

CITY OF WACONIA

FINANCIAL POLICY AND GUIDELINES



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**CITY OF WACONIA
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INTRODUCTION AND OBJECTIVES

The financial policies of the City of Waconia are established by the City Council. These policies are designed to provide guidance and instructions to all staff whether they be directly involved in financial processes, internal control oversight, or any financial transaction. The Council sets forth the authorities, responsibilities, and accountability requirements of those participating in the operations of Waconia City government at all levels of the organization.

AUDITING AND FINANCIAL REPORTING

The City of Waconia will establish and maintain a high standard of accounting practices. Accounting standards will conform to Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB). Accounting standards will reflect Best Practices recommended by the Government Finance Officers Association (GFOA) and recommended statements of position provided by the Minnesota Office of the State Auditor.

After each fiscal year, a certified public accounting firm will conduct an audit of the City records. The report will include a financial opinion and a management and compliance report on internal controls. Annually, a comprehensive annual financial report will be prepared for the City. This report shall be made available to elected officials, city management, bond-rating agencies, and the general public.

ACCOUNTING PROCEDURES & INTERNAL CONTROL

The City will maintain a strong internal audit function. Written accounting procedures for each city division or department's financial processing area will be maintained and adhered to so that every attempt is made to be in audit and financial reporting compliance. All department managers have access to internal control regulations set forward by the finance department. Periodic updates and new recommended practices set forward by the GFOA are communicated and addressed with all City staff. Any weakness in internal control and accounting procedures are addressed immediately with department managers and the Finance Director so a timeline to remedy improvement can be established.

Internal Auditing & Reporting

Along with the compliance of procedures and internal control in all areas of accounting, finance staff will adhere to monthly, quarterly and annual auditing of cash, investments, and accounts receivable/payable functions. On a quarterly and semi-annual basis, finance staff will audit the above listed functions along with all other areas related to financial statements. Monthly internal audit reports are then presented to the Finance Director for review and approval.

Accounting Write-offs

Written authorization to adjust a City employees account, such as utility billing, payroll, or benefits must be requested by the department manager or Assistant City Administrator and approved by the Finance Director or City Administrator.

BUDGET & FINANCIAL PLAN

Budget Objective

The formal operating and capital budgeting process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided, given the anticipated level of available resources. The objective of the general fund operating budget is to pay for all current expenditures with current revenues. The City will endeavor to avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses, such as postponing expenditures, accruing future years' revenues, or rolling over short-term debt.

Long-term Financial Plan

A 20-year Financial Management Plan (FMP) with an integrated 10 year Capital Improvement Plan (CIP) is utilized to assist the City Council and department managers in strategizing and aligning financial capacity with long-term objectives. The long-term financial plan serves as a foundation for conversations regarding purchases and project planning.

The plan will include an analysis of the current and future years' financial environment, revenue and expenditure forecasts, debt positions and affordability analysis. The financial plan will be updated as needed in order to provide direction in the budget process.

Service Levels and Funding

The City will endeavor to maintain its present service level for priority and essential services subject to available revenues. The objective is to maximize the benefit of available resources. The results or outcomes that matter most to citizens should be defined by the City Council. New services or programs will be considered for funding within available resources.

Department managers will be given the opportunity to request personnel, goods, and capital items needed to carry out the department's responsibilities. Department requests must include supporting documentation and justification of needs for operating requests. Requests should integrate priorities and objectives into the budget. The budget will provide for adequate maintenance of public facilities and equipment and for their orderly replacement.

Enterprise Funds

Enterprise operations are to be self-supporting, including capital improvements and depreciation. Enterprise operations are to be reviewed annually for self-sufficiency and proper cash flow needs.

Periodic Reporting

The City will maintain an internal control system to help adhere to the budget. Regular reports comparing actual revenues and expenditures to budgeted amounts will be provided to department managers on a monthly basis. The City Council will review quarterly budget-to-actual reports that include capital project updates and investment portfolio reports.

Budget Amendments

All budget amendments, such as those from a) one department to another department budget; b) from one fund to another fund; and c) shifting of funds for the purchase of capital outlay, must be approved by the City Council.

Budget Amendments for Department Operating Line Items

Department managers may, upon approval by the City Administrator, request intra-departmental line item budget amendments for operating purposes only. Budget amendments for personnel and capital outlay line items are not allowed without City Council approval. Department managers must submit an

electronic budget amendment form to the City Administrator and upon approval will receive notification from the Finance Director.

FUND BALANCE AND RESERVES

Fund balance is an approximate measure of liquidity. This section defines dollar thresholds and descriptions for fund balances, reserves, and retained earnings of all funds of the City of Waconia. It is the intent of the City to provide a stable financial environment for which its citizens can depend on a consistent and quality level of service. It is the intent of this fund balance/reserve policy to provide this stable financial environment for the services the City provides and for planned future expenditures.

As defined by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City will reserve funds according to the following:

Nonspendable Fund Balance

Inherently nonspendable portions of net resources that cannot be spent due to their form or portions of net resources that cannot be spent because they must remain intact. The City's most common form of nonspendable fund balance is in the form of prepaid expenditures.

Restricted Fund Balance

Externally enforceable limitations, on the use of funds, that are imposed by creditors, grantors, contributors, or laws and regulations of other governments, or limitations imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Self-imposed limitations, on the use of funds, that are set in place prior to the end of a period. Limitations are imposed at the highest level of decision making that requires formal action at the same level to remove.

Assigned Fund Balance

Internally imposed limitations for a specific purpose that is established by the highest level of decision making or by an official designed for that purpose.

Unassigned Fund Balance

Residual net resources that make up the fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (i.e., surplus) or excess of nonspendable, restricted, and committed fund balance over total fund balance (i.e., deficit).

General Fund - Fund Balance

A healthy unassigned fund balance is needed to provide cash flow to pay expenditures when due. The City receives a majority of its tax collections and state aids twice a year. A healthy unassigned fund balance allows for cash flow while the City waits to receive its aids and taxes. The unassigned fund balance is also a security against unforeseen changes or needs, i.e. natural disasters, loss of state aids, etc. The general fund's unassigned fund balance should be approximately 50% of actual expenses of the general fund, less annual transfers. The unassigned fund balance of the general fund should never fall below 40% of operating expenditures. Should the unassigned fund balance fall below the 40% threshold, the City will strive toward regaining the minimum threshold during the next budget process and forecast the timing of the unassigned fund balance improvement within the long-term financial plan.

Assigned Fund Balances

Assigned fund balances will consist of funds designated by the City Council for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the

general fund, assigned fund balances represent the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. The resources for these may be acquired through the budgeting process or funds that are deposited with the City for specific purposes. Examples of assigned fund balances currently with the City are the PIR Capital fund and Capital Equipment fund. The designations for PIR Capital fund balances will consist of funds designated by City Council for future capital improvement projects. Capital equipment purchases will be budgeted for and maintained in a special fund designated only for capital equipment. The PIR Capital fund will reflect long range capital items and are represented on the long range capital improvement plan approved during the budget adoption process. It is the intent of the City of Waconia to set aside funds, when operations allow, for large capital projects to help minimize the debt service needs for these projects. Current commitments for PIR Capital fund reserves are sidewalks, streets, buildings, facilities, and community enhancements.

Committed Fund Balances

Committed fund balances will consist of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. The committed amounts cannot be used for any other purpose unless the City Council removes or changes that specified use by resolution. Examples of committed fund balances currently with the City are the Safari Island Community Center operations fund balance and the economic development funds available in the general fund. The City Council reviews the Safari Island Community Center operations committed fund balance for operations on a quarterly basis with fund budget-to-actual reporting. The City Council separately approves on an annual basis by resolution those funds expended for economic development purposes from the general fund.

Restricted Fund Balances

The designations for all of the City's debt funds including the PIR Debt fund balance consist of funds that are restricted for the sole purpose of debt repayment according to generally accepted accounting principles (GAAP). In addition, fund balance amounts in the City's Cable TV PEG fund, Park Dedication fund, TIF funds, and Lodging Tax fund have externally imposed constraints established. Because of this, the fund balances for these accounts will be reported as restricted.

Enterprise Funds - Retained Earnings, Reserve Balances & Working Capital

Retained Earnings

It is the goal of the enterprise funds to cover the cost of operations, including depreciation, so as to maintain a financially healthy enterprise. Retained earnings are a product of revenues over expenditures over time and consist of the net result of assets minus liabilities. Retained earnings will be used for the support of these enterprises and support of the general fund should the City Council feel the need due to unforeseen, unique, or unusual circumstances (i.e. state budget cuts).

Reserve Balances & Working Capital

When considering the level of reserve balance in the enterprise funds, the City Council will annually review by fund the areas of operating expenditures, outstanding debt, and capital replacement. Each fund must maintain a reserve balance that includes 90 days of operating expenditures along with 10% of the total debt issued in the fund and 10% of the capital replacement costs based on the fund's asset valuation reported in the previous year's financial statements.

This information will be calculated and reviewed on an annual basis by the City Council in the budgeting process. A minimum 10-year fund financial model will be maintained so the reserve balance can be monitored along with annual operating expenses, debt issuance, and capital replacement needs. The City Council will use this tool to assist in the establishment of rates and charges for services to maintain the financial health of the enterprise funds.

EXPENDITURES

Expenditure Objectives

The objectives of the expenditure guidelines are:

- To support the local firms and merchants within the community whenever possible, subject to meeting other expenditure guideline objectives.
- To ensure City funds are only used for public purposes.
- To obtain supplies, equipment, and services as economically as possible.
- To purchase materials which are best suited to the specific needs of departments.
- To improve the speed of delivery to departments by predetermining, through contracts or other appropriate means the sources of supply before the actual needs.
- To promote fair and open competition among bidders.
- To ensure compliance with all applicable policies, statutes, and regulations of the City, the State, and the Federal Government.

Local Purchasing Objectives & Criteria

Purchasing from local businesses and merchants is a high priority to support the economic vitality of the Waconia business community. Whenever economically possible, local vendors will be included in obtaining bids, quotes, or estimates to obtain supplies, equipment, and services. A local vendor may be selected on the following criteria:

- Low costs
- Availability of goods and services required by City departments
- Reduction of shipping or delivery costs and delivery time
- Quality of service and/or products

All employees of the City shall comply with all City, State, and Federal statutory requirements regarding purchase of materials or services, including the selection, award, and administration of contracts.

Disciplinary actions will be applied for violations of such standards. The following practices are also specifically forbidden so as not to create a conflict of interest:

- Using information available to an employee solely because of their position for personal profit, gain, or advantage.
- Directly or indirectly furnishing estimating services, or any other services or information not available to all prospective bidders, to any person bidding on, or who may reasonably be expected to bid on, a contract.
- Using their position or status in the City to directly or indirectly solicit business of any kind for private use or to obtain supplies and equipment at special discounts or with special concessions from any vendor who sells or solicits sales to the City.

Public Purpose Expenditures

All expenditures made by City employees using City funds must be for a public purpose. An expenditure is made for a public purpose if it meets all of the following criteria:

- It will benefit the community as a body;
- It is directly related to functions of government; and
- It does not have as its primary objective the benefit of a private interest.

General Guidelines Regarding Certain Employee Expenditures

To ensure City funds are only used for public purposes in regard to certain employee expenditures, City employees must observe the following general guidelines:

Expenses Related to Work Assignments

The City may pay reasonable expenses directly related to the performance of an official City activity including expenses for travel, lodging, meals, and appropriate incidental expenses that are directly related to the performance of an employee's official job duties for the City.

Employee Safety Programs

The City may pay reasonable expenses directly related to the operation of an employee safety program when the program is required by law or the benefit of the program is clearly demonstrated and a written outline of the program is approved by the City Council.

Employee Training and Development Programs

The City may pay reasonable registration, tuition, and travel expenses for a conference, seminar, workshop or similar employee training (internal or external) or development opportunity when it is directly related to the performance of the employee's official job duties for the City.

Employee Wellness and Recognition Programs

The City may pay reasonable expenses related to employee wellness and recognition programs, including non-monetary service awards to recognize employee performance and length of service. Any such program shall be outlined in writing and approved by the City Council. A program primarily of a social nature, however, does not qualify. Further, the City shall not pay for spouses or third parties to attend any wellness or recognition event.

Meals and Refreshments to Conduct City Business (not travel related)

The City may pay reasonable meal and refreshment expenses when the meals or refreshments are provided:

- As part of a structured agenda of a conference, workshop, seminar or meeting when the employee is authorized by the City to attend and the topic relates to the official business of the City.
- As part of a City sponsored meeting, conference, or workshop when the employee is required by the City to attend and the majority of the participants are not City employees.
- As part of a City-sponsored event where registration fees are charged and the majority of the participants are not City employees.
- During an official meeting of the City Council or any official meetings of City Council committees, task forces, work group, or advisory committees, provided the provision of meals or refreshments is necessary to sustain the flow of the meeting and to assist the participation of the attendees.
- As part of a formal meeting that consists primarily of City employees when the meals or refreshments are an integral part of the formal meeting or training and are necessary to sustain the flow of the meeting, to retain the captive audience, and to assist the participation of those employees and attendees, but only if the meeting is a City or department-wide staff meeting for all City or department employees, as applicable.

Expenses Not Covered

The following expenses are not public purpose expenditures:

- Refreshments or meals for routine staff meetings.
- Private organization memberships unless specifically allowed by a Minnesota law. For each such expenditure paid by the City, the specific statutory authority allowing the expenditure must be determined.
- Alcoholic beverages.
- Employee parties (including holiday parties).
- Employee entertainment.

Reimbursement Procedures

In addition to the requirements contained in this section regarding public purpose expenditures, any expense for which reimbursement is sought shall also be subject to the employee reimbursement policies set forth in this Financial Policy and Guidelines document and any applicable personnel policies.

Purchasing – Standards and Methods

In general, each department shall make purchases for the requirements of the City. Purchases will not be separated into smaller purchasing components in order to eliminate a threshold authorization requirement. To facilitate a sound and cost effective purchasing operation, City departments shall follow one of the following procurement methods:

Purchases less than \$500

Purchases under \$500 will be allowed by staff in the course of normal business with approval by the department manager. Petty cash is not allowed. The purchaser must submit a sales receipt to the department manager for proper account coding. The department manager must determine funds availability within the approved department division budget. Staff will attempt to purchase all goods and services at the lowest possible cost. The department manager may give approval for certain employees to make recurring purchases without approval.

Purchases \$500 to \$5,000

Purchases \$500 to \$5,000 are allowed to be made by department managers. Determination for the purchase should include funds availability as defined in the approved department budget. Department managers will attempt to purchase all goods and services at the lowest possible cost and will obtain more than one quote for such purchases when possible. The following exceptions are made:

- Utility bills, including electrical, fuel oil, natural gas and telephone
- Fringe benefit and other payroll related costs
- Postage
- Mandatory public safety training
- Investments
- Liability insurance, including workers' compensation
- Water meters
- Refuse tipping fees
- Automotive gasoline and diesel fuel
- Mandated licenses, permits, and fees to the State of Minnesota and U.S. Government
- Professional services under contract approved by City Council
- Debt Service principal and interest

Purchases over \$5,000 but less than \$175,000

Purchases over \$5,000 but less than \$10,000 must be initiated by the department manager and approved by the City Administrator in advance of the purchase or contract. Department managers may, in the Administrator's discretion, secure at least two (2) quotations if practical and reasonable or may recommend purchase on the open market. The department manager must determine funds availability within department budget.

If a purchase or contract cost is expected to exceed \$10,000 but not to exceed \$175,000, department managers may, in the City Administrator's discretion, use the sealed bid process or make the contract by direct negotiation. If direct negotiation is used, managers must get at least two (2) quotations and keep them on file for at least one year. Approval of the City Council is required in advance of the purchase. Public improvement contracts will follow other requirements as outlined in Minnesota State Statutes.

Purchases over \$175,000

Cities with populations of 2,500 or more must use the sealed bid process for contracts estimated to exceed \$175,000. The department manager or designee shall prepare contract and bid specifications in conjunction with the project. The City Council shall approve the specifications and authorization to place and advertise for bids. Following the bid opening and bid analysis, the City Council may approve or deny the purchase or contract. Public improvement contracts will follow other requirements as outlined in Minnesota State Statutes.

Bulk Purchasing

There are a variety of goods and services that when purchased in bulk is a cost savings to all departmental budgets. City staff will seek to purchase bulk items at the lowest possible cost and will determine a list of items on an annual basis that are shared between departments.

Life-Cycle Costs

Initial bid prices or quotations shall generally govern in determining the source from which to acquire particular goods or services. However, as the initial purchase price or construction cost measures only one part of the total overall expenditure, life-cycle costs may be considered in many bidding situations.

This may be factored in one of two ways:

- Specifications may demand a product with characteristics that will assure utility and economy. This may include additional specifications so as to exclude bids from suppliers of goods that are not economical or suitable for the intended use.
- "Total cost" bidding may be utilized, which takes into account mechanical durability. In this case, bidders generally guarantee limitations on the City's cost of ownership for operation of the product.

When all other factors of the acquisition process are equal, preference shall be given to businesses located within the City of Waconia.

Special Purchases in Emergency Situations

Emergency purchases are those made by department managers where an immediate purchase is necessary to correct a situation, which would adversely affect the life, health, or safety of the citizens.

To the greatest extent possible, the preceding procedures should be followed. However, in case of an emergency, a department manager may purchase directly any supplies, materials or services necessary to alleviate the emergency. Every effort shall be made to contact the City Administrator whether the emergency occurs during or after normal working hours. On the next business day, such emergency shall be documented with the Finance Director.

In the event where emergency purchasing is related to natural disaster events, the Finance Director shall review and approve all account coding for all emergency purchases and maintain a separate chart of accounts according to FEMA requirements and GFOA recommended practices for emergency management recordkeeping.

Purchases of Goods and Services Using Federal Funding

Purchasing Thresholds – All purchases by the City and its agents, when using federal funding and making purchases in excess of \$2,000 for construction dollars are subject to the Davis-Bacon Act. In addition, all purchases in excess of the micro-purchase threshold established by the Uniform Guidance must meet small purchase procurement practices and obtain multiple price/rate quotes from qualified sources. If it is not possible to obtain multiple quotes, the reason for obtaining only one quote should be documented.

Affirmative Action Practices – The City and all its agents will take all necessary affirmative action steps to assure that minority businesses, women’s business enterprises, and labor surplus area firms are used when possible as per Uniform Guidance 2 CFR 200.321(b).

Sealed Bids for Federal Purchases – All purchases by the City and its agents will follow all “sealed bid” requirements as per Uniform Guidance 2 CFR 200.323(a). This includes but is not limited to documenting a cost or price analysis in connection with every procurement action in excess of the “Simplified Acquisition Threshold”, including contract modifications.

Reviewing for Contractors under Suspension or Debarment - In all cases the City and its agents will review the excluded parties list (<https://www.sam.gov>), to ensure that no tentative parties, suspended and/or debarred contractors are contracted with when using federal or City dollars.

Additionally, the City will adhere to the following:

- The City will avoid acquisition of unnecessary or duplicative items.
- The City is encouraged to enter into state and local intergovernmental agreements where appropriate for procurement or use of common or shared goods and services.
- The City is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property.

Purchasing – Procedures Accountability

Department managers will be accountable for the purchasing done within their departmental budgets. Financial reports will be distributed to department managers on a periodic basis and are available in electronic detail in the budgeting software. Assistance will be available to help department managers analyze their budgets to insure proper spending.

Purchases that exceed a departmental annual budget are not allowed unless first approved by the City Administrator. Failure to follow purchasing procedures could result in disciplinary action, loss of purchasing privileges and a personal liability for purchases.

Department managers may only code expenditures to division budgets and/or funds under their management oversight unless written approval from another department manager is obtained.

A purchase request memo shall be submitted to the City Administrator and then to the City Council (if applicable) for all operating purchases in excess of \$5,000, prior to incurring the expense. Employees are encouraged to obtain more than one quote accordingly.

Claims/Acquisition Process

The City executes purchases depending on the dollar amount and nature of the purchase. Staff making purchases according to standards and methods will adhere to the following process:

- Sales receipts must include the signature of the purchaser, description of purchase, and reference to department or division.
- Sales receipts must be turned in to the Accounts Payable Department. When turning in more than one (1) receipt from a single vendor, receipts must be organized in date order.
- All invoices shall be mailed or delivered to City of Waconia, Attention: Accounts Payable, 201 Vine Street South, Waconia, MN 55387.
- Claim registers or vouchers of departmental purchases are reviewed and electronically approved by the department manager to ensure accuracy of coding and to be in line with departmental budget.
- The Finance Director prior to City Council reviews the claim register.

- City Council reviews all purchases by City staff including informational, purchasing card, and outstanding claims at each City Council meeting.
- The Mayor and City Administrator sign the approved claim register.

Check Signing

The required signature on all checks is two of the following; Mayor, City Administrator, and Finance Director (Treasurer).

Joint Purchasing

In certain instances, at the discretion of the City Administrator, purchase requirements of more than one department may be grouped together for more cost effective purchasing. In these instances, the authority granted to departments to manage their purchases as outlined above will be overridden by the decision of the City Administrator and joint purchasing instructions of the City Administrator will be followed.

City Issued Credit Cards

The use of credit cards (purchasing cards) by staff for City business is an authorized payment method, and not a method of creating debt, therefore all credit card balances shall be paid off on a monthly basis without delinquency fees or finance charges. Failure to avoid finance fees will require the discontinued use of the respective credit account. This guideline is intended that an employee neither gain nor lose financially from the use of purchasing cards. All employees shall be responsible for complying with these directives.

Authorized Employees

The City carries several purchasing cards with one named vendor previously approved by the City Council. The Finance Director will authorize the opening, use and distribution of all purchasing cards. All cards authorized to employees must be activated with a member of the finance department along with a signed affidavit noting card policies, procedures for use, and card holder responsibilities. The finance department will maintain a listing of accounts, limits, and personnel authorized to purchase with the respective purchasing cards. Credit cards will be kept in a secure location by employees when not in use.

Review of card activity and limits is completed by the Finance Director on a quarterly basis. Limits are lowered or increased, if needed, based on past purchasing history. Any changes in limits must be requested by a department manager and authorized by the Finance Director or City Administrator.

Cases of fraud and misuse are reported to the Finance Director or City Administrator for further investigation and handling. Fraud or misuse may be reported by the card vendor or by City staff and dealt with accordingly.

Authorized Purchases

Since use of the purchasing cards is restricted to purchases for the City, no personal use is permitted and all purchases must be for a public purpose. Minnesota State Statute provides that if officers and employees make purchases for the City that are not authorized by the City Council, they become personally liable for the amount of the purchase. In the event that an employee fails to provide adequate documentation (i.e. sales receipt or carbon copy), a missing receipt affidavit must be signed by both the employee and department manager with a complete explanation of the expense, appropriate account coding, and the reason for the missing receipt. Failure to complete an affidavit will result in disciplinary action up to and including termination of employment and the amount of the purchase will be deducted from the employee's next pay check. Employees are allowed to provide an affidavit for a missing receipt twice per calendar year. If future cases occur where a physical receipt is not provided, action may be taken by the City Administrator; this including, but not limited too, removal of the employee's ability to use the City's purchasing card program.

Minnesota State Statute provides that claims presented for payment must be in writing and itemized. Department managers will be responsible for ensuring receipts and invoices meet this requirement and provide them to the finance department for prompt payment of the purchasing credit card statement.

Credit card purchases should be the primary method for making City purchases. If a vendor does not accept credit cards as a form of payment, the vendor is asked to receive payment for goods and services via electronic funds transfer (EFT). No open house accounts are allowed at any vendor. Credit card purchases may be used for authorized travel, education, meals, refreshments, operating supplies, small equipment purchases, contracted services and fuel for the operation of City vehicles.

Employee Travel and Training Guidelines

The City will reimburse employees for reasonable business travel expenses incurred while on assignments away from the normal work location. All business travel must be approved in advance by the employee's department manager. Employees whose travel plans have been approved are responsible for making their own travel arrangements.

When approved, the actual costs of expenses directly related to accomplishing business travel objectives may be paid in advance or reimbursed by the City. Employees are expected to limit expenses. Travel guidelines and expense reimbursement practices are listed below:

Travel by Automobile

Use of Personal Vehicle

When employees are required to use their personal vehicle to conduct City business or attend training, the City will reimburse the employee for mileage at a rate equal to the current rate given by the Internal Revenue Service (IRS). Employees driving to a training event using their personal vehicle must track mileage from their work home base (City Hall, Fire Station, Safari Island, Ice Arena, or Public Services) to the destination of the training event. Employees must complete an Employee Mileage & Reimbursement Form as provided by the finance department. Reimbursement forms must be completed within 60 days of the training event. Employees may never use their City Visa card to put fuel into their personal vehicle for travel on behalf of the City.

Use of City Vehicle

Employees are allowed to use a City vehicle to attend training events with prior approval of their department manager. Employees are encouraged to fill the vehicle with fuel from the City's fueling station before they leave to complete City business. Employees may use their City Visa card to put fuel in a City vehicle if a fuel fill is required upon return. If an employee must fuel the vehicle and pay with their City Visa card, an itemized receipt from the fueling station (showing that only fuel was purchased) must be obtained along with a note on the receipt of the vehicle number and description.

Travel by Air

Employees traveling on City business by air are encouraged to use their City Visa card to purchase airline tickets, baggage fees, and transportation fees. An itemized receipt must be provided by the vendor. Additional guidelines for air travel are as follows:

- Airfare costs – The City will pay for coach airfare when it is estimated that flying is less than the cost of driving. Employees should seek the most economical costs for airfare when traveling on City business. Employees should consider direct flights and flights with stops to ensure they are receiving the best rate possible for their paid time to travel. Airfare may be booked as early as 6 months in advance of the training event. The City will not pay or reimburse the employee for seat upgrades or priority boarding fees.
- Baggage fees – Baggage fees may be paid in advance or at the airport if it is necessary for the employee to check a bag. Employees need to obtain a receipt for this expenditure from the airline.
- Transportation to/from the airport in Minneapolis – Employees are encouraged to coordinate drop-off and return transportation. Department managers and employees that provide

transportation to an employee traveling for City business must follow the guidelines found in this policy for use of their personal or City vehicle. The City will not pay for parking and shuttle service fees incurred by the employee.

- Transportation to/from the airport at the destination - Transportation fees to and from the airport to complete City business are reimbursable expenditures. Examples include shuttles, taxi service, or other public transportation. Employees may tip taxi service personnel up to 15% of the total taxi fare.

Rental Car Accommodations

Employees must first obtain approval from the City Administrator before renting a car on behalf of the City to complete City business. If it is found that it is a required expense for the event, the City Administrator will provide guidelines as to what kind of vehicle and rental plan should be considered.

Lodging Accommodations

The City will pay the single occupancy room rate for overnight stays. It is recommended that employees seek lodging accommodations provided by the training company to receive the best possible rate. If the training company does not provide hotel accommodation information, employees should seek to stay at the closest, reasonable accommodations to the training event. Lodging accommodations will not be paid for meetings or training events held within the 7 county metropolitan area unless previously approved by the City Administrator. Employees should consider these items when booking lodging accommodations:

- Employees may use their City Visa card to pay for their stay or be reimbursed if accommodations must be paid with a personal credit card. If it is required that the employee be reimbursed, the employee must provide an itemized receipt and complete an Employee Mileage & Reimbursement Form as provided by the finance department.
- The City will not reimburse or pay for costs for in-room entertainment; this includes movies and Wi-Fi costs. Wi-Fi costs may be considered if the employee is required to check emails or do work on behalf of the City while they are traveling. These costs must be approved by the employee's department manager prior to the required travel.
- The City will reimburse employees for costs associated with room service meal fees. The employee must pay for the fees with a personal credit card or cash and include a copy of the itemized receipt along with their other meal reimbursement receipts (procedures listed below). The total cost will be included in the daily per diem allowed for the employee.

Meal Reimbursement

Employees will be reimbursed for meals up to the total per diem for meals and incidental expenses provided by the U.S. General Services Administration (GSA) for the city in which the employee must travel to for City business and when an overnight stay is required. Meals that are provided along with the cost of the training registration fees will be deducted from the per diem amount provided by the GSA. Employees are encouraged to review the per diem information prior to their travel at the GSA website (www.gsa.gov) or consult with the Finance Director for assistance. Additional guidelines for meal reimbursements are as follows:

- Employees must obtain an itemized receipt for all requested meal reimbursements. If an itemized receipt is not provided, the employee will not be reimbursed.
- Employees must complete an Employee Mileage & Reimbursement Form along with copies of the itemized receipts and a summary of their meal reimbursement costs showing compliance with GSA requirements.
- Employees may not use their City Visa card for meal purchases while traveling on City business. All reimbursements will be made directly to the employee with the payroll following the travel event.

- Employees may never request reimbursement for alcoholic beverages. These sorts of beverages must be paid for under a separate receipt and with personal funds.
- Employees may tip food servers up to 20% of the total food bill and be reimbursed for this amount with other applicable meal expenditures. Tips are included in the total per diem allowed for each City.
- Meals will not be reimbursed for training events where a meal is provided by the training company unless a food allergy or other concern is identified by the employee prior to the employee's attendance to the event.

Elected Official Travel

The City recognizes that its elected officials may at times receive value from traveling out of the state for workshops, conferences, events and other assignments. The event, workshop, conference or assignment must be approved in advance by the City Council at an open meeting and must include an estimate of the cost to participate. In evaluating the out-of-state travel request, the Council will consider the following:

- Whether the elected official will be receiving training on issues relevant to the City or to his or her role as the Mayor or as a council member.
- Whether the elected official will be meeting and networking with other elected officials from around the country to exchange ideas on topics of relevance to the City or on the official roles of local elected officials.
- Whether the elected official will be viewing a city facility or function that is similar in nature to one that is currently operating at or under consideration by the City where the purpose for the trip is to study the facility or function to bring back ideas for the consideration of the full council.
- Whether the elected official has been specifically assigned by the Council to testify on behalf of the City at the United States Congress or to otherwise meet with federal officials on behalf of the City.
- Whether the City has sufficient funding available in the budget to pay for the cost of the trip.

No reimbursements will be made for attendance at events sponsored by or affiliated with political parties. The City may make payments in advance for airfare, lodging and registration if specifically approved by the council. Otherwise all payments will be made as reimbursements to the elected official. The City will reimburse for transportation, lodging, meals, registration, and incidental costs using the same procedures, expense limitations and guidelines outlined in the above policy for travel by City staff.

REVENUES

Revenue Objectives

The City will maintain a diversified and stable revenue system to shelter it from short-term fluctuations. To protect and better develop future tax base, the revenue guidelines will emphasize preserving the City's ability to grow and expand.

Charges and fees should be reviewed and updated annually based on factors such as impact of inflation, other cost increases, adequacy of coverage of costs, and current competitive rates. On an annual basis, the entire Fee Schedule (Ordinance 1100) will be modified and adopted in conjunction with the annual budgeting process.

The following are revenue objectives based on types of revenue:

Fees and Charges That Align with Cost Recovery

Fees are based on an objective of recovering a stated percentage of a given program's expenses.

Revenues Related to Development

Fees are based on policy related to growth activity.

Charges Must Align with Local Market Forces

Fees are based on maintaining a stable relationship with local market forces.

Revenues with a Relationship to the Value of Money

Fees are subject to ongoing inflationary or other indexes.

Fines and Violations

Fees are used as a means of enforcing compliance with City rules and regulations.

Self-Supporting Enterprise Fees

Fees and charges usually associated with a governmental “business” enterprise. Fees are based on a formal rate model for factoring in relevant operational, capital, and debt service cost components.

Escrow Accounts

Escrow funds as defined in City ordinances, will be deposited for land use projects until the project is determined by City staff to be complete. The developer or property owner will need to pay for consulting and City staffing services associated with the project/development. The City will pass through the following items, but is not limited to: engineering, legal, printing, publishing, and staff time associated with the project/development. The developer or property owner must maintain a positive escrow account balance until completion of the project/development and redeposit funds if the escrow account balance becomes negative.

Receipting

Cash receipting procedures will be adhered to for revenue items at all City facilities. Only authorized personnel are allowed to take cash receipts from customers. Reconciliation of revenue, to close out daily receipts, taken in through the point of sale systems at each City facility is required by the department manager or their designee. Finance staff provides internal control procedures and oversees all changes to revenue items in the point of sale system, final end of day processing, posting to the general ledger, and overall revenue management.

A receipt will be created for all sources of revenue through the point of sale system with exceptions for the following:

- Electronic deposits from the State of Minnesota, counties, or other governmental agencies.
- Interest revenue.
- Other automatic deposits where a statement is received, reconciled, and approved.
- Reimbursement items from employees or vendors that are considered miscellaneous in nature with approval of the Finance Director.

Forms of Payment Accepted

The following are acceptable forms of payment:

Credit or Debit Card

When accepting a credit or debit card as a form of payment, adherence to receipting procedures established by the major credit card network shall be followed and are communicated to employees during training processes.

1. Credit or debit card must be held until approval number is received in case of fraud or card misuse.
2. A signed receipt must be obtained by the customer when they are paying in person with a credit or debit card and kept for retention purposes. If a customer pays by credit or debit card over the

phone, the card number must never be written on a piece of paper. The number must be entered directly into the point of sale and the receipt shall list the signature as "Paid by Phone" and kept with the daily receipt batch for retention purposes.

Checks

Checks are accepted for all City services if credit or debit card is not available. Checks must be endorsed for deposit upon receipt. Proper photo identification and check processing guidelines are available at all facilities and have been approved by the City's banking entity.

Cash

Cash handling practices are under strict internal control guidelines and must balance to the end of day sales reporting based on those transactions established as cash sales for the day. Any discrepancy in cash handling must be addressed by the department manager and their staff with a resolution sent to the finance department by the end of the next business day. Any mishandling of cash transactions must be reported to the Finance Director or City Administrator immediately.

Returned Payments

The City's financial institution will notify the finance department of all returned payments. If payments are returned, the funds will be reversed from the customer's account and fees will be applied according to Ordinance 1100. The customer will be notified by City staff by letter or email of the returned payment and fees applied.

Deposits and Batch Processing

Deposits will be made every business day so as to ensure the highest level of interest earnings. Revenue source and project codes will be reviewed to ensure accurate project tracking before a daily batch is posted.

Finance staff oversees the final import of all cash receipts to the financial system. Any correction to a daily deposit and reason for shortages/overages must be in written detail with the cash receipt import to be filed for retention purposes. These discrepancies must be signed off on by the department manager or the Finance Director. In accordance with internal control standards in regards to segregation of duties, another finance staff member ensures the receipt batch total equals the deposit register and then reconciles the deposit to the bank statements. All monthly cash reconciliations are reviewed and approved by the Finance Director.

Billing for City Revenue

Any department wishing to bill another entity for services provided by the City or paid for by the City to be passed thru must submit an invoice request form. Supporting documentation is required to be included with the invoice for customer reference. The invoice request form must include the person requesting the invoice along with a department manager's approval in order to be processed. The department manager must also provide coding for the revenue in accordance with their budgeted revenues.

Invoices will be processed by the finance department within three business days of receiving the request for invoice form. Revenues are recognized in the general ledger as of the invoice date.

Invoices are aged at 30 day intervals. Statements of invoices outstanding are sent to customers with outstanding balances at the end of each calendar month. Reconciliation of outstanding accounts receivable items is reviewed at the end of each month by the Finance Director. Action is taken with customers that have outstanding balances as seen fit by the Finance Director and the City Administrator.

Recognition of Bad Debt

The computation of an allowance for doubtful accounts should be performed at least annually based upon the aging of receivables and recent history of write-offs at fiscal year end, with any material changes reported to the City Council. First, City staff will attempt, through the proper channels, to collect the funds deemed doubtful and ultimately recommend certification to property taxes. Documentation for each attempt at collection must be noted in the customer account. If funds are not able to be collected, the Finance Director would make a recommendation for write offs to a bad debt expenditure up to \$500. For balances above this threshold, City Administrator and/or City Council approval must accompany the write off to the bad debt expenditure.

Special Event Cash Handling

For special events held outside of a City facility, a cash box will be provided by the finance department. The starting amount of bills and change is noted on a cash box reconciliation sheet and must be signed off on by two City employees before the box can be given out to the department with the special event.

When the event is complete, the staff member in charge of the event and cash handling must reconcile their sales items to what monies were actually taken in. This reconciliation must be done on the cash box reconciliation sheet. This sheet is then recorded the next business day with the regular City cash receipts. Any discrepancies must be explained by City staff and signed off on by their department manager. Any discrepancies will be reported to the Finance Director for further review.

Refunds and Cancellations

Cancellations of any program, lesson, rental of facility, or rental of meeting rooms is permitted seven (7) days prior to the date of the activity or event without being subject to a cancellation fee. Cancellation fees are applied based on the timing of the cancellation notice. Cancellation fees are listed in City Ordinance 1100.

Should the City cancel a program, activity, or close a facility - refunds or credits on account will be applied. For park and recreation programming, the recreation account will be credited. For other refunds, the credit account used to pay for the goods or services shall be credited.

Refunds will be issued to customers in a timely manner and processed with their original form of payment if the total refund is over \$5.01. If the refund balance is \$5.00 or under, the customer may apply the balance to another City service or the refund will be forfeited. City utility accounts will be reviewed and refunded accordingly on a monthly basis. City recreation accounts will be reviewed on at least a quarterly basis. Customers will have up to one year from the time of their last financial transaction at the City's recreation facilities to use their credit on account before it is refunded or forfeited. Customers that hold credits on their account must ensure the City has updated contact information to ensure refunds can be returned to them.

Grants and Donations

All grants and donations awarded to the City shall be presented to the City Council for approval. The department manager will prepare a summary of the funding agency source and recommended use of proceeds for City Council review.

Grants

Department managers will follow the standard operating procedures established for applying for and accepting grant proceeds on behalf of the City. The standard operating procedures include obtaining City Council approval by resolution to apply for and formally accept the grant proceeds. All documentation sent to outside agencies on behalf of the grant, including the application, must be forwarded to the finance department to ensure inclusion in the City's annual audit. Finance staff will ensure revenue and

expenditure matching in regards to the funds received on behalf of the grant and report any discrepancies to the department manager that applied for the grant.

Donations

Substantial Gifts

The City of Waconia seeks to recognize donors who, through a distinguished effort or substantial financial gift, wish to support a City facility or structure. For example, structures may include pavilions, warming houses, shelters, plazas, etc.; real estate to be used for parks, trails or open space, interpretive areas, or active recreation; or other large-scale projects as discussed with the Advisory Boards and City Council. The following procedure will be used for recognizing donations for amenities or projects, in addition to defining the period of time in which the donation or gift will be received by the City.

For the purposes of this policy, "Substantial Financial Gift" is defined as at least 50% of the estimated cost of:

- 1) New construction, remodeling, or renovation;
- 2) Developing a new real property, i.e. park buildings, structures, real estate, etc.; or
- 3) Replacement of an existing, unnamed facility or landmark that requires substantial renovation at the time of the gift.

The City will review donations of a routine nature (e.g. trees, park benches and other furniture) on a case-by-case basis. The department manager receiving the donation will review the donation with the City Administrator prior to City Council acceptance.

Recognition may be in honor of individuals, groups of individuals, or corporations.

1) Donors or donor representatives must sign a donor agreement that delineates terms of the contributions. A donor may remain anonymous. Method of donor recognition must be agreed upon and formally approved by the City Council prior to signing the donor agreement. The donor agreement will include the following language:

(a) In the event of demolition of a structure, its recognition or any part of it shall be subject to new recommendations.

(b) When requesting recognition of a structure or facility, architectural style should be consistent with the City's visual standards, and adhere to City ordinances.

(c) The designated staff person is responsible for overseeing compliance with these policy requirements, including completion of consultations and approvals, securing signatures on donation agreements by donor(s), donor representative(s), and the City of Waconia.

(d) Groundbreaking, dedication, or other ceremonies relating to gifts, shall be reviewed and approved by the City Council.

(e) The City Council may rescind a donor's recognition for just cause.

2) The nature of the donation will assist in determining the type of recognition.

3) A plaque, or other negotiated signage, may be placed on a building, room, or facility to recognize a donor. The design, wording, size, and location of the plaque will require the approval of the City Council.

4) A donor recognition or memorial plate may be affixed to routine furniture items. The City shall specify the size and location of the donor plate and the donor will pay for the plate and the engraving. The City shall approve the wording of the donor plate and affix the plate to the furniture.

5) Plaques or markers will not be placed for routine tree donations.

6) Donations of a routine nature will be approved by the City Council and will be recognized with a certificate of appreciation.

7) The donor shall pay for the delivery and installation of the amenity and/or donor recognition plaque or plate.

8) The option of funding the amenity for life of said amenity may be negotiable and would require assurance of sufficient funding. There is no exclusive right to sole recognition in cases of expansion or other structural modifications.

Recognition carries no power of direction to the City on matters of schedule, design, furnishing, or priority of use.

Process and Procedures for Submission of Proposal

Any proposal for recognition shall be made through a formal submission process to the Advisory Board (if appropriate) which will then make a recommendation on the proposal to the City Council.

Proposals must have the written approval of the person or corporate representative for whom the recognition is to be given. If the person is deceased, the approval of the family or designated representative should be obtained. If the person is deceased and there is not family or a designated representative, recognition can proceed through the submission process.

Procedures governing approval of recognition proposals, of a non-routine nature, are set forth below and may also be supplemented by such operational guidelines as the City of Waconia may adopt from time to time. Exceptions from policy requirements must be authorized by the City Council in advance of the donation.

1) A schematic design and details will be submitted to the City of Waconia and shall include the following elements:

(a) A scaled architectural drawing or plan drawn to scale to be completed by a landscape architect or civil engineer, registered in the State of Minnesota, and would include:

- site plan;
- architectural details;
- landscape plan;
- tree preservation; and
- Sign or memorial detail.

Please note: The schematic design phase of the submission process will be overseen by the appropriate departments of the City of Waconia according to established procedure. The proposed recognition should be designated at the time of submission of the schematic design, as found in Step One, a5. Recognition may not be allowed after the amenity is operational except by Council review and approval.

2) After submission of the schematic design, the individual, group, or corporation will formally present their request to an Advisory Board (if appropriate) and then make a recommendation to City Council.

3) Upon approval by City Council, the Donor Agreement will be signed and kept on record with the City of Waconia.

Method of Payment and Responsibilities of Donation

Donations associated with recognition proposals may be made by the donor with financial assurity or cash escrow for the full amount of the donation and shall be submitted to the City prior to the commencement of construction of amenity or project.

Individual donors may gift a portion of their contribution through an irrevocable trust or a contractual bequest mechanism.

Should the donor renege on any payment once the project has commenced and the donor agreement has been signed, the City shall be allowed to keep any portion of the donation already paid, and recognition shall not apply.

Should the City fail to use the funds for the stated purpose in the Donor Agreement, the funds shall be returned to the donor.

Donations of Land

The City Council shall require an estimated value of the land being donated in order to establish a starting value within the City's capital asset records.

Naming

The City will commemorate long-term service to the community or to a distinguished person, and such recognition is contingent upon Council review and approval.

The City will consider naming opportunities for outstanding contributions, such as a parcel of land or new donation outside the geographic confines of the existing park system.

The City prefers not to name facilities within its park system that are made possible with donations. However, some exceptions may occur.

Naming a building in honor of a person who has given extraordinary distinguished service to the City will not normally be considered until after his/her substantive formal relationship with the City has ended.

The name used should normally be the family name, or in the case of a corporate entity, the shortest possible name. Unless the City Council determines otherwise, a name may only be used once.

Stewardship

Stewardship requires that the City of Waconia honor the expectations of donors and abide by gift agreements, including recognition provisions. Recognition is generally expected to last the lifetime of the building, facility, unit, program, or other endeavor. There may nonetheless be extraordinary circumstances that justify cessation of the use of a recognition, or "renewed recognition," such as change in use, substantial renovation, or demolition of an existing building, facility, or part thereof, major programmatic changes, failure of a donor to meet the financial commitment of the donor agreement, or other situations unforeseeable at the time of the original recognition. In all cases, the City Council must approve the renewed recognition.

Gifts to City Officials

With some exceptions, every gift to any City official is prohibited, [Minn. Stat. § 471.895](#). An interested person may not give a gift or request another to give a gift to a local official. A local official may not accept

a gift from an interested person, [*Minn. Stat. § 471.895, subd. 1 \(c\)*](#). An "interested person" is a person or a representative of a person or association with a direct financial interest in a decision the local official is authorized to make.

The law prohibits gifts to local officials, not to cities. A gift can be given by an interested person to the City. Whether the City can pass the gift on to local officials is discussed below. A gift means money, real or personal property, a service, a loan, a forbearance or forgiveness of indebtedness, or a promise of future employment, that is given and received without the giver receiving consideration of equal or greater value in return.

An interested person who cannot give a gift to a local official includes anyone who is or may provide goods or services to the City--such as engineers, attorneys, fiscal advisors, contractors, and sales representatives. Virtually every resident of the City and anyone doing business in the City could at some time have a direct financial interest in a decision a local official is authorized to make and thus would qualify as an interested person. The following are possible examples where a property or business owner's financial interest could be effected.

- Levying of property taxes
- Spreading of special assessments
- Valuation of property for tax purposes
- Issuing of a license
- Zoning of property or granting of a land use permit

Any person doing business or residing in the City is potentially an interested person. Since virtually every elected or appointed City official or employee is covered by the prohibition of gifts law, the question of whether anything is exempted from the gift law is important. There are a few limited types of gifts that are not prohibited. The following types of gifts are permitted:

- Political contributions.
- Services to assist an official in the performance of official duties.
- Services of insignificant monetary value.
- A plaque or similar memento recognizing individual services in a field or specialty or to a charitable cause.
- A trinket or memento of insignificant value.
- Informational material of unexceptional value.

There is also an exception for food or beverage given at a reception, meal, or meeting away from the recipient's place of work by an organization before whom the recipient makes a speech or answers questions as part of a program. This exception permits only principal speakers at meetings to receive gifts of food or beverage. There are no blanket social exceptions to the law prohibiting gifts to local officials. But, gifts given because of the recipient's membership in a group, a majority of whose members are not local officials is permitted if an equivalent gift is given to the members of the group who are not local officials. And, gifts given by an interested person who is a member of the family of the recipient are permitted, unless the gift is given on behalf of someone who is not a member of that family. The law prohibits gifts to City officials, not to cities. Thus, an interested person can give a gift to the City. If the giver has no control over who will receive the gift, and the gift was not targeted to a specific person, perhaps a City official could benefit from that gift. However, if the person who benefits has any control over the decision to have that gift benefit that person, the gift would be prohibited. For example, if an interested person gave five tickets to a football game to the City, the City Council could not decide to use the tickets themselves.

This law applies to all employees, members of the City Council, appointed boards, commissions, and committees.

CAPITAL IMPROVEMENT PLAN (CIP)

CIP Objective

A Capital Improvement Plan (CIP) will be developed for a period of five (5) to ten (10) years. A long-range capital planning committee, appointed by the City Council, will address capital improvement projects, capital equipment needs, and the effect on the City's resources. The CIP will be reviewed and updated annually. Years two through ten are for planning purposes only.

For further details regarding plan goals, objectives, procedures, rankings, etc, refer to the Capital Improvement Plan Guidelines with the current CIP.

Capital Improvement Plan Budget

The Long-Range Capital Improvement Planning Committee will coordinate development of the CIP budget with the development of the annual general fund operating budget. As resources are available, the most current year of the CIP will be recommended for incorporation into the current year operating budget as capital outlay line items within the budget. Each capital improvement project will be reviewed by the long-range capital improvement planning committee for its impact on the operating budget in terms of revenue generation, additional personnel required, and additional operating expenses.

The City will maintain its physical assets in a manner adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The City will provide for maintenance and replacement from current revenues where possible.

Minimum Project Cost

To be considered in the CIP, a project must have an estimated cost of at least \$10,000 in one of the calendar years of the project. Certain assets below that cost may be included for informational and planning purposes at the City Council's discretion. Projects may not be combined to meet the minimum standard unless they are dependent upon each other. Items that are operating expenses (such as maintenance agreements, computer software upgrades, etc.) will not be considered within the CIP.

Department managers will identify the estimated costs and potential funding sources for each capital project prior to inclusion in the CIP. The operating costs to maintain capital projects shall be considered prior to the decision to undertake the capital projects.

Annual Review

The Long-Range Capital Improvement Planning Committee will present the CIP annually to the City Council for approval. Any substantive change to the CIP after approval must be approved by the City Council.

FIXED ASSETS AND CAPITALIZATION THRESHOLD

Capital Assets Definition

Capital assets include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, intangible assets, works of art and historical treasures acquired by the City for use in providing services to its citizens. A capital asset is to be reported and depreciated in government-wide financial statements. In the government-wide financial statements, assets that are not capitalized are expensed in the year of acquisition.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and are normally stationary in nature. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, and dams. Infrastructure assets do not include buildings, drives, parking lots or any other examples given above that are incidental to the property or access to the property.

All information in regards to City asset acquisition, retention, and disposal is maintained and reported to the finance department.

Establishing Classes of Assets

The City establishes the following major categories of capital assets, with further details defined in Exhibit A attached hereto and made a part of this policy.

- Land
- Land Improvements (Improvements other than buildings)
- Buildings and Building Improvements
- Construction in Progress
- Vehicles
- Machinery and Equipment
- Infrastructure
- Intangible Assets

Depreciation Definition

Depreciation is the process of allocating the cost of tangible property over a period of time rather than deducting the cost as an expense in the year of acquisition.

It is the City's policy to use the straight-line depreciation method. The basis of the asset is written off evenly over the useful life of the asset. The same amount of depreciation is taken each year. In general, the amount of annual depreciation is determined by dividing an asset's depreciable cost by its estimated life. The total amount depreciated can never exceed the asset's historic cost less salvage value. At the end of the asset's estimated life, the salvage value will remain.

To avoid the complications of depreciating each asset from the specific date on which it is placed in service, and because the City recognizes depreciation expense at year end, it will utilize a full-year convention. Under this convention, property placed in service at any time during a given year is treated as if it had been placed in service on the first day of that year. This allows depreciation to be taken for the entire year in which the asset is placed in service. If the property is disposed of before the end of the estimated useful life, no depreciation is allowed for the year of disposition.

To calculate depreciation on a capital asset, the following five factors must be known:

- Date the asset was placed in service,
- Cost or acquisition value,
- Salvage value,
- Estimated useful life, and
- Depreciation method.

Obtaining an Asset's Cost of Acquisition Value

Capital assets are reported at historical cost and should include the cost of freight, site preparation, architect and engineering fees, etc. If something other than cash is used to pay for the asset, then the fair-market value of the non-cash payment or consideration determines the asset's cost or acquisition value. When the value of the consideration paid can't be determined, the asset's fair-market value determines its cost. With few exceptions, an asset's cost should also include necessary costs incurred to place the asset

in service. Costs include the invoice price plus incidental costs (insurance during transit, freight, capitalized interest as described earlier, duties, title search, registration fees, and installation costs). Exceptions to this rule include interest expense associated with deferred payments and real estate taxes paid, if any, in the acquisition of property.

Inventory Record

The City shall inventory all capital assets. An inventory of all capital assets is maintained in a spreadsheet by the finance department and database maintained by public services staff. Each inventory record maintained by finance staff should include: description, year of acquisition, method of acquisition (e.g. purchase, donation, etc.), funding source, cost or estimated cost, salvage value, and estimated useful life. The inventory record will also identify the departments that use the asset. The finance department will quarterly review asset inventory with information provided by department managers and update records accordingly. On an annual basis, finance, public services, and fire staff members review all physical inventories for accuracy. The Finance Director shall review all physical inventories taken.

Recording Land

Land is to be capitalized but not depreciated. It is recorded at historical cost and remains at that cost until disposal. If there is a gain or loss on the sale of land, it is reported as a special item in the statement of activities. Asset tracking is maintained by the fixed asset database.

Recording Land Improvements

Land improvements include items such as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fencing, signs, outdoor lighting, and other non-building improvements intended to make the land ready for its intended purpose. Land improvements can be further categorized as non-exhaustible and exhaustible.

Non-Exhaustible

Expenditures for improvements that do not require maintenance or replacement expenditures to bring land into condition to commence erection of structure, expenditures for improvements not identified with structures, and expenditures for land improvements that do not deteriorate with use or passage of time are additions to the cost of land and are not exhaustible and therefore not depreciable.

Exhaustible

Other improvements that are part of a site, such as parking lots, landscaping and fencing, are usually exhaustible and are depreciable. Depreciation of site improvements is necessary if the improvement is exhaustible.

Recording Buildings

Buildings should be recorded at either their acquisition cost or construction cost. The cost of new construction should be carefully evaluated because projects usually consist of major components such as land, land improvements, building construction (including professional fees and permits), furniture, fixtures and equipment. In addition, buildings include components such as roofs, air conditioner systems, etc. that should be recorded separately when significant because these building components have different useful lives. The value of each component needs to be determined and placed within its own category.

Recording Building Improvements

Building improvements that extend the useful life of the building should be capitalized. Examples of building improvements include roofing projects, remodeling, and replacing major building components.

Recording Construction in Progress

Construction in progress should be capitalized and not depreciated. It should be reported with land and other non-depreciating assets at the government-wide level. Unspent debt proceeds from capital assets related debt are reported in the net assets section of the statement of net assets as “restricted for capital projects”.

Recording Machinery and Equipment

Assets such as furniture, machinery and equipment (that meet threshold levels) should be capitalized and inventoried. Some assets, individually, may fall below the capitalization threshold but may be purchased in large quantities by the City (examples: computers and books). City staff should aggregate such assets and consider the materiality and significance of them. If material or significant, capitalize such items either individually or in the aggregate.

Recording Vehicles

Vehicles should be identified, inventoried, and depreciated.

Recording Easements

An easement is an interest in land owned by another party that entitles its holder to a specific limited use of the land. Therefore, easements are not required to be reported unless the City paid for the easement. (See Recording Intangible Assets below).

Recording Intangible Assets

Intangible assets are to be capitalized and recorded based on actual cost. Easements (permanent and temporary), internally created computer software, water rights, patents, copy rights, and trademarks will not be depreciated due to their indefinite useful life.

Recording Works of Art and Historical Treasures

Works of art and historical treasures should be recorded at historical costs. Depreciation is not required for collections or works of art that are inexhaustible.

Establishing and Setting the Threshold Levels for Recording Capital Assets

The following elements of useful life, salvage value, and asset costs are established for capitalization of assets:

Estimated Useful Life

The first criterion is useful life. An asset must have an estimated useful life greater than one (1) year to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in one year or less will not be capitalized.

Salvage Value

The second criterion for determining depreciation expense is calculating the asset's salvage value. Assets categorized as vehicles, machinery and equipment will take into consideration a salvage value, unless there is reason to believe there will be no remaining value of the asset when the useful life is met. The discretion for this determination will be reviewed by the department in which the asset resides and the finance department. If it is determined there will be a value at the end of the assets useful life, a value of 5% of the total original cost of the asset will be recorded as salvage value. If an asset falls into any another asset category, a salvage value will not be recorded and taken into consideration when calculating depreciation expense.

Asset Cost

The third criterion for determining depreciable capital assets is cost. The capitalization threshold shall be established as follows per individual asset items. (See Exhibit A for additional threshold and asset class information.)

	<u>Capitalize and Depreciate</u>
Land	Capitalize only
Construction in Progress	Capitalize only
Intangible Assets	Capitalize only
Land Improvements (Other than buildings)	\$10,000
Building and Building Improvements	\$10,000
Infrastructure	\$10,000
Machinery and Equipment	\$10,000
Vehicles	\$10,000

Asset Acquisition – Procedures & Internal Controls

All asset acquisitions and disposals must be reported to the finance department after council approval. As asset items and projects are completed, put into service, and/or taken out of service, department managers must report to the finance department the bid price (or disposal information) along with the City Council’s action/resolution. Documentation such as invoices for purchase (or acquisition) and the notice of sale must be forwarded to the finance department before the database will be updated.

When all invoices and charges for service are totaled for a project, the asset is activated by the finance department and maintained with quarterly inventory audits and annual overall asset review. Depreciation expense is calculated at fiscal year end. Depreciation is calculated by the database and takes into account items as listed above including acquisition cost, useful life, and salvage value. Depreciation expense is then recognized as an expenditure in the final period of the fiscal year. The calculation of depreciation is processed by finance staff and approved by the Finance Director.

INVESTMENTS

Policy and Scope

It is the policy of the City of Waconia to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

The investment policy applies to all financial assets of the City of Waconia. These funds are accounted for in the City of Waconia’s Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Debt Service Funds
- Trust and Agency Funds

Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio.

Investment officers acting in accordance with this policy and with Minnesota State Statute 118A and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Objective

The primary objectives, in priority order, of the City of Waconia's investment activities shall be:

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City of Waconia shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the City of Waconia will diversify its investments by investing funds among a variety of securities offering independent returns and among various financial institutions.
- **Liquidity:** The City of Waconia's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements, which might be reasonably anticipated.
- **Return:** The City of Waconia's investment portfolio shall be designed with the objective of attaining a benchmark rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority

Management responsibility for the investment program is hereby delegated to the Finance Director and City Administrator who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate personnel, and their procedures in the absence of Finance Director and City Administrator.

Investment Procedures

The Finance Director shall establish written policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to safekeeping, repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director.

Ethics and Conflicts of Interest

Public officials and City employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Council any material financial interest in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City of Waconia.

Authorized Financial Dealers and Institutions

The Finance Director will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Minnesota. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule). No public deposit shall be made except in a qualified public depository as established by Minnesota laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director, upon request, with annual audited financial statements, proof of National Association of Security Dealers (NASD) certification, and proof of State of Minnesota registration. Annual completion of Notification to Broker and Certification by Broker (pursuant to Minnesota State Statutes 118A.04) will be done.

Authorized and Suitable Investments

From the governing body perspective, special care must be taken to ensure that the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle. Minnesota State Statutes, Section 118A, lists all permissible investments for municipalities. The following is a list of investments which the City of Waconia will be authorized to invest in:

1. Government Securities: Instruments such as bonds, notes, bills, mortgages and other securities which are direct obligations of the federal government or its agencies, with the principal fully guaranteed by the U.S. Government or its agencies.
2. Certificate of Deposit: A negotiable or nonnegotiable instrument issued by commercial banks and insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC), or, if exceeding \$250,000 FDIC coverage, is fully insured or collateralized.
3. Prime Commercial Paper: An investment used by corporations to finance receivables. A short-term (matures in 270 days or less) unsecured promissory note is issued for a maturity specified by the purchaser. Corporations market their paper through dealers who in turn market the paper to investors.
4. Any security which is a general obligation of the State of Minnesota or any of its municipalities.
5. Statewide investment pools which invest in authorized instruments according to Minnesota State Statutes 118A.
6. Money market mutual funds which invest in authorized instruments according to Minnesota State Statutes 118A.

Interest-bearing deposits in authorized depositories must be fully insured or collateralized.

Safekeeping and Custody

When a broker dealer holds investments purchased by the City of Waconia in safekeeping, the broker-dealer must provide asset protection of \$500,000 through the Securities Investor Protector Corporation (SIPC) and at least another \$49.5 million supplemental insurance protection.

Diversification

The City will attempt to diversify its investments according to type and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields and to match investment maturities with debt obligations; however, no more than 20% of the total investments should extend beyond 5 years. Unless prior Council approval is received, no investment with a maturity exceeding 10 years will be purchased.

The City will attempt to diversify its investment portfolio according to broker-dealer or financial institutions. No more than 50% of the entire investment portfolio shall be held with one broker-dealer or financial institution.

Reporting

Periodic required investment reports to policymakers and elected officials provide necessary written communication regarding investment performance, risk analysis, adherence to policy provisions, as well as other information. The Finance Director shall provide the City Council with periodic investment reports, which provide a clear picture of the status of the current investment portfolio. The management report should include a summary of securities held at the end of the reporting period by authorized investment category, percentage of portfolio represented by each investment category, percentage of portfolio represented by each financial institution, and overall portfolio values.

DEBT SERVICE

Practices

Debt will be incurred only for those purposes as provided by Minnesota State Statutes. The City may utilize the M.S. Chapter 429 process for allowable purposes, including new development projects; however, unless specifically approved by the City Council, the term of the assessments on such new development parcels shall not exceed ten (10) years.

The City of Waconia will never issue debt in excess of three percent (3%) of its total market value.

Type of Instruments

When the City Council determines that an eligible project will be funded through the issuance of debt, the following types of debt structures shall be considered:

General Obligation Debt Bonds (G.O.) – Property Tax supported. General obligation bonds are direct obligations of the City and pledge the full faith and credit of the City. G.O. Debt Bonds are used to finance only capital facilities and equipment that are essential to the continued maintenance or development of the City.

- Any project considered for funding must be included in the Capital Improvement Plan of the City.
- The revenue stream for re-payment of the debt is primarily general property tax, but in some circumstances may include contract revenue.

General Obligation Improvement Bonds (G.O.) – General Obligation bonds are direct obligations of the City and pledge the full faith and credit of the City. G.O. Improvement bonds are used to finance street and utility improvements that are essential to the continued upkeep, maintenance, and/or development of the City.

- Any project considered for funding must be included in the Capital Improvement Plan of the City.
- The bonds are supported primarily by special assessment revenues and property tax levies.

General Obligation Revenue Bonds - Bonds which are supported wholly by revenues not based on real estate property values and can include enterprise revenues and other user fees.

Special Obligation Revenue Bonds (Conduit Debt) - Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. Although these bonds bear the name of the City, the City has no obligation for such debt.

- These bonds should be issued when the proposed development is expected to be financially feasible and contributes to the general welfare or development of the City.
- The City will charge a fee of up to 1% of the bond offering.

Equipment Certificates - These bonds are direct obligations of the City and pledge the full faith and credit of the City. Equipment Certificates shall be used to purchase equipment that is part of the Capital Improvement Plan.

- The City shall try and manage equipment certificates so that new certificates are only issued when a certificate expires. However, there may be times when this is not feasible.

- The revenue stream for re-payment of the debt is primarily general property tax, but in some circumstances may include contract revenue.

Lease Transactions - The City shall have the option of financing equipment and facilities by executing a lease agreement with a third party. In considering leasing the following shall be considered:

- Before execution of a lease agreement, the Finance Director and Bond Counsel shall compare the cost of issuing long-term debt versus lease. A lease shall be utilized when this comparison results in favorable savings to issuing long term debt.
- Adequate general or enterprise revenues should be available to service the payments.

Bond Rating

Strong financial management is a key credit rating factor. In order for the City of Waconia to respond quickly to economic and financial demands, the City will seek to maintain or continually improve the bond rating so as to seek the lowest possible interest rate available. The City will also maintain a “strong” Financial Management Practice score to provide transparent and consistent information.

The Permanent Improvement Revolving (PIR) Fund will budget for all governmental capital improvement activities and a separate debt service fund will exist for the repayment of debt and collection of all special assessments and other sources identified within the projects.

Arbitrage Monitoring & Reporting

The City will utilize the services provided by the approved fiscal advisor for arbitrage calculation services. Compliance with regular arbitrage reporting will ensure the City is compliant with IRS regulations for the issuance of tax exempt bonds. Finance staff will provide reporting information from the City’s financial system to the City’s fiscal advisor when requested. A copy of each required arbitrage report will remain on file at the City with the bond issuance information.

Letters of Credit Requirement

Should 429 financing be utilized for private development projects, the developer or property owner shall provide an irrevocable letter of credit, issued by a banking institution approved by the Finance Director. The amount of the letter of credit shall be equal to one hundred percent (100%) of the total special assessments for the project and may be reduced on an annual basis after verification that special assessments have been paid in each year of the repayment schedule.

In the case of an irrevocable letter of credit required for the completion of public improvements within the development project, the amount shall be equal to one hundred and twenty percent (120%) of the estimated cost of the improvements. The developer or property owner shall provide an irrevocable letter of credit, issued by a banking institution approved by the Finance Director.

Special Assessments

The financing for reconstruction projects is through the sale of General Obligation 429 Improvement Bonds. Minnesota State Statute requires a minimum assessed percentage of 20% for projects financed with 429 bonds.

With each reconstruction project, a feasibility study is completed and approved by the City Council. Once a draft of the feasibility study is complete, City staff will share the information with a qualified appraiser to determine the special benefit to each property in the reconstruction area. The City Council will use this appraisal information as a basis for finalizing the special assessments due by property owners for reconstruction projects.

Assessment Policy Summary:

- The portion of the project costs assessed to the abutting property owner shall be based on a linear front footage basis of the parcel or unit basis.
- The City pays 50% of the total project cost of a standard local street section and 100% of the cost of extra width and extra depth above the city standard local street section.
- Storm sewer costs are to be included in the total project cost of a city standard local street, assessed 50% (and City pays 50%), in accordance with the Street Assessment Policy.
- All or some of the following improvements may be incorporated in a reconstruction project. Costs for these improvements will be included in the overall project cost, with a contribution from the City: storm water ponding, street lights, relocation of overhead power lines, street signs, sidewalks and trails, and boulevard trees.
- Corner lots and parcels with multiple frontages shall be assessed 50% of the front footage on each side.
- A minimum assessment shall be levied to parcels identified within the project area having neither direct primary nor non-primary access to affected streets. The assessment shall be equal to 75% of the typical front footage identified within the project area. Parcels abutting county roads are exempt from this provision.
- Assessments will not be levied for seal coat and overlay operations.
- Assessments may be pre-paid to the City by benefiting properties
- Assessments will be billed to the benefiting property owner by the City; typically over a ten (10) year period, at an interest rate of one percent (1%) over the bond interest rate. Other terms of the assessment receivable may be available to the benefiting property owners.
 - For any project, where all the benefiting property owner(s) are governmental entities (school district, county, state, etc.), the City will assess the benefiting property owner(s) the actual bond interest rate, typically over a ten (10) year period.
- In the case where a benefiting property owner is delinquent in their assessment payment, assessments may be certified to real estate taxes over a ten (10) year period, at an interest rate one percent (1%) over the bond interest rate.
- Partial pre-payments for assessments exceeding \$100,000.00 may be accepted by the City.

Infrastructure Improvement Cost Breakdown & Methodology

Improvement	Type of Construction	Method
Curb & Gutter	New Development	100% of the cost assessed to abutting property owner on linear front footage OR unit basis.
	Reconstruction (Complete)	The portion of the project costs assessed to the abutting property owner shall be based on a linear front footage basis of the parcel.
	Reconstruction (Spot repair)	100% of cost to be included in overall cost of project prior to assessment apportionment in accordance with policy.
Local Street	New Development	100% of the cost assessed to abutting property owner on linear front footage OR per unit basis.
	Reconstruction	50% of the cost to be assessed to abutting property owner on linear front footage OR per unit basis. 50% of the cost to be paid by City.
	Maintenance (Seat coat & overlay)	100% Paid with City funds.
Collector Street as defined by the City's Transportation Plan	New Development	100% of the construction cost of a city standard local street assessed to abutting property owner based on linear front footage OR per unit basis.
	Reconstruction	The portion of the project costs assessed to the abutting property owner shall be based on a linear front footage OR per unit basis. City pays 50% of the cost of the construction of city standard local street and 100% of the cost of construction above a city standard local street.
	Maintenance (Seat coat & overlay)	100% Paid with City funds.
Intersection	New Development	100% of the cost to be included as part of street project and apportioned according to appropriate street construction category.
	Reconstruction	100% of cost to be included in overall cost of project prior to assessment apportionment in accordance with policy.
Multiple Fronted Parcels - Corner Lot - Double Fronted Lot - Large Parcels - Etc.	Reconstruction	Front footage to be used in assessment methods described herein shall be calculated as follows: - 50% of the front footage on all sides of the parcel. 50% of the cost to be paid with City funds.
Parcels with no driveway access to primary and non-primary streets.	Reconstruction	A minimum assessment shall be levied to parcels identified within the project area having no direct driveway access to neither primary nor non-primary streets, i.e. alley access. The assessment shall be equal to 75% of the typical front footage identified within the project area. Parcels abutting county roads are exempt from this provision.
Alley	New Development	100% of the cost assessed to abutting property owner on linear front footage OR per unit basis.
	Reconstruction	50% of the cost to be assessed to abutting property owner on linear front footage OR per unit basis. 50% of the cost to be paid with City funds.

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Improvement	Type of Construction	Method
Sanitary Sewer Trunk/Lateral	New Development	100% of the cost assessed to benefited area on unit basis.
	Reconstruction	50% of the cost assessed to benefited area on unit basis. 50% of the cost to be paid with City funds.
	Maintenance	100% of the cost to be paid with City funds.
Sanitary Sewer Service	New Development	100% of cost assessed to property owner.
	Reconstruction (Including main)	50% of the cost assessed to benefited area on a unit basis. 50% of the cost to be paid with City funds.
	Reconstruction (Stand alone service replacement)	100% of cost assessed to property owner.
Sanitary Sewer Oversizing	New Development	100% paid with City funds. (Materials cost above 8-inch pipe plus 20% for handling and installation.)
	Reconstruction	100% paid with City funds. (Materials cost above 8-inch pipe plus 20% for handling and installation.)
Lift Station	New Development	100% of the cost assessed to benefited area on a per unit basis.
Water Trunk/Lateral	New Development	100% of the cost assessed to benefited area on unit basis.
	Reconstruction	50% of the cost assessed to benefited area on unit basis. 50% of cost to be paid with City funds.
	Maintenance	100% of the cost to be paid with City funds.
Water Service	New Development	100% of cost assessed to property owner.
	Reconstruction (Including main)	50% of the cost assessed to benefited area on a unit basis. 50% of the cost to be paid with City funds.
	Reconstruction (Stand alone service replacement)	100% of cost assessed to property owner.
Water Oversizing	New Development	100% paid with City funds. (Materials cost above 8-inch pipe plus 20% for handling and installation.)
	Reconstruction	100% paid with City funds. (Materials cost above 8-inch pipe plus 20% for handling and installation.)
Storm Sewer Trunk/Lateral	New Development	100% of the cost assessed to benefited area on unit basis.
	Reconstruction	50% of the cost to be assessed to abutting property owner on linear front footage OR per unit basis. 50% of the cost to be paid with City funds.
	Maintenance	100% of the cost to be paid with City funds.
Storm Water Ponding	New Development	100% assessed to development.
	Reconstruction	Cost to be included in overall cost of project prior to assessment apportionment in accordance with policy. City makes contribution to the project.
	Maintenance	100% of the cost to be paid with City funds.
Overhead Power Lines	Relocation	Cost to be included in overall cost of project prior to assessment apportionment in accordance with policy. City makes contribution to the project.
Street Lights	New Development	100% of material and installation cost on a unit basis paid by developer.
	Reconstruction	Cost to be included in overall cost of project prior to assessment apportionment in accordance with policy. City makes contribution to the project.
	Maintenance	100% of the cost to be paid with City funds.
Street Signs	New Development	100% of material and installation cost on a unit basis paid by developer.
	Reconstruction	Cost to be included in overall cost of project prior to assessment apportionment in accordance with policy. City makes contribution to the project.
	Maintenance	100% of the cost to be paid with City funds.
Sidewalks & Trails	New Development	100% of cost assessed on a unit basis to development.
	Reconstruction	Cost to be included in overall cost of project prior to assessment apportionment in accordance with policy. City makes contribution to the project.
	Maintenance	100% of the cost to be paid with City funds.
Boulevard Trees	New Development	100% of cost paid by developer.
	Reconstruction	Cost to be included in overall cost of project prior to assessment apportionment in accordance with policy. City makes contribution to the project.
	Maintenance	100% of the cost to be paid with City funds.

Deferred Special Assessments

Hardship Assessment Deferral for Senior Citizens, People with Disabilities, or Members of the National Guard or other Reserves Ordered to Active Military Service.

Pursuant to the authority for deferring special assessments as provided in Minnesota State Statute Section 435.193 through 435.195, the City Council may, in its discretion, defer the payment of special assessments for any homestead property owned by a person 65 years of age or older, one retired by virtue of a permanent and total disability, or a member of the National Guard or other reserves ordered to active military service for whom it would be a hardship to make the payments.

Eligibility

Any person 65 years of age or older, permanently and totally disabled (as determined by the Social Security Administrator), or a member of the National Guard or other reserve ordered to active military service may request deferment of special assessments levied against real property for public improvements if the following conditions are met.

1. Ownership. The applicant must be the fee simple owner of the property or must be a contract vendee for fee simple ownership. An applicant must provide either a recorded deed or contract for deed with the application to establish a qualified ownership interest as required here.
2. Homestead. The property must be the applicant's principal place of domicile and classified on the City's and County's real estate tax rolls as the applicant's homestead.
3. Income. The income threshold for eligibility of those applicants 65 years of age and older or disabled be established at or below 50% of the Average Median Income for Carver County as determined by the Metropolitan Council. Income eligibility would be determined by the submittal of the most recent federal tax filing form.

Interest on Deferred Assessment

Interest on the deferred assessment shall be forgiven until December 31st of the year before the first installment is payable.

Deferment Period

The deferment shall be granted for as long a period of time as the hardship exists and the conditions aforementioned have been met. However, it shall be the duty of the applicant to notify the City Administrator of any change in status that would affect eligibility or deferment.

The entire amount of deferred special assessments shall be due within sixty (60) days after loss of eligibility by the applicant. If the special assessment is not paid within the sixty (60) days, the City Administrator shall add thereto interest at a per annum interest rate of one percent (1%) above the bond interest rate and the total amount of principal and interest shall be certified to the County Auditor for collection with taxes the following year. Should the applicant demonstrate to the satisfaction of the City Council that full repayment of the deferred special assessment would cause the applicant particular undue financial hardship, the Council may order that the applicant pay within sixty (60) days a sum equal to the number of installments of deferred special assessments outstanding and unpaid to date, including principal and interest, with the balance thereafter paid according to the terms and conditions of the original special assessments.

Termination of Deferral Status

The option to defer the payment of special assessment shall terminate and all amounts accumulated plus applicable interest shall become due upon the occurrence of any one of the following events:

1. Sale of Property. The subject is sold, transferred, or subdivided in whole or in part.
2. Death of Owner. The death of the fee owner qualified for deferral status unless a surviving joint tenant, tenant in common, or contract vendee is eligible for the deferral benefit provided hereunder.
3. Nonhomestead Property. The subject property loses its homestead status for any reason.
4. No Hardship. The City Council determines that there would be no hardship to require an immediate or partial payment of the deferred special assessment.

Filing for Federal Status/Fee

An eligible applicant must file an application not later than thirty (30) days after the assessment is adopted by the City Council.

All deferral applications must be made on forms approved by the City and submitted to the City Administrator. The applicant will be charged an administrative filing fee, based on the current fee schedule.

Nothing herein shall be construed to prohibit the determination of hardship on the basis of exceptional and unusual circumstances not covered by the above noted requirements where the determination is made in a nondiscriminatory manner and does not give the applicant an unreasonable preference or advantage over other applicants.

Deferred Assessment Procedures

- Deferred Assessment Application form is provided to applicant/property owner by the City Administrator's Office.
- Applicant fills out the application form and provides the relevant information to document qualification for deferred assessment. Applicant then returns form to City Administrator's Office.
- City Administrator forwards the application to the Finance Director for review of qualifications. Finance Director makes recommendation to City Council to approve or deny the application.
- An approved application may be forwarded to the Carver County Recorder's office for recording and to the Carver County Taxpayer Services Division.
- The deferral information is entered into the City's property records data base.
- At such time the property no longer qualifies for the deferred assessment (upon a transfer of the property, loss of homestead status, or death, no hardship as determined by the Council), the County Auditor/Recorder's office will notify the City of the termination of the deferral status, and direct the party to the City Administrator's office to pay balance on the outstanding deferred assessment amount.

FINANCIAL POLICY ADOPTION

The City of Waconia financial policy and guidelines shall be adopted and amended by action of the City Council. The Waconia City Council shall review the policy periodically and any modifications made thereto must be approved by the City Council.

Policy Amended on: November 22, 2010

This policy replaces separate policies regarding purchasing, fund reserves, credit cards, special assessments, and capitalization.

Policy Amended on: February 21, 2012

This policy replaces separate policies regarding purchasing, capital assets, and debt.

Policy Amended on: February 18, 2014

This policy replaces separate policies regarding fund balance descriptions and capital assets.

Policy Amended on: January 20, 2015

This policy replaces separate policies regarding enterprise fund reserves, grant application process, arbitrage reporting, and appraisal reporting for reconstruction projects that include special assessments.

Policy Amended on: September 8, 2015

This policy replaces separate policies regarding employee training, travel, and reimbursement expenditures, refunds to customers for City accounts, and capital asset salvage value determination.

Policy Amended on: January 23, 2017

This policy replaces separate policies regarding federal purchasing requirements and depreciation schedules for pumps, control systems, and generators.

Policy Amended on: June 19, 2017

This policy replaces separate policies regarding assessments billed to benefiting property owners that are other governmental entities.

Policy Amended on: March 18, 2019

This policy replaces separate policies regarding purchasing threshold limitations updated by state and federal purchasing requirements and the addition of elected officials travel requirements.

Policy Amended on: December 16, 2019

This policy replaces separate policies regarding tipping for meal reimbursement and qualifications for deferred assessments.

Policy Amended on: December 21, 2020

This policy replaces separate policies regarding returned payments and investment diversification.

**CAPITALIZATION/DEPRECIATION SCHEDULE
EXHIBIT A**

<u>Asset Type</u>	<u>Examples</u>	<u>Depreciable Life in Years</u>
<u>Non-Infrastructure</u>		
Land		No Depreciation
Land Improvements – structures	Parking lots, sidewalks, fencing, welcome signs	20
Land Improvements – ground work	Ball fields, landscaping, sprinkler system	20
Intangible Assets	Easements, water rights, patents, trademarks	No Depreciation
<u>Buildings & Building Improvements</u>		
Building Improvements such as:		40
Electrical/Plumbing		20
HVAC Systems	Air-conditioners, heating, ventilation systems	20
Roofing		20
<u>Vehicles</u>		
Cars and light trucks		5
Fire trucks		20
<u>Equipment</u>		
Heavy Construction Equipment	Backhoes, trucks, dozers, front-end loaders, tractors, graders	10
Light Construction Equipment	Generators	10
Firefighting Equipment	Hoses, extrication tools	10
Communications Equipment	Radios, camcorder, radar	5
Telephone Systems		10
Recreational Athletic Equipment	Pitching machines, fitness equipment, scoreboards, bleachers, playground equipment	10
Custodial Equipment	Floor scrubbers	5
Grounds Equipment	Mowers, tractors, tool cat, and attachments	5
Office Equipment	Printers, IT equipment, software	5
Artwork	Collections	No Depreciation
<u>Infrastructure</u>		
Easements		No Depreciation
Pumps & Control Systems		20
Water Systems	Mains	40
Sanitary Sewer Systems	Mains	40
Storm Sewer Systems	Curb and gutter, mains	40
<u>Streets/Roads</u>		
Paved		20
Non-paved		No Depreciation