SECTION 1 - GENERAL PURPOSE

It is the expectation and the general understanding of the City Council and the citizens of Norwalk that the City conducts its financial affairs in a thoughtful and prudent manner. The following financial policies are established to provide the direction and limits within which the City is to fulfill its fiscal responsibilities. The policies are presented in the following categories: revenues, operating expenditures, reserve and contingency strategies, capital improvement planning (CIP), debt management and financial reporting and accounting.

SECTION 2 - REVENUE POLICIES

Generally, the City's revenue policies are meant to furnish guidelines for determining the revenues necessary to provide basic municipal services to the community. To guard against the possibility of wide variations in any of its revenue sources, a primary goal of the City is to maintain a diversified, yet consistent revenue stream. An important factor in the City's ability to preserve a strong, uniform revenue stream is the diversity and growth of its tax base, which is largely dependent on the vitality of the area's economy. Thus, the City resolutely encourages economic development through the implementation of financial policies that create a favorable tax climate, while meeting service demands of businesses and residents.

General Revenue:

1) A diversified, yet stable, revenue system will be employed to protect the City from possible short-term fluctuations in any of its revenue sources.
2) A continuous effort will be made to obtain new revenue sources in order to maintain a balanced budget and to reduce the reliance on property tax as a major source of funding. An example is the local option sales and service tax (LOSST) passed March 1, 2016.
3) Through community and economic development, a broader tax base will be pursued to increase tax revenue and help reduce annual fluctuation in the property tax rate.
4) Revenue receipts will be monitored monthly to ensure that revenue projection goals are being met.

Property Taxes:

In order to provide stability and consistency, the property tax levy should remain unchanged unless determined necessary through an annual review using the fundamental underlying conditions, economic conditions, service level changes, State or Federal mandates or any other changes that affect the City's ability to provide basic City services or maintain sufficient cash reserves. The increase or decrease in the total levy rate shall not exceed the cumulative effect of the underlying changes. These changes shall be quantified and documented.

Municipal Enterprises

1) User charges and fees will be established at a minimum level sufficient to cover all costs of providing services, including operating expenses, debt service, capital and replacement costs.
2) User fees shall be re-evaluated and re-calculated, if necessary, annually to reflect cost of service and to guarantee that they remain appropriate and equitable.
3) All utilities, including water, sewer and storm water enterprise programs, shall be fully self-supported through user fees or charges.

Park & Recreation Fees

The City will attempt to cover at least fifty percent of the total cost of recreation programming by charging fees for activities and use of city facilities and equipment. Charges will be assessed for use of rooms, pools, ball fields, special use areas and related equipment for activities not sponsored or co-sponsored by the City. Fees will be evaluated annually to determine costs and feasibility of continuing programs.

Federal & State Assistance

All available funding from federal and state sources will be pursued to finance appropriate programs, services and capital improvement projects, including those mandated by statute.

SECTION 3 - OPERATING EXPENDITURE POLICIES

Operating expenditures must meet the City's requirements to provide services within the framework of available revenues. Fiscal control and long range financial planning is necessary to guarantee that the City's current and future finances remain sound. The following operating expenditure policies guide the evaluation and control of the City's appropriations and expenditures.

General Policies

1) Expenditure projections will be developed on an annual basis. Projections should include estimates of anticipated operating costs for programmed capital improvement projects, equipment and capital facilities replacement and maintenance schedules.
2) Current expenditures should be paid with current revenues or cash in excess of reserve policy.
3) Current expenditures should not be balanced by postponing needed expenditures, accruing future revenues, issuing short term debt, or paying for routine operating costs out of minimum cash reserves.
4) The operating budget should provide for adequate maintenance of capital assets and equipment and provide for their orderly replacement.

5) All retirement systems should be financed in an actuarially sound manner in accordance with state law to achieve the goal of systematically funding future liabilities.
6) The City will encourage the provision of services through the private sector and other public agencies whenever and wherever greater efficiency and effectiveness can be achieved.

SECTION 4 –URBAN RENEWAL-TAX INCREMENT FINANCING (TIF) POLICIES:

Guidelines

The City shall adhere to Chapter 403 of the Code of Iowa, in the creation of urban renewal plans and subsequent implementation of those plans. The powers granted in this chapter constitute the performance of essential public purposes for the State of Iowa and the City. The powers conferred by this chapter are for public uses and purposes for which public money may be expended. The below lists the goals of TIF:

1) To increase commercial, industrial development, and investment in public facilities in the city to improve the economic and social environment of the community and sustain a desired balance between the non-residential and residential tax burden.
2) To provide assistance and economic incentives for commercial, industrial development which may not otherwise occur without such assistance and incentives.
3) Other goals as stated in the City's urban renewal plan.

Policies:

1) The City will use TIF to further the current goals and objectives of the Mayor and City Council.
2) These policies shall not be construed as obligating the City to use TIF for any or all projects that satisfy the criteria set forth in this policy. The decision to provide Tax Increment Financing incentives shall be at the sole discretion and approval of the Norwalk City Council and shall be determined on a case by case basis. Tax Increment Financing is also subject to required legislative process (notice and public hearing) and changes.
3) It is the City's goal to utilize TIF as an economic development tool in such a manner that provides the best return on investment (ROI). Applicants must be prepared to provide proof of their ability to finance the project contemplated in their TIF application.
4) Higher priority will be granted to development agreements used to rebate developers, over time, with increment generated by the new development. The City will strive to limit risk to taxpayers by utilizing a graduated scale based on the increment versus a flat dollar amount. Each project will be reviewed on its own merit and the city will strive to

ensure the debt incurred matches the payback period. The Finance Director will review TIF debt payback opportunities annually to determine if financially beneficial to the City.

5) While residential development is an important component of our City's growth we generally discourage the use of TIF for residential projects.
6) If the City has already extended TIF funds to improve a property (infrastructure or buildings), the City may reduce the amount of TIF assistance for subsequent improvements to the property or decline to provide any further economic development incentives.

Application Procedure:

Provide a project summary to the City. Developers can best help the process by providing the following:

1) Confirmed structures
2) Business plans
3) Construction dates
4) Construction costs
5) Expected property valuations
6) Job type
7) Number of jobs created
8) Expected wages

SECTION 5 - RESERVES AND CONTINGENCIES POLICIES

The establishment and maintenance of adequate cash balances and reserves allow the City financial flexibility and security and is recognized as an important factor considered by bond rating agencies and the underwriting community when reviewing City debt issuance. Along with maintaining the City's credit worthiness, such cash balances and reserves provide the means to handle economic uncertainties, local disasters and other unanticipated financial hardships, as well as, to meet cash flow requirements. In addition to the designations noted below, fund balance levels will be sufficient to meet funding requirements for projects approved in prior years that are carried forward into the new year including debt service reserve requirements, reserves for encumbrances and other reserves or designations required by contractual obligations or generally accepted accounting principles.

General Policies

1) A positive cash balance should be shown in the general fund at the end of the fiscal year. At a minimum, the balance should be 30% of general fund appropriations for

the succeeding fiscal year in order to provide adequate cash flow and emergency cash funding.

2) Restricted cash reserves should not be used to finance routine operating expenses that exceed budgeted levels.
3) Cash reserves should not be used to finance capital projects, unless those reserves were specifically earmarked for a project.
4) Revenues will equal or exceed expenditures for each budget year unless there are funds available in excess of the cash reserves requirements of this policy. Excess cash reserves may be used to balance revenues and expenditures as long as the minimum cash reserve requirements of this policy are met.
5) Short-term borrowing, such as tax anticipation notes, in order to meet the requirements in 1) through 4) of this section is prohibited.
6) The City's annual budget is considered balanced if the cash reserve requirements, the working capital requirements and the revenue and expenditure requirements of this policy have been met (Sections 2-4).

SECTION 6 - CAPITAL IMPROVEMENTS PLANNING

Policies for the capital improvements program are intended to encourage planning for future growth and infrastructure repair within the framework of the City's financial policies.

General Policies

1) The City should prepare and annually update a five-year capital improvement program (CIP). This program should identify future capital project expenditures made necessary by anticipated changes in population, infrastructure, economic base and/or land use.
2) The operating and maintenance cost of a proposed capital improvement shall be calculated to determine a "true cost" of each improvement and assist in programming of future overall revenue requirements of the City.
3) The capital improvements plan will include the costs, timing and sources of funding and the estimated impact of future revenue requirements for each project.
4) The capital improvements plan should maintain the City's assets at a level adequate to protect the City's capital investments, minimize future maintenance and replacement costs, and provide for an adequate level of service.
5) The annual expenditures identified in the CIP should be fully funded from financial resources that are anticipated to be current and available.
6) A fiscal impact analysis should be performed on all projects for which the City's financial participation is requested by the private sector. This analysis should identify anticipated direct and indirect public costs and revenues associated with the proposed project.

SECTION 7 - DEBT MANAGEMENT POLICIES

The issuance of debt is a necessity for the financing of many major capital improvements. Determining the method and timing for financing is subject to numerous considerations. The City's debt policies are intended to encourage conservative debt management while maintaining the flexibility to use the various financing mechanisms that are available to the City.

The City's overall tax levy must be reflective of the impact of debt issuance. Alternative revenue sources will be used when practicable to maintain an overall tax rate consistent with the general philosophy of municipal service determined by the City Council.

The cost of financing through the issuance of debt is also affected by the strength of the City's financial position. Bond ratings and investor's bids are influenced by the City's debt management policies, as well as, the overall financial policies of the City. It is the City's goal to maintain debt management policies that keep outstanding debt within manageable levels and which maintain the City's flexibility to issue debt in the case of unusual circumstances beyond the City's control.

General Policies

1) Capital improvements or capital equipment financed through bonds should be financed for a period not to exceed the expected useful life of the project or equipment. A 10 year debt schedule will be the general rule.
2) Total debt outstanding, including overlapping debt, will be considered when planning additional debt issuance.
3) The City's share of utility projects, including the cost of over-sizing of water, sewer and storm water mains, should be financed with utility funds and other revenue sources when funds are appropriate and available.
4) The use of general obligation bonds for projects does not dismiss the potential of pro rata payment for debt service by specifically benefited funds such as tax increment financing, road use tax, water, sewer or storm water.
5) Financing requirements will be reviewed annually. The timing for financing will be based upon the City's need for funds, market conditions and debt management policies.
6) The City will maintain good communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.
    I. Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered if and when there is a net economic benefit of the refunding or the refunding is essential in order to release restrictive bond covenants, which affect the operations and management of the City.

7) The City will annually review opportunities to convert projects historically utilizing pay-as-you-use financing (debt) to pay-as-you-go financing (cash) in an effort to reduce long-term debt.

Debt Limitations

1) Debt will be structured to achieve the lowest possible net cost to the City given market conditions, the urgency of the capital project, the type of debt being issued, and the nature and type of repayment source. Moreover, to the extent possible, the City will design the repayment of its overall debt so as to rapidly recapture its debt capacity for future use.
2) Bond issues should be scheduled so that the City's total debt service schedule has relatively level principal and interest payments over the life of the debt. "Backloading" of costs will only be considered when such structuring is beneficial to the City's overall amortization schedule.
3) Total unabated general obligation debt service will follow the establishment of an annual target that takes into consideration taxable valuation growth, the capital improvement program and the City's ability to maintain a stable or declining debt service levy rate.
4) Total general obligation indebtedness should not exceed 75% of the limit prescribed by State statute, which is currently 5% of actual property values within the City.
5) All self- imposed debt limitations will not take into account debt issued as a consequence of voter approved bond referendums.

SECTION 8- FINANCIAL REPORTING AND ACCOUNTING POLICIES

General Policies

1) The City should establish and maintain a high standard of accounting practices. To that end, the City will continue to use the latest edition of Governmental Accounting, Auditing, and Financial Reporting (GAAFR) as its source of generally accepted accounting principles (GAAP).
2) The City's relationship with its independent public accounting firm will be reviewed at a minimum every five years.
3) The City will maintain its budget and accounting system on a cash basis which will be the basis for all interim, internal, and state reporting.
4) The City will adhere to a policy of full and open public disclosure of all financial activity and information.

Reports

1) The City will produce "Independent Audited Financial Statements" in accordance with GAAP and Code of Iowa 384.22 (AFR) each fiscal year and will employ an independent public accounting firm to perform such audit that will be made available to the public.

2) The City will maintain a budgetary control system and will produce interim financial reports that measure actual revenues and expenditures compared to budgeted revenues and expenditures.
3) Regular monthly and annual reports should present a summary of financial information by major fund and activity type.
4) Monthly reports should be provided presenting actual cash position and investment performance.
5) The City will comply with all federal and state audit and review regulations, including OMB A-133 single audit and SPOC review requirements.