NORTH BRANCH
——Minnesota——

Kevin Schieber
Mayor

Robert Canada
Councilmember/Acting Mayor

Travis Miles
Councilmember

Kelly Neider
Councilmember

Peter Schaps
Councilmember

CITY COUNCIL
WORKSESSION AGENDA
TUESDAY, JUNE 18, 2024 @ 6:30 PM
CITY HALL, 6408 ELM STREET, NORTH BRANCH, MN 55056

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

4. WORKSESSION ITEMS
   a. Continue Discussion Regarding Request for Proposals (RFPs) for Engineering & Legal Professional Services — INFO
   b. Introduction & Overview to Proposed North Branch Financial Management Policy — INFO

5. ADJOURNMENT

Since we do not have time to discuss every point presented, it may seem that decisions are preconceived. However, background information is provided to the City Council on each Agenda item in advance from Staff and appointed Commissions; and decisions are based on this information and past experiences. In addition some items may also have been discussed preliminarily at Council Work Sessions. If you are aware of information that has not been discussed, please raise your hand to be recognized. Comments that are pertinent are appreciated. Items requiring excessive time may be continued to another meeting.

CITY OF NORTH BRANCH EST. 1881

City of North Branch
Staff Report

Prepared By:
Jason Ziemer, Community Development Director
Presenter: Jason Ziemer, Community Development Director
Date: 06/05/2024

Board & Commission: City Council

Subject: Continue Discussion Regarding Request for Proposals (RFPs) for Engineering & Legal Professional Services

Overview / Background

As discussed by the City Council at the May 21 and 28, 2024 worksessions, City staff have drafted Request for Proposals (RFPs) for engineering and legal services. With Council direction, City staff have completed and will be letting the RFP for auditing services the week of June 17. The Audit RFP process will be managed a review panel comprised of the Interim City Administrator, Finance Director and Councilmember Peter Schaps, with that panel selecting, interviewing and recommending the audit firm to the City Council.

Although there has been support to at least consider RFPs, it is recommended the City Council wait until after the new City Administrator is hired so that person can be part of that selection process. Otherwise, if the City Council desires to move forward with RFPs for legal and engineering services, City staff is seeking preferred process and decision timelines.

Staff Recommendation

City staff recommends the City Council provide direction regarding RFPs for legal and engineering services.

Recommended City Council Action

None.

Voting Requirements:

Voting Options **Simple Majority**

CITY OF NORTH BRANCH
EST. 1881

Request for Proposals

Contracted Municipal Legal Services
(City Attorney)

Proposals Due

_____ @ 4:30 pm

RFP Contact

Jason Ziemer, Interim City Administrator
jasonz@ci.north-branch.mn.us
(651) 277-5227

I. Background & Purpose

The City of North Branch is a Minnesota Statutory Plan A City with a City Council / City Administrator form of government. An elected City Council, consisting of a part-time Mayor and four council members elected at large, are responsible for setting the policy and overall direction for the City, which includes legislative decisions, and approval of the city budget. City employees, under the direction of a City Administrator, carry out council decisions and provide day-to-day services. The City Administrator provides leadership, direction and guidance to all City departments and is accountable to the City Council.

North Branch is centrally located between the Twin Cities Metropolitan Area and northern Minnesota cabin country, making the community a desirable location for residents and businesses seeking small town living with all of the essential amenities. Specifically, the City boasts excellent schools; ample parks and open space and recreation areas; a quaint, historic downtown; and an ever-evolving mix of housing options. As a result, North Branch is the largest and fastest growing city in Chisago County with a population north of 12,000 people. The community is active and engaged, as such, the City is committed to open government and strengthening connections between residents, businesses and community partners.

The City of North Branch is soliciting proposals from experienced law firms, specializing in municipal government, to provide a wide variety of general legal counsel services. The firm selected will be designated as the City Attorney. The successful applicant will provide these services to the City beginning in January 2025. Legal services may include, but shall not be limited to, those services listed in the Scope of Services section of this document.

II. Values, Vision & Key Priorities

The current Values and Vision for the City of North Branch, as defined by the City's Comprehensive Plan, are stated as the following:

Values

1. Strong sense of community.
2. Hometown feel.
3. Commitment to parks and trails.
4. Encouragement of biking and walking.
5. Quality schools.

Vision

North Branch is a growing and safe community with outstanding natural and recreational amenities and opportunities for all, and well-maintained infrastructure, vibrant business districts and neighborhoods, and provides residents with an excellent quality of life.

Key Areas of Knowledge

- General municipal laws.
- General laws/statute related to municipal prosecution and litigation.
- Labor and employment laws.
- General state and federal laws relating to municipal government.
- Zoning, land development, platting, 429 projects, housing, subdivision, and land use laws.
- Economic development activities including development, redevelopment, enforcement, and property/real estate laws.

- General obligation bonds, revenue bonds and other bonding and financial processes.
- Ordinance and resolution development and interpretation.
- State rules and regulations that control and manage private utilities in public right-of-ways.
- Contract and environmental laws and eminent domain.

III. Scope of Work and Deliverables

The City of North Branch is seeking proposals from qualified law firms with municipal experience to provide professional legal services. The general work elements shall include, but are not limited to the following.

1. Attends regular City Council meetings as well as other City Council meetings, as requested.
2. Attends other board, commission, and committee meetings, as necessary.
3. Completes legal work pertaining to property acquisitions, property disposals, public improvements, easement dedications, and right-of-way vacations.
4. Reviews bonds and insurance requirements required by or for City contracts or activities.
5. Provides advice on open meeting law, data practice, records retention, and privacy issues.
6. Assists City staff with data practices rules and advise of rules and request to ensure compliance with applicable State Statute.
7. Assists with personnel- and labor-related matters, including but not limited to reviewing and advising on employment contracts, employee discipline, union grievances, and negotiating collective bargaining agreements.
8. Reviews deeds, easements, and other documents for recording purposes.
9. Assists with the review and enforcement of City Codes and City Council adopted policies.
10. Monitors pending and current state and federal legislation and court decisions; advises the City Administrator and City Council as necessary.
11. Coordinates of outside legal counsel, as needed and as directed by the City Administrator and City Council.
12. Defends the City in all litigation, as requested, except in those cases where insurance companies are required to exclusively provide defense.
13. Provides other legal services as may be necessary.

IV. Project Schedule

PROPOSAL AND SELECTION TASK	DATE
Request for Proposal Announcement	
Deadline for Questions from Firms @ 4:30 pm	
City Response to Questions	
Proposals Due @ 4:30 pm	
City Council Select Firms for Interviews	
Firm Interviews @ 3:00 pm	
Firm Selected & Contract Approved	

Firms intending to submit a RFP to the City for consideration shall notify the City of its intent to do so; notice shall be sent in writing to: jasonz@ci.north-branch.mn.us. Firms selected for an interview shall be advised as to presentation content, preparation questions, etc., as directed by the City Council.

During the evaluation process, the City reserves the right to request additional information or clarifications from a firm, to allow corrections of errors and/or omissions, or to modify the schedule. All questions regarding this RFP must be submitted, in writing, to the same email address by the deadline stated above. The City shall also respond, in writing, to questions received from firms.

The City reserves the right to amend, withdraw or cancel this RFP at any time. Any amendments, interpretations, or corrections to this RFP shall be by written addendum to the RFP, and will be issued electronically to all firms notifying their intent to submit a proposal; addenda shall also be posted on the City's Web site at: www.ci.north-branch.mn.us. Companies shall acknowledge receipt of all addenda in their statement of proposal.

V. Budget

Firms are expected to provide a cost of service based on the scope of work listed and experience having facilitated said work before. Firms shall provide a base cost of service related to this RFP, and may also provide a list of additional services the City Council may consider, based on the firm's understanding of the work described herein. Cost of services may include, but not be limited to, the following: monthly retainer for services, hourly rates for different staff associated with providing engineering services as part of the contract, etc. Firms that include a monthly retainer for services shall provide detail as to what is included with that retainer.

VI. Proposal Submissions Process

A. Due Date

Proposals received after 4:30 pm on ____ will not be considered.

B. Submission Requirements

1. Proposals must be typewritten and sent in PDF format.
2. Submit proposals by email or mail.
   Email: jasonz@ci.north-branch.mn.us
   Mail: City of North Branch, 6408 Elm Street, PO Box 910, North Branch, MN 55056

C. Format

For clear comparison and evaluation, proposals must be in the following format.

1. **Cover Page**
   - Proposal Title
   - Company: Name & Address
   - Contact: Name, Title, Phone Number & Email Address
   - Date of Proposal
2. **Cover Letter**
   - Describe the company's mission, vision, and values and how they align with the mission, vision, and values of the City of North Branch.
   - Describe company's prior experience providing similar services described in this RFP.
   - Describe the qualifications of key personnel involved in the scope of work.
3. **Cost of Services**

- Provide cost description for each service and deliverable, including monthly retainer, if being proposed, and hourly rate sheet for each employee employed by the firm that will provide service to the City, plus optional (contracted) services and reimbursable costs to be included in the contract, if selected.

VII. Proposal Evaluation and Selection

The City Administrator and City Council (Review Panel) shall evaluate all RFPs received by the City. Proposals shall be evaluated based on the form and format of proposals and established criteria to determine the firms that best demonstrate the ability and reliability to perform the work with integrity. The City reserves the right to request additional information or clarifications, to allow corrections of errors or omissions, or to modify the proposal schedule.

A. Proposal Evaluation

Each proposal shall be examined to ensure it follows the proposal format and instructions in this RFP. Proposals that do not follow the specific format may not be considered; late proposals will not be considered.

Proposal evaluation criteria shall include, but not be limited to the following:

1. Experience of law firm to provide the scope of services outlined in this RFP, including years and history, and current municipal clients and in what areas of law those municipal clients are represented by the firm (i.e. general municipal services, labor, prosecution, etc.)
2. Experience and qualifications of key personnel, including identification of the lead attorney to be designated by the firm as the City Attorney.
3. List of conflicts / conflicts of interest the law firm, or assigned attorneys or other legal staff may have the City, City Council and/or City staff. Where conflicts exist, provide procedures as to how the firm will address and resolve those conflicts.
4. Cost proposal.

B. Additional Questions and Interviews

After the initial review, the Review Panel may narrow the number of companies submitting proposals, and request additional information, if necessary, or select companies for in-person interviews. If additional information is requested, firms shall provide their responses within five (5) business days following receipt of the inquiry. All interviews shall be in-person and selected by City Council majority.

C. Final Evaluation

The following criteria shall be used for final evaluation of proposals:

1. Initial proposal.
2. Presentation, interview and additional questions.
3. References.
4. Final cost proposal.

D. Contract Award

Final decision approval of the contract is the responsibility of the City Council. The City Council also reserves the right to reject any or all proposals.

E. Appeals Process

Protests of the award must be made in writing and must specifically state the grievance. All protests must be filed with the Interim City Administrator within 10 calendar days after issuance of notice to award. Contact: Jason Ziemer at jasonz@ci.north-branch.mn.us.

VIII. Additional Information

A. Rights of Review

The City reserves the right to reject any or all proposals or to request additional information. This RFP shall not commit the City to engage any company for the services described herein.

B. Confidential Material

All materials submitted in response to this RFP will become public record, unless categorized as private, confidential, non-public, or protected non-public under the Minnesota Government Data Practices Act (MGDPA) ("Protected Materials"). Unrestricted disclosure of proprietary information places it in the public domain. If you believe any of your materials are Protected Materials, you must submit those materials in a separate envelope marked "Confidential Disclosure," along with a cover letter explaining why you believe the materials are Protected Materials. The City will review the materials and approve or deny your request for confidentiality. If the City denies your request for confidentiality, the review team will notify you and you may withdraw the entire proposal, remove the materials, or include the materials in the non-confidential portion of your submission. Cost, pricing information, and the total proposal amount are public data under the MGDPA. Any costs to preserve Protected Materials shall be your responsibility.

C. Response Ownership

All proposals become the property of the City upon receipt. Selection, rejection, or disqualification of a proposal shall not affect this right.

IX. Contract

The City reserves the right to negotiate the final terms and conditions of the contract, including award amount. If the City and a company are unable to agree upon the entire contract, the City may discontinue negotiations, select another company or reject all of the proposals. The successful company shall execute a contract with the City within ten days after receipt.

A. Contract Ethics

No elected official or employee of the City who exercises any responsibilities in the review, approval or implementation of the proposal shall participate in any decision, which affects his or her direct or indirect financial interests. It is a breach of ethics for any person to offer, give or agree to give any City employee or Council Member or for any City employee or Council Member to solicit, demand, accept or agree to accept from another person or firm, a gratuity or an offer of employment. The company shall not assign any interest in this contract and shall not transfer any interest in the same without the prior written consent of the City. The company shall not accept any private client or project which, by nature, places it in ethical conflict during its representation of the City.

B. Reporting, Insurance, and Financial Liability Limitations

The successful company will report to the Interim City administrator or their designee. The Finance Director shall audit billings, approve payments, establish the schedule and oversee the execution of the contract. The City shall not be liable for any expenses incurred by the company, including but not limited to: expenses associated with the preparation of the proposal, attendance at the interview, preparation of a compensation schedule, or final contract negotiations.

C. Equal Opportunity

The City requires equal opportunity; therefore, the company selected shall not discriminate under the contract against any person in accordance with federal, state, and local regulations and with City policy. The City of North Branch does not discriminate on the basis of race, color, creed, national origin, sex, religion, age, sexual orientation, gender, marital status, status with regard to public assistance, membership on a local human rights commission, disability, or any other basis protected by law in the admission or access to or treatment of employment, program, activities or services.

Request for Proposals

Contracted General Engineering Services

Proposals Due

_____ @ 4:30 pm

RFP Contact

Jason Ziemer, Interim City Administrator
jasonz@ci.north-branch.mn.us
(651) 277-5227

I. Background & Purpose

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North Branch is centrally located between the Twin Cities Metropolitan Area and northern Minnesota cabin country, making the community a desirable location for residents and businesses seeking small town living with all of the essential amenities. Specifically, the City boasts excellent schools; ample parks and open space and recreation areas; a quaint, historic downtown; and an ever-evolving mix of housing options. As a result, North Branch is the largest and fastest growing city in Chisago County with a population north of 12,000 people.

Physically, the City encompasses more than 36 square miles. The City has approximately 114 miles of streets (87 paved and 27 gravel); a water distribution system consisting of three (3) water towers plus a one (1) million gallon ground storage reservoir, and two (2) water treatment facilities with six (6) wells; one (1) wastewater treatment facility with 12 lift stations; and approximately 25 miles of watermains, 36 miles of sanitary sewer mains and 40 miles of storm sewer mains.

The City of North Branch is soliciting proposals from experienced engineering firms to provide a wide variety of general engineering services and related technical services. The firm selected will be designated as the City Engineer. The successful applicant will provide these services to the City beginning in January 2025. Engineering services may include, but shall not be limited to, those services listed in the Scope of Services section of this document.

II. Values, Vision & Key Priorities

The current Values and Vision for the City of North Branch, as defined by the City's Comprehensive Plan, are stated as the following:

Values

1. Strong sense of community.
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5. Quality schools.

Vision

North Branch is a growing and safe community with outstanding natural and recreational amenities and opportunities for all, and well-maintained infrastructure, vibrant business districts and neighborhoods, and provides residents with an excellent quality of life.

III. Scope of Work and Deliverables

The City of North Branch is seeking proposals from qualified engineering firms to provide professional engineering services. The general work elements shall include, but are not limited to the following.

A. General & Project Management

1. Serves as the City Engineer.
2. Takes direction from the City Council, City Administrator and/or their designated representative.
3. Assists in planning, coordinating, supervising and evaluating programs, plans, services, equipment and infrastructure.
4. Develops and recommends policies and procedures for operation of the City consistent with City policies and relevant laws, rules and regulations; ensures implementation of council actions.
5. Assists in evaluating Public Works needs and formulates short- and long-range plans to meet needs in all areas of public improvements, such as streets, pedestrian routes, utilities, parks, and facilities.
6. Assists with the Pavement Management Program including the rating of the condition of streets.
7. Provides information to assist with capital improvement planning.
8. Provides engineering services on projects and oversees project management for the construction of municipal public works projects in collaboration with the Public Works Director.
9. Reviews land use applications and construction plans for private developments for consistency with City adopted engineering specifications, City policies and relevant, laws, rules and regulations.
10. Ensures that costs and fees are charged back to development projects; works with the Community Development Director to monitor charges and revenues associated with development projects.
11. Provides assistance to the City's GIS staff, as necessary.

B. Construction Services

1. Plans and reviews construction projects and specifications.
2. Monitors the construction process for compliance with codes, regulations, standards and with approved plans; assures financial accountability of private projects as they relate to escrows and letters of credit.
3. Advises the City regarding the performance of construction projects, and give consideration and advice to the City during the performance of services, and monitors project budgets.
4. Prepares, designs and/or reviews construction plans.
5. Reviews bids and/or prepare bid tabulations.
6. Performs construction staking and surveying.

C. Preparation of Engineering Reports & Technical Correspondence

1. Determines the need for preliminary studies, reviews all preliminary studies for compliance with ordinances, comprehensive plans, engineering standards and financial guidelines including:
   a. Feasibility reports
   b. Construction inspection
   c. Creates assessment rolls
   d. Plat review
   e. Utility studies
   f. Traffic studies/signalization/signage/forecasting
   g. State aid reports
   h. Surface water system analysis and design
   i. Wetland delineation and mitigation
   j. Capital Improvement Program studies
   k. Prepare comments regarding reports, plans and studies of other agencies
   l. Presents feasibility studies at public meetings.

D. City Meetings *(including but not limited to the following)*

1. Participates in internal and external meetings involving engineering questions and issues.
   a. Participates in weekly staff meetings, as necessary.
   b. Participates in weekly development review committee meetings.
2. Meets with developers and members of the public on proposed development projects to review processes and procedures involved with engineering and infrastructure development.
3. Acts as City liaison and representative with other communities and county, state and federal agencies in areas of responsibility.
4. Attends City Council meetings, Council Work Sessions, and other City meetings, as necesssary.

E. Responds to Constituent Requests & Issues as Directed by Staff

1. Performs field inspections.
2. Addresses constituent concerns personally and in writing.
3. Be available to the public via phone, email or scheduled meetings during the general business hours of the City of North Branch.
4. Makes public presentations.
5. Provides recommendations to staff and City Council.

F. Other Items

1. Works with other engineering firms as desired by the City on specific projects.
2. Assists with mapping work and GIS updates, as necessary.
3. Identifies potential funding solutions for infrastructure projects, such as grant and loan programs and direct legislative appropriations.
4. Obtains proper approval and documentation from local, state and federal authorities prior to implementing projects.

IV. Project Schedule

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2. **Cover Letter**
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   - Describe company's prior experience providing similar services described in this RFP.
   - Describe the qualifications of key personnel involved in the scope of work.
3. **Cost of Services**
   - Provide cost description for each service and deliverable, including monthly retainer, if being proposed, and hourly rate sheet for each employee employed by the firm that will provide service to the City, plus optional (contracted) services and reimbursable costs to be included in the contract, if selected.

VII. Proposal Evaluation and Selection

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Each proposal shall be examined to ensure it follows the proposal format and instructions in this RFP. Proposals that do not follow the specific format may not be considered; late proposals will not be considered.

Proposal evaluation criteria shall include, but not be limited to the following:

1. Experience of engineering firm to provide the scope of services outlined in this RFP, including years and history.
2. Experience and qualifications of key personnel.
3. Cost proposal.

B. Additional Questions and Interviews

After the initial review, the Review Panel may narrow the number of companies submitting proposals, and request additional information, if necessary, or select companies for in-person interviews. If additional information is requested, firms shall provide their responses within five (5) business days following receipt of the inquiry. All interviews shall be in-person and selected by City Council majority.

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E. Appeals Process

Protests of the award must be made in writing and must specifically state the grievance. All protests must be filed with the City Attorney's Office within 10 calendar days after issuance of notice to award. Contact: Chris Hood at cmhood@flaherty-hood.com

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C. Response Ownership

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B. Reporting, Insurance, and Financial Liability Limitations

The successful company will report to the Interim City administrator or their designee. The Finance Director shall audit billings, approve payments, establish the schedule and oversee the execution of the contract. The City shall not be liable for any expenses incurred by the company, including but not limited to: expenses associated with the preparation of the proposal, attendance at the interview, preparation of a compensation schedule, or final contract negotiations.

C. Equal Opportunity

The City requires equal opportunity; therefore, the company selected shall not discriminate under the contract against any person in accordance with federal, state, and local regulations and with City policy. The City of North Branch does not discriminate on the basis of race, color, creed, national origin, sex, religion, age, sexual orientation, gender, marital status, status with regard to public assistance, membership on a local human rights commission, disability, or any other basis protected by law in the admission or access to or treatment of employment, program, activities or services.

City of North Branch
Staff Report

Prepared By:
Jason Ziemer, Community Development Director
Presenter: Sharon Wright, Finance Director
Date: 06/06/2024

Board & Commission: City Council

Subject: Introduction & Overview to Proposed North Branch Financial Management Policy

Background & Analysis

The topic regarding the eventual adoption of a Financial Management Policy was mentioned at the May 21, 2024 Council worksession, during our conversation regarding equipment/vehicles and capital investments. In the months leading up to this point, Department Heads worked with Finance Director Sharon Wright to review and provide comment on the draft policies, as well as discuss and provide guidance on different policy topics that impact them directly, notably capital assets and investments, purchasing, etc. The City's financial consultant, Ehlers & Associates, also assisted with the review of the draft policy manual to ensure the City is compliant with statute and other standards tied to debt, etc.

Financial management is an important responsibility of both the City Council and City staff. Thus, the purpose of this policy is to provide guidance and reasoning for decisions, accurate accounting of public funds, promote transparency, and clarify roles, authority and responsibilities. Specifically, such policies establish provisions for the maintenance of public facilities, replacement of public resources, appropriate staffing, and various other topic specific items. Such a policy framework provides boundaries that support long-range financial and strategic planning, and removes ambiguity and assumptions that may not be accurate or productive. The establishment of such a policy can also support the City's ability to attain and retain good bond ratings.

The purpose of this worksession item is to introduce the City Council to the draft Financial Management Policy, and discuss several of the larger items. City staff are still proofreading and editing the document, but none of that work will affect the substance and language of the policy sections presented therein. The goal is to adopt the Policy at the June 25, 2024 regular City Council meeting.

Staff Recommendation

There is no recommendation for action. This item is informational only at this time.

Recommended Planning Commission Action

None.

Voting Requirements:

Voting Options **Simple Majority**

NORTH BRANCH FINANCIAL MANAGEMENT POLICY




CITY OF
EST. 1881
NORTH BRANCH

The City strives to maintain adequate and consistent funding as well as promote transparency and understanding of local government services as desired by the North Branch Community.

Prepared by the Finance Department

Table of Contents

Introduction and Purpose

Organizational Mission

The Vision Statement for the City of North Branch, MN per the 2018 Comprehensive Plan which guides our daily and long-term activities of the organization.

> **Vision Statement**: North Branch is a growing and safe community with outstanding natural and recreational amenities and opportunities for all, and well maintained infrastructure, vibrant business districts and neighborhoods, and provides residents with an excellent quality of life.

Purpose

The City has an important responsibility to its citizens to plan for the adequate funding of services desired by the public and the City Council, including the provision and maintenance of public facilities, appropriate staffing, prudent financial management and accurate accounting for public funds. The City strives to maintain adequate and consistent funding as well as promote transparency and understanding of local government services as desired by the North Branch Community.

Objectives

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

- To enhance the City Council's policy – making ability by providing accurate information on the full costs of current operations, new proposals and capital requests;
- To assist sound management of the City by providing accurate and timely information on its financial condition;
- To provide sound principles to guide the decisions of the City Council and staff;
- To set forth operational principles which promote long-term cost effectiveness while providing services desired by the public with prudent financial risk;
- To employ revenue policies and forecasting tools to identify and prevent undue or unbalanced reliance on certain revenues, but to distribute the costs of municipal services fairly and to provide adequate funds to operate desired programs;
- To provide and improve essential public facilities and prevent deterioration of the City's infrastructure;
- To protect and enhance the City's credit rating;
- To ensure the legal use and protection of all City funds through a strong system of financial and accounting controls;
- To record transactions in a manner that matches current revenues to current expenditures; and
- To report year-end financial information in accordance with *Generally Accepted Accounting Principles (GAAP)* and in accordance with recommended best practices as promulgated by the GFOA and the Statements of Position of the Office of the State Auditor (OSA).

Code of Professional Ethics

The City shall adhere to the Code of Professional Ethics as established by the GFOA as outlined below.

To further the above objectives, all affiliated with the City are enjoined to adhere to legal, moral, and professional standards of conduct in the fulfillment of their professional responsibilities. Standards of professional conduct as stated herein are set forth in order to enhance the performance of all persons engaged in public finance and to protect the North Branch community.

Personal Standards. Employees shall demonstrate and be dedicated to the highest ideals of honor and integrity in all public and personal relationships to merit the respect, trust, and confidence of governing officials, other public officials, employees, and of the public.

- They shall devote their time, skills, and energies to their office, both independently and in cooperation with other professionals.
- They shall abide by approved professional practices and recommended standards.

Responsibility as Public Officials. Employees shall recognize and be accountable for their responsibilities as officials in the public sector.

- They shall be sensitive and responsive to the rights of the public and its changing needs.
- They shall strive to provide the highest quality of performance and counsel.
- They shall exercise prudence and integrity in the management of funds in their custody and in all financial transactions.
- They shall uphold both the letter and the spirit of the constitution, legislation, and regulations governing their actions and report violations of the same to the appropriate authorities.

Professional Development. Employees shall be responsible for maintaining their own competence, for enhancing the competence of their colleagues, and for providing encouragement to those seeking to enter the field of government finance. They shall promote excellence in the public service.

Professional Integrity – Information. Employees shall demonstrate professional integrity in the issuance and management of information.

- They shall not knowingly sign, subscribe to, or permit the issuance of any statement or report which contains any misstatement, or which omits and material fact.
- They shall prepare and present statements and financial information pursuant to applicable law and generally accepted practices and guidelines.
- They shall respect and protect privileged information to which they have access by virtue of their office.
- They shall be sensitive and responsive to inquiries from the public and the media, within the framework of state or local government policy.

Professional Integrity – Relationships. Employees shall act with honor, integrity, and virtue in all professional relationships.

- They shall exhibit loyalty and trust in the affairs and interest of the government they serve, within the confines of this manual.
- They shall not knowingly be a party to or condone any illegal or improper activity.
- They shall respect the rights, responsibilities, and integrity of their colleagues and other public officials with whom they work and associate.
- They shall manage all matters of personnel within the scope of their authority so that fairness and impartiality govern their decisions.
- They shall promote equal employment opportunities, and in doing so, oppose any discrimination, harassment, or other unfair practices.

Conflict of Interest. Employees shall actively avoid the appearance of or the fact of conflicting interests.

- They shall discharge their duties without favor and shall refrain from engaging in any outside matters of financial or personal interest incompatible with the impartial and objective performance of their duties.
- They shall not, directly or indirectly, seek or accept personal gain which would influence, or appear to influence, the conduct of their official duties.

- They shall not use public property or resources for personal or political gain.

Public Purpose Expenditure Policy

The City Council recognizes that public funds may only be spent if the expenditure meets a public purpose as outlined in State law, case law of the Minnesota Supreme Court and opinions of the Minnesota Attorney General.

The meaning of "public purpose" is constantly evolving. The Minnesota Supreme Court has followed a broad approach and has generally concluded that "public purpose" means an activity that meets all of the following standards:

- The activity will primarily benefit the community as a whole;
- The activity is directly related to functions of government; and
- The activity does not have as its primary objective the benefit of a private interest whether for-profit or not.

This section is intended to provide guidelines regarding which expenditures are consistent with public purpose(s) and authorized in accordance with the city's annual budget process, and which expenditures are not considered within the public purpose definition and are therefore prohibited.

Responsibility

The City Administrator is the responsible authority overseeing all City expenditures and as such is the Chief Purchasing Agent for the City. Responsibility for administering and interpreting this Public Purpose Expenditure Policy has been delegated to the City Administrator, or their designee. Further, all employees authorized by the City Administrator or their respective Department Director to make purchases on behalf of their respective departments are responsible for complying with this Financial Management Policy Manual (Manual) and corresponding procedures. Expenditures of public funds must comply with the public purpose standards defined above.

Permitted Expenditures for Meals and Refreshments

Use of City funds for reasonable meals and/or refreshments for elected officials and employees shall be permitted in the following circumstances, upon City Administrator approval:

- Professional association meetings, conferences, and training when meals are not included as part of the registration or program fee, or in accordance with the travel and training section of this Manual;
- City-sponsored training or work-related meetings where employees are required to participate or be available during break periods; and
- Work activities requiring continuous service when it is unreasonable to break for meals (e.g. elections days, water main breaks, emergency snow removal, time-sensitive public safety responses);

When reviewing an expenditure to verify the standards have been met, the City Administrator, or their designee, should consider the time of day the event is held, the business purpose of the event, and the reasonableness of the cost. These guidelines address specific examples of public expenditures, but this list is not meant to be exhaustive. Per the Internal Revenue Code section 132(a)(4) "De Minimis Fringe Benefits", any item or service with a value exceeding $100 is taxable to the employee.

Other Permitted Expenditures

Apart from meals and refreshments, the City Administrator, or their designee, may permit the following expenditures:

- Recognition events or purchases (Minnesota Statutes § 412.221.and § 15.46);
    - Purchases for recognition at special one-time or annual events when provided at modest level (e.g. recognition plaques);
    - Employee recognition programming for years of services for regular and permanent part-time employees that work 20 or more hours per week;
- Uniforms, clothing or apparel that is considered necessary for the performance of official duties, safety or for visible staff recognition by the public (e.g. safety footwear, eyewear for maintenance personnel);
- Employee wellness programming, the City Council recognizes the importance of employee fitness and health as it relates to the overall work and life satisfaction of the employee and the overall impact on the City's insurance programs;
- Special Events, including:
    - National Night Out/Night to Unite, Department Open Houses and other events that involve or invite participation by the general public; and
    - Expenditures for meals and participation fees are allowed, and representative staff members may participate in the events that directly benefit the marketing of the City, pursuant to Minnesota Statutes § 469.101, subd. 16 and § 438.11;
- Employee Training, including the reasonable registration, tuition, meals and travel expenses for conferences, seminars, workshops, tuition and approved city employment related course work;
- Memberships and Dues:
    - Participation in the local Chamber of Commerce is allowed per Minnesota Statute § 469.191;
    - Cost of membership/dues in professional organizations and City social and community organizations when the purpose is to promote, advertise, improve or develop the City's resources and relationships and not personal interest or gain;
- City expenditures for non-profit organizations allowed by applicable State statues, Minnesota Supreme Court case law, or opinions of the Minnesota Attorney General; and
- Certificates and licensures that employees must hold and maintain on behalf of and for the benefit of the City.

Prohibited Expenditures

Use of City funds for meals and/or refreshments for elected officials and employees are prohibited, including, but not limited to:

- Food and refreshments for routine work meetings, other than as identified in other sections of the Manual;
- Alcoholic beverages and tobacco products;
- Employee functions or celebrations that are solely social in nature (e.g. birthdays, holiday luncheon, ice cream social);
- Fundraisers for non-City related events (e.g. Chamber of Commerce);
- Participation in optional activities unless included as part of an overall conference registration fee (e.g. optional golf rounds, concerts);
- Employee-sponsored fundraising events (e.g. charitable giving campaign);
- Funeral flower arrangements or other such gifts; and/or
- Clothing or apparel that is not considered necessary for safety or for visible staff recognition by the public (e.g. sweatshirts for a "job well done").

Permitted Use of Assets
Specific City assets, such as equipment, may be used by City employees for personal reasons only when City has stablished the following:

- Costs and wear resulting from use of the assets are reasonable and minimal;
- Administrative controls are in place to ensure that the use is appropriate and not abused; and
- There is a documented/demonstrated City benefit by such usage (e.g. such as the Mobile Device Policy or Information Security Policy) as approved by the City Administrator or City Council.

Such permitted use may include incidental and de Minimis use of City-owned electronic equipment such as City-owned mobile devices and multi-function copiers. It may also include the use of City-owned vehicles provided to City employees as part of their official duties (e.g. Fire Chief, Public Works Director).

The limited use of City-owned assets shall be a privilege, and the City Administrator may end such practices at their discretion.

Documentation
All expenses allowed above must be fully documented. The expected documentation will include:

- Date and time of the expenditure;
- Business reason for the expenditure (e.g. agenda from a meeting);
- Staff and non-city representatives in attendance, if appropriate; and
- A receipt for the actual purchase.

City Administrator approval and written documentation is required for use of City assets. Failure to provide sufficient documentation may result in a denial of the expense.

Any expenditure for meals or refreshments that exceeds $250 for one event must have prior, written authorization by the City Administrator, before the purchase is made. Failure to obtain the necessary authorization may result in denial of the claim.

Special Requests
From time to time, there may be an event that is a proper public expenditure, but that is not contemplated by this Manual. Departments must submit in writing to the City Administrator, or their designee, a request for such prior to the expenditure. This request must show how the expenditure is related to a public purpose as stated in this Manual, or other applicable laws or regulations.

External Auditor Independence Policy

The City will arrange for an annual audit of all funds and account types by independent, certified public accountant(s) that are qualified and licensed to issue such reports.

In accordance with the Government Accountability Office (GAO), the authority on local government audits, in all matters relating to audit work, the external auditor shall be free both in fact and appearance from personal, external and organizational impairments to independence.

The City's external audit organization shall not be responsible for designing, developing and/or installing the City's accounting system or its operating system where this system generates information used in preparing financial statements of the City.

External auditors shall not develop a performance measurement system, or any other system relied upon in developing financial statements.

External auditors may prepare draft financial statements, schedules or perform other duties as long as they are based on the City's direction and the work results in a recommendation to management. Decisions based on the external auditor's recommendations must be approved by the City Finance Director, or their designee.

External auditors shall provide routine advice to the City and to management to assist them in activities such as establishing internal controls or implementing audit recommendations and answers to technical questions and provide training. However, they may not direct or unduly influence management with those decisions.

Any non-audit work related to tax rulings, arbitrage, attestation, compilation, sales tax audits, counted value audits and financial report assistance proposed by the auditors, or for which the City wishes to hire them must be consistent with the purchasing provisions of this manual.

Budgetary and Financial Controls

The City will establish and maintain the highest standard of accounting practices, in conformity with GAAP, Governmental Accounting Standards Board (GASB) guidance and recommended best practices as provided by the GFOA, along with all applicable laws and regulations governing the activities of a municipality.

The city shall maintain a structurally balanced budget, which includes the following:

- The City shall submit a balanced budget in which appropriations do not exceed the total of the estimated revenues and available fund balance as outline in this Manual;
- The City will avoid budgetary strategies or procedures that balance the current budget at the expense of future budgets;
- The City will coordinate the development of the Capital Improvement Program (CIP) and Capital Assets with the operating budget, and include all estimated operating costs associated with CIP activities and Capital Assets in the budget projections; and
- The budget will provide for the adequate maintenance and orderly replacement of all capital assets.

General budgetary and financial control is to be centralized in one department, under the direction of the Finance Director, whose functions shall include, but not be limited to, the following:

- Debt management;
- CIP budget management and asset tracking;
- Cash management;
- Annual audit;
- Financial analysis;
- Grant accounting and management;
- General accounting;
- Investment management;
- Operating budget preparation and monitoring;
- Payment of claims against the City;
- Payroll;
- Purchasing;
- Special Assessments; and
- Utility billing, revenue collection and all other receipting.

The Finance Department will review, and update, the schedule of fund balances, reserves, and working capital in all funds of the City, as needed, and determine adequacy of those cash and/or fund balances, using specified guidelines and criteria in conjunction with the budgets set annually.

The Finance Department will also monitor the performance of the North Branch Fire Relief Association through its City representatives, pursuant to Minnesota Statute § 424A.04.

Operating Budget Policy

The formal budgeting process provides the primary mechanism by which key decisions are made regarding the levels and types of services to be provided by the City, given the anticipated level of available funding sources.

Primary responsibility in the management of budgeted funds lies with the Department Directors. Such management includes, but is not limited to, reviewing expenditures before authorization, reviewing monthly financial reports to detect errors and assess progress, and complying with the revenue and expenditure budgets authorized by the City Council.

Department Directors will be responsible for administration of their assigned budgets. Department Directors are to submit requests for any budget adjustments that cause the total department to be over budget to the Finance Director before the project, program or service incurs cost during the budget period.

Budget Process

The City will utilize a performance based budget approach to resource allocation. At the start of each budget development cycle (as determined by the City Administrator or their designee), the City Administrator, in consultation with the City Council, identifies budgetary targets and/or goals for each department and their program areas. The City will attempt to maintain its present service level for all services identified as priority and/or essential, as determined by the City Administrator, within available funding sources.

The City will utilize procedures that allow departments to integrate priorities and objectives into the budget requests. However, all budget assumptions and projections shall be determined by the Finance Director in consultation with the City Administrator.

The city will conservatively estimate and budget its annual expenditures and revenues through an objective and analytical process. All existing and potential revenue sources shall be reviewed on at least an annual basis, and the total of the sums appropriated shall be less than or equal to the total estimated revenues by fund annually. When possible, the City shall maintain a margin of 3%, which shall be reflected in the budget as a contingency expenditure.

The City will publish the proposed budget on its official website at least 10 days prior to the adoption by the City Council. All publications and preparations of the annual budget documents shall be consistent with standard practices.

Any City enterprise funds are intended to be self-supporting (i.e., current revenues will cover current expenses), including capital improvements, debt services and depreciation. Enterprise operations are to be reviewed annually for their self-sufficiency.

Budget Compliance

In order to maintain compliance with the adopted budget resolution(s), the City shall maintain a strict budget compliance program with the thresholds established biennially, at a minimum, by the City Council through the budget resolution.

The budgetary legal level of control is at the fund level. The City Administrator is authorized to transfer appropriations within any department budget. Additional interdepartmental or interfund appropriations and deletions are or may be authorized by the City Council with fund (contingency) reserves or additional revenues. The City Council may authorize transfer of budgeted amounts between City funds.

Under no circumstances may budget adjustments be split to avoid approval thresholds or limits. In order to effectuate a budget amendment, the Department Directors shall complete a Budget Amendment request, which shall be maintained by the Finance Director. All approved budget amendments shall be subsequently included in the revised annual budget.

No expenditures may exceed the amounts authorized by the respective budget resolution, except by identifying offsetting decreases in other areas of the budget. In order to maintain compliance, the City will strive to limit transfer within and among departments as outlined in this Manual.

All costs incurred must be reasonable, necessary and for a bona fide public purpose. Any obligation incurred by an officer or City employee for any purpose not authorized in the budget resolution or for any amount in excess of the amount appropriated in the budget resolution or in excess of available moneys in any fund of the City may be considered a personal obligation upon the person incurring the expenditure.

Department Directors shall be responsible for contacting the Finance Director should there be any questions regarding financial management or if the issue or concern is related to internal controls. The Finance Director will monitor overall operating and CIP budget progress routinely throughout the year.

Performance Measurement and Use of Data
The City integrates performance measurement and productivity indicators to measure operational performance where practical. Performance data should be directly related to the goals and objectives of the unit and focus on results and accomplishments rather than inputs. Performance measures should provide a meaningful way to assess the effectiveness and efficiency of each operational unit.

Capital Improvement Program Policy

A Capital Improvement Program (CIP) will be developed for a period of up to 10 years. As resources are available, the most current year of the CIP will be incorporated into the annual budget. The CIP will be reviewed and updated at a minimum of biennially. Years two through five are for planning purposes only and do not confer any official budget authority. Generally, the CIP will be composed of two parts:

1. Capital Improvements, and
2. Capital Equipment.

The City will identify the estimated cost and potential funding sources for each capital project proposal before it is submitted to the City Council for approval and in that process, will determine the most effective financing method for the proposed project. All construction projects shall include at least a 10% budgeted contingency prior to receiving bids. Once a bids are accepted, this can be reduced to a 5% contingency. The City will make all capital improvements in accordance with the adopted CIP, which may be amended by the City Council from time to time.

To be considered in the CIP, a project must meet the capitalization threshold. The only exception to this would be the need to identify projects for pursuit of external revenue sources (i.e. grants, donations). Projects may not be combined to meet the minimum standard unless they are dependent upon each other and qualify for capitalization as a group asset.

Capital projects and/or capital asset purchases will receive a higher priority if they meet a majority of the following criteria:

- Mandatory project;
- Maintenance project;
- Improve efficiency;
- Positive effect on operation and maintenance costs;

- Availability of external grants;
- Elimination of hazards (i.e., improves public safety)
- Prior commitments; and/or
- Replacement due to disaster or loss.

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

The CIP is to be presented at least biennially by the Finance Director to the City Council for approval. Any substantive change to the CIP not addressed in this Manual must be reviewed and adopted by the City Council.

Capital Assets Policy

Per GASB Statement No. 34, a Capital Asset is defined as the purchase of an improvement to land, easements, buildings, building improvements, vehicles, machinery, equipment, art, historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

For this section of the Manual, the City shall use the following definitions:

- Inventory – an inventory of capital assets will be reviewed and updated annually;
- Reporting – the capital asset inventory will be reported within the audited financial statements (in accordance with governmental accounting standards);
- Depreciation – all capital assets within the inventory (excluding land, easements, and construction in progress) will be depreciated evenly based on their original or historical valuation over their estimated useful life.

Asset Capitalization and Depreciation Tables

The City will account for all capital assets that have a useful life of greater than 12 months with values equal to or exceeding $20,000.00.

The following ranges represent guidelines in setting estimated useful lives for capital asset reporting:

Asset Classification or Type	Depreciation	Target
Land	N/A	N/A
Land Improvements:		
Athletic fields and playfields	15 years	15
Fencing	15 years	15
Irrigation systems & outside lighting	15 years	15
Retaining walls	10 years	10
Parking lots	20 years	20
Landscaping (including trees & shrubs)	10-15 years	10
Easements	N/A	N/A
Buildings and Building Improvements:		
Buildings	25-40 years	40
Park Shelters	20 years	20

Roofing, Fire Sprinkling, Electrical, Plumbing	20 years	20
HVAC Systems	15 years	15
Cabinetry and Permanent Furnishings	10 years	10
Well Rehab and Reconstruction	5-20 years	10
Vehicles:		
Cars, Vans, Light Trucks	5-7 years	5
Medium/Heavy Duty Trucks	8-16 years	10
Fire Trucks	15-25 years	20
Police Vehicles	5-7 years	5
Machinery and Equipment:		
Heavy Equipment (Sweepers, Loaders, etc.)	10-20 years	15
Tractors	15 years	15
Large Mowers	7-10 years	8
Small Mowers	3-5 years	4
Firefighting Equipment	10 years	10
Well Pumps and Equipment	20-25 years	20
Other Equipment	7-15 years	10
Furniture and Office Equipment	3-10 years	4
Recreation Equipment:		
Play Structures	10 years	10
Scoreboards	10 years	10
Tennis and Basketball Courts	20 years	20
Information Technology:		
Telecommunication Systems (i.e., Fiber Optic)	25 years	25
Servers, Network Switches and Firewalls	5 years	5
Infrastructure:		
Bridges	25 years	25
Streets (includes curb and gutter)	25 years	25
Sidewalks and Trails	15 years	15
Water Distribution	40 years	40
Sanitary Sewer Collection		
Mains and Lines	40 years	40
Lift Stations, Equipment & Liners	20-30 years	20
Storm Water System		
Mains and Storm Ponds	40 years	40
Catch Basins, Culverts, Manholes	25 years	25
Non-Structural BMPs	10-25 years	20
Structural BMPs	25-40 years	30
Streetlights and Traffic Signal Systems	25 years	25
Other Infrastructure	20-40 years	30

Disposition of Capital Assets

Capital Assets may be disposed of, in accordance with State guidelines, through the following methods:

- Sold by a public auction or advertisement for bids;
- Exchanged or "traded-in" for a replacement;
- Donated in a manner consistent with the Donation section of this Manual;
- Retired, recycled or placed in garbage (i.e., obsolete, broken items); or
- Salvaged, after the end of its useful life.

Fiscal Agent Services Policy

From time to time, the City, in order to support applicable public purposes or other community-wide benefits, may agree to provide fiscal agent services to an external organization. If the City determines such an arrangement would be in the best interest of both parties, the following Fiscal Agent Service Policy shall apply and control.

Eligibility

The City shall only provide fiscal agent services to a 501(c)(3) organization fulfilling a statutorily recognized public purpose or other community-wide benefit as determined by the City. All requests for fiscal agent services shall be reviewed on a case-by-case basis. If the City maintains a same or similar business relationship with other organizations, such relationships shall not be a basis for the approval or denial of any individual request.

All fiscal agent service arrangements shall be governed by a written Fiscal Agent Services Agreement (Agreement) approved by the governing board of the external organization and the City Council. Any costs associated with the creation, review and implementation of this Agreement shall be borne by the external organization through a non-refundable, administrative fee as determined by the City.

The City shall not provide fiscal agent services for any unincorporated associations or groups. It may also deny any request for fiscal agent services at any point prior to the approval and execution of the Agreement.

Fiscal Agent Services Requirements

The Agreement shall outline the type of assistance and services to be provided by the City. Generally, these services may be administrative, financial or legal in nature. The City may also provide access to insurance products and other services through its vendors. As a rule, the City will not provide programmatic assistance (i.e., providing staff for an event) or waive fees or similar costs charged to the general public (e.g., park shelter rental fee). All services outlined in the Agreement shall be conducted in a manner consistent with the legal requirements and best practices of the City, State, and applicable accounting standards.

Any material changes, as determined by the City, in the activities of the external organization shall require the written approval of the City, and a subsequent modification of the Agreement by the City Council. The City shall not provide any fiscal agent services associated with any unapproved activities, or activities not otherwise contemplated by the Agreement.

The external organization shall support all costs associated with the fulfillment of the Agreement, including, but not limited to:

- Annual audit requirements;

- Interim reports and other requests for information;
- Banking needs;
- Daily and regular transactions and associated fees;
- Amendments to the Agreement;
- Legal services;
- Insurance premiums;
- And other costs determined by the City to support the letter and spirit of the Agreement.

The City may also charge up to a 5% administrative fee based on the total expenditures of the external organization annually in addition to the costs outlined above.

On behalf of the external organization, the City, as the Fiscal Agent, shall establish and maintain a separate Fiduciary Fund to segregate applicable financial activities. The City shall only disburse, or release funds associated with such account upon the written authorization of at least two parties, as identified in the Agreement, upon a form(s) determined by the City. The maintenance of all funds shall be consistent with the internal controls established for regular City business activities.

The City will maintain all financial records associated with the external organization according to GAAP and OSA requirements, as well as any other applicable standards associated with the business activities of the external organization (e.g., grant covenants). The external organization shall support the cost of any employee trainings or certifications necessary to support its business activities.

The Agreement shall require the external organization to indemnify the City and allow the City Council to terminate upon a 90-day written notice. Additionally, if the City Council concludes any illicit, illegal and/or disreputable activities on the part of the external organization, it may terminate the Agreement when the external organization either fails to remedy or cannot remedy the situation(s) within 10 days of written notice. If the City terminates the Agreement, it shall provide all data and information to the external agency upon request and to complete required reports and submissions.

Funds and Fund Balance Policy

In order to maintain compliance with applicable Federal regulations, State laws and City provisions, the City shall maintain the following standards with respect to cash and investment management.

The purpose of this Fund Balance Policy is to establish appropriate fund balance levels for each fund that is primarily supported by property tax revenues or user fees. These policies will ensure that adequate resources are available to meet cash flow needs for carrying out the regular operations of the City.

The GFOA's guiding principle for classifying the various components of fund balance is to indicate the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. Following governmental accounting standards, the City has two basic categories: Governmental Funds and Proprietary Funds. This Fund Balance Policy applies only to the governmental categories.

Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, altered the categories and terminology used to describe the components of fund balance in governmental funds (but it does not apply to the proprietary or fiduciary funds). The City's governmental funds include the following fund types:

- General Fund;
- Special Revenue Funds;
- Debt Service Funds; and
- Capital Projects Funds.

For the purpose of GASB Statement No. 54 and this Manual, the following definitions shall apply to the types of fund balances:

- <u>Fund Balance</u> – The difference between assets and liabilities reported in a governmental fund;
- <u>Non-Spendable Fund Balance</u> – Amounts that are not in a spendable form (e.g., prepaid items and inventories of supplies), resources that must be maintained intact pursuant to legal or contractual requirements are also considered non-spendable.
- <u>Restricted Fund Balance</u> – Amounts subject to externally enforceable legal restrictions (e.g., creditors, grantors, contributors, and by law through constitutional provisions or enabling legislation);
- <u>Unrestricted Fund Balance</u> - The total of committed fund balance, assigned fund balance, and unassigned fund balance, as described below;
  - <u>Committed Fund Balance</u> – Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (i.e., City Council). Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally. The City Council must act on these commitments before year end;
  - <u>Assigned Fund Balance</u> – Amounts a government intends to use for a specific purpose; intent can be expressed by the government body or by an official or body to which the governing body delegates the authority; and
  - <u>Unassigned Fund Balance</u> – Amounts that are available for any purpose in the General Fund.

The City Council authorizes the Finance Director and/or City Administrator to assign fund balances that reflects the City's intended use of those funds. When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order:

1) Committed
2) Assigned
3) Unassigned.

General Fund
The General Fund is established to account for all revenues and expenditures which are not required to be accounted for in other funds. Revenue sources include property taxes, license and permit fees, fines and forfeits, charges for services, intergovernmental revenues, investment interest earnings and transfers.

The General Fund will have committed fund balances at year end for any purchase order encumbrances and budget carryovers. The General Fund may have a portion of its fund balance classified as non-spendable if there are long term receivables, inventories, or prepaid items. The General Fund is the only fund that can have a positive unassigned fund balance.

The City will strive to maintain an unassigned fund balance in the General Fund in the range of 45%-55% of the subsequent year's budgeted operating expenditures. Since a significant source of revenue in the General Fund comes from property taxes, maintaining a fund balance that is equal to at least five months of operating expenditures ensures that sufficient resources are available to fund basic City functions between property tax settlements. This range is in conformance with guidance from the OSA. An assignment or restriction of fund balance may be used to offset revenues earned in one year where substantial services are required to be performed in the next fiscal period.

Special Revenue Funds
Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Consistent with GASB Statement No. 54, substantial inflows of revenues into a Special Revenue Fund must be either restricted or committed in order for the fund to be considered a Special Revenue Fund.

Debt Service Funds
Debt Service Fund balances are considered restricted as they are resources that are being accumulated for payments of principal and interest maturing in current and future years. The Debt Service Funds are required to maintain sufficient fund balance to pay the February 1 debt service payments of the following year.

Capital Project Funds
Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned for capital outlays, including the acquisition or construction of capital facilities and other capital assets. They also accumulate funds for future, planned expenditures.

The City shall consider all Capital Project Funds as assigned fund balances, except in the following circumstances:

- Long-term receivables, inventories, and prepaid items, which shall be non-spendable;
- Proceeds from the sale of bonds, and any Municipal State Aid held by the City or similarly designated funding, which shall be restricted;
- Funds held for the Capital Equipment Fund; and

- Signed contracts or agreements approved by the City Council.

For any other activity, the Finance Director, or their designee, shall determine the fund balance classification. Given the type of activities supported by these funds (e.g., one-time expenditures), the City does not maintain fund balance policies for each individual fund.

Enterprise Funds
Enterprise Funds are established to account for the operation of Water, Generation, Sanitary Sewer, Storm Water and Municipal Liquor operations which are designed to be self–supporting from user charges and fees.

Water - This fund is used to account for the provision of water services for the customers of the City related to administration, operations and capital outlay. This fund is financed primarily through user charges and fees.

The City will strive to maintain a cash balance in the Water Utility Fund in the range of 50%–60% of the subsequent year's budgeted operating expenses less depreciation, plus the subsequent year's debt service and capital improvement obligations. Since a significant source of revenue in the Water Fund comes from user charges and fees, maintaining a cash balance in this range ensures that sufficient resources are available to fund basic City functions between receipts of user charges and fees. In addition, due to the mature water infrastructure within the City, a higher percentage of fund balance is prudent to address any potential issues.

Generation - This fund is used to account for the provision of electrical generation for Southern Minnesota Municipal Power Agency (SMMPA) related to administration, operations and capital outlay. This fund is financed primarily through contracted fees.

The City will strive to maintain a cash balance in the Generation Fund in the range of 50%–60% of the subsequent year's budgeted operating expenses less depreciation, plus the subsequent year's debt service and capital improvement obligations. Since a significant source of revenue in the Generation Fund comes from fees, maintaining a cash balance in this range ensures that sufficient resources are available to fund basic City functions between receipts of fees.

Sanitary Sewer - This fund is used to account for the provision of sanitary sewer collection and conveyance for the customers of the City related to administration, operations and capital outlay. This fund is financed predominantly through user charges and fees.

The City will strive to maintain a cash balance in the Sanitary Sewer Utility Fund in the range of 50-60% of the subsequent year's budgeted operating expenses less depreciation, plus the subsequent year's debt service and capital improvement obligations. Since a significant source of revenue in the Sanitary Sewer Fund comes from user charges and fees, maintaining a cash balance in this range ensures that sufficient resources are available to fund basic City functions between receipts of user charges and fees. In addition, due to the age of the sanitary sewer infrastructure within the City, a higher percentage of fund balance is prudent to address any potential issues.

Storm Water - This fund is used to account for the provision of storm water collection, conveyance and water quality management for the customers of the City related to administration, operations and capital outlay. This fund is financed predominantly through user charges and fees.

The City will strive to maintain a cash balance in the Storm Water Fund in the range of 50%–60% of the subsequent year's budgeted operating expenses less depreciation, plus the subsequent year's debt service and capital improvement obligations. Since a significant source of revenue in the Storm Water Fund comes from user charges and fees, maintaining a cash balance in this range ensures that sufficient resources are available to fund basic City functions between receipts of user charges and fees. In addition, due to the age of storm water infrastructure within the City, a higher percentage of fund balance is prudent to address any potential issues.

Municipal Liquor - This fund is used to account for the operations of the City's off–sale liquor stores. This fund is financed predominantly through the sale of liquor and similar items.

The City will strive to maintain a cash balance in the Municipal Liquor Fund in the range of 10%–20% of the subsequent year's budgeted expenses, or approximately 1-3 months of subsequent year's budgeted expenses. Due to the correlation of sales to purchases of inventory, a lesser cash balance percentage is justifiable. This will ensure that sufficient resources are available to fund Municipal Liquor operations and future capital improvements.

Carryovers and Encumbrances

At year end, the City Council may approve budget carryovers. The budget carryovers will be considered Committed Fund Balances upon approval of the City Council through the subsequent annual budget.

Investment Management Policy

This Investment Policy specifically outlines the investing philosophy and practices of the City of North Branch and serves as a reference point for the management of City assets. It is the policy of the City to invest public funds in a manner which will provide for the following in order of importance: safety, liquidity and yield (i.e., return on investment) that conforms to all Federal, State and local regulations governing the investment of public funds.

Scope

This Investment Policy applies to all financial assets of the City of North Branch. These funds are accounted for within the City's audited financial statements. These funds include:

- General Fund;
- Special Revenue Funds;
- Capital Project Funds;
- Debt Service Funds;
- Enterprise Funds; and
- Any new fund created by the City, unless specifically exempted by City Council; and/or falling under the constraints of a separate section of State law other than Minnesota Statute Chapter 118A.

Prudence

Investments shall be made with judgement and care, under circumstances existing at the time the investment is made, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering probable safety of the capital as well as interest yield to be derived.

The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. Investment officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal liability 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 situations. Investment procedures developed for the Finance Department must be complied with by those with access to and management responsibilities for City investments, including any external investment managers, advisors, consultants, brokers and/or counterparties.

Objective

At all times, investments of the City shall be made in accordance with Minnesota Statutes Chapter 118A and amendments thereto. The primary objectives of the City's investment activities shall be in the following order of priority.

Safety – Safety of principal is the foremost objective of the investment portfolio. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk, interest rate risk, and custodial risk.

Credit Risk – Credit Risk is the risk of loss due to failure of the security issuer to make payments on time and/or in full. Credit Risk will be minimized by:

- Limiting investments to the type of securities listed in this Investment Policy; and
- Diversifying the investment portfolio so that the impact of potential losses from any type of security or from any on individual issuer will be minimized.

Interest Rate Risk – Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The City will minimize Interest Rate Risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Custodial Risk – The City will minimize deposit Custodial Risk, which is the risk of loss due to failure of the depository bank (or credit union), by obtaining collateral or bond for all uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

The City will minimize investment Custodial Risk by maintaining custody of securities and cash holdings outside of authorized depository institutions with an eligible custodian(s) that meets statutory and Investment Policy requirements or with a Federal Reserve Bank. Investment Custodial Risk is the risk that in the event of failure of a custodian, such as a broker/dealer, the City will not be able to recover the value of its investment securities that are in possession of an outside party and in that party's nominee name for which the City is a beneficial owner.

Liquidity

The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might reasonably be anticipated. The portfolio will be structured so that securities mature concurrent with cash needs to meet anticipated demands (i.e., static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (i.e., dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds.

Yield

The City's investment portfolio shall be designed with the objective of attaining a market rate return. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal and the risk the investment will no longer comply with the requirements of Minnesota Statutes, Chapter 118A;
- A security swap (simultaneous sale and purchase) would improve that quality, yield, or target duration in the portfolio; and
- Liquidity needs of the portfolio require that the security be sold.

Trading

Portfolio purchases will focus on holding investments until maturity to maintain securities at amortized value. Excessive investment portfolio turnover commonly referred to as "trading" or "overtrading" to obtain short-term gains is not consistent with the City's stated investment objectives and will be prohibited.

Delegation of Authority

The Investment program shall be operated in conformance with Federal, State, and other legal requirements. Authority to manage the City's investment program is derived from the following:

- Minnesota Statutes Chapter 118A, Deposit, and Investment of Local Public Funds

Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish written procedures for the operations of the Investment Program consistent with this

Investment Policy. The Finance Director, with assistance from the Finance Department, monitors performance of the investment portfolio, and ensures that proper internal controls are developed to safeguard investment assets. Procedures should include reference to: safekeeping (custody), delivery versus payment (DVP), investment accounting wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to a person responsible for investment transactions.

No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the Finance Director. An Investment Committee comprised of City Administrator, Finance Director, minimum of 1 Councilmember shall oversee all investment transactions and shall establish a system of controls to regulate the activities of subordinate officials and any external parties.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from conducting personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Authorized Broker/Dealers and Investment Advisors

The City will conduct investment transactions only with authorized broker/dealers that have met the following criteria:

- They act as primary or regional dealers that qualify under Securities & Exchange Commission (SEC) Rule 15C3-1 (Uniform Net Capital Rule); and
- Submit annually to the Finance Director an OSA Broker Certification Form.

All broker/dealer relationships, providing they meet the above requirements, will be maintained at the discretion of the Finance Director. The purchase of all investments must be from institutional brokers.

The City may enter into contracts with investment advisory firms at the discretion of the Finance Director when their services are deemed beneficial to the City. Any such firm must be registered under the Investment Advisor's Act of 1940. The advisor may have authority to transact investments on behalf of the City and must comply with State statute and this Investment Policy.

Authorized and Suitable Investments

Based on the investment objectives as defined in this Investment Policy, the City will limit its investments to securities authorized under Minnesota Statute 118A and future revisions.

Concentration of Credit Risk

It is the intent of the city to diversify its investments and thereby reduce the risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, institution or market sector. No more than 50% of the entity's total investment portfolio will be invested in a single market sector and no more than 15% of the overall portfolio may be invested in the securities of a single issuer. The following investments are exempt from diversification restrictions:

- U.S. Treasury and Agency securities
- Money Market Funds, Local Government Investment Pools (LGIPs)
- Deposits fully insured by Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA).

Due to the fluctuations in the value of the portfolio, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the purchase or maturity of a particular security. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made.

Collateralizations

In accordance with Minnesota Statute 118a.03, financial institutions will be required to provide collateral on the following:

- Certificates of Deposits (i.e., Time Deposits); and
- Demand Deposits.

The City chooses to limit collateral to the following U.S. government securities:

- Treasury Bills;
- Treasury Notes;
- Treasury Bonds;
- Federal National Mortgage Associations (FNMA);
- Federal Home Loan Bank (FHLB);
- Federal Farm Credit Bank (FFCB);
- Government National Mortgage Association (GNMA); and
- Federal Home Loan Mortgage Corporation (FHLMC).

Deposits may additionally be collateralized by an irrevocable standby letter of credit issued by Federal Home Loan Banks.

The underlying securities will be subject to periodic (i.e., monthly) market valuations to ensure there is no market exposure. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest except that where the collateral is irrevocable standby letters of credit issued by Federal Home Loan Banks. The amount of collateral shall be at least equal to the amount on deposit at the close of the financial institution's banking day.

For cash deposits on-hand collateral will always be held by an independent third party with whom the City has a current custodial agreement. Clearly marked evidence of ownership (i.e., safekeeping receipt) must be supplied by the entity and retained. Collateralization shall be in the form of specific securities held for the City. The only exceptions are FDIC, NCUA, Securities Investor Protection Corporation (SIPC) and pre-approved insurance coverage. The right of collateral substitution is granted, subject to approval from the Finance Director.

Safekeeping and Custody

Securities purchased shall be held in a segregated account for the City's benefit at a third-party trustee as safekeeping agent. The investment dealer or bank from which the security is purchased shall issue a confirmation ticket to the City listing the specific instrument, issuer, coupon, maturity, Committee on Uniform Security Identification Procedures (CUSIP) number, purchase or sale price, transaction date, and other pertinent information. The financial service provider who executes the transaction on the City's behalf, if any, shall deliver all securities on a delivery versus payment method. This means that neither the buyer nor the seller is exposed to the risk that the other will default.

Investments, contracts, and agreements may be held in safekeeping with:

- Any Federal Reserve Bank; and

- Any bank authorized under the laws of the United States or any state to exercise corporate trust powers including, but not limited to, the bank from which the investment is purchased.

The City's ownership of all securities should be evidenced by written acknowledgements identifying the securities by:

- The names of the issuers;
- The maturity dates;
- The interest rates; and
- Any CUSIP, serial numbers, or other distinguishing marks.

The City may not invest in securities that are both uninsured and not registered in the name of the City and are held by either the counterparty or the counterparty's trust department or agent, but not in the name of the City.

Maximum Maturities
To the extent possible, the City will attempt to match its investment maturities with anticipated cash flow liquidity demands (i.e., static liquidity).

Maturities selected shall provide for stability of income and reasonable liquidity. Because of the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools and/or money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Internal Control
The Investment Committee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that

(1) the cost of a control should not exceed the benefits likely to be derived; and
(2) the valuation of the costs and benefits requires estimates and judgments by management.

The City will engage an external auditor for an annual independent review to assure compliance with policies and procedures.

Performance Standards
The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, considering the City's investment risk constraints and cash flow needs. The investment portfolio will be structured to meet specific criteria addressing safety, liquidity and yield. The City's reporting system will provide information concerning cash position, investment performance, and percentage of the portfolio that is invested by security issuers and maturity structure.

Market Yield/Benchmark
The City's investment strategy is conservative. Under this conservative philosophy, the City will purchase investments that fit in accordance with this policy. Given this strategy, the Finance Director may establish benchmarks, as appropriate, based on the investment needs of the City.

Reporting
An Investment Advisory Committee consisting of the City Administrator and the Finance Director at a minimum, shall meet quarterly and discuss the investment activity and returns of the City, which will

include: security diversification information, maturity breakdowns and investment earnings, and a brief summary of current economic conditions affecting the portfolio. The City will also report this information as part of the annual audited financials.

Debt Management

One of the keys to sound financial management is the development of a Debt Management Policy. This need is recognized by bond rating agencies and development of a debt policy is a recommended practice of the GFOA. A debt policy establishes the parameters for issuing debt and managing the debt portfolio. It provides guidance to the administration regarding purposes for which debt may be issued, types and amounts of permissible debt and method of sale that may be used. It helps ensure fiscal responsibility and promotes financial sustainability. The following Debt Management Policy is intended to demonstrate a commitment to long–term financial planning in conjunction with the CIP for the City.

Debt Issuance Guidelines

The City will confine long–term borrowing to capital improvements, projects, and equipment that have a useful economic life of more than five years and cannot be financed from current revenues. For the purpose of this Debt Management Policy, current revenues are defined to include that portion of fund balance in excess of appropriate required reserves and designations.

The City will endeavor to keep the total maturity length of general obligation bonds at or below 20 years and at least 50% of the principal shall be retired within 10 years. In all cases, the maturity shall be shorter than the useful life of the related asset(s).

At a minimum, the City will prepare a ten–year CIP biennially, which will be approved by the City Council. The CIP will include an analysis of the City's infrastructure and other capital needs, and their corresponding financial impact and any associated debt service. The City will not issue any long–term debt to support operating activities nor will it consider debt issuance outside of the adopted CIP, except in the case of a financial emergency.

The City will analyze each project and the proposed debt financing to determine the tax impact and future operating costs associated with the project and related debt issuance costs. The City Council shall authorize, approve and appropriate all debt related proceeds.

The City will plan bond issues to minimize the frequency of issuance to ensure the lowest possible costs of issuance and administrative/compliance costs. When determining the size of a bond issue, the City will consider the need for construction, debt service and capitalized interest funds. The City will prepare construction fund draw schedules in conjunction with CIP planning.

The City's preferred method of sale of bonds is via competitive sale to underwriters; however, the City may sell bonds via a negotiated sale, private placement, or other method if deemed advantageous. The City shall on all occasions comply with the requirements of Minnesota Statutes, Chapter 475 with respect to method of sale and the use of an independent municipal advisor.

Total net general obligation debt, which is generally defined as debt fully supported by property taxes, will not exceed the statutory limit as required by Minnesota Statutes § 475.53. The total debt levy will not exceed 50% of the total property tax levy in any given year. Where possible and cost–effective, the City will use revenue, including General Obligation backed revenue bonds, or other self–supporting type bonds instead of General Obligation Bonds.

The City will maintain frequent and regular communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus. The City will comply with SEC reporting requirements.

Interfund Borrowing
Interfund borrowing for periods of more than one year shall only be undertaken for capital expenditures. A reasonable payment schedule for repayment of the borrowed amounts and enforceable covenants, established to ensure recourse if the schedule is not adhered to, shall be approved by the City Council. Interest charges shall be included to compensate the originating fund for the use of its financial resources. Bond proceeds should never be included during interfund borrowings as this can create additional arbitrage exposure.

Debt Issuance Types
The City may issue general obligation debt for equipment, capital or other properly approved projects. Where possible and cost–effective, the City will use special assessment, revenue, or other self–supporting bonds instead of General Obligation Bonds.

The City may issue revenue bonds to finance proprietary fund activities such as water, sanitary sewer and storm water utilities as well as the municipal liquor store(s) or for other capital projects that generate adequate revenues from user fees to support operations and debt service requirements. The bonds will include written legal covenants, which require that revenue sources be adequate to fund annual operating expenses and annual debt service requirements.

The City may issue tax increment bonds to fund public improvements or for economic development (i.e., private). All Tax Increment Financing (TIF) proposals shall include a financial impact analysis addressing the economic relationship of the proposed project to the City's estimated tax rates, service costs, and employment opportunities. If General Obligation TIF Bonds are proposed, there shall be a review and opinion by the City's Financial Advisor regarding structuring the issue and the adequacy of the tax increments to retire the debt.

Capital leases may be used to purchase buildings, equipment, furniture and fixtures. The term of any capital lease shall not exceed the useful life of the leased asset. Lease financing and master lease obligations, including lease revenue bonds, may be considered as alternative financing sources.

Refunding of Debt
The City will refund debt when it is in the best financial interest of the City to do so.

Debt Service Savings – When a current or advance refunding are undertaken to generate interest rate cost savings, the minimum aggregate present value savings will be 3% of the refunded bond principal amount. The present value savings will be net of all costs related to the financings.

Term of Refunding Issues - The City will refund bonds within the term of the originally issued debt. However, the City may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The City also may consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed project or facility should be considered in this decision.

Arbitrage – The City shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refunding.

Private Activity or Conduit Bonds Policy

The City has been granted the power to issue private activity or conduit revenue bonds, and other conduit revenue obligations, under Minnesota Statutes, § 469.152-469.165, as amended, and Minnesota Statutes, Chapter 462C, as amended (Conduit Bonds Acts).

It is the judgement of the City Council that tax-exempt financing is to be used on a selective basis to encourage a certain development or project that offers a benefit to the City as a whole, including significant employment and housing opportunities. It is the applicant's responsibility to demonstrate the benefit to the City, both in writing and at the required public hearings.

Although approval may have been granted by the City Council for the issuance of financing for a similar project or a similar debt structure, it shall not be a basis upon which approval will be granted. Each application will be judged on the merits of the project as it relates to the authorized public purpose, the Conduit Bonds Acts, and the benefits to the City at the time of the request for financing.

Criteria

The proposed project must be compatible with the overall development plans and objectives of the City as outlined in the Comprehensive Plan or other duly adopted actions, resolutions and/or ordinances of the City Council.

It is also the City's intent to assist in business expansions or relocations within the City where it can be shown that such would have a substantial, favorable impact on employment, qualified housing or the property tax base of the City.

The project must not put an undue burden on existing City services or public utilities beyond that which can be reasonably and economically accommodated, as determined by the City Engineer or their designee. Additionally, the applicant shall not place the City in competition with other jurisdictions or political subdivisions for project financing.

Any and all bonding and bonding authority shall be available on a first-come, first-serve basis, assuming the applicant(s) in question meet the other criteria and procedures outlined in this section of the Manual.

The applicant must have a good financial standing, show a substantial net worth, equity in the project, or both, and have an acceptable earnings history or pro forma. Proposed projects are to show in the application for financing an owner equity or other collateral (such as a Letter of Credit, insurance company guarantee, or similar security), which will be satisfactory to the end-lender or rating agency, all determined with reference to total project costs. The applicant will also file with the City, if requested, a final statement of total costs and project equity, certified by an authorized officer or partner, or the individual applicant, and said statement to be filed at time of requesting the final resolution.

Debt will be considered sold in a private placement if:

1. No advertising or solicitation of the general public occurs, and
2. If the bonds are initially sold to not more than ten purchasers (not including any underwriter or placement agent as a purchaser); and
3. The City receives written certification from each initial purchaser (or each underwriter or placement agent based on its reasonable belief) that:
    a. Such purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and the risks of the debt; and

b. Such purchaser is not purchasing for more than one account or with a view to distributing the debt.

In addition, for a private placement either:

1. All bonds or notes (except for one bond or note) must always remain in minimum denominations of not less than $100,000, or
2. Investment letters from each initial purchaser, and from any subsequent purchaser, must be obtained and contain the above described certifications from the purchasers.

Any offering material for a private placement must prominently state in effect that: THE CITY OF NORTH BRANCH, MINNESOTA HAS NOT ASSUMED ANY RESPONSIBILITY TO REVIEW THIS OFFERING MATERIAL AND HAS NO RESPONSIBILITY FOR ITS ACCURACY OR COMPLETENESS. THE CITY HAS NO FINANCIAL OBLIGATION OF ANY NATURE WITH RESPECT TO THE OFFERED BONDS," or such other language to the same force and effect mutually agreeable to the borrower/obligator and the City.

Finally, to qualify as a private placement the financing documents must require annual financial statements from the benefited private party (or the ultimate provider of credit) to be delivered to each investor, or a trustee, and the City as the issuer.

Applications for acquisition or replacement of machinery and equipment will be discouraged unless in conjunction with a new business in the City, as physical plant expansion of an existing business, or where it is shown that the equipment acquisition is essential to the continued operation of the business.

Procedures

The applicant shall make an application for financing on forms determined by the City Administrator, or their designee. The completed application must be returned to the City, accompanied by the processing fee as determined by the City, whereupon the application will be reviewed by staff for possible consideration by the City Council. Specific findings shall be made and recited regarding the criteria as well as satisfaction of public purposes of the Conduit Bonds Acts, of other applicable Federal regulations and/or State statutes.

The applicant must select a qualified financial advisor or underwriter to assist the applicant in preparing all necessary application documents and materials. Applications must include a signed letter from a responsible financial institution indicating that the project is economically feasible and viable, and stating that bonds can be successfully sold for the project or that an individual or institution intends to purchase all of the bonds. Financial material submitted must also include the most recent fiscal year-end audited financial statements of the applicant and/or of any major lessee tenant, if readily available.

The applicant must receive approval from the appropriate State agencies, secure financing and commence construction within one year of the date of the final resolution giving approval to the project for the housing program. Upon application, the City Council may approve an extension of the approval.

The applicant shall furnish along with the application, a description of the project, plat plan (if needed), rendering of proposed buildings, and a brief description of the applicant, all in such form as shall be required at the time of application. This data may be furnished to other staff, appropriate consultants and members of the City Council.

The application shall not be considered complete until a review by the City regarding applicable City Code requirements, including, but not limited to:

- Street and traffic issues;

- Zoning compliance; and
- Public utility and drainage issues.

The review shall consider both existing and improved conditions of the proposed project. A failure to address these findings and requirements, or failure to demonstrate a capability to reasonably remediate the same in a timeline determined by the City, may result in the denial of the application.

If an allocation of bonding authority is required under Minnesota Statues, Chapter 474A, as amended, the applicant shall be required to pay any required application fee(s) and provide any required application deposit as specified in Minnesota Statutes Chapter 474A, without regard to whether the application fee or application deposit will be refunded. If the City shall serve as a pass-through for any such deposit refunds, it shall process the same in ten business days of receipt.

Administrative

The City Council reserves the right to deny any application for financing for any reason, and at any stage of the proceedings, prior to adopting the final resolution authorizing issuance of the private activity or conduit financing. The City Council may waive any provision of this Conduit Bonds Policy if the City Council determines that such waiver is in the best interests of the City.

The City is to be reimbursed, and held harmless, for and from any "out-of-pocket" costs related to the actual or proposed issuance of bonds contemplated by this Manual. In addition, a non-refundable processing fee as determined by the City's Comprehensive Fee Schedule must be submitted with the application. Upon closing, an Administrative Fee is due and payable to the City based on the following schedule:

- 1/8 of 1% annually of the outstanding principal for the life of the bond issue; or
- Up to 1% of the par amount of the bond.

Any costs incurred by the City will be recovered at the time of settlement or through scheduled payments collected by the Fiscal Agent. Requesting organizations must pay for any City expenses for Bond Counsel, Financial Advisor and any similar costs related to any financing, which shall be in addition to the Administrative Fee. The Administrative Fee is to be paid from proceeds of the Bonds or other sources on the date of issuance of the bonds or may be paid to the fiscal agent with each debt service payment. The applicant will be responsible for all costs associated with post–issuance compliance monitoring per this Manual, including the costs of the City in responding to any Internal Revenue Service (IRS) or other legal inquiries regarding the tax–exempt status of the bonds.

The applicant shall covenant in the applicable bond documents to comply with all applicable requirements of the Internal Revenue Code of 1986, as amended (Code), and the applicable Treasury Regulations, including, but not limited to:

- The arbitrage and rebate requirements of Section 148 of the Code; and
- The qualified bonds provisions of Sections 141(e), 142, 143, 144, and 145 of the Code.

The applicant shall be the party responsible for monitoring the private activity or conduit bonds for compliance with such requirements and to remediate non–qualified bonds in accordance with the requirements of the Code and applicable Treasury Regulations. The applicant shall be the party responsible for monitoring compliance with the requirements of Section 148 of the Code, and all other requirements outlined in the Post–Issuance Compliance Policy and Procedures of this Manual.

The first $10,000,000 in bonding authority annually, the maximum allowed for designation as "bank qualified," will be reserved for City purposes. To preserve its bank qualification authority, the City will only consider issuing these types of conduit obligations when the City's needs have been fully met. Should the

City exceed the bank qualified limit, the borrower in question must pay the City the net present value between the bank qualified and non–bank qualified rates. The City's Financial Advisor shall provide this calculation, if needed.

All applications, supporting materials and documents shall remain the property of the City; and all such materials may be subject to disclosure and/or public review under applicable provisions of State law. Additionally, the applicant shall assist the City with any Minnesota Government Data Practices Act request(s), including paying for any applicable compliance costs determined by the City.

The Finance Department shall report any and all private activity or conduit debt issues in the Annual Financial Report in accordance with GAAP and shall report any material events with regard to all debt issued by the City, and still outstanding, to the City Council.

Post-Issuance Debt Compliance Policy

The City Council has chosen, by policy, to take steps to help ensure that all obligations will follow all applicable federal regulations. This Post-Issuance Debt Compliance Policy may be amended, as necessary.

The IRS is responsible for enforcing compliance with the Internal Revenue Code (Code) and regulations promulgated thereunder (Treasury Regulations) governing certain obligations (e.g., tax-exempt obligations, Build America Bonds, Recovery Zone Development Bonds and various Tax Credit Bonds). The IRS encourages issuers and beneficiaries of these obligations to adopt and implement a post-issue debt compliance policy and procedures to safeguard against post-issuance violations.

Post-Issuance Debt Compliance

The City desires to monitor these obligations to ensure compliance with the Code and Treasury Regulations. To help ensure compliance, the City has developed the following Post-Issuance Debt Compliance Policy. The Post-Issuance Debt Compliance Policy shall apply to the obligations mentioned above, including Bonds, notes, loans, lease purchase contracts, lines of credit, commercial paper or any other form of debt that is subject to compliance. The Finance Director is designated as the City's agent who is responsible for post-issuance compliance of these obligations.

The Finance Director shall assemble all relevant documentation, records and activities required to ensure post-issuance debt compliance as further detailed in corresponding procedures. At a minimum, the Post-Issuance Debt Compliance Procedures for each qualifying obligation will address the following:

- General post-issuance compliance;
- Proper and timely use of obligation proceeds and obligation-financed property;
- Arbitrage yield restriction and rebate;
- Timely filings and other general requirements;
- Additional undertakings or activities that support the items listed above;
- Continuing Disclosure Obligations;
- Maintenance of proper records related to the obligations and the investment of proceeds of obligations; and
- Other requirements that become necessary in the future.

The Finance Director shall apply the Post-Issuance Debt Compliance Procedures to each qualifying obligation and maintain a record of the results. Further, the Finance Director will ensure that the Post-Issuance Debt Compliance Policy are updated on a regular and as needed basis.

The Finance Director, or any other individuals responsible for assisting the Finance Director in maintaining records needed to ensure post–issuance debt compliance, are authorized to expend funds as needed to attend training or secure use of other educational resources for ensuring compliance such as consulting, publications, and compliance assistance.

Most of the provisions of this Post–Issuance Debt Compliance Policy are not applicable to taxable governmental obligations unless there is a reasonable possibility that the City may refund their taxable governmental obligation, in whole or in part, with the proceeds of a tax–exempt governmental obligation. If this refunding possibility exists, then the Finance Director shall treat the taxable governmental obligation as if such issue were an issue of tax–exempt governmental obligations and comply with the requirements of this Post–Issuance Debt Compliance Policy.

Private Activity or Conduit Bonds

The City may issue tax-exempt obligations that are qualified “private activity” bonds because either

1. The bonds finance a facility that is owned by the City but used by one or more qualified IRC 501(c)(3) organizations, or
2. The bonds are so-called “conduit bonds”, where the proceeds are loaned to a qualified IRC 501(c)(3) organization or another private entity that finances activities eligible for tax-exempt financing under federal law, such as certain manufacturing projects and certain affordable housing projects.

Prior to issuance of either of these types of bonds, the Finance Director shall take steps necessary to ensure that such obligations will remain in compliance with the requirement of this Post-Issuance Debt Compliance Policy.

In a case where compliance activities are reasonably within the control of a private party (i.e., an IRC 501(c)(3) organization or conduit borrower), the Finance Director may determine that all or some portion of compliance responsibilities described in this Post-Issuance Debt Compliance Policy shall be assigned to the relevant party. In the case of conduit bonds, the conduit borrower will be assigned all compliance responsibilities other than those required to be undertaken by the City under federal law. In a case where the Finance Director is concerned about the compliance ability of a private party, the Finance Director may require that a trustee or other independent third party be retained to assist with record keeping for the obligations and/or that the trustee or such third party be responsible for all or some portion of the compliance responsibilities.

The Finance Director is additionally authorized to seek the advice, as necessary, of bond counsel and/or its financial advisor to ensure the City follows this Post-Issuance Debt Compliance Policy. For additional information regarding other private activity bonds, please see the Private Activity or Conduit Bonds Policy section of this manual.

Post-Issuance Debt Compliance Procedures

The Post-Issuance Debt Compliance Policy applies to qualifying debt obligations issued by the City. As directed by the adoption of the Post-Issuance Debt Compliance Policy, the Finance Director of the City will perform the following Post-Issuance Debt Compliance Procedures for all of the City’s outstanding debt.

General Post-Issuance Compliance

These procedures provide written regulations when more than one party is responsible for ensuring compliance. These procedures also ensure training and/or educational resources for post-issuance compliance have been approved and obtained.

The Finance Director understands that there are options for voluntarily correcting failures to comply with post-issuance compliance requirements, such as remedial actions under Section 1.141-12 of the Treasury Regulations and the ability to enter into a closing agreement under the Tax-Exempt Bonds Voluntary Closing Agreement Program in Notice 2008-31 (VCAP Program).

General Recordkeeping

The responsible parties shall retain records and documents for the obligation and all obligations issued to refund the obligation for a period of at least seven years following the final payment of the obligation (or if such obligation is refunded, the final payment of the refunding bond) unless otherwise directed by the City's bond counsel.

The responsible parties shall also retain both paper and electronic versions of records and documents for the obligation. General records and documentation to be assembled and retained:

- Description of the purpose of the obligation (referred to as the project) and the State statute authorizing the project;
- Record of tax-exempt status or revocation of tax-exempt status, if applicable;
- Any correspondence between the City and the IRS;
- Audited financial statements;
- Bond transcripts, official statements, and other offering documents of the obligation;
- Minutes and resolutions authorizing the issuance of the obligation;
- Certifications of the issue price of the obligation;
- Any formal elections for the obligation (i.e., election to employ an accounting methodology other than the specific trading method);
- Appraisals, demand surveys, or feasibility studies for property financed by the obligation;
- Documents related to governmental grants, associated with construction, renovation or purchase of property financed with the obligation; and
- Reports of any prior IRS examinations of the City or the City's obligation.

Arbitrage Yield Restriction and Rebate Recordkeeping

The following investment and arbitrage documentation shall be assembled and retained.

- An accounting of all deposits, expenditures, interest income and asset balances associated with each fund established in connection with the obligation. This includes an accounting of all monies deposited into the Debt Service Fund Account to make debt service payments on the obligation, regardless of the source derived.
- Statements prepared by Trustee or Investment Provider.
- Documentation of at least quarterly allocations of investments and investment earnings to each obligation (i.e., un-commingling analysis).
- Documentation for investments made with obligation proceeds, such as:
    - Investment contracts (i.e., guaranteed investment contracts);
    - Credit enhancement transactions (i.e., bond insurance contracts);
    - Financial derivatives (i.e., swaps, caps);
    - Bidding of financial products (i.e., investments acquired with obligation proceeds are purchased at fair market value); and
        - Three bids for open market securities needed in advance refunding escrows.
- Computations of the arbitrage yield.
- Computations of yield restriction and rebate amounts including but not limited to:
    - Compliance in meeting the "Temporary Period from Yield Restriction Exception" and limiting the investment of funds after the temporary period expires;
    - Compliance in meeting the "Rebate Exception;"

        - Qualifying for the "Small Issuer Exception;"
        - Qualifying for a "Spending Exception;"
            - 6 month Spending Exception;
            - 18 month Spending Exception;
            - 24 month Spending Exception;
        - Qualifying for the "Bona Fide Debt Service Fund Exception;" and
        - Qualifying arbitrage on all funds established in connection with the obligation in lieu of satisfying arbitrage exceptions, including Reserve Funds and Debt Service Funds.
- Computations of yield restriction and rebate payments.
- Timely Tax Form 8038-T filing, if applicable.
    - Remit any arbitrage liability associated with the obligation to the IRS at each five-year anniversary date of the obligation, and the date in which the obligation is no longer outstanding (redemption or maturity date), whichever comes sooner, within 60 days of said date.
- Timely Tax Form 8038-R filing, if applicable.
- Procedures or guidelines for monitoring instances where compliance with applicable yield restriction requirements depends on subsequent reinvestment of obligation proceeds in lower yielding investments (e.g., reinvestment in zero coupon SLGS).

Expenditure and Asset Documentation to be Assembled and Retained

Documentation of allocations of obligation proceeds to expenditures (i.e., allocation of proceeds to expenditures for the construction, renovation or purchase of facilities owned and used in the performance of exempt purposes).

- Such allocation will be done not later than the earlier of:
    - 18 months after the later of the date the expenditure is paid, or the date the project, if any, that is financed by the tax-exempt bond issue is placed in service; or
    - 60 days after the earlier of the fifth anniversary of the issue date of the tax-exempt bond issue, or the date 60 days after the retirement of the tax-exempt bond issue.
- Documentation of allocations of obligation proceeds to issuance costs.
- Copies of requisitions, draw schedules, draw requests, invoices, bills, and cancelled checks related to obligation proceed expenditures during the construction period.
- Copies of all contracts entered into for the construction, renovation or purchase of facilities financed with obligation proceeds.
- Records of expenditure reimbursements incurred prior to issuing bonds for facilities financed with obligation proceeds (i.e., Declaration of Official Intent/Reimbursement Resolutions including all modifications).
- List of all facilities and equipment financed with obligation proceeds.
- Depreciation schedules for depreciable property financed with obligation proceeds.
- Documentation that tracks the purchase and sale of assets financed with obligation proceeds.
- Documentation of timely payment of principal and interest payments on the obligation.
- Tracking of all issue proceeds and the transfer of proceeds into the debt service fund as appropriate.
- Documentation that excess earnings form a Reserve Fund is transferred to the Debt Service Fund on an annual basis. Excess earnings are balances in a Reserve Fund that exceed the Reserve Fund requirement.

Miscellaneous Documentation to be Assembled and Retained

Ensure that the project, while the obligation is outstanding, will avoid IRS private activity concerns.

- The Finance Director shall monitor the use of all obligation-financed facilities in order to:
    - Determine whether private business uses of obligation-financed facilities have exceeded the de minimus limits set forth in Section 141(b) of the Code as a result of sale of the facilities (including sale of capacity rights, leases and subleases of facilities),
        - including easements or use arrangements for areas outside the four walls, (e.g., hosting of cell phone towers),
        - leasehold improvement contracts, licenses, management contracts in which the City authorized a third party to operate a facility, (e.g., cafeteria),
        - research contracts,
        - preference arrangements (in which the City permits a third party preference, such as parking in a public parking lot),
        - joint ventures,
        - limited liability companies or partnership arrangements,
        - output contracts or other contracts for use of utility facilities (including contracts with large utility users),
        - development agreements which provide for guaranteed payments or property values from a developer, grants or loans made to private entities (including special assessment agreements),
        - naming rights agreements, or
        - other arrangements that provide special legal entitlements to nongovernmental persons; and
    - determine whether private security or payments that exceed the de minimus limits set forth in Section 141(b) of the Code have been provided by nongovernmental persons with respect to such obligation-financed facilities.
- The Finance Director shall undertake the following with respect to the obligations:
    - An annual review of the books and records maintained by the City with respect to such obligations; and
    - An annual physical inspection of the facilities financed with the proceeds of such obligations, conducted by the Finance Director with the assistance of any City staff who have the primary responsibility for the operation, maintenance, or inspection of such obligation-financed facilities.
- Changes in the project that impact the terms or commitments of the obligation are properly documented and necessary certificates or opinions are on file.

Additional Undertakings and Activities that Support Above Sections

The Finance Director will notify the City's Bond Counsel, Financial Advisor and arbitrage provider of any survey or inquiry by the IRS immediately upon receipt (usually responses to IRS inquiries are due within 21 days of receipt). Such IRS responses require the review of the above-mentioned data and must be in writing. As much time as possible is helpful in preparing the response.

The Finance Director will consult with the City's Bond Counsel, Financial Advisor and arbitrage provider before engaging in post-issuance credit enhancement transactions (i.e., bond insurance, letter of credit, or hedging transactions).

The Finance Director will monitor all "qualified tax-exempt debt obligations" within the first calendar year to determine if the limit is exceeded, and if exceeded, will address accordingly.

Comply with Continuing Disclosure Requirement
If applicable, the timely filing of annual information agreed to in the Continuing Disclosure Certificate; or give notice of any Material Event, as required within SEC Rule 15c2-12, as amended. Identify any post-issuance change to terms of bonds which could be a "reissuance" under applicable Treasury regulations.

The Finance Director will consult with the City's Bond Counsel prior to any sale, transfer, change in use or change in users of obligation-financed property, which may require "remedial action" under applicable Treasury Regulations or resolution pursuant to the VCAP Program. A remedial action has the effect of curing a deliberate action taken by the City that results in satisfaction of the private business test or private loan test. Remedial actions under Section 1.141-12(d)(e) and (f) include the redemption of non-qualified bonds and alternative uses of proceeds or the facility (i.e. use for a qualified purpose instead).

The Finance Director will ensure that the appropriate tax form for federal subsidy payments is prepared and filed in a timely fashion for applicable obligations (i.e. Build America Bonds).

Compliance with Future Requirements
The responsible parties shall take measures to comply with any future requirements issued beyond the date of these Post-Issuance Debt Compliance Procedures, which are essential to ensuring compliance with the applicable state and federal regulations.

Purchasing Policy

To ensure that all City expenditures are lawful, the City shall:

- Maintain strict compliance with applicable Federal regulations, State laws, and City Ordinances; and
- Establish procedures to protect the City from undue liability or other concerns.

Additionally, this section of the Manual outlines the proper procedures for procurement and supersedes all previous policies and practices concerning the purchase of goods and/or services by the City.

This section of the Manual shall meet the following objectives:

- To ensure that tax and rate payer supported expenditures provide for cost-effective and efficient acquisition of goods and services;
- To establish uniform procurement processes for all staff and all departments;
- To ensure City expenditures are appropriately classified in the City's financial records; and
- To follow Minnesota Statute § 471.345 as it relates to the purchase of supplies, materials, equipment, or the rental thereof, or the construction, alteration, repair, or maintenance of real or personal property.

Responsibility

The City Administrator shall be the Chief Purchasing Agent of the City. In that capacity, the City Administrator may establish such policies and procedures to make purchases on behalf of the City and its component units. The administration, review and supervision of such purchasing shall be delegated to the Finance Director generally and the respective Department Director specifically, unless authorized elsewhere in this Manual.

The City has a decentralized purchasing system whereby individual departments are responsible for making their own purchases. Exceptions include, but are not limited to, the following types of purchases:

- Technology Director (e.g., hardware, software) must approve the Information Technology;
- Public Works Director must approve:
  - major equipment
  - Building maintenance and improvements; and
  - Vehicles, with the exception of police vehicles which may also be approved by the Chief of Police.

The City will purchase supplies, equipment, and services best suited to the specific needs of the City in as economical a means as possible, including:

- The City will purchase EnergyStar certified equipment and appliances if possible;
- The City will purchase paper containing at least 30% post-consumer recycled content, if possible; and
- The City will purchase recyclable or compostable consumable goods when feasible.

The City will promote fair competition among bidders and will comply with all statutes and regulations of the City, State, and Federal government that may pertain to the purchase of supplies, equipment, and services by a municipal entity.

Uniform Municipal Contracting Law
The City will follow procedures as set forth in Minnesota Statutes § 471.345. Purchases should not be separated into smaller components in order to eliminate an authorization threshold requirement. Labor and materials may be separated to properly calculate sales and use tax.

For the purchase of supplies, materials or equipment estimated to exceed $25,000, the city must consider the availability, price, and quality of the supplies, materials, or equipment available through the State of Minnesota's cooperative purchasing venture (CPV), or another approved CPV, before purchasing through another source. The Finance Department will maintain a list of approved CPVs.

Competitive Bidding. The various requirements of the competitive bidding process are beyond the scope of this Manual, and, if necessary, departments meeting this threshold should consult the Finance Department before beginning the purchasing process.

Professional Services. Contracting for professional services, such as those provided by engineers, lawyers, architects, accountants, and other services requiring technical, scientific, or other professional training, when competitive bidding is not required, shall be the primary responsibility of the Department, with purchasing oversight by the Finance Director and in compliance with this manual.

Federal Grant Programs Purchasing Guidelines
For purchases under Federal grant programs, quotes must meet all Federal Grant program guidelines. Multiple price or rate quotations must be obtained from an adequate number of qualified sources (i.e., two or more) for purchases greater than this micro-purchase threshold (2 CFR 200.320(b)). Purchasers should familiarize themselves with requirements of purchases made under grant programs prior to any expenditures (e.g., Davis-Bacon Act, Buy American Provisions).

For all contracts for goods or services above the small purchase threshold, the City should document its review of the excluded parties list (see https://www.sam.gov) to ensure that certain parties, suspended and/or debarred or otherwise excluded or ineligible contractors are not contracted with when using federal or state funds (2 CFR 200.213). Contractors that apply or bid for an award exceeding $100,000 must file the certification required by the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352).

All purchases for construction projects using federal dollars in excess of $2,000 are required to follow the Davis-Bacon Act and related federal regulations concerning labor standards applicable to federally financed contractors.

The process should ensure fair and open competition and include affirmative steps to assure that minority businesses, women's enterprises and other disadvantaged businesses are solicited and used whenever possible (CFR 200.321).

Exceptions
The City may contract for the purchase of supplies, materials or equipment without regard to the competitive bidding requirements of this Purchasing Policy if the purchase is through the State of Minnesota's CPV, a national municipal association's purchasing alliance or cooperative created by a joint powers agreement that purchases items from more than one source on the basis of competitive bids or competitive quotations. The City shall approve and maintain a list of authorized CPVs.

Other exceptions may include: professional services, insurance contracts, purchases from other government agencies, real estate, sole source vendors and others as defined by Minnesota Statutes § 471.345.

Best Value Alternative. Minnesota Statutes § 412.311 allows the City to use a "Best Value" alternative instead of awarding the bid to the lowest responsible bidder. The various requirements of the Best Value Alternative process are beyond the scope of this Manual, and departments interested in this approach should consult the Finance Department before beginning the purchasing process. Staff interested in this purchasing alternative must receive appropriate training, as determined by the Finance Director.

Authorization and Compliance

All purchases on behalf of the City shall be made and all contracts shall be let by the City Administrator, or the City Administrator's designee(s), provided the City Council has appropriated sums necessary for the contract or purchase, and the amount of the purchase or contract does not exceed that required for competitive bids as established by state statute. Except for those purchase or contracts subject to the authority of the City Administrator as set forth herein, all bonds, contracts, conveyances, real estate purchases and sale agreements, and similar instruments shall be approved by the City Council and signed by the Mayor and City Administrator, or the City Administrator's designee(s), and shall be executed in the name of the City.

The City Administrator, or their designee, may authorize routine expenditures that are already specifically adopted and identified by the annual budget (e.g., large equipment replacement), assuming those expenditures do not exceed the authorized amount appropriated by the budget.

The following table outlines the various thresholds and the authority level required for all purchases regardless of the type (e.g., capital improvement, professional service).

	Initial Approval		
Purchase Amount	**Budgeted**	**Unbudgeted**	**Final Approval**
Up to $9,999	Department	Department Director	Department Director
$10,000 to $24,999	Department	Finance Director	Department Director
$25,000 to $174,999	Department Director	Finance Director	City Administrator
$175,000 or greater	Department Director	City Administrator	City Council

Any purchase or project using sealed bids shall be presented to the City Council for review and approval if it exceeds $175,000; no project activities may commence until after such approval. Upon approval, the respective Department Director may authorize applicable expenditures related to the approved bid or contract without regard for the thresholds listed in the above table, assuming such approval would not exceed the value of the bid or contract, or exceed the budget authorized by the City Council. In both of those situations, the thresholds outlined in this Manual shall apply.

In the event of a change order that increases the total cost of the purchase, the thresholds listed immediately above shall also apply assuming the amount may be accommodated through existing budget authority or by a budget revision outlined in the CIP Policy of the Manual. The City Council must also approve any change orders exceeding 10-20% of the original contract.

Any procurement transaction made on behalf of the City that is not in compliance with the established policies and procedures shall be deemed unauthorized. Employee reimbursement may be required for any purchases not in compliance with this policy.

Payment Procedures

In accordance with Minnesota Statutes § 471.425, the City has 35 days from receipt of the invoice to process payment. If an invoice is incorrect in any way, the City must notify the vendor within 10 days of the date of receipt. Department Directors should notify the Finance Department promptly of any invoices in dispute and the dispute should be documented on the invoice or with a memorandum accompanying the invoice.

The respective Department Director shall assign specific staff to provide the appropriate account codes to ensure the accurate recording of expenditures in the City's financial system. As outlined above, the applicable Department shall approve any purchases less than $25,000, while the applicable Department Director shall approve any purchases greater than or equal to $25,000. The respective party will be responsible for both the accurate recording and lawful nature of the purchase in question.

Certain routine transactions as defined by the Finance Director are excluded from Department Director and/or City Administrator review and approval. Such transactions may include but are not limited to: salaries and wages; health insurance and similar benefit premiums; property and casualty insurance premiums; utility payments; and applicable taxes.

All payments shall be summarized within a Claims List as required by Minnesota Statutes § 412.271, which will be presented to the City Council at their regularly scheduled meetings. Once the Claims List has been approved by the City Council, the Finance Department will release payment(s) to the vendor.

In some instances, payments made need to be released prior to City Council approval. Such payments will be authorized at the discretion of the Finance Director and will be presented to the City Council within the Claims List at the next scheduled regular City Council meeting. The Finance Director may issue checks or other forms of payment for the following types of claims without prior City Council approval:

- Salaries of regular employees;
- Overtime of regular employees, if approved by the respective Department Director;
- Salaries of temporary employees, if approved by the respective Department Director;
- Health insurance and similar benefits authorized by the City Council;
- Utility Bills or invoices for regular City operations;
- Construction permits and escrows;
- Early payment discounts and to avoid fees and penalties;
- Property and casualty insurance payments;
- Payments to the City (i.e., one fund to another fund);
- Petty cash items up to $20;
- Postage, postage due or cash-on-delivery items;
- Advances to employees for the cost of attending out-of-state conferences, not to exceed $500;
- Registration and other expenses for local conferences;
- Reimbursement to an employee for clothing allowance;
- Claims approved by the City Council as a separate agenda item (e.g., bids, contracts, estimates);
- Fixed charges that have been previously incurred (e.g., rent payments, payments on bonds, contracts for deeds);
- Investments and investment related expenditures and transfers;
- Payroll taxes and other liabilities withheld from employees' wages, and the corresponding City paid benefits;

- Contracted inspectors that maintain an agreement with the City;
- Refunds of deposits and escrows being held by the City; and
- Other reasonable transactions to affect the proper function of the City (e.g., liquor suppliers).

Conflicts of Interest

Employees are required to provide notice to the Finance Director of any conflicts of interest prior to entering into transactions on behalf of the City. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if they have a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, their partner, or an organization that employs or is about to employ any of the parties indicated herein, has financial or other interest in or a tangible personal benefit from a firm considered for a contract (Minnesota Statue § 471.87 - § 471.88).

No purchase orders, contracts or service agreements shall be given to an employee of the City or to a partnership or corporation of which an employee is a major stockholder or principal. No employee shall enter into the relationship with a vendor where the employee's actions are, or could reasonably be viewed as, not in the best interest of the City. If any employee becomes involved in a possible conflict of interest, the employee shall disclose the nature of the possible conflict to his or her supervisor and to the Finance Director. The Finance Director will promptly notify the individual in writing of an approval or disapproval of the activity. If disapproved, the employee shall remove themselves from the conflict situation.

Acceptance of Gifts and Gratuities

No member of the City Council, official or employee may accept any gift or gratuity in any size under circumstances in which it could be reasonably thought to influence the performance of their official duties or appears to be a reward for any official action of their part. Employees responsible for making purchasing decisions for the City may not accept, directly or indirectly, any gifts, favors, privileges, or employment from current or prospective City vendors.

Emergency Procurement

Under the Emergency Management Act (Minnesota Statutes §12.37, Act), the City has the authority to make purchases or enter into contracts during emergencies without following many of the normally required procedures. The Emergency Management Act defines an "emergency" as an unforeseen combination of circumstances that calls for immediate action to prevent a "disaster" from developing or occurring.

The Act defines a "disaster" as a situation that creates an actual or imminent serious threat to the health and safety of persons, or a situation that has resulted or is likely to result in catastrophic loss to property or the environment, and for which traditional sources of relief and assistance within the affected area are unable to repair or prevent injury or loss.

In the event of an emergency or disaster, the City Council has granted authority to the City Administrator, or their designee, to make emergency purchases. At the next regular scheduled City Council meeting, the City Council will approve the respective purchase(s) via a resolution declaring the emergency and describing the reasons necessitating the immediate action for protection of the health, safety or welfare of its citizens.

If practicable and feasible, the Department Director and/or City Administrator should consult the City Attorney and Finance Director prior to any expenditures under the Emergency Management Act.

Sole Source Procurement

Sole source purchases may be made if they comply with at least one of the following:

- Items or services under patent or copyright held by a single vendor and item or service possesses or has capabilities critical to use;
- Item or service possesses a unique function or capability critical in the use of the item or service and not available from any other sources;
- The purchase is for equipment associated with use of existing equipment where compatibility is essential for integrity of results;
- The purchase is for replacement parts needed for repair of existing equipment where compatibility with equipment from the original manufacturer is paramount;
- The purchase is for technical services associated with the assembly, development, installation, or servicing of equipment of a highly technical or specialized nature;
- Additional item, service, or work required, but not known to have been needed when the original order was placed with vendor and it is not feasible or practicable to contract separately for the additional need; and/or
- The purchase is exclusively compatible with an existing piece or brand of equipment and is only available form one vendor.

Bid Protest

The City recognizes the need to review and resolve complaints about its purchasing practices and procedures and has adopted this procedure to provide for any complaints. Any actual or prospective vendor or contractor who is reasonably aggrieved in connection with the solicitation or award of the contract may protest to the Finance Director per the following procedure:

- Each protest must be in writing and delivered by a certified letter to the Finance Director within five business days of the City's notice of award and must include:
  - A Notice of protest;
  - A statement of facts and the reasons for the protest;
  - All supporting documentation; and
  - Address all correspondence to: Bid Protest, Finance Director, City of North Branch, PO Box 910, 6408 Elm Street, North Branch, MN 55056.
- As soon as a bid protest is received, all award activity will be suspended. The applicable Department Director(s) will gather all relevant information about the solicitation, evaluation, and award of the bid and provide it to the Finance Director within five business days of being notified of the Bid Protest by the Finance Director.
- The Finance Director, and any applicable staff, will review the information relevant to the solicitation and will decide on the merits of the protest, in a prompt manner but not longer than ten business days after the bid protest. A copy of the decision will be mailed to the protestor at the address set forth in the bid protest. A copy of the decision will be posted on the City website. All documentation concerning the bid protest and the decision will be retained by the department subject to the protest.
- An appeal of the Finance Director's decision may be in writing and delivered by a certified letter by the protestor to the City Administrator within five business days of the release of the decision and must include:
  - A notice of Appeal;
  - A statement of the nature and the reasons for the appeal including claimed errors;
  - All supporting documents; and
  - A deposit to cover the City's cost for determining a bid protest will be made in the form of a certified check payable to the City of North Branch, in an amount determined by the Finance Director.

- The City Administrator will deliver the protest and all relevant information about the solicitation, evaluation, and award of the bid to the City Attorney or designee.
- A Hearing Date will be set by the City Attorney or designee for the appeal to commence, which date should not be later than twenty business days from the notice of appeal. The complainant will be presented with an opportunity to present their case to the City Attorney or designee.
- Upon the conclusion of the appeal, the City Attorney or designee will issue a decision within twenty business days of the conclusion of the appeal. Staff will track all costs (e.g., wages, expenses) spent in the appeals process. The total cost will be subtracted from the deposit. Any remaining balance will be returned to the vendor. If the appeal is upheld, the total deposit will be returned.

The City Administrator, with City Attorney review, may reject any unreasonable bid protest to prevent the unnecessary delay in the contract award process or to avoid additional cost to the City.

Sales and Use Tax
As a local government, the City remains generally exempt from sales and use tax. As such, staff should refrain from paying sales and use tax on official City transactions, unless the tax charge is authorized by applicable state law (i.e, food, shelter). The Finance Director, or their designee, may approve payment of sales and use tax on a case-by-case basis (e.g., staff reimbursement for an emergency expenditure).

Procurement Card (PCard) Use Policy

Pursuant to Minnesota Statutes § 471.382, the City may provide Procurement Cards (PCards) to employees that demonstrate a business rationale, such as frequent travel or routine purchasing. The City shall not issue a PCard for merely personal convenience of an employee.

Authorization

Consistent with the delegated authority of the City Administrator as the Chief Purchasing Agent, the City may only provide PCards upon the request of the respective Department Director. All PCard requests must be approved by the City Administrator prior to issuance. Only full-time regular employees shall be issued PCards. All PCards shall maintain the following limits, unless otherwise authorized by the City Administrator or their designee:

Staff Level/Position	Max Monthly Limit	Approval
Non-Management	$1,000	Division Manager
Division Manager	$5,000	Department Director
Department Director	$10,000	City Administrator
City Administrator	$25,000	Finance Director
Accounts Payable	$50,000	Finance Director

User Guidelines and Rules

Each card holder will be responsible for ensuring that purchases made with their card comply with Minnesota Statutes, other sections of this Manual and this Procurement Card Use Policy.

All employees authorized to use a PCard shall review and sign an acknowledgement of the PCard Use Policy and a PCard User Agreement as provided by the financial institution issuing the PCard, which shall be retained by the Finance Department. The PCard User Agreement must also be signed by the applicable Department Director. The terms of the PCard User Agreement are considered a part of this Manual.

PCard shall be issued in the individual employee's name. The City shall not issue any generic or department-wide PCards, nor may any individual possess more than one PCard account.

Employees that do not possess a PCard shall not retain either physical possession of the PCard or electronic possession of the corresponding account information. All PCard use must be approved by the authorized PCard holder prior to any transaction. Personal use of the City issued PCard is prohibited.

It is the PCard holder's responsibility to safeguard the PCard (and corresponding account information) and protect it from theft and unauthorized use, including, but not limited to:

- Immediately reporting lost cards or unauthorized use to the PCard company as well as to the Finance Department;
- Not allowing any other person to use your assigned PCard;
- Not providing the PCard number to an individual or business to store for charging supplies or services;
- Promptly returning expired PCards to the Finance Department for destruction;
- Keeping the PCard in a secure location;
- Submitting the appropriate and requested documentation to support purchases and other activity in a timely fashion;
- Taking appropriate precautions when using the PCard to make purchases; and

- Returning PCard to the Finance Director upon termination.

The Finance Director, in their sole determination, may revoke the PCard for any reason. Improper use of the City's PCard may result in disciplinary action, and cardholders may be held personally responsible for unauthorized purchases, consistent with this Manual.

Documentation

The billing statement from the PCard issuer does not contain sufficient information to document a purchase made. Appropriate documentation is required for all purchases to verify compliance with this and other City policies.

A copy of the invoice or receipt for payment must be included to verify the amount charged on the PCard. Receipts from vendors that only list the total charged are not considered sufficient documentation. The receipt must identify each product or service purchased, shipping charges, and/or sales tax. A printed confirmation of an internet purchase may be sufficient to comply with this requirement. If an invoice is not immediately available, the invoice must be forwarded to the Finance Department as soon as possible. In lieu of an invoice or receipt as described above, the purchasers may sign an 'Affidavit in Lieu of Receipt" attesting to the purchase.

The City will not be responsible for any financing or interest charges accruing as a result of untimely submission of PCard receipts and transactions. In any instance where a product or service purchased with a City issued PCard is returned or cancelled, the transaction must be refunded to the PCard account.

Review and Payment

The PCard holder should sign and approve the overall monthly statement that shall constitute their approval of each individual charge or activity. The applicable supervisor shall review all aspects of the invoice and verifying the validity of the expenditure. The PCard holder and applicable supervisor shall also be responsible for providing the account coding and description of purchase so that expenditures are appropriately classified in the City's financial records. The applicable supervisor will authorize the expenditure for payment by including a date and signature or electronic approval.

All PCard statements will be reviewed by the Finance Department for compliance with this Manual and to ensure accurate accounting. Additional documentation may be requested from a PCard user to ensure such compliance.

The City will not use the PCard account for carrying any debt. The City shall make payment for the entire outstanding balance of the PCards and all PCard purchases shall be made through the City's normal vendor payment process.

No employees of the City shall use the PCard for cash advances or withdrawals. Under no circumstances may PCards be used by non-City employees.

Individual Vendor Procurement or Credit Cards

The City has established charge accounts with a handful of vendors to expedite the purchasing process with those respective vendors. With adoption of the Financial Management Policies, the City will shift away from such accounts and to the issuance of PCards. Thus, all such charge accounts are to be closed down upon the full implementation of the PCard program. Department Heads shall provide to the Finance Department a list of staff they identify as having a business need to possess and use a City PCard; issuance (and removal) of PCards is subject to Finance Director approval. Charge accounts held by other establishments do not allow control at the City level, and can result in incorrect or non-City charges by others, including non-authorized City staff or non-City staff. Thus, for full financial control, only PCards will be used for future charge purchases.

Travel, Training and Reimbursement Policy

It is the purpose of this Travel and Training Policy to establish adequate internal controls to satisfy IRS regulations, GSA guidelines, State laws, and to provide a guide to prescribe circumstances for travel and training transactions, including reimbursements. This section of the Manual shall apply to all employees.

Guidelines

Generally, the City should apply the following expectations and guidelines when considering travel and training opportunities:

- Whether the employee will be receiving training on issues or topics relevant to the City, their specific job responsibilities, or reasonable promotional opportunity;
- Whether the employee will be meeting or networking with elected officials and/or government employees, both from Minnesota and other states, to exchange ideas on topics relevant to the City;
- Whether the employee will be viewing a 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 return ideas for the consideration by the City;
- Whether the employee has been specifically assigned by the City Council and/or City Administrator to visit another government agency for the purpose of establishing a goodwill relationship, such as a "sister-city" relationship;
    - "Sister-city" expenditures are not supported by any statutory authority and the City shall only support such expenditure through donations or gifts by a third-party;
- Whether the employee has been specifically assigned by the City Council and/or City Administrator to testify on behalf of the City at the United States Congress or to otherwise meet with federal officials on behalf of the City; and
- Whether the City has sufficient budget authority available to pay for the cost of a trip.

The City shall also consider the following guidelines upon review of any request for travel or training expenditures:

- Efforts should be made to limit the number of employees from a single department that will attend a conference, institute, or training program to avoid excess expenditures;
- Travel and training funds should be utilized in an efficient manner in order to benefit the greatest number of employees possible;
- A demonstration of making essential contacts and/or obtaining significant information that is important to the improved operations and functions of City, and the respective department is essential prior to travel authorization;
- Out-of-state travel must be for a professional purpose and be included in the budget; and
- Employees are expected to utilize the same car when incurring official expenses that a prudent person would utilize if traveling on personal business.

Authorization

Given the limited resources of the City to support travel and training expenditures, all such costs should be included in an appropriate budget area prior to travel or training. All travel and training arrangements shall be approved at least 10 business days prior to any such commitments and/or expenditures, whenever possible. The City Administrator and the respective Department Director shall approve all travel and training activities.

Department Directors may authorize work time for non-exempt employees for travel out-of-area the day prior to, the day of, and the day following the convention or meeting date(s).

Travel Arrangements and Requirements
Employees shall travel using the most cost-effective and reasonable transportation alternatives. The section below outlines the expectations for the most common forms of transportation. All major travel and training expenditures must be made through a City-issued PCard, unless otherwise authorized by the Finance Director.

Commercial – Employees may travel in-state and out-of-area by commercial transportation when authorized.

- Air transportation shall be by coach class utilizing the advance reservation rates, when possible;
- Railroad accommodations shall be standard and shall include lower berth or roomette in case of overnight travel; and
- Bus transportation shall be reimbursed for the fare to and from the closest destination (i.e., bus stop) on the most direct route.

City or Personal Vehicle – When traveling in a City vehicle, for fuel purchases, employees should use a City assigned PCard whenever possible. Due to potential liability considerations, transportation of persons not on official City business is prohibited in City Vehicles.

When personal automobiles are used as a mode of transportation for travel, reimbursement will be reimbursed at the current IRS/GSA mileage reimbursement rate. Payment of mileage will be paid based on the shorter distance. This shall be either:

- The distance from worksite address to destination; or
- home address to destination.

The City is not responsible for damage to personal vehicles while on official business, as personal vehicles are not covered by the City's insurance policies.

Rental Vehicle – Prior approval by the Department Director is required if it is necessary to rent a vehicle at the travel destination. Pre-payment of a vehicle rental can be made using a PCard. No personal use of a rental vehicle shall be allowed.

Lodging – Hotel or motel accommodations should be appropriate to the purpose of the trip. Lodging should be chosen based on reasonableness of cost and proximity to the conference, meeting, or training site. Unless previously approved by the City Administrator, overnight stays within 45 miles of the City will not be reimbursed. The City Administrator, or their designee, shall approve the use of any short-term rental options (e.g., Airbnb, VRBO).

Each employee shall be allowed an individual single room. Detailed lodging receipts must be submitted for reimbursement as well as documentation for charges on a PCard. The receipts must include the nightly room rate and any incidental expenditures. Only incidental costs related to the room charges will be reimbursed. Expenditures that are not deemed reasonable and necessary will not be reimbursed (e.g., hotel room movies, health club fees, dry cleaning cost, personal item costs, use of the "mini-bar").

The individual department will make all arrangements for lodging. The PCard is the preferred method of payment. Distance from employee lodgings will be considered in order to minimize transportation costs. Employees will retain payment receipts to submit to the Finance Department for reimbursement, if applicable.

International Travel – For domestic travel purposes, the IRS definition of the United States includes the 50 states and the District of Columbia. The purpose of travel outside the United States for City business must be for a professional purpose and should only be considered if a similar meeting, conference, or training of similar quality cannot be found within the continental limits of the United States. International travel expenses for business related purposes are deductible, as outlined in the IRS Code Publication 463 (Travel Outside the United States) but may be limited if the travel involves non-business activities. Any travel outside the United States must be approved by the City Administrator.

Meal and Incidental Expenditures
The City in principle does not pay for meals and/or refreshments for the general public and/or vendors, and will use the utmost care as related to the expenditure of public funds. Funds will not be expended for any purpose which is specifically forbidden by Federal regulation, State law, City ordinances or policies. Expenditures made under this section shall be approved, authorized and documented according to established procedures.

For any expenditures related to elected officials, please refer to the separate policy.

For same-day travel, training or business meetings, meals will be reimbursed for the actual amount spent and will require an itemized receipt. The use of a PCard is encouraged, when possible. For meals involving multiple employees, the documentation provided for reimbursement or PCard documentation shall list all persons attending and participating in the meal(s). Additionally, the City shall not reimburse any personal expenditures, such as meals, from any petty cash funds as required by Minnesota Statutes § 412.271.

Expenditures associated with alcoholic beverages shall not be purchased with a PCard or reimbursed by the City, nor shall that City pay or reimburse for any activities associated with a political party or similar political activities. For additional guidance and related expenditures, please refer to the Public Purpose Expenditure Policy section of this Manual.

Per Diem – The per diem allowance is a daily payment for meals and related incidental expenses when overnight travel accommodations are necessary, in accordance with published federal per diem rates instead of receipt-based reimbursement. An employee may claim an amount not to exceed the allowable per diem rate in accordance with the Standard Federal Per Diem Rate schedule (Schedule) in effect at the time of travel. These rates are available at this web address: https://www.gsa.gov/travel/plan-book/per-diem-rates.

A City assigned PCard may not be used to pay for meal and incidental expenditures when per diem is claimed. The per diem allowance is separate from lodging, transportation and other miscellaneous expenses. The per diem allowance covers all charges, including taxes and service charges where applicable for:

- **Meals** – Expenditures for breakfast, lunch, dinner and snacks as well as corresponding tips and taxes. For a City reimbursed meal, a tip shall not exceed 15%, and shall not be permissible if gratuity is already included in the bill.
    - In the event an approved training or conference event is more than one day in duration, the maximum reimbursement will not exceed the daily per diem rates set annually by the Schedule for meals and incidentals for the area.
        - Per IRS regulation, the first and last calendar day of travel is calculated at 75% (e.g., if the daily Per Diem is $50, then the days of travel are $37.50).

    - When an event encompasses a full or partial day, the employees may spend the daily allowance among the applicable meals, at their discretion, unless meals are included as part of the event registration. In that case, the funds allotted for that meal cannot be used or reimbursed.
    - For partial days, the meal allowance will not exceed the amounts set annually by the Schedule for meals and incidentals separately for breakfast, lunch, or dinner.
        - Breakfast reimbursements may be claimed if the employee leaves their temporary or permanent work location before 8:00am or is away from home overnight.
        - Lunch reimbursements may be claimed if the employee is traveling more than a total of 70 miles away from their temporary or permanent work location or is away from home overnight.
        - Dinner reimbursements may be claimed only if the employee is away from their temporary or permanent work location until after 5:00pm or is away from home overnight.
    - Employees may occasionally be in the position of having to provide a meal for other persons who have official business with the City. In addition, receipts for these meals must include the name of each person attending the meal along with a description of the public purpose/benefit of the meeting.
- **Incidental Expenditures** – Fees for taxis (or similar services), parking, as well as reasonable tips for porters, baggage carriers, bellhop/hotel maid service, associated with travel while on official City business is included in the per diem as incidentals.

Advances and Reimbursements
The City will pay or reimburse for all travel and training costs that are both reasonable and necessary. In accordance with Minnesota Statutes and when a situation warrants it, a cash advance may be issued prior to departure with the approval of the Finance Director. Such requests will be considered an exception to normal procedures.

Only claims for accommodations and airfare actually incurred by the employee with corresponding documentation, such as itemized receipts or invoices shall be reimbursed. Payment of the reimbursement shall only be authorized upon approval of the Travel Expenditure Report, which must be submitted after each travel or training event.

If an employee travels with their significant other and/or immediate family members on an official City business trip, the expenditures attributable to them (e.g., travel, meals, lodging) shall not be an authorized expenditure of the City nor shall they be subject to reimbursement. The City shall pay or reimburse all travel and training expenditures at cost necessary to accommodate the employee only.

Travel must be by the most direct or normally traveled route unless approved in advance by the respective Department Director. Reimbursement will be limited to the cost of travel by direct route or on an uninterrupted basis, as determined by the Finance Department. The elected official or employee will be responsible for any additional cost exceeding the public purpose related expenditures.

Travel plans involving expenses that do not require overnight travel accommodations will be reimbursed based on actual cost substantiated by appropriate receipts. The employee is entitled to reimbursement of meal expenses after submitting actual receipts. No reimbursement is authorized if meals are provided during the meeting or event. When available, the assigned City PCard should be used for these types of activities. This includes training or meetings within 60 miles from the City.

It shall be the responsibility of the elected official or employee to:

- Maintain accurate travel, training, and reimbursement records;
- Make a conscious effort to minimize expenses while maintaining a reasonable level of comfort and convenience; and
- Request reimbursement in an accurate and timely manner, typically 30 business days or less.

Employees who have announced their intention to resign or retire, involuntarily terminated, or in some disciplinary related status, will not be eligible for travel or training under this Travel, Training and Reimbursement Policy. The purposeful falsification of travel documents and expenditure reporting may result in disciplinary action, up to and including involuntary termination.

Personal Rebates and Rewards
Employees and elected officials shall not use their personal or private funds for travel and/or training related costs in an effort to accrue private benefit through rewards program and other incentives offered by their personal credit card(s). Additionally, the City shall not reimburse an employee for any expenditure originally made using rewards programs offered by their personal credit card (e.g., coupons, discounts, points, "frequent flyer miles").

Elected Officials
Similar to employees, this Travel, Training and Reimbursement Policy recognizes the need and value of elected officials to travel both in-state and out-of-state for official duties, such as conferences, events, trainings, and other assignments. Generally, elected officials shall be subject to the same rules and regulations applied to employees. However, elected officials shall also be subject to the following considerations, which are consistent with Minnesota Statute § 471.661.

Elected Officials Guidelines – The conference, event, training, workshop or other assignment shall be approved in advance by the City Administrator, and mentioned at an open, regularly scheduled meeting at least 10 business days before the occasion, and must include an estimate of the cost of the travel and training.

Within 30 days of their return from the travel and training, the elected official(s) shall make an oral report at an open, regular meeting of City Council regarding their activities. The elected official(s) shall also provide any information or materials obtained during the conference, event, training or workshop to the City Administrator for distribution to employees or the City Council upon request.

The City shall make payments in advance for airfare, lodging and registration as approved by the City Administrator. All other payments shall be made as reimbursement or per diem payments per the Schedule to the elected officials.

Elected officials who have announced their intention to resign, not to seek re-election, or who have been defeated in an election will not be eligible for travel or training under this Travel, Training and Reimbursement Policy. Unless duly noticed and authorized by the City Administrator, a quorum of the City Council shall not travel or train together.

The City Administrator may make exceptions to the Travel, training and Reimbursement Policy depending upon circumstances unique to the trip and/or elected officials and employee.

Surplus Donations

The City is committed to managing surplus property, such as used furniture and equipment, in a manner that is fiscally responsible, allows for options to reduce harmful environmental impacts, and promotes the City's philosophy of reduce-reuse-recycle. This Surplus Property Policy establishes a procedure for the sale or disposal of surplus equipment. It also facilitates the removal of surplus property, promotes alternative uses, and reduces the City's storage burden.

Any item disposed of in a manner designated to generate additional revenue (e.g., auction, trade-in) to support the cost of its replacement shall not be considered surplus equipment or property within the meaning of this section of the Manual.

This Surplus Property Policy is also in accordance with Minnesota Statutes Sections 15.054, 412.211, 471.345, and 471.3459. It applies to all City departments that generate Surplus Equipment and governs the actions of all elected official and employees.

Procedure

The City shall identify and dispose of all Surplus Equipment and Surplus Property in conformance with the following guidelines.

- Identify Surplus Equipment, Department Directors are responsible for monitoring their equipment and shall identify and report all Surplus Equipment and Surplus Property to the City Administrator on an annual basis at a minimum.
- Determine the Fair Market Value of Surplus Equipment and Surplus Property. The City Administrator shall work with the City staff to determine the Fair Market Value of the Surplus Equipment and Surplus Property.
- Identify Surplus Equipment and Surplus Property Disposition Method. The City Administrator shall work with City staff to determine if Surplus Equipment and Surplus Property should be transferred, sold, donated, disposed of, recycled, or made available free of charge.
- Transfer – Prior to any disposition, all Surplus Equipment and Surplus Property must first be considered for transfer in the following manners:
    - Trade in the property toward the purchase of new property;
    - Transfer the property between departments for the benefit of the City; and
    - Transfer to another government entity through a state approved vendor or directly.
- Sale – If the Fair Market Value of the Surplus Equipment or Surplus Property is deemed greater than the cost to dispose of it or recycle it, the city may use applicable sources to allow for bidding and sale going to the highest bidder (e.g., public auction). If applicable, the City will determine the appropriate length of time an item may remain available for bidding based on the need to remove the equipment and personal property from the premises.
- Disposal – If the Fair Market Value of the Surplus Equipment or Surplus Property is deemed less than the cost to dispose of it or to recycle it, the City may solicit offers to acquire at no cost to the entity wanting to take possession. The City may use reasonable means to notify the general public about the availability of this Surplus Equipment or Surplus Property.
- Donation – The City may, but is not obligated to, donate Surplus Equipment. Only Surplus Equipment may be donated. Applicable Department Directors are responsible for coordinating the Donation of the Surplus Equipment in accordance with the terms of this Policy. Surplus Equipment that is not donated may be sold, recycled, or discarded at the discretion of the City Administrator but consistent with this Surplus Donation Policy.
- City Council Declaration – The City Administrator will forward a list of all Surplus Equipment regardless of Fair Market Value and Surplus Property with an estimated Fair Market Value of

$25,000 or more to the City Council, which shall approve or deny the designation of the specific equipment as surplus and eligible for Donation or disposal pursuant to and in accordance with this Surplus Donation Policy.

- Advertisement of Surplus Equipment for Donation – Surplus Equipment shall be posted as available on the City's website. The City may also use other reasonable means to notify Eligible Organizations about the availability of Surplus Equipment. The City shall wait at least 30 days after advertising Surplus Equipment before approving any Donation.
- Surplus Equipment Form – Eligible Organizations interested in Surplus Equipment shall fill out a Surplus Equipment Form and Submit the form to the City Administrator.
- Prioritization of Donations – If more than one Eligible Organizations requests a Donation for the same Surplus Equipment, the City shall consider factors it deems relevant including hoe the Surplus Equipment will be used, the benefit to the Eligible Organization, the impact on the City, how the Donation will accomplish goals of the City Council, and any previous Donation to the Eligible Organization.
- Conflict of Interest – All City employees and officials are prohibited from taking possession of any Surplus Equipment or Surplus Property for personal use or on behalf of an Eligible Organization.
- As Is – The exchange of Surplus Equipment and Surplus Property is made "as is" with no warranty, guarantee, or representation of any kind, express or implied, as to the condition, utility, or usability of the Surplus Equipment and Surplus Property offered. The Surplus Equipment and Surplus Property may be defective and cannot be relied on for safety purposes. The New Owner shall sign the Disclaimer of Warranties Form prior to acquiring Surplus Equipment and Surplus Property.
- Title – The City Administrator shall cause any title or other ownership documents to be transferred to the New Owner at the time of transfer. Any fees required for the transfer of the Surplus Equipment and/or Surplus Property are the responsibility of the New Owner.
- Transportation – The New Owner must provide a detailed plan for transporting the surplus Equipment and Surplus Property from the City. The New Owner must pay all expenses associated with the removal and transportation of the Surplus Equipment and Surplus Property.

The City Administrator may delegate specific responsibilities for implementing this Surplus Donation Policy. The City Clerk shall document the disposition of all Surplus Equipment and Surplus Property and shall keep such records in accordance with the City's Records Retention Schedule.

Asset Forfeiture Policy

The City receives property and money through law enforcement seizures under Federal law 21USCS Section 881(e) and Minnesota Statutes, Sections 609.531-609.5317, and 169A.63. For inquiries or clarification, refer to these documents.

Municipal Liquor Store Donation Policy

The City, through North Branch Liquor, at the direction of the Liquor Operations Director or their designee, may support non-profit organizations whose primary objective is to promote the general health and well-being of the North Branch community consistent with public purpose expenditures authorized by State law and all applicable City rules or regulations.

Consistent with OSA Statement of Position No. 2007-1017 as amended, non-profit organizations formed under Section 501(c)(3) of the IRS Code, which also provide goods and/or services typically associated with a public purpose shall be eligible for a donation, including but not limited to:

- Artistic organizations;
- Historical causes;
- Animal shelters (or organizations for the prevention of cruelty);
- Food shelves;
- Senior and youth centers;
- Public recreation programs; and/or
- Community celebrations.

Support for such an organization, upon approval, shall take one or more of the following forms, which cannot be used by the organization itself or those coordinating the event:

- Through donation of merchandise that is commonly known as a "dealer loader" to be used for either a silent or live auction;
- Through assistance with a fundraising event that promotes the organization in general or for a specific fundraising need, as described below; and/or
- Through a discount price on purchase of products typically offered for sale at North Branch Liquor.

The organization(s) receiving the donation shall include North Branch Liquor, and its corresponding logo(s), in all forms of advertising and promotion of the event or occasion.

The City reserves the right to deny any request for a donation for any reason and in their sole discretion. If the Finance Director determines that any such request to be unlawful or in violation of the Manual or other City policies, the request shall be denied.

North Branch Liquor Event Participation
North Branch Liquor may participate in a fundraising activity or event for an eligible organization through one or more of the following formats:

- Assist the eligible organization with assembling a group of vendors to provide and pour samples of their products at a fundraising event;
- Coordinate with aforementioned vendors before and during the event to assure that the rules of the eligible organization, the City and applicable laws are followed; and assist with the logistics of hosting such an event;
- Provide support in age verification (i.e., carding) of attendees of the event;
- Provide advertising for the event through normal channels and frequencies, which may include: social media posts, in-store signage and e-mail "blasts" to North Branch Liquors e-mail list;
    - The e-mail addresses or any other information maintained by North Branch Liquor shall remain the property of the City and not distributed, communicated or disseminated to a third-party or another operating unit of the City for any reason whatsoever, consistent with the Minnesota Government Data Practices Act;
- North Branch Liquor will, upon agreement between the eligible organization and North Branch Liquor, sell or distribute tickets or other information in-store for the activity or event;
- North Branch Liquor will, upon agreement between the eligible organization and North Branch Liquor, assemble a tasting guide for the event, which will detail the item(s) involved, suggested retail price(s) and a place for tasting notes or other information;
    - Additional information or items may be added to the tasting guide at the discretion of both parties, which may include;
        - Other supporters of the event;
        - Description of the eligible organizations;
        - The description or purpose of the event; and

- It will be the sole responsibility of the eligible organization to have the tasting guides and any other information, such as in-store signage, printed and available for distribution.

Support for any eligible organization, activity and/or event will be determined on a case-by-case basis, and upon an agreement between the eligible organization and the City acting on behalf of North Branch Liquor. The number of fundraising activities and/or events that North Branch Liquor will participate in may not exceed six events or a cost of $5,000 annually, unless otherwise approved by the Finance Director.

Solicitations at North Branch Liquor

Solicitations by eligible organization for any purpose shall be limited to in-store signage, and shall not include any in-person activities on behalf of the eligible organization, activity or event, except for through the regular business of North Branch Liquor staff (i.e., mentioning the event to a patron during check-out).

North Branch Liquor may also allow organization to fundraise through a point-of-sale transaction/donation, whereby the customer may be asked to “add a dollar” or some other amount to their purchase for an eligible cause and/or organization. Such request may only be made by North Branch Liquor staff. North Branch Liquor may offer this service in its sole discretion.

Indemnification

Any party making use of a donation under this Municipal Liquor Store Donation Policy will agree to defend, Indemnify, and hold harmless the City, its officers, officials, employees and volunteers from and against any and all claims, suits, actions or liabilities for injury or death of any person, or for loss or damage to property, which arises out of the use of a donation, or from the conduct of the party’s business, or from any activity, work or thing done, permitted, or suffered by a party using a donation, except only such injury or damage as shall have been occasioned by the sole negligence of the City.

Revenue and Collection

Revenue Policy

The City will endeavor to maintain a diversified and stable revenue system to shelter it from annual fluctuations in any one revenue source.

In order to maintain a stable and predictable tax base, the City shall support a mix of commercial, industrial, and residential development.

The City shall establish all user charges and fees for all applicable funds and activities. It shall recoup estimated or actual costs at the full amount for providing the goods or services. In order to determine the appropriate user charge or fee, the City shall consider various sources:

- Internal cost review and study;
- Market rates and structures; and
- Statutory requirements or case law established by the Minnesota Judicial Branch.

The City will establish all user charges and fees for General Fund program activities at a level related to the full cost of providing the services, or as adjusted for particular program goals. The City will review the full cost of activities supported by user fees to identify the impact of inflation and other cost increases and will review these fees along with the resulting net property tax costs with the City Council at budget time. The Finance Director shall determine what defines and constitutes full cost.

The City shall annually review and adopt, via ordinance, a Comprehensive Fee Schedule, which shall be effective January 1 of each year. It shall provide for all of the various user charges and fees authorized by the City Council. If a user fee or charge has not been established by the Comprehensive Fee Schedule, the Finance Director shall determine the actual cost for providing the good or service, and assign the charge(s) and/or fee(s) accordingly.

Enterprise Funds

For the Enterprise Funds, the City shall set user charges and fees at a level that fully supports the total direct and indirect costs of the activity, including depreciation of capital assets and debt service, to ensure positive and stable cash flows, and provide for adequate working capital. Any capital costs and/or debt service for any particular activity shall be supported by the applicable Enterprise Fund. The City shall conduct external reviews of the user charges and fees associated with the public utilities at least every five years.

Any interfund loans and/or transfers from the Enterprise Funds to another City-controlled fund must be authorized by the City Council. Such interfund loans and transfers shall only be authorized on an exceptional basis and to fund unusual or extraordinary expenditures. The City may not authorize such transfers or interfund loans in consecutive years from the same Enterprise Fund.

The Municipal Liquor Stores, and the associated Enterprise Fund, shall be regarded as entrepreneurial in nature. The intent of these activities shall be to maximize revenues to the extent the market allows, which permits it to support other areas of the City financially, such as capital equipment purchases and park improvements.

Intergovernmental Revenues

Intergovernmental revenues, such as Local Government Aid and Municipal State Aid, are beyond the direct control of the City and shall be relied upon conservatively to support ongoing operations and activities. Since these revenues occur on a consistent and regular basis, they shall be accounted for in the annual budget process. Any intergovernmental revenues in excess of this amount shall be directed to the CIP or other one-time expenditures.

The City will strive to eliminate the use of Local Government Aid as a source of funding for the annual, operating budget.

Grant Revenue or Funding
From time to time, the City or its component units may receive grants or similar awards to support the cost of certain activities, projects and/or programs. The City Administrator may administratively accept such financial awards or grants assuming they do not require a budget amendment as outlines in other sections of this Manual, specifically the Operating Budget and Capital Investment Program policies.

Public Utilities Revenue and Remittance Policy

Generally, in order to ensure payment of user charges and fees, the City utilizes special assessments for applicable, unpaid portions of a public utility bill or invoice. The procedures and additional costs associated with these and other situations are outlined in greater detail in the City Policy.

In order to ensure the timely and accurate payment of user charges and fees associated with the public utilities owned and operated by the City, the City shall utilize the following protocols and procedures.

Discontinuance of Services
The City reserves the right to discontinue public utility services without notice for necessary repairs, additional connections or reconnections and non-payment of user charges and/or fees. However, before disconnection, the City will attempt to notify the customer by:

- calling the phone number on the account twice,
- placing a door hanger on the doorknob at the service address, and/or
- emailing the email address on account.

The City will generally refrain from discontinuance in the event of non-payment and assess all applicable user charges, fees and penalties if the account is less than 60 days or less than $50. If the account exceeds both of these criteria, and is not caught up to date in a timely manner, the service will be discontinued until arrangements have been made.

However, the City may discontinue services for its public utilities in the following circumstances:

- Vacant properties;
- Properties already disconnected from electric and/or gas utilities;
- Properties where the owners failed to respond to multiple maintenance requests;
- Properties presenting the potential of a backflow condition that may contaminate the public water system; and
- Properties presenting an emergency (e.g., significant damage) where the disconnection will preserve the safety and well-being of the property and/or public.

Prior to the disconnection of any public utility services, the City shall provide notice to the property owner of record at least 15 days prior to any action, unless an emergency prevents such a notice. The notice shall include an opportunity to discuss the pending action, and possible steps to prevent disconnection, if appropriate. The Finance Director, or their designee, shall act on behalf of the City, and shall have the authority necessary to correct or otherwise resolve any payment concerns or issues, such as a repayment plan or other alternative.

User Charges and Fees

For the purposes of adjusting or modifying, including a dispute by a system user, the City shall adhere to the following standards, practices, and policy. The Finance Director, or their designee, shall administer and interpret this section.

Adjustment – If an adjustment may be required as the result of an error made by the City, a credit will be applied to the account in question. The City shall not issue refund payments directly, unless authorized by the Finance Director, or their designee. The City shall review up to three years of account activity to determine any adjustments.

In the event of an "under charged" account, the City may seek to recover its costs for up to the previous three years. When possible, the City will determine the recovery amount based on the user charges and fees in effect during the billing period(s) in question. The City will allow the account to repay the recovery amount in no more than three years, pursuant to a written repayment agreement. Per Minnesota Statute § 216B.098, a public gas and electric utility may not charge interest during a repayment period, and the City shall apply that standard to all of its public utilities.

In the event of an "over charged" account, the City will determine the need for an adjustment based on the last actual water meter reading for up to the previous three years. In the event of an adjustment, the City will return the over charged amount with interest using an interest rate determined by the Finance Director at the time of repayment. If the City or system user cannot demonstrate with certainty that a meter has not "rolled over", stopped, been tampered with or any other similar situation, the City will not adjust the billing amount.

In the event the City authorizes a refund, it shall not be applied to the account until at least seven banking days after the applicable deposit of payment or activity in question, unless otherwise authorized by the Finance Director, or their designee.

No employee may unilaterally adjust or "write-off" their individual account(s) or their friends and/or family members. The employee shall report to the Finance Director, or their designee, any concerns or issues regarding their account(s) or the account(s) of their friends and/or family members – the Finance Director, or their designee, shall report the same situation to the City Administrator. Any unilateral action by any employee concerning themselves or their friends and/or family members may result in disciplinary action, up to and including involuntary termination.

Leaks and Summer Use – It shall be the responsibility of the property owner to inform the City of a water leak or similar event. Refer to the "Excessive Water Usage Credit Policy". For a sewer credit related to a pool fill, leaks, or summer use, email pictures of the meter before and after the pool fill occurs. This should include:

1. Pictures of the start and end meter reads including start time/date and end time/date.
2. Pictures of the filled pool along with pool dimensions.

Credit will be applied at the discretion of the Public Works Director, or their designee, after the subsequent meter read.

Contested Bill or Invoice – If a customer wishes to formally contest their bill, invoice or the response of the City, they must submit their request in writing, including:

1. A description of the situation;
2. Their specific request; and
3. Their rationale for it.

The Finance Director, or their designee, shall review the request and provide a written response within 10 business days.

The determination of the Finance Director, or their designee, may be reviewed upon written appeal to the City Administrator. Any such appeal must be received within five business days and include a rationale for the appeal. The City Administrator shall review the appeal and provide a written determination within 10 business days. As the official representative of the City's utilities, the decision of the City Administrator shall be final.

Any unpaid portions of a contested public utility bill or invoice may be assessed to the property in question consistent with Minnesota Statute § 444.075. The City shall provide any party or property subject to such an assessment with at least 30 days of notice prior to the certification of the outstanding charges and fees to the County Auditor.

Penalties – The City shall only remove one penalty or similar charge per account holder, unless otherwise authorized by the Finance Director, or their designee.

Finalized Accounts – In the event of a discontinuation of service, any account balances will be reduced to zero (i.e., $0.00). The City will make a reasonable attempt to collect any outstanding balances, including through special assessments, before writing-off an account balance. Any credits or credit balances shall be processed monthly. Any exception must be authorized by the Finance Director, or their designee.

Title Inquiries – Any request of a title company or similar organization with respect to the outstanding public utility charges and fees shall be responded to in order of closing date. These requests will be completed only once and as reasonably close to the closing date as possible.

Meter Installation – The City may provide a reasonable repayment schedule for costs associated with the replacement of a meter with a diameter of 1.5" or larger. The Finance Director, or their designee, shall determine the structure and interest rate for such repayment schedules. However, no repayment schedule shall exceed one year.

In the event that the customer fails to make timely payments consistent with an authorized repayment schedule, the entire amount, including any unpaid principal and accrued interest, shall become immediately payable and subject to the other sections of this Public Utilities Revenue and Remittance Policy, including the assessment of any unpaid charges and fees at the discretion of the City Council.

Other – Generally, the City will consider special assessments as a means for remittance on at least an annual basis.

Adoption and Implementation

Interpretation Policy

The City Administrator or their designee, may waive any sections of this Manual, if doing so would not violate any applicable sections of the City ordinances, State and/or Federal laws, or resolutions adopted by the City Council. Waiver of any particular policy or section does not constitute a waiver for the entire Manual and the City Administrator, or their designee, may end such waivers in their sole discretion.

Apart from this Manual, certain activities and programs are also regulated by the Employee Handbook (Handbook) for non-unionized employees and Collective Bargaining Agreements (CBAs) for unionized employees. In any event when this Manual conflicts with either document, the respective CBA or Handbook shall control, unless such deference would violate applicable sections of the City resolutions, ordinances, or State and/or Federal laws.

Discipline

Violation of this Manual or its corresponding regulations, incorporated herein by reference, by an employee, may result in disciplinary action, consistent with the procedures outlined in the Handbook, up to and including involuntary termination.

Adoption

This Manual shall be adopted by resolution of the City Council and any applicable component units. It shall also be reviewed by staff on an ongoing basis and any administrative modifications shall be approved by the City Administrator, including:

- Changes related to applicable laws and regulations;
- Subsequent actions of the City Council;
- Clerical errors; and
- Revisions to clarify but not change the intent of the Manual.

The City Administrator shall notify the City Council or the governing body of a component unit, in writing, of any administrative changes or modifications at least 10 days prior to any such revisions to this Manual. All other modifications shall be approved by the City Council or the governing body of a component unit.

This North Branch Financial Management Policy shall supersede all prior financial policies.

Adoption
Approved and adopted by the City Council on ________________effective _____________.

Administrative Revisions
None at this time.

City Council Amendments
None at this time.