
**CITY OF SPRINGFIELD
FINANCIAL PHILOSOPHIES AND POLICIES**

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DECEMBER 1, 1994

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**CITY OF SPRINGFIELD
FINANCIAL PHILOSOPHIES AND POLICIES**

INTRODUCTION:

Many of the financial philosophies and policies for the City of Springfield have been adopted and exist as a section of the City Charter, the annual budget document, the Capital Improvement Program, the City's Comprehensive Annual Financial Report, City Council Resolutions and in administrative practices.

According to Godsey (1980):

When financial policies are scattered among these kinds of documents, are unwritten, or are developed on a case-by-case basis, it is likely that decisions will be made without consideration of other current policy decisions, past policy decisions, or future policy alternatives. This kind of policy making can lead to:

1. ***Conflicting policies.*** The governing board may be making decisions that are in conflict with each other.
2. ***Inconsistent policies.*** The governing board may be making certain decisions and following certain policies on one issue, then reversing themselves on a similar issue.
3. ***Incomplete policies.*** The governing board may not be making any policy or reaching any decision on some aspect of financial management.

Having a formal set of policies can help the chief executive and the governing board identify these conflicts, inconsistencies, and gaps in the present approach to financial policy (28).

When credit rating firms evaluate the financial condition of local governments, they consider management practices and legislative policies to be very

important. For example, they assess the professionalism of management by examining the quality of financial reporting and capital planning, and by checking to see whether the government has used any financial gimmickry. They determine the responsiveness of the legislative body by considering whether elected officials have been willing to raise tax rates when needed (Sherwood, 1974: 119).

"In short, sound financial practices and policies enable a local government to maintain good financial condition and to avoid financial emergencies" (Groves and Valente, 1986: 139). This document assembles and organizes together the financial philosophies and policies that are currently known to exist for the City of Springfield either in such documents as mentioned earlier or in administrative practice.

POLICY FORMULATION AND ADOPTION

Once existing philosophies and policies are identified and documented, a determination should be made as to who will be active in the process of further policy formulation, review and adoption. For the City of Springfield, the City Manager, the Director of Finance, and Assistant Director of Finance have been selected to work with the City Council Finance Committee to identify and develop the policy issues to be adopted by City Council. According to Godsey (1980): "Strong council involvement and leadership at this initial stage can be the key to the acceptability of the financial policies that are eventually established" (29-30). Review by Department Heads, other agencies and interested citizen's groups may also prove to be helpful to the process.

The issues that such policies should address are usually focused on the "basic functional areas of financial management: budgeting, accounting, capital programming, debt management, and cash management" (Godsey, 1980: 30). Often current financial problems can help focus on areas where policies are also needed.

Once these existing philosophies and policies are evaluated, noting omissions and areas needing change, they should be adopted by City Council for use in financial decision making. Groves and Valente (1986) stated that in order to protect the City's financial condition, policies, once adopted, should be incorporated in all evaluations of financial condition, the budgeting process, capital budgets and capital improvement plans.

EXISTING AND RECOMMENDED POLICIES

The following pages contain existing policies that have been taken from various documents as well as policies that are known to exist in practice for the City of Springfield. This initial identification and organization of these policies will serve as the foundation for the City's financial strategic planning process and will contribute to consistency in the handling of the City's financial affairs. As management and membership on City Council changes, these policies can also assist in guiding those who hold these positions in the future.

I
**STATEMENT OF PURPOSE
POLICIES**

A. PURPOSE

The City of Springfield has an important responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. These policies are designed to establish guidelines for the fiscal stability of the City of Springfield, and provide guidance for the City Manager in the role as Chief Executive Officer of the City.

B. OBJECTIVES

In order to achieve this purpose, this plan has the following objectives for the City's fiscal performance:

1. To protect the City Council's policy-making ability by ensuring that important policy decisions are not controlled by financial problems or emergencies.
2. To enhance the City Council's policy-making ability by providing accurate information on program costs.
3. To assist sound management of the City government by providing accurate and timely information on financial condition.
4. To provide sound principles to guide the important decisions of the City Council and of management which have significant fiscal impact.
5. To set forth operational principles which minimize the cost of local government, to the extent they are consistent with services desired by the public, and which minimize financial risk.
6. To employ revenue policies which prevent undue or unbalanced reliance on certain revenues, which distribute the costs of municipal services fairly, and which provide adequate funds to operate desired programs.
7. To provide essential public facilities and prevent deterioration of the City's public facilities and its capital plant.

8. To protect and enhance the City's credit rating and prevent default on any municipal debts.
9. To ensure the legal use of all City funds through a good system of financial security and internal control.

C. PERIODIC REVIEW OF POLICIES

These policies shall be reviewed and updated periodically, and will be presented to the City Council for approval of any significant changes.

**Source: *City of Plano, Texas Financial Policies and
City of Jacksonville, North Carolina Financial Policies***

II
ACCOUNTING POLICIES

A. FISCAL YEAR

City Charter, Article 5 Section 5.6:

The fiscal year of the City of Springfield unless otherwise provided by ordinance, shall begin on the first day of July and shall end on the last day of June of each calendar year. The fiscal year shall constitute the budget and accounting year.

B. FINANCIAL REPORTING

1. REPORTING ENTITY

The financial statements of the City shall present data for all departments, funds and account groups of the City including all boards, commissions and component units, entities for which the City is considered to be financially accountable.

The determination of financial accountability includes consideration of a number of criteria, including:

- a. The appointment of a voting majority of an entity's governing authority and the ability of the primary government to impose its will on the entity,**
- b. The potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government, and**
- c. The entity's fiscal dependency on the primary government.**

Two types of component units are included within the City's financial statements:

- a. *Blended Component Units.* A blended component unit provides services entirely, or almost entirely, to the City or provides services which exclusively, or almost exclusively, benefit the City. Data from such units are combined with data of the City for financial reporting purposes. The Public Building Corporation of the City of Springfield, Missouri (PBC) is considered such a unit for financial reporting**

purposes because its sole purpose is to finance and construct the City's public buildings and facilities.

- b. *Discretely Presented Component Units.* Discretely presented component units are presented in a separate column in the combined financial statements to emphasize that they are legally separate from the City. City Utilities of Springfield, Missouri is presented in this manner for financial reporting purposes.

2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City maintains the following fund types and account groups:

- a. *Governmental funds* are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual (i.e, when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City generally considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for matured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt, or earlier if the criteria for accrual are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *capital projects funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

- b. *Proprietary funds* are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City (including the City Utilities component unit) applies all applicable pronouncements of the Financial Accounting Standards Board (FASB), in accounting and reporting for its proprietary operations unless these pronouncements conflict with applicable GASB guidance issued after 11/30/89, as prescribed by GASB Statement 20..

Proprietary funds include the following fund types:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

- c. **Fiduciary funds** account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under terms of a formal trust agreement. Fiduciary funds include the following fund types:

The **expendable trust fund** is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

The **nonexpendable trust fund and pension trust fund** are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent. The pension trust fund accounts for the assets of the City's Policemen's and Firemen's Retirement System.

The **agency fund** is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

- d. **Account Groups.** The **general fixed assets account group** is used to account for fixed assets not accounted for in proprietary or trust funds. The **general long-term debt account group** is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Source: *City of Springfield Comprehensive Annual Financial Report: 1994 (13-16).*

C. EXTERNAL AUDIT

1. AUDITOR RESPONSIBILITIES TO THE CITY COUNCIL

City Charter, Article 2 Section 2.14:

An independent audit shall be made of all accounts of the city government at least annually, and more frequently if deemed necessary by the Council. Such audit shall be made by a certified public accountant who is experience in municipal accounting and who is selected by the Council. Such accountant shall have no personal or financial interest direct or indirect, in the fiscal affairs of the city government or of any of its officers.

The results of such audit shall be made public in such manner as the Council may determine.

2. AUDITOR ROTATION

The City Council has deemed it advantageous to appoint an auditor for a four year term, with such appointment to be made through the Request for Proposal process. An audit firm may be appointed for a maximum of two consecutive four year terms.

The audit engagement shall be for four years, subject to annual review and approval by the City, the satisfactory negotiation of terms (including a price acceptable to both the City and the selected firm), and the annual availability of an appropriation.

3. AUDITOR SELECTION CRITERIA

The Auditor shall be selected on the basis of professional competence and experience using the following criteria:

- a. The Auditor shall be a certified public accountant licensed to practice within the State of Missouri.**
- b. The Auditor shall have an understanding of the City's needs and its plans for the future.**
- c. The Auditor's approach shall be thorough, comprehensive, and tailored to the City's needs.**
- d. The Auditor's staff to be assigned to the audit shall have specialized**

government auditing training and should have experience in auditing municipal governments.

- e. The audit firm shall have a demonstrated commitment to a state and local government audit practice. The firm shall have the appropriate resources available to apply to the audit engagement.**
- f. The fees proposed by the audit firm shall be reasonable in view of the type and quality of services the firm will be providing. An auditor shall not be selected solely on the basis of a fee. Auditing is a professional service that should not be purchased strictly on the basis of the lowest cost.**

D. REPORTING FREQUENCY

The Comprehensive Annual Financial Report (CAFR) shall be submitted annually to present the results, financial position, and operations of the City for the prior fiscal year.

III
OPERATING BUDGET POLICIES

A. PREPARATION OF ANNUAL BUDGET

The operating budget for the City of Springfield is the City's annual financial operating plan. The budget will be prepared by the City Manager and the Finance Department with the cooperation of all City departments.

The following sections of the City Charter, Article 5, provide policy statements regarding the City of Springfield's annual budget process:

1. Section 5.7: TENTATIVE BUDGET.

The City Manager, at least two weeks before the Council undertakes to set the tax rate for the next fiscal year, shall prepare and submit to the Council a tentative budget in sufficient detail to enable said Council to appraise the needs of the City for the next budget year. The Council shall then set a tax rate upon all taxable property in an amount sufficient to produce the revenue needed.

2. Section 5.8: FINAL BUDGET AND BUDGET MESSAGE.

The City Manager, at least sixty days prior to the beginning of each budget year, or at such time in each year as shall be fixed by Council shall submit to the Council a final budget with an explanatory message. For the purpose of preparing this budget and explanatory message, the City Manager shall secure from the head of each office, department, or agency, who shall supply the same, detailed estimates of revenue and expenditures of that office, department or agency. The City Manager shall also secure an estimate of all capital projects pending and of those which it is recommended should be undertaken (a) within the budget year and (b) within the next five succeeding years. In preparing the budget, the City Manager shall review and may revise the estimates, as he may deem necessary.

The budget shall provide a complete financial plan for the budget year. It shall include the following:

- a. An itemized statement of estimated revenues from all sources for the year which the budget is to cover, together with a comparative statement of revenues for the last completed fiscal year and the year in progress.

- b. An itemized statement of proposed expenditures recommended by the City Manager for each office, department, or agency for the year which the budget is to cover, together with a comparative statement of expenditures for the last completed fiscal year and the year in progress.
- c. A statement of the amount required for the payment of interest, amortization and redemption charges on the debt of the City.
- d. Provision for contingent expense in an amount not to exceed five per cent of the total operating expenditures proposed under item (2) above.
- e. A general budget summary.
- f. Such other information as the City Manager may deem necessary, or as may be required by ordinance or by law.

The budget message shall be a full and complete explanation of the proposed budget, including reasons for any major changes from the preceding year. Expenditures proposed in the budget for each department, office or agency shall be itemized by character, object, function, activity and fund. The classification of revenue and expenditure accounts shall conform as nearly as local conditions permit to established and recognized standards of accounting. In no event shall the total amount of the proposed expenditures exceed the estimated income of the City.

3. Section 5.9: BUDGET A PUBLIC RECORD.

The budget and budget message and all supporting schedules, exhibits, and other explanatory materials, shall be a public record in the office of the City Clerk, open to public inspection. The City Manager shall cause sufficient copies of the budget and the budget message to be prepared for distribution to interested persons.

4. Section 5.10: PUBLIC HEARING.

At the meeting of the Council at which the budget is submitted, the Council shall determine the place and time of the public hearing on the budget. The Council shall cause to be published a notice of the time and place of the hearing at least ten days before the hearing is to be held. At the time and place so advertised, or at any time and place to which such public

hearing shall from time to time be adjourned, the Council shall hold a public hearing on the budget as submitted, at which interested persons shall be given an opportunity to be heard.

5. Section 5.11: ADOPTION OF THE BUDGET.

After the conclusion of such public hearing or hearings, the Council may insert new items or may increase or decrease the various items of the budget, except for specified fixed expenditures. If it shall increase the total proposed expenditures, the Council shall also increase the total anticipated revenue to at least equal such total proposed expenditures. The budget shall be adopted by the favorable vote of not less than a majority of the entire Council, not later than the last Monday of the month preceding the first month of the budget year for which the budget is intended. Should the Council take no final action on or prior to that date, the budget as submitted shall be effective without Council action.

6. Section 5.12: EFFECTIVE DATE, CERTIFICATION AND COPIES OF THE BUDGET.

Upon a final adoption, the budget shall be in effect for the budget year. A copy of the budget, as finally adopted, shall be certified by the City Manager and the City Clerk and filed in the office of the City Clerk. The budget so certified shall be printed, mimeographed, or otherwise reproduced, and sufficient copies thereof shall be made available for the use of all offices, departments and agencies of the City and for the use of interested citizens and civic organizations.

7. Section 5.13: APPROPRIATIONS.

From the effective date of the budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the several offices, departments or agencies for the various functions and activities specified in the budget.

8. Section 5.14: EXPENDITURES LIMITED TO BUDGET.

All allowable claims against the City shall be approved for payment by the department or agency head and by the Director of Finance. The City Manager shall establish procedures for verification and oversight of such expenditures. Any such official who shall approve any claim for payment of which there is not a sufficient unencumbered balance in the fund or

appropriation, or which is in any way contrary to the provisions of this Charter, or law, or ordinance, shall be personally liable and liable on his bond for the amount thereof, and may be removed from office.

9. Section 5.17: TRANSFER OF UNEXPENDED APPROPRIATIONS.

The City Manager, with the approval of the Council and upon the recommendation of a department or agency head, may transfer any unencumbered appropriation balance or portion thereof from one classification of expenditure to another within an office, department or agency. At the request of the City manager, and within the last three months of the fiscal year, the Council may by resolution transfer any unencumbered appropriation balance or portion thereof from one office, department or agency to another unless otherwise provided in this Charter. No transfer shall be made of specified fixed appropriations.

10. Section 5.18: GENERAL PROVISIONS.

- a. No contract for the acquisition of any property or the construction of any improvement which is to be financed by bonds shall be executed until the issuance of such bonds shall have been duly authorized.
- b. The Council upon recommendation of the City manager may make emergency appropriations to meet the pressing need for public expenditures for other than a regular or recurring requirement to protect the public health, safety or welfare. The total amount of all emergency appropriations made in any fiscal year shall not exceed five per cent of the total operating appropriation made in the budget for that year.
- c. In any fiscal year, the Council may issue and sell bonds or notes payable within one year in any amount not to exceed fifty per cent of the revenues remaining to be collected and applied to the appropriations budgeted for that year, excluding revenues from municipally owned utilities not allocated for general revenue purposes. Any money so borrowed shall be repaid out of said revenues when collected.
- d. All fees, charges and commission for City services, and all money in the form of rentals, payments for concessions, or other charges for the use or occupancy of City property received by any officer or employee, and all interest on public deposits shall belong to the City government,

shall be regularly accounted for, and shall be paid into the City treasury under such regulations as may be prescribed by the director of finance unless otherwise provided in this Charter.

- e. All appropriations shall lapse at the end of the budget year to the extent that they shall not have been expended or lawfully encumbered except as otherwise provided by this Charter or by ordinance.

B. GENERAL BUDGET POLICIES.

The following general principles should be followed by the City in fulfilling its budgetary role:

Council should receive all the information needed to gain a comprehensive understanding of the local financial condition. Major policy issues should be identified for City Council consideration prior to the budget approval date so that sufficient analysis can contribute to informed decision making. The City Manager shall endeavor to identify and anticipate needs for existing and new services in the community.

Council should be involved in developing overall budget policies and guidelines prior to the development of the annual budget.

The following general budget policies have been adopted and guide the annual budgeting process. These policies are included in the City of Springfield's Annual Budget document.

1. Maintain an appropriate level of general government services funded from current revenues.
2. Maintain the fund balance at the appropriate level.

Special Ordinance Number 19355, adopted May 17, 1982: "An Operating Reserve Fund.... shall be maintained at a level equivalent to 10% of the operating budget, as originally adopted for any given year."

3. Provide competitive pay to our employees for our market and region.
 - a. Compare employee pay with those of the 20 cities surveyed and local salary information.
 - b. Maintain salaries and benefits at 73-77% of the operating funds budget.

4. Fund critical priorities as financially feasible based on each department's updated three-year plan.

- a. Maintain competitive salaries while addressing the need for priority service improvements to the community. Fifty percent of productivity savings during the year are to be used for pay improvements, and 50% are to be used for priority service improvements.**
- b. Allow fifty percent of year-end savings identified within each department's budget to be utilized for identified departmental priorities. The City Manager shall establish written guidelines and procedures for the operation of this policy.**

C. FORECASTING

The budgeting process for the annual budget necessitates the preparation of future projections of both revenues and expenditures. It should be recognized that the balanced budget requirement forces the conservative estimate of revenues and expenditures.

Inherent in the forecasting process is the identification of assumptions used in the forecasting calculations. A statement of assumptions should be included in the presentation of forecasts.

D. AMENDING THE BUDGET

- 1. The City budget may be amended and appropriations altered, when determined to be a case of public necessity.**
- 2. The City's budget is legally adopted at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council.**

IV
CAPITAL IMPROVEMENT PROGRAM AND FUNDING POLICIES

A. CAPITAL BUDGET

The Capital Improvements Program - 1994 Through 1999 adopted by City Council February 22, 1994 provided the following definitions, strategies and policies for the City of Springfield's capital budget:

1. DEFINITIONS

The Capital Improvement Program (CIP) consists of the City's facilities and infrastructure.

Facilities include any structures or properties owned by the City, the land upon which the facility is situated for the provision of City services, and the initial furniture, fixtures, equipment and apparatus necessary to put the facility in service. Facilities include, but are not limited to the following: administrative offices, parks, service centers and storage yards, recreation centers, police and fire stations, jails and courts, sewer and refuse disposal facilities.

Infrastructure includes permanently installed facilities, generally placed underground or at-grade, which form the basis for the provision of City services. Typically included are thoroughfares, bridges, sanitary sewer lines, drainage channels, and storm sewers.

The CIP describes planned facilities and infrastructure projects, including related professional services necessary to acquire, design, and construct them.

The CIP typically does not include other capital outlay such as rolling stock, heavy equipment, furniture, fixtures, machinery, and apparatus unless those items are necessary to place a new capital facility in use. These items are generally managed through the capital equipment budget and must meet the criteria specified in the preparation of that budget.

2. PREPARATION

The City's Capital Improvement Program shall be prepared for a period of six years and be reviewed annually for prioritization, based on analysis of the City's infrastructure. The City shall identify the estimated costs and

funding sources for each capital project proposal and related operations and maintenance before the CIP is submitted to the Council for approval.

3. ADOPTION PROCESS

A copy of the CIP and budget shall be made available to each Council member and to the public prior to the Council discussions concerning the proposed program. A public hearing shall be held each year to allow any citizen to be heard for or against any project or the amount of any project contained therein. The CIP budget shall be adopted annually by majority vote of the City Council.

B. STRATEGIES

The capital improvement projects are rated according to their relationship to the following Capital Improvements Program Strategies. These Strategies were endorsed by the City Council and are the underlying philosophy of the Capital Improvements Program.

- 1. The City of Springfield's primary responsibility is the protection of life, health, and public safety. Projects which address serious health and safety needs should receive the highest rating.**
- 2. Improving the City's existing infrastructure also rates high. Projects that improve existing streets, parks, etc. to adopted standards; projects which improve the efficiency and effectiveness of the City's basic service systems; and projects which enhance the City government's ability to provide basic services should receive the second highest rating. The City Council states as a matter of policy that, all other considerations being equal, improvement of existing infrastructure should rate higher than construction of new infrastructure improvements.**
- 3. Construction of new infrastructure improvements (new streets, new parks, etc.) is necessary to keep up with the community's growth.**

In addition to these three priorities, preserving and enhancing the quality of life for Springfield citizens is also important. Many things make up "quality of life," including a clean environment, pleasant neighborhoods, diverse housing and job opportunities, and recreational and cultural opportunities. Where possible, capital improvement projects which have a long useful life, benefit the City as a whole and/or benefit the City's low and moderate income citizens, and either protect or have no adverse impact on the environment are preferred.

Quality of life issues do not stop at the City boundaries. Development outside the City is also occurring at urban densities. People living in these urbanized areas expect urban levels of services and public facilities, and the density of development in these areas requires facilities, such as streets, built to urban standards. Services and facilities provided by Greene County and by special districts are generally not provided to urban standards because they are built for the primarily rural population of the county. The City is in the best position to provide services and facilities appropriate for the urban population, but provision of these facilities must be coordinated between the City and the County. Specifically, street projects that occur near the City limits should be coordinated between the City and the County. The Capital Improvements Program should include projects outside the City which are located within the Urban Service Area (the area identified as appropriate for urban densities).

C. FINANCING

In order to accomplish some of the projects identified in the CIP, the City will have to look beyond its traditional methods of financing capital projects. Cost-sharing with other governmental agencies, public-private cooperative efforts, special purpose taxes, and modifications to development regulations may be appropriate methods of providing needed capital items. The Capital Improvement Funding Policies are designed to serve as a guide in determining the most appropriate method of financing capital improvement projects.

1. NEIGHBORHOOD PROJECTS

The City Council has adopted policies for the application of the Neighborhood Improvement District and an interim policy for the use of the Tax Increment Finance District. When appropriate, consideration should be given to using these financing methods.

The City's development regulations require that developers build streets within their development to local or collector standards as determined by the City. Consideration should be given to amending City regulations in such a way that if the City builds the street prior to the owner developing the land, the owner will be required to reimburse the City for its cost at the time the property is developed.

Consideration should also be given to amending City regulations so that developers will pay into a sidewalk fund whenever it is infeasible to

construct sidewalks required by the Subdivision Regulations. These funds could be aggregated by elementary school district. Currently developers may obtain a subdivision variance which relieves them of any obligation to fund sidewalk construction. (The above strategies should be developed in lieu of an impact fee ordinance.)

2. STORMWATER PROJECTS

In order to avoid future stormwater problems and to strengthen existing regulations limiting development in sensitive areas, a one-tenth of one percent sales tax to fund water quality monitoring, stormwater maintenance, and some capital improvements should be enacted. The level property tax could also be utilized as a revenue source to issue stormwater system revenue bonds to fund critical stormwater capital improvements.

3. PARK PROJECTS

Improvements to existing parks should be funded through the capital improvements sales tax. Acquisition and development of new parks should be funded through bond issues and voted on in a separate referendum. Mandatory dedication of park land and fees in lieu of park land dedication should be implemented by amending the City's development regulations. Support should be given to lift the state-mandated cap on the park property tax levy.

4. ZOO PROJECTS

A ballot proposition should be submitted to Springfield voters to create a Metropolitan Zoo District to fund operations and capital improvements at the Dickerson Park Zoo. Timing of this proposition should be coordinated with the Friends of the Zoo.

5. SPECIAL FACILITIES

City funding will be considered for Art Museum and Zoo projects and selected other special facilities only when City funds are matched on at least a dollar for dollar basis with non-City funding. Provision of the non-City match is a requirement for funding but will not assure funding; the projects will be evaluated in the context of the Capital Improvements program.

6. GENERAL GOVERNMENT PROJECTS

When appropriate, projects that support improvements to the efficiency and effectiveness of City administration and operations should be financed through lease purchase plans with payments appropriated from current operating revenues.

7. INTERGOVERNMENTAL COOPERATION

When appropriate, the City should cooperate with other governmental agencies to provide community facilities and services.

8. PUBLIC/PRIVATE COOPERATION

When appropriate, the City should use its land and/or administrative resources to support private sector provision of community facilities.

9. SPECIAL PURPOSE TAXES

When appropriate, special purpose taxes should be used to fund projects for which there is a link to the revenue source.

10. PROPERTY TAX

The use of a level property tax levy based on the average of the 1990-95 actual debt service should be considered. Such a tax should be used for projects that specifically benefit residents of the City, such as fire stations and stormwater projects.

11. BASIC INFRASTRUCTURE NEEDS

Reserve the capital improvements sales tax for basic infrastructure needs.

V
ECONOMIC DEVELOPMENT POLICY

In an effort to further intensify and accelerate the community's economic development program the following is proposed:

- A. **Springfield Area Chamber of Commerce continues to provide the basic economic development program for the community which includes existing business assistance and a business/industry attraction program.**
- B. **The Chamber of Commerce and the Springfield Business and Development Corporation, which is the economic development subsidiary of the Chamber, currently spend approximately \$225,000 annually in economic development. This figure includes all or part of four staff members' salary and related benefits who spend all or part of their time in economic development. Additionally this number includes all of the expenses of the Springfield Business and Development Corporation which includes support of the existing business assistance program and business/industry attraction efforts.**
- C. **The City of Springfield through the Research and Information Services section of the Planning and Development Department continues to provide and would increase its services in research and analysis. Additionally, the city would fund economic development related consulting studies on an as needed basis.**
- D. **City Utilities of Springfield would contract with the Springfield Area Chamber of Commerce to provide economic development services. These services would include an expanded existing business assistance program and business/industry attraction program.**
- E. **The City Manager for the City of Springfield and the General Manager of City Utilities or their designees would sit on the board of directors of the Springfield Business and Development Corporation in an ex-officio capacity with voice and vote. This group provides the policy direction to the economic development program.**
- F. **This partnership in economic development would involve the following annual commitments: Springfield Area Chamber of Commerce providing staff support, Springfield Business and Development Corporation providing financial support, City of Springfield providing in-kind services relating to research and analysis, and City Utilities providing financial support and in-kind services.**

VI
INTERIM POLICY FOR THE USE OF
TAX INCREMENT FINANCING IN SPRINGFIELD

The Springfield City Council, by adopting the following interim policy, intends to set forth a flexible framework for evaluating Tax Increment Financing (TIF) proposals. The character of tax revenues generated by different developments can vary widely, and may impact other taxing jurisdictions in the Springfield community disproportionately.

It is the City Council's intent to encourage TIF proposals which demonstrate the highest public benefit in terms of job creation, tax base, increased property values, reduction of poverty, economic stability, and economic self sufficiency. Staff is further directed to pursue discussions with community taxing jurisdictions impacted by this Interim TIF Policy, to work towards developing a cooperative agreement which expresses a final policy consensus.

A. SUMMARY

The following Interim Policies are to guide the evaluation of TIF financing proposals until a final policy is established and adopted by the City Council.

1. The full battery of TIF options is to be reserved for Manufacturing and Industrial development.
2. The City should only use the sales tax increment or similar business-activity taxes to finance Retail/Commercial TIF's. Use of the property tax increment to finance projects in conjunction with Retail/Commercial developments is to be discouraged.
3. Without prior direction from the City Council, TIF financing in conjunction with Residential development projects is to be discouraged.

B. MANUFACTURING/INDUSTRIAL

Use of TIF financing for new or expanded manufacturing is viewed most favorably. The City gives its strongest endorsement to projects that create manufacturing-sector jobs. The full range of property taxes, sales taxes and other business-activity taxes should be considered for such projects, and the mix should be determined on a case by case basis. All taxing jurisdictions

benefit from such growth, and should bear a fair, but not disproportionate, share of the deferred taxing burden.

Bond Financing for TIF's - City policy is not opposed to using Bonds, versus developer financing, for Manufacturing TIF's. All things being equal, economies of the marketplace should be free to dictate the choice of financing.

C. RETAIL/COMMERCIAL

TIF financing in conjunction with Retail/Commercial developments should be limited to those which can be repaid by limiting the source of payment to one-half of the business-activity taxes imposed in the area. Financing could be by either of two modes:

1. BOND FINANCING

The City does not oppose bond financing of such projects. If bonds are to be issued, it may be advantageous to use the real property increment together with one-half of the "business activity tax" as the source to repay the bonds. By structuring a bond issue in this manner, it is possible to obtain the highest quality of bonds. To be consistent with the policy of paying for these project with sales taxes, the City is not opposed to reimbursement to Schools and Library by a payment in lieu of taxes, paid from the non pledged "business activity tax" in an amount equal to the amount of the real estate increment used.

2. DEVELOPER REIMBURSEMENT

If a developer agrees to privately finance the cost of the public improvements, to be reimbursed from the "business activity taxes", there is no need to rely on the real estate increment to support the TIF. The use of Development Agreements in these circumstances is favored.

D. RESIDENTIAL

City Policy should be to encourage financing such projects through other sources. Exceptions should only be at City Councils' direction.

VII
REVENUE MANAGEMENT POLICIES

A. TAXES

1. PROPERTY TAXES

- a. The City Charter, Section 5 Article 5.16: TAX RATES AND TAX ROLLS.**

The City Council shall by ordinance set the tax rates and levy on the various classes of property as assessed by the Director of Finance, and the levy so established shall be certified by the City Clerk to the Director of Finance, who shall compute the taxes and extend the same upon the tax rolls.

- b. COLLECTION RATE PROJECTION**

The City shall try to maintain as high a collection rate as possible. All delinquent taxes will be monitored through the Greene County Tax Collector's office.

- c. TAX ASSESSMENT**

The City of Springfield shall monitor the appraisal procedure of the Greene County Assessor's office and provide necessary input to assure the sound appraisal procedures are maintained.

2. SALES TAXES

The City's sales tax rate is one percent (1%) of taxable sales for general operations and one-quarter percent (1/4%) dedicated for capital improvements. Sales tax revenues are collected by the state and remitted to the City on a monthly basis.

B. MUNICIPAL CHARGES FOR SERVICES

The following policy statement, effective July 1, 1993, sets guidelines for the evaluation of the City's charges for municipal services as contained within Article V, Section 2-90 of the Springfield City Code, including any applicable subcategories:

- 1. Current charges shall be evaluated by the Finance Department on an annual basis. This evaluation shall utilize information on service efforts and accomplishments (SEA's) for each category of charges as compiled by the various departments. Proposals for any new charges shall also be included in this evaluation.**
- 2. A final report shall be issued by April 15 of each year, detailing any proposed changes and departmental responses to these proposals. This report shall be forwarded to the City Council Finance Committee at a meeting to be scheduled in early May.**
- 3. If recommended by the Committee, proposed adjustments shall accompany the City's annual budget and tax levy ordinances to go before the full Council for their approval to allow implementation on July 1.**
- 4. Any adjustments to the existing structure of charges shall be published in the daily newspaper concurrent with the annual budget public hearing notice. Fifteen days shall be allowed for public comment through the Public Information Office, or questions or concerns may be expressed during the public hearing which takes place during the normal budgetary process.**

The following general guidelines shall be used in the annual evaluation:

- 1. Charges for municipal services, where appropriate, should recover 100 percent of the related cost of providing the service.**
- 2. The review process should not provide an automatic mechanism for passing along any inefficiencies which may exist in the system. Cost information and the related SEA's will be reviewed for significant fluctuations as a part of the evaluation process. Any increases recommended after this review shall then be subject to an annual cap equivalent to the percentage change in the All Urban Consumer Price Index (CPI).**
- 3. In instances where substantial under-recovery of cost is occurring, an additional maximum of ten (10) percent above the CPI may be phased in until cost recovery percentages reach 100 percent, where appropriate.**
- 4. Any efficiencies achieved which reduce costs should be accompanied by a corresponding reduction in the related charges for services.**

C. INTERGOVERNMENTAL REVENUE

The City shall aggressively seek a fair share of available State and Federal financial support unless conditions attached to that assistance are contrary to the City's interest. Prior to applying for and accepting intergovernmental aid, the City will examine the matching requirements so that the source and availability of these funds may be determined before grant application is made. The City shall also 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.

D. INTEREST INCOME

Interest earned from the investment of City money shall be distributed to the appropriate fund in accordance to the equity balance of the particular fund from which the money was provided for investment.

VIII
INVESTMENT MANAGEMENT POLICIES

A. INVESTMENTS

1. RESPONSIBILITY AND CONTROL

Management responsibility for the investment program is delegated to the Director of Finance, who shall also establish written procedures for the operation of the investment program, consistent with the investment policy.

2. ELIGIBLE INVESTMENTS

Funds for the City of Springfield, Missouri must be invested per the provisions of the City Charter:

Article 2, Section 2.16 (17): INVESTMENT OF FUNDS.

Invest funds of the City in:

- a. Obligations of the United States government, the State of Missouri, this city or;
- b. In bonds, bills, notes, debentures or other obligations guaranteed as to payment of principal and interest by the government of the United States or any agency or instrumentality thereof, the State of Missouri or this city, or;
- c. In revenue bonds of this city, or;
- d. In certificates of deposit, savings accounts as defined in Chapter 369, Revised Missouri Statutes or in interest bearing time deposits when such funds are held in United States banks, state banks, savings and loan associations operating under Chapter 369, Revised Missouri Statutes, or savings and loan associations authorized by the United States government so long as such deposits, saving accounts, and interest bearing deposits are secured by one or more of the types of securities described in subparagraphs a, b, or c of this section.

Approved by vote of the people on June 11, 1974.

3. OBJECTIVES

a. SAFETY

Safety of principal is the foremost objective of the City of Springfield. Each investment transaction shall be undertaken in a manner that seeks to ensure preservation of capital and avoidance of capital losses through securities defaults, erosion of market value, or other risks.

b. LIQUIDITY

Due to the changing requirements of cash flow caused by factors not totally with the control of the City's Director of Finance, the ability to convert a security into cash must be considered. This transaction should occur promptly and with minimum risk of loss of principal and accrued interest.

c. YIELD

Investments of the City of Springfield shall be acquired in a manner designed to attain the maximum rate of return throughout budgetary and economic cycles, taking into account constraints on investment instruments, cash flow characteristics of the City's transactions, and safety of principal.

d. RISK OF LOSS

All participants in the investment process shall seek to act responsibility as custodians of the public trust. Investment officials shall avoid any transactions that might impair public confidence in the City's ability to govern effectively. The governing body recognizes that in a diversified portfolio, occasional measured losses due to market volatility are inevitable, and must be considered within the context of the overall portfolio's investment return provided that adequate diversification has been implemented.

B. POLICEMEN'S AND FIREMEN'S PENSION SYSTEM - INVESTMENTS

City Charter, Section 29 Article 29.18.1 Authority to Delegate Investment Power.

Notwithstanding any other provision of law or ordinances to the contrary, the Board of Trustees may delegate to its duly appointed investment counselors, providing such investment counselors have been previously approved by the City Council, authority to act in place of the Board in the investment and reinvestment of up to 90% of the moneys of the system, and may also delegate to such counselors the authority to act in place of the Board in the holding, purchasing, selling, assigning, transferring or disposing of any or all of the securities and investments in which such moneys shall have been invested, as well as the proceeds of such investments and such moneys, provided, however, that such investments are consistent with and in accordance with a Master Statement of Investment Policy and Objectives approved by Resolution of the city council and the Board.

Provided, further, not more than 35% of the admitted assets of the system, at book or market value, whichever is higher, may be invested in common stocks which are authorized investments for life insurance or casualty companies in the State of Missouri and not more than 2% of the admitted assets of the system be invested in the common stock of any one corporation.

Provided, further, not less than 30% of the admitted assets of the system may be invested in direct obligations of the United States Government, and notwithstanding anything herein to the contrary, the same may be compounded and reinvested in direct obligations of the United States Government without limitation as to any maximum percentage of fund assets. The common stock limit stated above may contain up to five (5) percent investment in small capital stock issues.

Such investment counselors shall be registered as investment advisors with the United States Securities and Exchange commission.

In exercising or delegating its investment powers and authority, members of the board shall exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision, and may require the counselor to be bonded in a sum sufficient to protect the Fund from any misfeasance or malfeasance. In so doing, the board shall consider the long and short-term needs of the system in carrying out its purposes, the system's present and anticipated financial requirements, the expected total

return on the system's investment, general economic conditions, income, growth, long-term net appreciation, and probably safety of funds.

No member of the Board shall be liable for any action taken or omitted with respect to the exercise of or delegation of these powers and authority if such member shall have discharged the duties of his or her position in good faith and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. (G.O. No. 3486; G.O. No. 3782)

IX
BONDED INDEBTEDNESS

The following sections of the City Charter, Article 5, provide policy statements regarding the City of Springfield's bonded indebtedness:

A. Section 5.19. INCURRING INDEBTEDNESS.

The City may incur indebtedness and issue its negotiable bonds in evidence thereof for any purpose which may be authorized hereunder, or for any purpose which may be authorized now or hereafter by the laws of the State of Missouri with respect to any municipality.

B. Section 5.20. SPECIFIC PURPOSES.

Some of the purposes hereby specifically authorized, for which the bonds of the City may be issued, sold, pledged or disposed of on the credit of the City, or solely upon the credit of specific property owned by the City, or solely upon the credit of income derived from property used in connection with any public utility owned or operated by the City or upon any two or more such credits, shall be:

1. The acquiring of land; the purchase, construction, reconstruction, repairs and improvement upon or extension of the following: Water systems, including lakes and reservoirs; public sewers, sewage disposal plants, buildings and equipment for the police and fire departments, other public buildings and equipment therefor; facilities and equipment for the collection and disposal of garbage and refuse; bridges, viaducts, subways, tunnels, railroads, bus lines; terminals for bus, air and railroad travel and their equipment; warehouses, public market facilities, airports, and equipment therefor; street lighting systems, gas or electric utility systems, heating and power plants, telephone and telegraph systems, facilities for radio and television broadcasting and reception; off-street parking facilities, or any other public utility or equipment therefor; public housing, hospitals, orphan homes, industrial schools, jails, workhouses and other charitable, correctional or penal institutions and equipment therefor; golf courses, swimming pools and other recreational facilities and their equipment; parks, parkways, streets, boulevards, grounds or any other public improvement.
2. The paying, refunding or renewing of any bonds issued by the City, whether general obligation bonds or revenue bonds, and the

establishment of a local improvement fund to be used for the purpose of paying cash for local improvements, such fund to be replenished from time to time by the payment into it of the proceeds of special assessments made on account of such local improvements.

The foregoing enumeration shall not be construed to limit any general provision of this Charter authorizing the City to borrow money or issue and dispose of bonds, and such general provisions shall be construed according to the full force and effect of their language, as if no specific purposes had been mentioned; and the authority to issue such bonds for any purpose aforesaid is cumulative and shall not be construed to impair any authority to make any public improvements under any provision of this Charter or of any law.

C. Section 5.21. VOTE REQUIRED FOR ISSUANCE OF BONDS.

Whenever by Constitution of the State of Missouri or other applicable law a vote of the electors of the City of Springfield shall be required prior to the issuance of any bonds of the City, then no such bonds shall be issued unless and until a proposal to issue the said bonds of the City of Springfield shall have been submitted to the qualified electors of the City at an election held for that purpose and the necessary vote in favor of the issuance of said bonds shall have been received. Approved by vote of the people October 1, 1968.

D. Section 5.22. CONDUCTION OF ELECTION.

Notice of any such election shall be given, and such election shall be held, conducted, and the returns thereof made, canvassed and declared in the manner provided by ordinance and by the laws and constitution of the State of Missouri.

E. Section 5.23. DEBT STATEMENT.

Prior to the adoption of an ordinance calling or providing for the holding of an election at which any question of incurring indebtedness shall be submitted, the director of finance shall prepare, swear to, and file for public inspection in the office of the City clerk a special debt statement which shall set forth:

1. The aggregate principal amount of all outstanding bonds and notes of the City.

2. Deductions, if any, permitted by the constitution and general laws.
3. The amount of existing net indebtedness.
4. The amount of net indebtedness after the issuance of the bonds authorized by such bond ordinance.
5. The assessed valuation of taxable tangible property within the City as shown by the last completed assessment for state and county purposes.
6. The aggregate principal amount of bonds and notes which the City may issue pursuant to law.

This debt statement, after approval by a majority of the Council, shall be published with the notice of the bond election and shall be presumed to be accurate.

F. Section 5.24. SALE OF BONDS.

All general obligation bonds, public utility bonds or sanitary sewer revenue bonds issued under this Charter shall be sold at public sale upon sealed proposals after notice published at least once in a newspaper published in Springfield, Missouri, such publication to be made at least ten days prior to the date of sale. The director of finance shall mail notices by direct mail to all parties and financial institutions which in his opinion may be interested in the purchase of such bonds or who shall make written application therefor.

G. Section 5.25. ISSUANCE OF REFUNDING BONDS.

For the purpose of refunding, extending and unifying the whole or any part of its valid outstanding bonds, the City may issue refunding bonds not exceeding in amount the principal of the outstanding bonds to be refunded and the accrued interest to the date of such refunding bonds. the Council shall provide for the payment of interest at not to exceed the same rate, and the principal of such refunding bonds, in the same manner as was provided for the payment of interest and principal of the bonds refunded.

X
THE PUBLIC BUILDING CORPORATION

A. ORGANIZATION, POWERS AND PURPOSES

The Public Building Corporation of the City of Springfield, Missouri is a not-for-profit corporation duly organized and existing under the laws of the State of Missouri, including, particularly, The General Not For Profit Corporation Law, Chapter 365 of the Revised Statutes of the State of Missouri, 1986, as amended, for the purpose of providing for the acquisition, construction, improvement, extension, repair, remodeling, renovation, equipping and financing the public sites, buildings, facilities, furnishings and equipment for the use of Springfield in the discharge of its public purposes. The Corporation is authorized pursuant to The General Not For Profit Corporation Law to issue bonds, to acquire, purchase, construct, improve, extend, repair, remodel and renovate a project, to lease a project to Springfield and to secure bonds under an Indenture and Deed of Trust.

The Corporation is organized exclusively for charitable purposes and will be operated for the benefit of Springfield and its residents. No part of the net earnings or other assets of the Corporation shall inure to the benefit of any director, officer, contributor or other private individual having, directly or indirectly, any personal or private interest in the activities of the Corporation.

B. INCOME OF THE CORPORATION

The only anticipated income of the Corporation is derived from the rental payments to be made by Springfield on any project and by investment earnings accruing on funds held by the Trustee. The Trustee will maintain appropriate records and accounts in order to account for income received and disbursements made by the Corporation.

C. BOARD OF DIRECTORS

The affairs and activities of the Corporation are managed by a nine (9) member Board of Directors who serve terms of descending duration. The Board of Directors of the Corporation are appointed by the Mayor of Springfield and confirmed by the City Council of Springfield.

XI
EXPENDITURE CONTROL

A. APPROPRIATIONS

The budget shall state the proposed expenditures and they shall be appropriated at the department level when the budget is adopted. The city budget may be amended and appropriations adjusted in accordance with public necessity, as declared by the City Council.

B. PURCHASING

City Charter, Article 5 Section 5.3:

There shall be established in the department of finance a division of purchases, the head of which shall be the City Purchasing Agent, who shall be appointed by the City Manager. The Purchasing Agent, pursuant to rules and regulations approved by the City Manager and adopted by ordinance, shall contract for, purchase, store and distribute all supplies, materials and equipment required by any office, department, board or other agency of the City unless otherwise provided in this Charter. He shall also have power and shall be required to:

1. Establish and enforce specifications with respect to supplies, materials and equipment required by the City.
2. Inspect or supervise the inspection of all deliveries of supplies, materials and equipment, and determine their quality, quantity and conformity with specifications.
3. Have charge of such general storerooms and warehouses as the city may maintain.
4. Transfer to or between offices, departments or agencies, or, with the approval of the council, sell surplus, obsolete, or unused supplies, materials or equipment.

City Charter, Article 5, Section 5.4: **COMPETITIVE BIDDING**

Before the city makes any purchase or contract, or lets any contract for improvements, there shall be given ample opportunity for competitive bidding, subject to such exceptions as the council upon recommendation of

the City Manager may prescribe by ordinance or resolution; provided, however, that the council shall not except individual contract, purchases or sales from the requirement of competitive bidding, or shall it permit the subdivision of contracts, or purchases, for the purpose of evading the requirements of competitive bidding.

C. PROMPT PAYMENT

1. USE OF DISCOUNTS FOR EARLY PAYMENT

The City shall maximize any discounts offered by creditors where considered cost effective.

2. PAYMENT METHODS

Invoices shall be paid within thirty (30) days of receipt in accordance with prompt payment standards. Payments may be delayed in order to maximize the City's investable cash, if such a delay does not violate any payment terms.

D. CONTRACTS. City Charter, Article 5 Section 15:

No contract or order purporting to impose any financial obligation on the City shall be executed, nor shall the same be valid and binding upon the City, unless it be in writing, and unless the Director of Finance shall first certify in writing thereon that such contract or order is within the purpose of the appropriation to which it is to be charged and that there is an unencumbered balance to the credit of such appropriation sufficient to pay therefor.

E. INVENTORIES AND PREPAID ITEMS

Inventories are stated at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The reserve for inventories is equal to the amount of inventory at balance sheet date and denotes that a portion of fund balance is not available for subsequent expenditure.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the City's financial statements.

XII
NEIGHBORHOOD IMPROVEMENT FUND

The City Council Strategic Plan for Economic Development and Quality of Life identified the need to establish a reserve fund for infrastructure that would address small problems that are easy to fix but never receive funding because they are so small. The Neighborhood Improvement Fund was established and funded for a two-year period (1995 and 1996 fiscal years) at a level of \$200,000 per year from the catalog use tax.

The following administrative policy issued by the City Manager's office August 12, 1994 provides a mechanism for authorizing appropriations from this fund:

"Allocate roughly \$50,000 per Council Zone for the period of July 1-June 30. Recommendations for improvements would come from the Zone Councilmember or a General Councilmember with the General Councilmember keeping the Zone Councilmember informed of his/her recommendation. The appropriate department(s) would review the request and provide any pertinent information to the Council within five working days. When the \$50,000 is gone no new recommendations would be implemented until the subsequent fiscal year."

XIII
INTERNAL CONTROL

A. INTERNAL CONTROL

1. The City shall maintain an environment conducive to good internal control.
2. **DEFINITION:**

Internal Control comprises the plan of organization and all of the coordinated methods and measures adopted within [the City] to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. This definition possibly is broader than the meaning sometimes attributed to the term. It recognizes that a "system" of internal control extends beyond those matters which relate directly to the functions of the accounting and financial departments. (AICPA-SAS: 66-67).

This broad definition can be subdivided into two components, accounting and administrative as follows:

1. Accounting controls comprise the plan of organization and all the methods and procedures that are concerned mainly with, and relate directly to, the safeguarding of assets and the reliability of the financial records.
2. Administrative controls comprise the plan of organization and all methods and procedures that are concerned mainly with operational efficiency and adherence to managerial policies and usually relate only indirectly to the financial records.

This policy is concerned primarily with the "Accounting Controls" and when the terms "internal controls" or "controls" are used, it is meant as accounting controls.

B. RESPONSIBILITIES:

The Finance Department is responsible for designing appropriate controls for the departments and the departments are responsible for implementation. Testing of the controls will be the responsibility of the External Auditor and Finance Personnel. Inherent in these responsibilities is the recognition that

the cost of internal control should not exceed the benefits expected to be derived. Also, internal controls may become inadequate as conditions change thus requiring review and modification.

C. OBJECTIVES

The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles.

D. BASIC ELEMENTS OF INTERNAL CONTROL

- 1. Personnel - Objectives are dependent on competence and integrity of personnel, independence of assigned functions, and their understanding of prescribed procedures.**
- 2. Computer Data Processing - Control over development, modification, and maintenance of computer programs; control over the use of and changes to data maintained on computer files; application controls, for example, edits that verify vendor numbers for check writing.**
- 3. Segregation of Duties - Procedures designed to detect errors and irregularities should be performed by persons other than those who are in a position to perpetrate them.**
- 4. Execution of Transactions - There is reasonable assurance that transactions are executed as authorized.**
- 5. Recording of Transactions - To permit preparation of financial statements, transactions are recorded in the proper period, amounts, and classification.**
- 6. Access to Assets - Both direct physical access and indirect access through preparation/processing of documents that authorize the use or disposition of assets be limited to authorized personnel.**
- 7. Comparison of Recorded Accountability with Assets - Comparison of actual assets with the recorded accountability, such as bank reconciliations and physical inventories.**

The Finance Department will utilize these basic elements of internal control in formulating departmental plans suitable to each departments needs. An annual review of the plans will be performed and modifications made as required.

XIV
RISK MANAGEMENT

A. RISK CONTROL

The City shall make diligent effort to avoid or prevent loss of City assets and to reduce the City's exposure to liability. All reasonable options will be investigated to finance risk exposure. If risk is retained, reserves will be established based on actuarial determinations.

It shall be the policy of the City of Springfield and its insurers to deny damage claims where the results of an investigation reveal that the officers and employees of the City of Springfield were not negligent or did not cause or knowingly allow conditions to exist which resulted in a personal injury or damage to property.

B. SELF INSURED RISKS

The City shall maintain a self-insurance program for the City's health insurance program and workers' compensation. An Internal Service Fund shall be established to pay claims and judgements, maintain loss reserves and to purchase insurance coverage as required. In regard to claims to be paid by the Fund, there shall be a specific stop loss amount of \$125,000 per claim to be paid from the cash reserves of the Self-insurance Fund. Any claim amounts in excess of the proposed limitation shall be financed by some other alternative, either through the issuance of some type of debt, or the identification of another cash resource.

C. LEVEL OF RISK ASSUMED

The City shall maintain loss reserves and purchase insurance coverage as required.

D. TRANSFER OF RISK

The City shall transfer risk where cost effective by purchasing insurance and requiring others (contractors) to carry insurance.

E. STEERING COMMITTEE

A Risk Management Steering committee is established to assist the Risk Manager in administering the City's Risk Management Program. This

committee will be comprised of the Assistant City Manager, City Attorney, Director of Finance, and the Personnel Director. The primary functions of this committee are to review and further develop the City's management and insurance coverage decisions, and to promote technical input into the risk management function. The Risk Manager is an ex officio member of the committee.

XV
EMPLOYEE RETIREMENT SYSTEMS AND PLANS

The City maintains The Policemen's and Firemen's Retirement Fund (the Fund), which covers substantially all employees of the City's police and fire departments. The City also participates in the Missouri Local Government Employees Retirement System (LAGERS), a statewide local government retirement system. LAGERS covers substantially all of the City's employees (not covered under The Policemen's and Firemen's Retirement Fund) and the employees of the City Utilities component unit.

A. THE POLICEMEN'S AND FIREMEN'S RETIREMENT FUND

1. Plan Description and Provisions

The City's policemen and firemen become members in The Policemen's and Firemen's Retirement Fund, a single-employer, defined benefit pension plan, as a condition of their employment.

Operation of the Fund is governed by City ordinance and is administered by the Fund's board of trustees. The Fund is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

- a. **Retirement Benefits - Members become vested in the Fund after five years of service. Members are entitled to retirement benefits after 25 years of service, or at age 50 after 20 years of service, or at age 60. Members with at least five years of service may elect to receive early retirement at reduced benefits at age 55. Normal retirement benefits for those employees who retired before July 14, 1991 are 2% of the average of a member's highest three years of salary within the last ten years for each year of credited service, limited to 70% of average annual salary. Normal retirement benefits for those employees retiring on or after July 14, 1991, are calculated in the same manner, using a benefit factor of 2-1/6%. Benefits for employees retiring on or after July 12, 1992 are calculated in the same manner, using a benefit factor of 2-1/3%, and benefits for employees retiring on or after July 11, 1993 are calculated in the same manner, using a benefit factor of 2-1/2%. The benefit factor for new retirees was changed from 2% to 2-1/6% effective July 14, 1991, from 2-1/6% to 2-1/3% effective July 12, 1992, and from 2-1/3% to 2-1/2% effective July 11, 1993.**

- b. Disability Benefits - Nonduty disability benefits are available to members having at least three years of service who become totally and permanently disabled from nonduty causes. These benefits are 1-3/4% of the member's average salary for each year of service, subject to a minimum of 25% and a maximum of 50%. Duty disability benefits are available to members, irrespective of the length of service, who become disabled as a direct result of occupational duties. Duty disability benefits are 66-2/3% of the member's salary in effect at the date of the disability, with an offset for any amounts payable under Workers' Compensation.**
- c. Survivor's Benefits - A pension equal to 50% of the member's average salary in effect at the date of death is payable to the surviving spouse until the spouse remarries, if death occurs as a direct result of an act of duty. A pension of 10% of the member's salary is payable to each surviving child under the age of 18, subject to a maximum payment to a surviving spouse and children of 75% of the member's salary. Survivor's pensions for nonduty connected deaths are 25% of average salary plus one percent of average salary for each year of service, provided the member had at least five years of service, subject to a maximum of 50% of average salary paid to the surviving spouse. Ten percent of the member's salary is payable to each surviving child under the age of 18, subject to a maximum payment of 60% of the member's salary to a surviving spouse and children for a nonduty death, with an offset for any amounts payable under Workers' Compensation.**
- d. Termination - A member who terminates employment with the City and is not eligible for benefits from the Fund is paid, on demand and without interest, the member's contributions into the Fund. If the member has five years of service, the member may remain vested and elect to receive benefits payable commencing at the member's normal retirement date.**
- e. Annual Adjustments - Pension benefits are increased three percent each July over the amount paid in the preceding month of June, provided that the pension has been paid at least twelve months prior to the July change. For age and service retirement pensions, the three percent increase does not begin until the calendar year of the employee's 56th birthday. Surviving spouses and dependent children receiving benefits are also eligible for the increase.**

2. Actuarial Assumptions

Significant actuarial assumptions used in determining the pension benefit obligation include:

- a. The rate of return on the investment of present and future assets shall be assumed at 8.5% per year, compounded annually.**
- b. Salary increases shall be projected at five percent per year, compounded annually, attributable to inflation.**
- c. Additional projected salary increases of zero to 3.75% per year, depending on age, attributable to seniority/merit shall be assumed.**
- d. Benefits will increase three percent per year after retirement.**

3. Contributions Required and Contributions Made:

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The minimum required contributions are determined using an entry-age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 39 years.

Members are required to contribute 8-1/2% of their annual salary to the plan.

City Charter, Chapter 29, Article 17 (b) - CITY CONTRIBUTION

The City's contribution shall be at a rate which is actuarially determined to be adequate to fund all unfunded accrued liabilities over a 40 year amortization period, but in no event shall the City's contribution to the pension system following the fiscal year ending June 30, 1993, exceed 16.00 percent of the total salaries actually paid to active police officers and firefighters. In the event that said City and employee contribution shall not be sufficient to fully provide for the combined required annual contribution as actuarially determined by the City's actuary, then additional funding may be obtained only from increased employee contributions or through employee reduction in benefits to be paid to future retirees. Any contribution by the City under this subsection shall be made each pay

period at the same time as the salaries of active police officers and firefighters are paid.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

B. MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)

1. Plan Description and Provisions

All of the City's (as well as the City Utilities component unit's) full-time general employees with six months of service are eligible to participate in LAGERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS was created and is governed by state statute. As such, it is the system's responsibility to administer the law in accordance with the express intent of the General Assembly. LAGERS is qualified under the Internal Revenue Code Section 401(a) and is tax exempt.

- a. **Retirement Benefits** - Benefits vest after five years of credited service. Members who retire on or after age 60 with five or more years of service are entitled to an allowance for life based upon the benefit program then in effect. The allowance is equal to a benefit factor multiplied by the final average salary multiplied by the number of years of service. The City's current benefit program provides for a benefit factor of 1-1/2% of the final average salary over a three-year period, multiplied by the number of years of credited service.

As of January 1, 1992, City Utilities' benefit program was changed to provide a benefit factor of 2% of the final average salary over a three-year period, multiplied by the number of years of service, for its employees retiring between the ages of 55 and 62. The 2% benefit factor changes to a 1-1/2% rate for these retirees after age 62, and the benefit factor is also 1-1/2% for any new retirees who have attained the age of 62. LAGERS also provides early retirement, death and disability benefits.

- b. **Termination** - If a member's employment is terminated before the member is eligible for any other benefits under LAGERS, the member

is entitled to receive a refund of his member contributions of four percent plus interest credited at a rate of four percent per year compounded annually.

2. Actuarial Assumptions

Significant actuarial assumptions used in determining the pension benefit obligation for both the City and the City Utilities component unit include:

- a. A rate of return on the investment of present and future assets of seven percent per year compounded annually,
- b. Projected salary increases of four percent per year compounded annually, attributable to inflation,
- c. Additional projected salary increases ranging from zero percent to 3.4 percent per year, depending on age, attributable to seniority/merit,
- d. The assumption that benefits will increase four percent per year after retirement, and
- e. Pre- and post-retirement mortality based on the 1984 Group Annuity Mortality Table, set back no years for men and six years for women.

3. Contributions Required and Contributions Made:

Both the City and the City Utilities component unit are obligated by state statute to make all required contributions to the plan. The required contributions are actuarially determined using the individual entry-age actuarial cost method. Prior service costs are amortized over an initial amortization period of 40 years, and the amount of the additional unfunded obligations created due to increases in plan benefits are amortized over a period of 30 years.

Prior to January 1, 1994, covered members under the City's plan were required to contribute four percent of their annual salary to LAGERS. The City contributed the remaining amounts necessary to finance the coverage of its employees, using the actuarial basis specified by state statute. As of January 1, 1994, the City's participation in LAGERS was on a noncontributory basis. Since the City's LAGERS plan is now noncontributory, the City contributes all funding required for its plan, as actuarially determined.

As of January 1, 1992, City Utilities' participation in LAGERS was on a noncontributory basis. Prior to that date, City Utilities' employees covered under the plan were required to contribute four percent of their annual salary to LAGERS. City Utilities was required to contribute the remaining amounts necessary to finance the coverage of its employees, using the actuarial basis specified by state statute. Since the City Utilities' LAGERS plan is now noncontributory, City Utilities now contributes all funding required for its plan, as actuarially determined.

The significant actuarial assumptions used to calculate the actuarially determined employer contribution requirements for both the City and City Utilities are the same as those used to compute the pension benefit obligation and are the same as those used in the previous valuation.

C. DEFERRED COMPENSATION PLANS

In addition to the preceding plans, the City has an Employees' Deferred Compensation Plan administered by the International City Management Association Retirement Corporation (ICMA). This plan, created in accordance with Internal Revenue Code Section 457 and available to all qualifying City employees and officials, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to participants until termination, retirement, death, disability or unforeseeable emergency.

All amounts of compensation deferred under the IRC Section 457 plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plans), subject only to the claims of the City's general creditors. Participants' rights under these plans are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

The City makes no contribution to its Deferred Compensation Plan and reserves the right to amend, augment or cancel the plan. It is the opinion of the City's legal counsel that the City has no liability for losses under the plans but do have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that they will use the assets to satisfy the claims of general creditors in the future.

D. OTHER POST-RETIREMENT BENEFITS

The general employees of the City are eligible to continue coverage, as prescribed by City ordinances, in the City's health care plan and to maintain their life insurance through the City upon retirement. The premiums are paid entirely by the retired employee, with no contribution or obligation to contribute by the City for either the health care or life insurance plans. The cost of retiree health care is recognized as an expenditure as claims are paid from the City's self-insurance health care fund.

Source: *City of Springfield's Comprehensive Annual Financial Report : 1994 (31-38).*

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