

RESOLUTION NO. R25- __

CITY OF SHELDON, IOWA

FINANCIAL POLICY

Adopted by City Council on **June 18, 2025**

SECTION 1 - GENERAL POLICY

It is the expectation of the City Council and the citizens of Sheldon, Iowa, that the City conducts its financial affairs in a thoughtful and prudent manner. This Financial Policy establishes the framework for the City's fiscal management, assisting the City Council in decision-making and providing guidelines for evaluating current activities and future proposals. These policies represent long-standing principles, traditions, and practices that align with generally accepted accounting principles (GAAP), as outlined in the latest edition of Governmental Accounting, Auditing, and Financial Reporting (GAAFR), and have historically ensured financial stability. Deviations from this policy may occur based on sound decisions and public interest, with such exceptions noted in the City Council minutes.

SECTION 2 - REVENUE POLICIES

The City of Sheldon aims to maintain a diversified and stable revenue system to minimize short-term fluctuations and ensure sufficient funding for municipal services.

General Revenue Policies

- The City will pursue a diversified revenue base through community and economic development to reduce reliance on any single source and stabilize the property tax rate.
- Revenue projections will be developed annually, with existing and potential sources reviewed to ensure alignment with service needs and economic conditions.
- User fees and charges will be established, where practical, at levels reflecting the full cost (operating, direct, and indirect) of providing services, reviewed annually, and adjusted as necessary to support program costs while remaining sensitive to low-income residents.
- The City will follow an aggressive policy of revenue collection to maximize benefits from major sources.

Property Taxes

- Property tax levy rates will comply with Iowa Code limits and be reviewed annually, considering economic conditions, service level changes, state mandates, and rollback adjustments. Stability in the levy rate is desired, with adjustments made only when revenues fall short or exceed

funding needs for basic services, potentially supporting infrastructure, equipment, or economic development projects.

Urban Renewal - Tax Increment Financing (TIF) Policy

- Purpose: TIF will be used to stimulate private investment, enhance commercial and residential development, and fund public infrastructure, adhering to Iowa Code Chapter 403.
- Process: Annual TIF valuation reservations will be certified by December 1, based on debt and contractual obligations, with exhibits provided to taxing jurisdictions upon request.
- Restrictions: Excess TIF valuation will be released to taxing jurisdictions when funds exceed debt needs, with sunset dates established per Iowa Code Chapter 403.17(10).
- Reserves: TIF reserves will be maintained to offset fluctuations in debt requirements, earmarked for specific future obligations.

Municipal Enterprises

- Enterprise funds (e.g., Water and Sewer) will be self-supporting through user fees, set at levels covering all operating, maintenance, and replacement costs, and reviewed annually during the budget process.

SECTION 3 - RESERVES AND CONTINGENCIES

Adequate reserves ensure flexibility, creditworthiness, and the ability to address economic uncertainties or unanticipated needs.

General Policies

- General Fund: Unrestricted cash reserves will be maintained at a minimum of 25% of annual expenditures at fiscal year-end, with a ceiling of 35%. Excess reserves above 35% may be considered for tax relief or capital projects.
- Enterprise Funds: Unrestricted reserves will cover 100% of fiscal year expenditures to ensure operational continuity.
- Road Use Tax Fund: Reserves (RUT Depreciation) will target a minimum of 25% of operating expenditures, adjustable for anticipated capital needs. Annually, the Road and Use Tax fund will budget a transfer to the reserve fund for the anticipated capital needs.
- Reserves will not fund routine operating expenses exceeding budget levels but may support non-recurring expenditures or pre-identified capital projects, provided minimum levels are maintained.

GASB 54 Compliance

- Fund balances will be classified as Non-spendable, Restricted, Committed, Assigned, or Unassigned. Spending order will prioritize Restricted, then Committed, Assigned, and Unassigned funds. The City Manager and Finance Director may assign balances, while the City Council commits them.
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SECTION 4 - OPERATING EXPENDITURE POLICIES

Expenditures will align with available revenues to ensure fiscal sustainability.

- Expenditure projections will be developed annually and reviewed monthly, including costs for capital projects and equipment maintenance.
 - Current expenditures will be funded with current revenues or excess reserves, avoiding deferral of needed expenses or reliance on short-term debt.
 - The budget will provide for adequate maintenance and orderly replacement of fixed assets and equipment.
 - Funding requests from local service organizations will be considered annually, due by December 1, and funded only with excess operating funds above reserve targets. Per State Auditor guidance, appropriate public purpose and public benefit must be established.
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SECTION 5 - CAPITAL IMPROVEMENT PROGRAM (CIP) POLICIES

The City will plan for infrastructure and growth within its financial capacity.

- A five-year CIP will be developed and updated annually, aligned with City Council goals and the Comprehensive Plan, detailing project costs, funding sources, and revenue impacts, adjusted for inflation.
 - Operating and maintenance costs of proposed improvements will be calculated to assess true costs and future revenue needs.
 - Funding will prioritize current revenues, grants, special assessments, and developer contributions, with borrowing (e.g., general obligation or revenue bonds) used when necessary.
 - General Fund cash balances may be utilized to match grants or upfront costs for grants (IE TIF, Federal) for specific projects (e.g., Airport, Blight Remediation, Economic Development), where feasible.
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SECTION 6 - DEBT MANAGEMENT POLICIES

Debt issuance will be conservative yet flexible to support significant capital needs.

- Long-term borrowing will be limited to capital improvements exceeding \$250,000 with a useful life beyond the debt term, not for operating costs.
 - Total general obligation debt will not exceed 85% of the statutory limit (5% of taxable assessed value per Iowa Code), with the debt service levy capped at 30% of the total property tax levy.
 - Debt schedules will align with available revenues, with maturities not exceeding asset useful life or state law limits.
 - Refunding will be considered for interest savings (minimum 3% net present value benefit) or to restructure debt.
 - Full disclosure will be maintained in financial reports and bond prospectuses.
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SECTION 7 - FINANCIAL REPORTING AND ACCOUNTING POLICIES

The City will maintain high standards of transparency and accountability.

- The budget and accounting system will operate on a cash basis for interim and state reporting.
 - Quarterly financial reports will compare actual revenues and expenditures to budgeted amounts, with monthly cash position and investment performance updates.
 - An independent audit will be conducted annually, producing annual financial statements per GAAP, with results made publicly available.
 - A three-year financial plan for operating funds and a multi-year CIP will be prepared and reviewed annually.
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SECTION 8 - INVESTMENT POLICIES

Scope

This policy, compliant with Iowa Code Chapters 12B and 12C, governs all operating funds, bond proceeds, and other funds in the City's financial statements, with bond investments also adhering to applicable resolutions. Copies will be provided to the City Council, depositories, auditors, and fiduciaries.

Delegation of Authority

- The City Treasurer, designated as the Finance Director, is responsible for investment transactions, with authority limited to those named by Council resolution. The Treasurer will be bonded at \$300,000, reviewed annually.
- A written system of internal controls will prevent losses, document responsibilities, and ensure review of fiduciaries' financial statements.

Objectives

- Safety: Preservation of principal is the foremost priority.
- Liquidity: Sufficient liquidity will match expected liabilities.
- Return: A reasonable return will be sought within legal constraints.
- Bond Rating: It is the Goal of the City to attain the highest feasible bond / debt rating.

Prudence

- The Treasurer will exercise care, skill, and diligence, considering portfolio roles and objectives, requesting competitive proposals or seeking market rates (IE compared to IPAIT – Iowa Public Agency Investment Trust) for checking, savings and investments.

Eligible Instruments

- Interest-bearing accounts and certificates of deposit at Iowa depository institutions on the State Treasurer's Approved Bank List, not exceeding Council-approved limits.
- U.S. government obligations, Iowa Public Agency Investment Trust (IPAIT), and other instruments per Iowa Code Chapter 12B.

Prohibited Investments

- Reverse repurchase agreements, futures, options, and speculative trading practices.

Maturity Limitations

- Operating funds (expended within 15 months) will mature within 397 days; other funds may exceed this, consistent with intended use, up to three years unless Council-authorized.

Diversification

- Prime bankers' acceptances:
 - At the time of purchase, no more than ten percent (10%) of the investment portfolio of the City shall be invested in prime bankers' acceptances; and
 - At the time of purchase, no more than five percent (5%) of the investment portfolio of the City shall be invested in the securities of a single issuer.

- Commercial paper or other short-term corporate debt:
 - At the time of purchase, no more than ten percent (10%) of the investment portfolio of the City shall be in commercial paper or other short term corporate debt;
 - At the time of purchase, no more than five percent (5%) of the investment portfolio of the City shall be invested in the securities of a single issuer; and 3. At the time of purchase, no more than five percent (5%) of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification.

Safekeeping

- Investments will be held by third-party custodians under written agreements per Iowa Code Section 12B.10C, requiring delivery versus payment.

Ethics

- Investment personnel will avoid conflicts of interest.
- Component units will be accountable and transparent, adhering to recommendations from the Auditors.

Reporting

- Monthly investment reports will summarize portfolio status, transactions, and market conditions, submitted with bank reconciliations.

Review

- This policy will be reviewed every three years or as needed, with amendments promptly distributed.

SECTION 9 - ECONOMIC DEVELOPMENT POLICIES

The City will maintain an economic development plan to attract and retain businesses, fostering job growth, higher wages, and increased tax revenues.

- Incentives (e.g., TIF, public-private partnerships) will be used transparently, with development agreements outlining terms and expected outcomes, monitored via financial pro formas and performance metrics.
- The City will prioritize new or expanding businesses from outside the metropolitan statistical area (MSA), avoiding active recruitment from within the MSA unless expansion or relocation out-of-state is at stake, notifying neighboring jurisdictions of interest.

PASSED AND APPROVED this ____ 18th ____ day of ____ June ____, 2025.

Greg Geels – Mayor

ATTEST:

Angela Beckman - City Clerk