Procurement Card

The City will maintain a procurement card program for properly authorized travel as per Administrative Regulation A-10, supplies, maintenance, repair and operating expenses needed during the course of business. All expenditures made on a City procurement card must comply with Purchasing Code (LMC 4.12). The City will review expenditures on a regular basis to ensure compliance with established policies and procedures.

The City currently follows this policy.

Procurement Thresholds

The City will use methods of procurement for City goods, services, and construction in compliance with thresholds as defined in the Purchasing Code (LMC 4.12). The thresholds include (1) micro, for which vendor selection is at the discretion of the end user, (2) small, for which vendor selection requires an adequate number of documented

quotations, and (3) formal, for which vendor selection requires a formal/sealed competitive solicitation of bids or proposals. The dollar amount for each threshold is included in the Financial Policies for annual review and adjustment as appropriate.

Standard procurement thresholds:

Micro: up to and including \$10,000

Small: up to and including \$250,000

Formal: over \$250,000

Procurements valued between \$10,000 and \$250,000 require solicitation of competitive, documented quotes conforming to the requirements of LMC 4.12, using a sourcing and evaluation method which must be approved by central professional procurement staff prior to issuance of an award.

The City currently follows this policy.

Expenditure and Revenue Reporting

The City will prepare a monthly report comparing actual revenues and expenditures with budgeted revenues and expenditures.

The Finance Department strives to prepare such a report monthly from April through December.

Basis for Fund Establishment

The City will establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity and inefficient administration. Criteria used to establish operating requirements will include: responsiveness to specific accountability issues; citizen needs; and balancing the administrative burden between the alternatives of a separate fund and tracking restricted revenues within an existing fund.

The City currently follows this policy.

Annual Financial Audit

The City of Longmont shall have an annual financial audit conducted by an independent auditor, in accordance with the Colorado local government audit law. The firm awarded the City's contract will be selected every five years via competitive solicitation, and approved by the City Council.

The City currently follows this policy. The Finance Department most recently issued a competitive solicitation for its contract for auditing services in 2019 for 2019-2023. The City will put this contract out to bid for 2024.

Pension Funding

The City will follow a policy of striving towards full funding of the City of Longmont defined benefit retirement plans, which include the Regular City Employees Retirement Plan, Police Pension Plan and Fire Pension Plan.

The budget shows the contributions to the Regular City Employees' Retirement Plan as a percentage of base wages and salaries in each budget service. Contributions to the Police and Fire Defined Benefit Retirement Plans are budgeted as dollar amounts, which represent each plan's annual cost. The unfunded actuarial liability of the regular City Employee Retirement Plan is being amortized over time.

Performance Measurement

The City will develop quantitative and qualitative performance measures for services included in the annual operating budget.

The City currently follows this policy.

Fleet Maintenance, Repair and Replacement

Through the use of the Fleet Service Fund, the City will annually budget sufficient funds for the regular maintenance, repair and replacement of all City vehicles. Where applicable, consider replacement of the City's fleet with electric or renewable natural gas vehicles. Fleet lease charges to user departments will be based on their proportionate share of Fleet Services expenses.

The Fleet Services Division calculates charges to all vehicles included in each budget service in the City. Maintenance costs are budgeted in the line item labeled "Fleet Lease-Operating and Maintenance". Money set aside for scheduled replacement of each vehicle is budgeted in the line item labeled "Fleet Lease-Replacement."

Capitalization

The City of Longmont will maintain a capital asset system to account for its significant investment in capital assets for the purpose of maintaining auditable information on the City's capital assets in accordance with Generally Accepted Accounting Principles (GAAP).

The City currently follows this policy.

Asset Management

Detailed asset management plans shall be completed, by 2025, for all city-owned facilities and infrastructure. The adopted operating budget will provide sufficient funds for the regular repair and maintenance of all City of Longmont capital assets. The budget should not be balanced by deferring these expenditures. The City will strive to invest sufficient funds to renew all capital assets on a regular schedule.

The City is striving to meet this policy. Staff has developed detailed asset management plans for some city-owned facilities and infrastructure.

Resilient St. Vrain Project

The City shall at all times operate the project properly and in a sound and economical manner; and the City shall maintain, preserve and keep the project properly or cause the same to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof in good repair, working order and condition, and shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the project may be properly and advantageously conducted.

The City currently follows this policy.

Human Service Agency Funding

In order to provide a stable funding source to independent human service agencies, which provide needed programs to Longmont residents and/or to fund Council-directed initiatives that address system changes to improve human service outcomes, 3.0% of the General Fund's budgeted tax revenues (to include the general operating property tax mill levy, non-earmarked sales and use tax, cigarette tax, and all franchises) revenues will be allocated for this purpose.

The 2024 Operating Budget includes \$2,753,047 (\$105,000 of which is being set aside pending the outcome of SB23-303) for contracts for service with human service agencies, which meets the 3% requirement.

Public, Educational, and Governmental (PEG) Access Television Services

50% of the General Fund's budgeted cable television franchise revenues will be allocated for the purposes of providing public, educational, and governmental television services in 2023 and 2024. If the actual cable television franchise revenue collected by the City is greater than ten percent (10%) less than the City's General Fund's budgeted cable television franchise revenues, then the contract price shall be fifty percent (50%) of the actual cable television franchise revenue collected by the City.

The 2024 Operating Budget includes \$300,000 for a contract for service with Longmont Public Media.

Downtown Parking Funding

In order to provide a secondary funding source for downtown parking operating expenses and capital improvements within the jurisdiction of the Longmont Downtown Development Authority, annual revenues from parking fines in excess of the annual expenses of the Parking Enforcement Service in the General Fund will be transferred to the Downtown Parking Fund.

The City currently follows this policy.

General Improvement District Fund

The City may, at the request of the DDA, provide landscaping and right-of-way maintenance to the General Improvement District (GID) via an annual Intergovernmental Agreement with the Downtown Development Authority.

The City currently follows this policy.

Employee Pay

The City of Longmont will strive to establish prevailing market ranges of pay for City positions. Because the City has high expectations and accountability levels for our employees, the City will strive to budget and manage salaries at 2% above market for all non-collectively bargained employees. All full time benefitted positions will be paid at least a living wage.

In terms of market ranges, this is the City's current practice. The Division of Human Resources uses salary surveys to identify prevailing market ranges for many of the City's positions. These market ranges are used to develop pay rates for each position. The new rates are then incorporated into the annual budget. In the 2024 budget salaries will be budgeted and managed at 1% above market rates for all non-collectively bargained employees.

Property and Liability Self Insurance Fund

The City will maintain a self-insurance fund for purposes of reducing insurance premiums by using increased deductibles, being totally self-insured, or using other acceptable insurance methods. The City will follow a policy of fully funding the expected claims of this fund.

The City currently maintains such a fund. It is funded with annual contributions from the City's operating funds.

Health Benefits Fund

The City will maintain an insurance fund for the payment of health care costs under the terms of the plan document. This will include, but not be limited to, insurance and premiums, administration, and consulting fees. The City will follow a policy of fully funding the expected costs of the fund with a combination of City and employee contributions.

The City currently maintains such a fund. It is funded with contributions from the City's operating funds and premium contributions from employees and retirees. In addition to medical care costs, the fund will continue for the purpose of dental, vision, long term disability, life insurance, public safety physicals and counseling costs, and the City's wellness program costs. The City switched to a fully insured medical plan at 1/1/07. The City switched to a fully insured dental plan at 1/1/13.

Workers' Compensation

The City will maintain a Worker's Compensation fund for the payment of Worker's Compensation costs. Benefit payments, excess insurance, safety education training expenses and case management expenses will be paid from this account. The City will follow a policy of fully funding the expected claims of this fund and establishing a fund balance as required by the State of Colorado Self Insurer's Reserve Trust Agreement.

The City currently maintains such a fund. It is funded with annual contributions from the City's operating funds. The City meets the level of fund balance required by the State.

Collection Agency Relationship

As staff deems appropriate, the City will prepare a solicitation for its collection business. This solicitation will be open to all established collection agencies in an effort to maximize competition in the best interest of the City.

The City's current contract is with a local collection agency for general collections and a non-local agency that specializes in library collections.

Obsolete and Surplus Items

Items in the Warehouse inventory that have not moved in five years, unless designated for use by departments, will be declared obsolete and either sold, recycled or auctioned.

Supplies and equipment that are no longer needed or being used by a department will be offered for use to other departments. If the City no longer has any need or use for these items, they will be declared surplus and either

sold at auction, donated, recycled or otherwise appropriately disposed of. At no time will City surplus property be offered to employees exclusive of a public offering.

The City currently follows this policy.

Local Purchasing Preference

The City prefers to do business with local and small local companies, and therefore allows contracts to be awarded to local and small local businesses that are within 5% and 7.5%, respectively, of the lowest (where price is the determinant factor) or best (where there are multiple evaluation factors) response from a non-local company. For sums exceeding \$100,000, the applicable percent preference will be applied to the first \$100,000 of the bid where the price is the determinant factor. However, when the City is using state or federal grant funds which prohibit the application of local preference, the local and small local preference will not apply.

The City applies the appropriate percentage preferences when applicable.

Living Wage Requirement

The City supports a living wage for employees of suppliers under contract with the City. In October 2020 a clause was added to every procurement contract with a service component requiring the contractor to pay a living wage to regular full time employees working under the contract. Non-profit organizations, state or federal mandated or funded programs, goods and supplies contracts, construction contracts, contracts not sourcing local labor, loans or grants awarded by the City, and cooperative contracts awarded by other agencies and utilized by the City are exempt from this requirement.

The City currently follows this policy.

Affordable Housing

In order to provide a secure funding source for affordable housing in Longmont, all revenues from payments made by developers in the form of “fees-in-lieu” of providing affordable housing under the Inclusionary Housing program as well as loan payments are deposited into the Affordable Housing Fund. The \$1 million from the General Fund and ½ of the marijuana tax collected will be transferred to the Affordable Housing Fund. In addition, the City will strive to transfer from the General Fund enough funding annually to cover the administrative costs associated with managing the affordable housing programs. Starting in 2024, up to 20% of all revenues deposited into the Affordable Housing Fund may be accessed to cover administrative costs for managing the Affordable Housing Fund as well as any CDBG or HOME administrative costs not covered by those grants (in excess of their administrative caps). The City will accept cash, land and property donations on behalf of affordable housing with all donations transferred to the Affordable Housing Fund or in the case of property/land held in perpetuity for affordable housing purposes unless determined by Council for a higher and better use.

The City currently follows this policy.

Attainable Housing

In order to provide a secure funding source for attainable housing in Longmont, funding from the General Fund will be transferred to the Attainable Housing Fund. Starting in 2024, up to 20% of all revenues deposited into the Attainable Housing Fund may be accessed to cover administrative costs for managing the Attainable Housing Fund and other leveraged funding sources for the purpose of attainable housing. The City will accept cash, land and property donations on behalf of attainable housing with all donations transferred to the Attainable Housing Fund or in the case of property/land held in perpetuity for attainable housing purposes unless determined by Council for a higher and better use.

The City currently follows this policy. For 2024 a total of \$600,000 of ongoing funding and \$400,000 of one time will be transferred from the General Fund.

Special Marijuana Sales Tax

One-half of the sales tax collected in the Special Marijuana Sales Tax Fund will be transferred annually to the Affordable Housing Fund. The other one-half will be transferred annually to the General Fund to be used for mental health and addiction programs.

The City currently follows this policy.

Fleet Fund Interfund Loans

Interfund loans from the Fleet Fund should never exceed the lower of 70% of the current fund balance for replacements or 70% of the average of the projected fund balance for replacements over the next five years.

The City currently meets this policy.

Intergovernmental Agreements (IGAs)

Low or no cost IGAs may be approved administratively. Low cost is defined as all IGAs that are less than \$50,000 in a year. IGAs will need to be reviewed by the City Attorney's office, and will be routed to the City Clerk's office for signature by the Mayor or their delegate, as laid out by the Mayor's Delegation of Authority.

The City currently follows this policy.

FEES FOR SERVICE POLICIES

Recreation Fees

Recreation fees will be established to obtain at least 80% self-support, excluding capital expenditures in excess of \$5,000, community events which are free to the public, sports field maintenance, Sandstone Ranch Visitors Center, and youth enrichment programs that offer recreation activities as part of an overall effort to strengthen and improve life development skills as well as to provide supervised leisure activities during critical high-risk hours and/or within high-risk neighborhoods. These programs may be offered free or at reduced rates. Examples of youth enrichment programs include after-school programs, dance clubs, recreational clubs and mobile recreation programs. Non-resident recreation participants will pay the regular program fees plus an additional 25% non-resident fee. Staff responds to requests for financial assistance from residents who cannot afford to pay program fees through the following financial assistance strategies: Youth scholarships up to \$100 annually; family pricing; and group discounts.

The City currently strives to follow this policy.

Senior Citizen Activity Fees

Activity fees will be set to recover 100% of the senior citizen expenditures identified in the program budget for special activities. These expenses may include instructor wages, program supplies, transportation, and ticket costs. Non-resident senior citizens and adults under the age of 55 will pay an additional 20% for all programs.

The City currently follows this policy.

Short Checks

Non-sufficient funds checks will be assessed a collection charge that reflects the City's cost of processing and collection. The amount of the collection charge may be reviewed and changed as deemed necessary by the Chief Financial Officer.

The City currently follows this policy.

Building Codes

The International Building Code, International Existing Building Code, International Mechanical Code, International Plumbing Code, International Residential Code, International Property Maintenance Code, International Energy Conservation Code, National Electrical Code, the International Fire Code, the International Fuel Gas Code, City of Longmont Green Point Program and the ICC-700 National Green Building Code form the basis of many of the City's building inspection policies and fees. Since it is important to keep the City's policies updated, the City will adopt all or part of these codes, with local amendments where appropriate, within one year of promulgation.

The City currently follows this policy.

Boulder County Hazardous Materials Response Authority

In September 2017, an Intergovernmental Agreement to establish the Boulder County Hazardous Materials Response Authority (Authority) was put into place to provide and maintain the Members' combined capability for effective response to a Hazardous Materials Incident. It is comprised of 11 members in Boulder County including

the City of Longmont. The City is obligated to give an annual contribution to the Authority, along with the other members, to fund their annual budget. When a hazardous materials incident occurs, the Authority is called upon to deal with the situation. Any overtime or training time incurred by the City having to do with an incident will be reimbursed to the City by the Authority.

The City currently follows this policy.

Waste Diversion Center

The Waste Diversion Center (WDC) is open to Longmont utility customers for no additional charge. The WDC shall be open to the general public for free drop off of select recycling commodities and fee-based tree limb disposal providing that sufficient capacity exists and revenues and fees pay to fully serve such customers. For recycling commodities, revenue trends will be considered over multiple years to compensate for market fluctuations. If capacity becomes limited or fees and revenues aren't estimated to pay for the full cost of unrestricted public access, the Waste Diversion Center shall restrict either or both service to use by only Longmont utility customers.

The City currently follows this policy.

INVESTMENT AND DEBT POLICIES

Investment Policy

The City of Longmont adopted an investment policy by resolution in 1992, with updates by resolution in 2002, 2006, 2009, 2011, 2012, 2018, 2020, and in 2023. The purpose of this investment policy is to establish the City's investment scope, objectives, delegation of authority and standards of prudence. Reporting requirements, internal controls, eligible investments, diversification, risk, and safekeeping and custody are requirements.

The City currently follows this policy.

Banking Relationship

The City of Longmont will open its banking relationship for competitive solicitation to all commercial banks with a depository location within the City at intervals that allow for a three-year contract with up to four annual renewals.

The City opened its banking relationship to RFP in 2016 and signed a three-year contract for banking services, through June 2020, with the option of up to four additional annual renewals. A second amendment extended the contract through June 2022. A third amendment extended the contract through June 2023. A fourth amendment extended the contract through June 2024.

Investment Philosophy

The City of Longmont will make use of pooled cash to invest under the prudent investor rule. The criteria for selecting investments and their order of priority are: 1) safety, 2) liquidity, and 3) yield.

The City currently follows this policy.

Investment Vehicles

City of Longmont funds, exclusive of pension funds, may be invested in the following instruments as listed in Section 4.16.010 of the Longmont Municipal Code:

- FDIC insured savings accounts;
- Certificates of Deposit, FDIC insured or secured pursuant to CRS as amended;
- Repurchase agreements, secured pursuant to CRS as amended;
- Securities of the U.S. Government and its agencies or instrumentalities thereof;
- Prime Commercial Paper;
- Prime Bankers' Acceptances;
- Senior corporate debt obligations;
- Local government investment pools pursuant to Part 7 of Article 75 of Title 24, CRS;

- General or Revenue Municipal Bonds of any state of the United States, the District of Columbia, or any territorial possession of the United States, or of any political subdivision, institution, department, agency, instrumentality, or authority of any such governmental entities;
- Money-market funds as allowed by state law

The City currently follows this policy.

Analysis and Reporting of Cash Position and Yield

On a regular basis, the City will perform a cash flow analysis to assist in the scheduling of investments. A quarterly statement of cash position, investment performance, and a comparison of cost to market will be prepared.

The City currently follows this policy.

Use of Long Term Debt

The City of Longmont will use long term debt only for capital projects that cannot be financed out of current revenues. The City will not use long term debt for current operations.

The City currently follows this policy. All outstanding debt that the City carries is associated with specific capital projects.

Debt Payment

Debt payments shall not extend beyond the estimated useful life of the project being financed. The City Charter establishes a maximum maturity of twenty-five years for all bonds issued except water bonds.

The City currently follows this policy.

Relationships with Rating Agencies

The City of Longmont will maintain good communications with bond rating agencies concerning its financial condition.

The City routinely sends budget and financial information to bond rating agencies to keep them informed of City activities.

Charter Requirements Relating to the Issuance of Bonds

1. Outstanding general obligation indebtedness of the City, other than water bonds, shall not exceed 3% of the actual value of the taxable property within the City.

As of the end of 2022, the actual value of taxable property within the City totaled \$17.259 billion. The 3% limitation equaled \$517,771,437. The City had no outstanding debt applicable to the debt limitation and meets the 3% limitation stipulation. Further information can be found on page 37 of the City's 2022 Annual Comprehensive Financial Report.

2. The issuance of bonded debt requires an affirmative vote of a majority of electors voting at any special or general election.

The City currently follows this policy.

3. Refunding bonds may be authorized by the City Council provided such refunding does not result in an increase in the interest rate.

The City currently follows this policy. The City issued Storm Drainage Refunding Bonds totaling \$8,530,000 in 2016, Wastewater Refunding Bonds totaling \$6,670,000 in 2020 and Open Space Sales and Use Tax Refunding and Improvement Bonds totaling \$17,810,000 in 2020.

4. All bonds will be sold at public sale; however, the City reserves the right to reject any and all bids and sell the bonds at private sale if it is in the best interest of the City of Longmont.

The City currently follows this policy.

5. Subject to complying with the TABOR Amendment (Colorado Constitution, Article X, Section 20), the City Council may issue tax increment securities payable solely from the increment ad valorem property taxes, incremental sales and use tax proceeds and revenues within the area of an authority or district created in accordance with the Charter, including downtown development authorities, notwithstanding the ½ of 1% of assessed valuation limitation, or the limitation of actual valuation of property set forth in the Charter.

The City currently follows this policy. In 2007 the City issued \$146,000 of long term notes.

Lease Purchase and Straight Lease of Capital Items

Lease purchase will 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 period, then the item should either be purchased or placed on a straight lease.

The City currently follows this policy.

Subdivider's Escrow

The monies contributed to the Subdivider's Escrow for public improvements earn interest comparable with other City investment portfolio rates. All funds deposited for a particular project and all interest earned by said funds will be applied to that project. Interest will be calculated as follows: simple annual, equal to the City's pooled investment annual earnings rate on an amortized basis, net of fees.

The City currently follows this policy.

RESERVE POLICIES

General Fund Reserves

General Fund reserve targets will be as follows: The City will maintain a fund balance restricted for emergencies in compliance with TABOR. The restricted fund balance will be calculated at 3% of "fiscal year spending" and can be utilized only for "emergencies" as allowed under Article X Section 20 of the Colorado Constitution.

The City will maintain an unrestricted fund balance in an amount equal to approximately two to three months (16.67% to 25%) of General Fund operating expenditures. Within the unrestricted fund balance the City will strive to meet the following reserve targets:

- Committed to Emergencies: City Council imposed Emergency Reserve - This portion would be maintained at 8% of General Fund operating expenditures. Use of these reserves is limited to emergency situations such as natural disasters, acts of terrorism or war, widespread riots or similar emergencies impacting the community. It can also be used in the event of the inability to meet a scheduled debt service payment. A super majority (2/3 of the Council present) of the City Council is necessary to pass an ordinance with appropriation of these reserves.
- Committed to Emergencies: City Council imposed Stabilization Reserve - This reserve would be used during times of reduced revenues due to economic conditions to allow General Fund services to continue to be provided throughout an economic downturn. This reserve is targeted as a range with a minimum of 3% and a maximum of 8% of General Fund operating expenditures. Use of these reserves would be an exception to the policy of budgeting ongoing expenditures equal to ongoing revenues.

General Fund budgeted operating expenditures for 2023 are \$104,228,425. The unrestricted fund balance in the General Fund at the beginning of 2023 is \$34,015,898 which is 32.6% of General Fund operating expenditures.

The City will strive to meet the full funding targets of the reserve policy over time. The funding status at this time is as follows:

		<u>Goal</u>	<u>Status</u>	<u>Funded Amount</u>
TABOR component	5.43%	\$5,654,646	fully funded	\$5,654,646
Emergency reserve	8%	\$8,338,274	funded at 8.0%	\$8,338,274
Stabilization Reserve	3% to 8%	\$3,126,853 to \$8,338,274	funded at 4.87%	\$5,070,983

General Fund Contingency Account

A contingency account will be placed in the City Council budget each year to provide for unanticipated expenditures. This account will be budgeted at an amount to be determined after initial projections of revenues and expenses.

The 2024 Operating Budget includes \$60,000 of ongoing funding in the contingency line item in the City Council budget.

Water Fund Reserve

The Water Fund will maintain an unappropriated reserve in its operating fund of at least 90 days operating and maintenance costs. To do this, appropriate rate studies will be developed and implemented.

Based on current projections, the Water Fund will meet the reserve requirement through 2024.

Sewer Fund Reserve

The Sewer Fund will maintain an unappropriated reserve in its operating fund of at least 90 days operating and maintenance costs. To do this, appropriate rate studies will be developed and implemented.

Based on current projections, the Sewer Fund will meet the reserve requirement through 2024.

Electric Utility Reserve

The Electric Utility will maintain an unappropriated reserve of at least 60 days operating and maintenance costs, plus 15% of the 5-year CIP funded projects. To do this, appropriate rate studies will be developed and implemented.

Based on current projections, the Electric Utility will not meet the reserve requirement through 2024. Electric reserves were used to fund a portion of the broadband network build out, which will be paid back to the Electric Utility by the Broadband Utility over a 4-5 year period. In addition, ELE099 Advanced Metering, is requiring the use of reserves over the next year. Rate increases are pending Council approval and not included in the 2024 adopted budget.

Sanitation Fund Reserve

The Sanitation Fund will maintain an unappropriated reserve in an amount equal to at least 60 days operating and maintenance costs. To do this, appropriate rate studies will be developed and implemented.

Based on current projections, the Sanitation Fund will meet the reserve requirement through 2024.

Storm Drainage Fund Reserve

The Storm Drainage Fund will maintain an unappropriated reserve in an amount equal to at least 60 days operating and maintenance costs. To do this, appropriate rate studies will be developed and implemented.

Based on current projections, the Storm Drainage Fund will meet the reserve requirement through 2024.

Street Fund Reserve

The City will maintain an unappropriated reserve in an amount equal to approximately 6% of the Street Fund operating budget.

Based on current projections, the Street Fund will meet the reserve requirement through 2024.

Open Space Fund Reserve

The City will maintain an unappropriated reserve in an amount equal to approximately 6% of the Open Space Fund operating budget.

Based on current projections, the Open Space Fund will meet the reserve requirement through 2024.

Public Safety Fund Reserve

The City will maintain an unappropriated reserve in an amount equal to approximately 8% of the Public Safety Fund operating budget.

Based on current projections, the Public Safety Fund will meet the reserve requirement through 2024.

ADMINISTRATIVE AND FRANCHISE FEE POLICIES

Administrative Transfer Fee

The administrative transfer fee is a payment from all enterprise funds and other major operating funds to the General Fund for the cost of personnel, equipment, materials, construction, facilities or service usage provided by General Fund departments. Consequently, the amount of each year's transfer fee will be based on the estimated General Fund expenditures that represent direct and indirect services provided to other operating funds, less those that are directly billed to those funds.

The City uses a computer model to determine the amount of the administrative transfer fee charged to each operating fund. The charges set in the model are included in the budget under the line item labeled "Administrative/Management Services." 100% of the fee is waived for the Downtown Development Fund, as directed annually by council in the intergovernmental agreement, and the Public Safety Fund, as specified in the ballot language when the tax was approved by voters. 50% of the fee is waived for the Airport Fund.

Street System Maintenance and Improvement Fund

All revenues received by the City for the purpose of street and transportation system operations and improvements shall be allocated to the Street System Maintenance and Improvement Fund. Such revenues shall only be used to fund operations, maintenance, rehabilitation and improvement of the City's street, transportation, sidewalk and bikeway systems. The administrative transfer fee for services shall not exceed 8.5% of projected Street System Fund revenues (Longmont Municipal Code, Section 4.04.280 E).

The City currently follows this policy.

Sanitation Enterprise Fund

The only contribution from the Sanitation Fund to the General Fund will be an administrative transfer fee reflecting the costs of services provided to the Sanitation Fund by General Fund departments.

The City currently follows this policy.

Franchise Fee - Electric Utility

The City of Longmont Electric Utility will pay the General Fund an 8.64% franchise fee. The fee will be 8.64% of actual annual revenues, excluding franchise fee revenue, General Fund revenue, Electric Community Investment Fee revenues, Aid to Construction revenue, contributions from the Electric Utility fund balance, transfers from other funds, loans and grants from other governmental agencies, reimbursement for damages, and interest earnings.

The City currently follows this policy. The estimated Electric Utility Franchise Fee for 2024 is \$7,114,850.

Franchise Fee - Sewer Fund

The City of Longmont Sewer Utility Fund will pay the General Fund a 4.16% franchise fee. The fee will be 4.16% of the budget year's projected gross revenues, excluding contributions from the Sewer Fund fund balance, franchise fee revenue, loans and grants from other governmental agencies, interest earnings, transfers from other funds, and system development fees.

The City currently follows this policy. The Wastewater Franchise Fee for 2024 is \$817,124.

Franchise Fee - Water Fund

The City of Longmont Water Utility will pay the General Fund a 2.04% franchise fee in addition to providing the City water service. The fee will be 2.04% of the budget year's gross revenues, excluding: contributions from the Water Fund fund balance, franchise fee revenue, loans and grants from other governmental agencies, interest earnings, transfers from other funds, and system development fees.

The City currently follows this policy. The Water Franchise Fee for 2024 is \$613,181.

Franchise Fee - Broadband Utility

The City of Longmont Broadband Utility will pay the General Fund a 5% franchise fee of the revenues received from non-general fund dark fiber and co-location leases and 5% of revenues received from those services that the City of Longmont charges a franchise fee to all telecommunications providers in Longmont, including video services.

The City currently follows this policy. The estimated Broadband Utility Fee for 2024 is \$6,307.

ENTERPRISE FUND POLICIES

Utility Rates

Utility user charges (water, sewer, storm drainage, electric and broadband) will reflect the cost of service and will be established so that operating revenues are at least equal to operating expenditures. Temporary annual operating losses may be permitted by Council direction based on the levels of fund reserves. A portion of user rates are designed to cover replacement of the utility facilities.

The City currently follows this policy.

Utility Rate Studies

Each of the six City utilities will periodically conduct a comprehensive rate study. In each of the intervening years, the staff will review historical and projected revenues and expenses to determine if a comprehensive rate study is needed.

The City currently follows this policy. A comprehensive rate study for the Water Fund was completed in 2019. The most recent rate study for the Sewer fund was completed in 2022. A comprehensive rate study was completed for the Electric Utility in 2021. The Electric Community Investment Fee Fund rate study was completed in 2021. The most recent rate study for the Broadband Utility was in 2014. The most recent rate study for the Storm Drainage Fund was completed in 2021. A comprehensive rate study was completed in 2016 for the Sanitation Fund.

Lighting and Traffic Signals

The cost of the electricity provided to City of Longmont pedestal lights, street lights, porch lights (when pedestal or street lighting is unavailable), unmetered park path lighting, and traffic signals shall be considered an expense of the City Electric utility and thus recovered through the rates, unless to do so would cause a differential rate of in-city and out-of-city users.

The City currently follows this policy.

Water Service to City Facilities

The cost of providing water service, including system development fees, to City of Longmont facilities shall be considered an expense of the Water Fund. This expense shall be recovered through the water rates. Water conservation efforts should be used where service is provided by the Water Fund.

The City currently follows this policy.

Sewer Service to City Facilities

The cost of providing sewer service, including system development fees, to City of Longmont facilities shall be billed to and considered an expense of the facilities receiving sewer service.

The City currently follows this policy.

Electric Service to City Facilities

The cost of providing electric service, on-site electric service extensions, and the Electric Community Investment Fee for off-site improvements to City of Longmont facilities shall be billed to and considered an expense of the facilities receiving electric service. However, the charge to General Fund facilities for electric service will only be for the wholesale cost of electricity. The rates charged are in accordance with the electric rates/tariffs approved by City Council.

The City currently follows this policy.

Electric Service Territory Transfer

Where the City annexes City-owned property located in the Poudre Valley REA, United Power, or Xcel Energy service territories, each specific fund that paid the costs of property acquisition and manages the property will, subject to any legal restrictions on fund expenditures, pay all costs associated with the transfer of the service territory to Longmont Power & Communications as established by existing transfer contracts or state legislation. Where legal restrictions on fund expenditures prevent payment, the electric utility will pay service territory transfer costs.

The City currently follows this policy.

Broadband Service to City Facilities

The cost of installation and provision of broadband services to City of Longmont facilities shall be billed to and considered an expense of the facilities receiving broadband service. The rates charged are in accordance with the rates/tariffs approved by City Council.

The City currently follows this policy.

Sanitation Service to City Facilities

The cost of providing solid waste and recycling collection services for City departments, City facilities and property (including, but not limited to, public buildings and parks), and Citywide special events, Main Street collection, educational programs, and all additional special programs and services shall be considered an expense of the Sanitation Fund. This expense shall be recovered through sanitation rates and fees and waste management fees.

The City currently follows this policy.

Storm Drainage Services to City Facilities

The cost of providing storm drainage services, including system development fees, to City of Longmont facilities shall be billed to and considered an expense of the facilities receiving storm drainage service.

The City currently follows this policy.

Capital Revenue

Capital revenues will not be used to pay for operating expenses. They will be used solely for system improvements and system expansion.

The City currently follows this policy. The Water and Sewer Funds maintain separate funds to track expenditures for capital revenue and charges associated only with system expansion or improvements against those revenues.

Sanitation Fees

Rates and fees for sanitation services shall be set to generate sufficient revenue to cover at least 100% of the expenditures of the Sanitation Enterprise Fund. Voluntary services shall be priced to cover the full cost of each respective service.

The City currently follows this policy.

Golf Fees

The rates for greens fees, annual passes and other golf services will be established so that at least 100% of the expenditures identified in the Golf operating budget, including the full administrative transfer fee, will be recovered. Requests for fee waivers for golf tournaments and golf benefits will be reviewed and evaluated based on the golf fee waiver policy.

The City currently follows this policy.

Storm Drainage Enterprise Fees

All revenues received by the City for the purpose of storm drainage system operations and improvements shall be allocated to the Storm Drainage Enterprise Fund. Such revenues shall only be used to fund operations, maintenance, rehabilitation and improvements of the storm drainage system, and debt service in support of such

functions. Rates and fees shall be established to generate sufficient revenue to cover at least 100% of the expenditures of the Storm Drainage Enterprise Fund.

The City currently follows this policy.

Airport Fees

The City of Longmont will establish fees and charges at the municipal airport in accordance with regulations, guidelines and Grant Assurances of the Federal Aviation Administration (FAA) and with consideration given to the area prevailing rates. Fees and charges will be reviewed annually to determine whether all operating expenditures are recovered.

The City currently follows this policy.

CAPITAL IMPROVEMENT POLICIES

City's Responsibility for Public Improvements

Where the City, as property owner, is responsible for its share of public improvements contiguous to the property, the City fund which constructs the public improvement shall pay the City's share of the public improvement. Therefore, the Street Fund shall pay for street improvements, the Water Fund shall pay for water lines, etc., unless the City, through annexation negotiations, is able to designate other parties as responsible for the improvements. Costs of extending public improvements to and within the property shall be paid by the City fund owning the property, with reimbursement for all offsite costs from adjacent property owners, in accordance with the Longmont Municipal Code.

The City currently follows this policy.

Capital Improvement Program

A five-year capital improvement program will be developed and presented annually by staff and approved by City Council. This program will contain all capital improvements from all funds and departments of the City. The first year of this program shall constitute the next year's capital budget.

The City currently follows this policy. The projects shown as funded in 2024 in the 2024-2028 Capital Improvement Program are included in the 2024 Operating Budget.

Special Financing Districts

The City may consider the use of special financing districts, such as special assessment districts and business improvement districts, to fund public improvements, which will primarily benefit the residents of such districts.

The City currently follows this policy.

Conservation Trust Fund

The Conservation Trust Fund will receive the City of Longmont's distribution of state lottery proceeds. Funds in the Conservation Trust Fund will be allocated in accordance with State of Colorado laws regarding use of these funds. State law prohibits the expenditure of these funds for eminent domain proceedings.

The City currently follows this policy.

Park Improvement Fund

The Park Improvement Fund will receive revenue from payments of the park improvement fee. Revenues in the Park Improvement Fund will be used only for acquisition, development and construction of parks and trails.

The City currently follows this policy.

Park and Greenway Maintenance Fund

The Park and Greenway Maintenance Fund will receive revenue from payments of the Park and Greenway Maintenance Fee. These revenues will be used to maintain, operate, repair and renew city-owned parks, greenways and pools.

The City currently follows this policy.

Electric Community Investment Fee Fund

The Electric Community Investment Fee Fund will receive revenue from payments of the Electric Community Investment Fee on new development, re-development, or upgrades. Revenues in this fund will be used only for electric system capital improvements that are strictly related to growth, such as main feeder system extensions and additional substation capacity.

The City currently follows this policy.

Recreation Building Impact Fee

The Recreation Building Impact Fee will receive revenue from payments of the Recreation Building Impact Fee on new residential construction. Revenues in this fund will be used only to fund capital improvements needed to address demand for recreation buildings attributable to new residential development.

The City currently follows this policy.

Transportation Community Investment Fee Fund

The Transportation Community Investment Fee Fund will receive revenue from payments of the Transportation Impact Fee on new construction. Revenues in this fund will be used only for oversizing of arterial street construction, improvements, and arterial intersection improvements that are needed to meet increased demands for service due to new development.

The City currently follows this policy.

Water System Construction Reserve Fund

The Water System Construction Reserve Fund will receive revenue from payments of system development fees and other developer participation revenues. These revenues will be used for improvements to the City's water system related to growth of the entire system or to new regulatory requirements.

The City currently follows this policy.

Water Acquisition Fund

The Water Acquisition Fund will be funded from cash payments received in lieu of water rights. These revenues will be used for water supply projects, the acquisition of water rights, and conservation programs that offset the need to purchase additional water rights.

The City currently follows this policy.

Sewer Construction Fund

The Sewer Construction Fund will receive revenue from payments of applicable system development fees and other developer participation revenues. These revenues will be used for improvements to the City's sewer system related to growth of the entire system or to new regulatory requirements.

The City currently follows this policy.

Relocation of Existing Utility Facilities in ROW

Except as noted in this policy, where improvements to the roadway or any associated roadway facilities (signals, sidewalks, pedestrian ramps) require relocation of existing City-owned utility facilities, the affected utility will fund the relocation. The exception is relocation of utility facilities located within a dedicated utility easement outside the pre-existing street right-of-way, in which case the road project will pay the relocation expense and provide locations for the utility facilities. Relocation expenses will not include any costs to upgrade the capacity or reliability of utility facilities. These costs will remain with the utility. For existing utilities in the right-of-way or in an easement that requires relocation due to "utility" improvements, the utility requiring the relocation will fund the relocation.

The City currently follows this policy.