

CITY OF HOMER  
HOMER, ALASKA

ORDINANCE 93- 14

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HOMER AMENDING HOMER CITY CODE TITLE 3, REVENUE AND FINANCE, TO ADD CHAPTER 3.01, GENERAL, CHAPTER 3.05, BUDGET, AND CHAPTER 3.10, INVESTMENT AND COLLATERALIZATION OF FUNDS.

THE CITY OF HOMER ORDAINS:

Section 1. Title 3, Chapter 3.01, General, of the Homer City Code is created to read as follows:

3.01.010 Fiscal year. The fiscal year of the City shall be the calendar year.

3.01.020 Examination of claims. The Finance Director/Treasurer or a designee, shall examine all payrolls, bills, claims and other demands of the City, and shall issue no warrant for payment unless the claim is in proper form, correctly computed and approved, and is legally due and payable and an appropriation has been made therefore that has not been exhausted, and unless there is sufficient money in the City treasury to make payment.

3.01.025 Deposit of money. All money collected by departments of the City shall be deposited with the Finance Director/Treasurer within three working days after collection, for amounts less than \$100, deposit Friday by 10:00 AM.

3.01.030 Deposit of securities. All money and securities shall be deposited by the Finance Director/Treasurer in a bank that is approved by the City Council.

3.01.035 Collection of revenues and proceeds from securities. All revenues and proceeds from securities owned by the City shall be collected by the Finance Director/Treasurer promptly when due.

3.01.040 Cancellation of uncollected accounts receivable; refunds of erroneous payments.

a. The Finance Director/Treasurer may, cancel any uncollectible account receivable except bills which may become a lien against property for taxes, but shall report all such cancellations to the City Manager, who will report to the City Council. Bills which may become a lien against property may be cancelled only upon written formal claim by the owner when supported by substantial evidence of its propriety and approval by the City Council.

b. Any refunds of over-payments or erroneous payments may be made by the Finance Director/Treasurer (upon evidence of over-payment or erroneous payment).

3.01.045 Payrolls. Payrolls shall be submitted to the Finance Director/Treasurer or a designee for approval, and upon approval the Finance Director shall issue warrants in payment thereof when due. It shall not be necessary for the Finance Director to encumber in advance or to certify as to the availability of funds appropriated for personal services, except those obtained on a contractual basis; provided, that upon issuance of such warrants, the Finance Director shall immediately cause the appropriate funds to be encumbered to the extent of the warrants issued.

3.01.050 Deduction before disbursement. Before disbursement of money to any person, business or organization, there shall be deducted therefrom the amount of any delinquent indebtedness owed by such person to the City.

3.01.055 Credit policy and regulation authorized. The City Council may by resolution adopt policies and regulations establishing the City's practices for extension of credit, billings, debt collections, and pursuit of delinquent accounts receivable.

Section 2. Title 3, Chapter 3.05, Budget, of the Homer City Code is created to read as follows:

3.05.005 Budget assumptions. By the third Friday in September the City Manager shall present to the Council an overview of preliminary budget assumptions. These preliminary assumptions will address by fund, revenue projections, tax and utility rates, program additions or deletions, wages and benefits, or other issues with potential impact on the City's overall financial condition.

3.05.010 Budget submission; contents. By the third Friday in October the City Manager shall present to the Council a budget proposal for the next fiscal year of the City.

3.05.011 City Manager's budget message. The City Manager's budget message shall explain the budget in fiscal terms and in terms of work programs. It shall contain an outline of the proposed financial policies of the City for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year and from current financial policies, expenditures, and revenues, together with the reasons for such changes, summarize the City's debt position and include other material as deemed desirable.

3.05.012 Complete financial plan.

a. The budget shall provide a complete financial plan of all City funds and activities for the next fiscal year. In organizing the budget, the City Manager shall utilize the most feasible combination of expenditure classification by fund, organizational unit, program, purpose or activity and object.

b. The budget shall begin with a clear general summary of its contents, which summary shall show principal sources of anticipated revenue, stating separately the amount to be raised by property taxes, and by department the kinds of expenditures in such a manner as to present to the public a clear and simple estimate of budget detail.

c. The budget shall show in detail all estimated income, including the proposed property tax levy, and all proposed expenditures including debt service, for the ensuing fiscal year.

d. The budget shall be prepared on a modified accrual basis and subsequent reporting and auditing shall reflect this basis of accounting. Under this method, expenditures are recorded when goods and services are received, and revenues are recorded when payment is received; except for material or available revenues which should be accrued to reflect properly the taxes levied and the revenues earned.

e. The budget shall include in separate sections:

(1) Proposed expenditures for current operations during the ensuing fiscal year detailed by offices, departments and agencies in terms of their respective work programs, and the method of financing such expenditures;

(2) Anticipated net surplus or deficit (fund balance) for the ensuing fiscal year of each enterprise fund owned or operated by the City and the proposed method of its disposition; subsidiary budgets for each such enterprise fund, giving detailed income and expenditures information, shall be presented in the budget.

(3) Proposed capital budget will be presented under a separate document. Expenditures during the ensuing fiscal year, detailed by offices, departments and agencies, when practicable, and the proposed method of financing each such capital expenditure.

f. Comparative data for the previous and current fiscal years shall be provided in a format for ease of comparison with the proposed revenues and expenditures.

g. Data for the current fiscal year shall include the total of the amounts actually received or encumbered to the time of

preparing the budget, plus anticipated receipts and expenditures for the remainder of the current year.

3.05.015 Review; hearing; adoption; appropriations.

a. The budget proposal of the City Manager shall be reviewed by the Council and shall be available for public inspection in the office of the City Clerk.

b. A public hearing on the appropriation ordinance shall be held in accordance with provisions for adoption of an ordinance. All interested parties shall be given an opportunity to be heard on matters relative to the budget.

c. At a Council meeting held not less than ten days prior to the end of the fiscal year, the Council shall, by ordinance, make appropriation of the money needed for the following year.

d. A separate appropriation shall be made to each of the various funds of the City. From the effective date of the budget, the amounts stated therein as proposed expenditures, shall be and become appropriated to the objects and purposes therein named. The City Council may make supplemental and emergency appropriations, but payment may not be authorized or made and an obligation may not be incurred except in accordance with approved appropriations.

3.05.020 Amendments. The Council may, by ordinance, increase or decrease appropriations during the course of the fiscal year, and may also amend the budget using the same method used for its initial adoption.

3.05.025 System of accounts. All City accounts shall be organized in a manner consistent with the approved budget. For purposes of appropriations under subsection 3.05.015, the funds of the City are those established by the Finance Director/Treasurer recommended by the City Manager and approved by the City Council.

3.05.030 Unencumbered balances of appropriations; transfers.

a. The necessary accounting records shall be maintained to reflect the unencumbered balances of all appropriations. In determining the unencumbered balances of appropriations, the estimated amounts of commitments for goods or services ordered but not paid for shall be taken into consideration, and the Finance Director/Treasurer shall submit to the City Manager a monthly report of all unencumbered balances.

b. Unencumbered appropriation balances may be transferred from one budget line item to another within the same department by the City Manager at any time. Transfer of appropriations within departments which would permanently amend the approved staffing level or level of service delivery shall require Council approval.

c. At the request of the City Manager, or on its own initiative, the Council may, by resolution, transfer unencumbered appropriation balances from one department to another within the same fund.

3.05.035 Lapse of appropriation at end of year.

a. Except as provided in this section and in subsection 3.05.040 of this code, appropriations shall lapse at the end of the fiscal year to the extent that they have not been fully expended or fully encumbered.

b. An appropriation for a capital expenditure shall continue in force until the purpose for which it is made has been accomplished or abandoned; the purpose of such appropriation shall be deemed abandoned if three years pass without disbursement or encumbrance of the appropriation.

3.05.040 Equipment replacement reserve fund.

a. There is established in each fund of the City an equipment replacement reserve fund. The amount of the equipment replacement reserve fund shall be based on the amount necessary to meet future equipment needs projected for all departments within each fund of the City.

b. Any earnings from investment of monies accumulated in the equipment replacement reserve fund shall accrue to the equipment reserve fund.

c. At year end, all unexpended and unencumbered appropriations from the reserve fund for equipment purchases shall be lapsed into that reserve fund.

d. Monies in the reserve fund for equipment replacement shall be available for appropriation and expenditure for equipment replacement, purchase or any other purpose as recommended by the City Manager and authorized by the City Council.

3.05.045 Balanced budget requirements. The budget which is adopted shall be balanced considering all sources of funds.

a. Any action to reconsider, rescind, or veto the budget which creates an "imbalance" shall be in violation of this section, and

b. Any action to reconsider, rescind, or veto the budget which would affect a balanced budget must be accompanied by action which maintains a balanced budget.

Section 3. Title 3, Chapter 3,10, Investment and Collateralization of Public Funds, of the Homer City Code is created to read as follows:

3.10.010 Scope. This chapter applies to the investment of all City monies, unless otherwise provided expressly by ordinance.

3.10.015 Objectives. The City investment portfolio shall be managed so that the portfolio, as a whole, meets the objectives set forth below. All persons selecting investments for City monies shall adhere to these objectives, which are listed in order of relative importance.

- 1) Safety of principal;
- 2) Maintaining sufficient liquidity to meet the City's cash flow requirements; and
- 3) Achieving a reasonable market rate or return.

Notwithstanding the above objectives, no person shall invest City monies in a manner which violates any provision of this chapter or the administrative procedures established hereunder.

3.10.020 Delegation of authority. Management responsibility for the investment program is hereby delegated to the Finance Director/Treasurer who shall establish written procedures for the operation of the investment program, consistent with this investment policy. 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/Treasurer. The Finance Director/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

3.10.030 Prudence. All persons having responsibility for making decisions regarding the investment of City monies shall utilize the same judgement and care, under the circumstances then prevailing, that an institutional investor would use in the conduct of an enterprise of a like character and with like aims, not for speculation but for investment, considering the probable safety of capital as well as the probable income to be derived in accordance with the stated objectives.

3.10.040 Authorized investments.

a. City monies shall be invested only in the following instruments: All securities purchased by the City, and all other City investments, must mature not later than the time indicated below, measured from the date of the City's investment transaction:

1. U. S. Treasury securities - 3 years;
2. Other obligations by the U. S. Government, its agencies and instrumentalities - 3 years;
3. Repurchase agreements of acceptable securities listed in subsections 1 and 2 of this section which meet a margin requirement of 102%; provided, however, the maturity limitations specified in those subsections do not apply if the securities in the repurchase agreement are marked to market daily;
4. Units of the Alaska Municipal League Investment Pool in accordance with an executed common Investment Agreement and in conformance with AS 37-23.010 - 37.23.900.
5. Certificates of deposit and other deposits at banks and savings and loan associations collateralized as provided in Sec. 3.10.070 - 3 years;
6. Uncollateralized deposits at banks and savings and loan associations, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation - 3 years;
7. Taxable bonds or notes which are issued by any state or political subdivision thereof, and which are graded AA or higher by Moody's Investor's Service, inc., or Standard and Poor's Corporation - 3 years;
8. Commercial paper graded A1 or higher by Moody's Investor's Service, Inc., or P1 or higher by Standard and Poor's Corporation - 270 days;
9. Bankers' acceptances offered by banks rates at least "AA" by Moody's or Standard and Poor's.
10. Money market mutual funds whose portfolios consist entirely of instruments specified in subsection 1, 2, and 3 above - with net asset value of \$1.00.

b. No person shall invest any City monies in any instrument which is not listed in subsection A. This prohibition includes but is not limited to, investment of City monies in any mutual fund (except as otherwise provided in subsection a(10)), common or preferred stock, precious metals, zero coupon bonds, corporate bonds, option contract or futures contract.

c. This chapter represents the maximum amount of authority and discretion which the Finance Director/Treasurer may utilize in investing City monies. Nothing in this chapter shall be construed,

however, to prohibit the Finance Director/Treasurer from adopting standards, rules, policies and procedures which are more restrictive than those contained in this chapter. The enumeration in this chapter of instruments which are authorized for City investments shall not be construed as requiring the Finance Director/Treasurer to invest in all, or any particular, instrument contained in said list at any given time. The Finance Director/Treasurer may invest in some or all of said instruments as deemed appropriate. Similarly, the enumeration of instruments which are acceptable as collateral for City investments shall not be construed as requiring the Finance Director/Treasurer to accept all or any particular, instrument contained in said list at any given time. The Finance Director/Treasurer may accept some of said instruments, and reject others.

3.10.050 Placement of City investments.

a. Because of rapid fluctuations of interest rates and the brief period of availability of some securities, bids may be solicited, received, and accepted, either orally or in writing. Solicitation, receipt, and acceptance of bids by telephone is authorized. In order for a bid to be responsive, it must meet all the specifications and requirements of the bid solicitation. The Finance Director/Treasurer shall not consider nonresponsive bids.

b. The Finance Director/Treasurer shall award a bid to the financial institution whose bid best fulfills the investment objectives contained in 3.10.010, considering the City investment portfolio as a whole.

c. All securities transferred to or from the City, except securities transferred as collateral, shall be transferred using the delivery versus payment method. Securities transferred as collateral shall be actually received by the custodial bank designated by the Finance Director/Treasurer, before City funds are transferred to the financial institution with which the City is investing. The Finance Director/Treasurer may require financial institutions to deliver collateral to a custodial bank prior to bidding on City investments.

3.10.060 Diversification. City investments shall be diversified to minimize the risk of loss resulting from over concentration of investments in a specific maturity, a specific issuer, a specific class of security or a specific financial institution. Investments will be diversified to maintain a degree of liquidity. The Finance Director/Treasurer shall adopt administrative procedures to implement this section.

3.10.070 Collateralization.

a. If City monies are invested in certificates of deposit or other deposits, the entire amount of principal and interest which

will be payable to the City upon maturity of the investment must be collateralized by a combination of the following securities, at the following margin requirements and maturities.

<u>COLLATERAL TYPE</u>	<u>MARGIN REQUIREMENT</u>
1. U.S. Treasury Securities with a maturity date 5 years or less from the date of the City's investment transaction	102%
2. Actively traded U.S. Government agency or Instrumentality Securities, except mortgage pass-through securities with a:	
a. Maturity date 1 year or less from the date of the City's investment transaction	103%
b. Maturity date between 1 and 5 years from the date of the City's investment transaction	107%
3. Government National Mortgage Association mortgage pass-through securities	120%
4. Obligations of the State of Alaska and its political subdivisions secured by the full faith, credit and taxing power thereof	
a. Maturity date 1 year or less from the date of the City's investment transaction	102%
b. Maturity date between 1 and 5 years from the date of City's investment transaction	107%
5. FDIC and FSLIC Insurance	100%
6. Securities underlying units in the Alaska Municipal League Investment Pool.	
b. A financial institution shall not release, assign, sell, mortgage, lease, transfer, pledge or grant a security interest in, encumber, substitute or otherwise dispose of or abandon all or any part of pledged collateral without prior written authorization of the City.	

3.10.080 Safekeeping. Procedures and criteria for selection of a custodial or safekeeping institution shall be established under Section 5.10.020 of this chapter. Selection of an institution shall be in accordance with those procedures and the City purchasing code. The Finance Director/Treasurer shall enter into agreements with one or more financial institutions to provide custodial and safekeeping services for City investments. All

investments purchased by the City and all securities used as collateral for certificates of deposit, or other deposits, shall be either held directly by the City, or held by a third party custodial bank as agent for the City. Collateral for overnight repurchase agreements shall be pledged to the City but may be held by the financial institution.

3.10.090 Agreements. Security agreements instituting this policy will be entered into prior to the purchase of a certificate of deposit or repurchase agreements.

3.10.100 Internal controls. The Finance Director/Treasurer shall establish a system in internal controls, which shall be documented in writing. The City's external auditors shall review and evaluate, at least annually, the system of internal controls to ensure that they are adequate for the purposes stated in this section. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees or officers.

3.10.110 Reporting. The Finance Director/Treasurer shall submit quarterly to the City Manager an investment report that summarizes the portfolio in terms of investment securities, maturities, risk categories, returns and other features. The City Manager shall present this report to the City Council in its entirety.

3.10.120 Definitions. As used in this chapter, the following definitions apply:

1. "Actively traded" means a security which is frequently bought or sold on a nationally recognized market.
2. "Delivery vs. Payment" means that a security will be delivered to safekeeping before cash is paid for the security.
3. "Financial institution" means a bank, savings and loan association, or securities dealer.
4. "Margin requirement" means the amount by which the market value of the securities collateralizing a transaction exceeds the amount lent.
5. "Marked to market" means to value a security at its current sales price.
6. "Money market mutual funds" means a mutual fund which maintains a constant share price regardless of market fluctuations and which has an average maturity for its entire portfolio of one year or less.

7. "Pledged" means specific securities set aside as collateral which are identified to a specific account.
8. "Bankers' acceptances" means an order to pay a certain amount of money on a certain date and bearing an unconditional promise of a bank to pay the draft at maturity. Bankers acceptances are secured by the credit worthiness of the bank and a U. S. corporation as well as goods underlying the transaction.
9. "Commercial paper" means an unsecured promissory note of a corporation backed by a line of credit with a bank, issued for a specific amount and maturing on a specific day.
10. "Repurchase agreements" means short term transactions consisting of the purchase of a security with the promise to return it at a later date.
11. "U. S. Government agency or instrumentality securities" means obligations of the U. S. Government issued on behalf of U. S. Government departments through the Federal Financing Bank and securities issued by U. S. Government-sponsored enterprises or quasi-public corporations.
12. "U. S. Treasury Securities" means a security that is backed by the full faith and credit of the U. S. Government.
13. "Net Asset Value" means the invested fund's value remains the same. Any value above that is treated as income, i.e. invest \$1.00 today and withdraw \$1.00 tomorrow plus interest earned.

Section 4. This ordinance is of a permanent and general character and shall be included in the Homer City Code.

ENACTED by the City Council of Homer, Alaska this 13<sup>th</sup> day of *September*, 1993.

  
Harry E. Gregoire, Mayor

ATTEST:

  
Mary D. Shannon, City Clerk

AYES: 6  
NOES: 0  
ABSENT: 0  
ABSTAIN: 0

First Reading: 8/9/93  
Public Hearing: 8/23/93  
Second Reading: 9/13/93  
Effective Date: 9/14/93

Reviewed and approved as to form and content:



Richard J. Leland, City Manager

Date: 9-14-93



Gordon J. Tans, City Attorney

Date: 9/20/93