



CITY OF PITTSBURG, KANSAS REVENUE CONTROL POLICY

INTRODUCTION

All aspects of financial management benefit significantly from strong internal controls, but none more than revenues and cash. Effectively managing revenues helps create a sustainable financial position.

The Government Finance Officers Association (GFOA) recommends that sustainability be considered a core value when setting organizational goals, policies, and business practices in all areas of public finance. Sustainability addresses establishing practices that meet present needs without impairing the organization's ability to meet its future needs by depleting resources through current economic consumption.

Likewise, financial sustainability can be defined as, "...a government's ability to manage its finances so it can meet its spending commitments, both now and in the future,... ensuring that future generations do not face an unmanageable bill for government services provided to the next generation."

A revenue control policy helps ensure sound financial practices.

PURPOSE

The purpose of the Revenue Control and Cash Management Policy is to establish a framework from which the City Commission, City Manager, and all city departments may work to maintain effective revenue controls and cash management practices, including compliance with federal, state and local requirements and industry standards.

SCOPE

This policy will address elements of revenue as follows:

- Segregation of revenue related duties
- Revenue Diversification
- Reviewing and Updating rates and user fees
- Reviewing the effect of property values and mill rates
- Identifying and obtaining additional revenue sources
- Utilizing cash forecasting to identify whether rates and user fees need to be reviewed and updated

REVENUE CONTROL POLICY STATEMENT

The City of Pittsburg is committed to:

- The City will seek to maintain a diversified and stable revenue base to reduce the effects of short-term fluctuations in any one revenue source.
- The City shall make a prudent effort to collect revenues.
- The City will fund current expenditures with current revenues, avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.
- The City has established various special revenue, capital project, debt service, and enterprise funds to account for revenues whose use should be restricted to certain activities. Accordingly, each fund exists as a separate financing entity from other funds, with its own revenue sources, expenditures, and fund equity.
- Any transfers between funds for operating purposes are clearly set forth in the annual budget. These operating transfers, under which financial resources are transferred from one fund to another, are distinctly different from inter-fund borrowings, which are usually made for temporary cash flow reasons, and are not intended to result in a transfer of financial resources by the end of the fiscal year.
- The City will perform a comparative analysis of 3-5 years of revenues and expenditures to establish basic cash flow patterns by fund.
 - The City will monitor daily cash balances and investments to verify accuracy and determine whether appropriate levels of cash are available.
 - The City will provide bi-monthly reports to the City Commission, along with an explanatory analysis of the balances/activity.
 - The City will publish a quarterly financial report in the city paper in accordance with Kansas statutes.
 - The City will establish a prioritization of expenditures that reflect organizational goals.
 - The City will establish a five year Capital Improvement Plan to help prioritize expenditures for upgrades, replacement, and maintenance of City infrastructure.
 - The City will forecast conservatively because fluctuations in both revenues and expenditures occur for many reasons.
 - The City will update cash requirements on a regular basis to ensure accuracy and validity of recommendations.
 - The City will include the nature of transactions rather than the method of payment in the forecast.
- The City will use the above criteria to monitor cash flow needs, debt issuance timing, and budgetary purposes. Any significant deviation from the established pattern, will be reviewed for cause and need for action
- Fees will be reviewed and updated on a regular basis to ensure that they keep pace with the changes in the cost of providing service, as well as changes in methods or levels of providing service. **In the case where regulations limit the level of fees charged for City services, the user fees cost recovery principles may not apply.**
 - In setting user fees and the levels of recovering the costs associated with providing services, there are several factors to be considered, such as, does the service provide a benefit to the community at large, or is it specific to a particular individual or group? Considering the following factors will help determine the level that fees should be set:
 - **Community-wide versus Special Benefit-** the use of general purpose revenues is appropriate for community-wide projects or services, while user fees are appropriate for services that are of special benefit to easily

identified individuals or groups, for example admissions for pool or auditorium, etc.

- **Service recipient versus service driver-** if after considering whether the service is community-wide or of special benefit to an individual or group, the City is considered the beneficiary, the next factor that should be considered is whether the service being provided is in response to a specific individual or group (*driver*), then reimbursement for those costs from the applicant is appropriate.
- **Effect of pricing on demand-**sometimes the level of pricing for the reimbursement of costs related to the service can significantly affect the demand, which then will affect subsequent levels of service provided. In that case, full cost recovery has the specific advantage of ensuring that the City is providing services for which there is a genuine market that is not overly stimulated by artificially low prices. Conversely, high levels of cost recovery will negatively impact the delivery of services to lower income groups. This negative feature is especially pronounced and works against public policy, if the services are specifically targeted to low-income groups.
- **Feasibility of collection and recovery-**sometimes, establishing high levels of cost reimbursement may be appropriate for specific services, but may be impractical or too costly to establish a system to identify and charge the user. Therefore, the feasibility of assessing and collecting charges should also be considered in developing user fees, especially if that revenue source is intended to finance significant program costs.
- Factors that favor lower cost reimbursement levels are:
 - Those instances where there is no intended relationship between the amount paid and the benefit received.
 - When collecting fees is not cost effective or will significantly impact the efficient delivery of the service.
 - When there is no intent to cover the cost of the service, for example park shelters.
 - If the service is non-recurring, generally delivered on a peak demand or emergency basis, and cannot be reasonably planned for, for example public safety services.
 - When collecting fees would discourage compliance with regulatory requirements and adherence is primarily self-identified and failure to comply would not be readily identified by the City, such as small scale permits.
- Factors that favor higher cost reimbursement levels are:
 - When the service is similar to services provided through the private sector and private sector or other public sector alternatives exist for the delivery of the service.
 - When there is intended to be a direct relationship between the amount paid and the level of cost of the service received. For example, after hours utility hookups.
 - If service is regulatory in nature and voluntary compliance is not expected to be the primary method of detecting failure to meet requirements. Examples would be building permits, plan reviews, etc.
- General concepts regarding user fees and charges:
 - Revenues should not exceed the reasonable cost of providing service.
 - Cost reimbursement goals should be based on the total cost of delivering the service, including direct costs, administrative costs, organization-wide costs, other indirect costs, costs of maintaining or replacing facilities and equipment vital to providing the service, etc.

- The method of assessing and collecting the fees should be as simple as possible.
 - Rate structures should be sensitive to the “market” for similar services as well as to the smaller, infrequent users of the service.
 - A unified approach should be used in determining cost reimbursement levels for various programs based on the factors listed above.
- Types of Low Cost reimbursement services:
 - Public safety emergency response
 - Maintaining and developing public facilities that are provided on a uniform, community-wide basis such as streets, parks, and general purpose buildings
 - Providing social service programs and economic development activities
- In setting user fees at a fair amount, the City may consider fees charged by other agencies in accordance with the following criteria:
 - Fee surveys can be useful in setting benchmarks, but should never be the sole or primary consideration in setting fees.
 - The level of cost reimbursement the fee is intended to achieve compared to the City’s needs to be considered.
 - The levels and types of costs that were included in the fee calculation should be considered.
 - Whether the fee structure has been recently reviewed should be considered.
 - The comparability of service levels should be considered.
 - Whether the rate structure is similar should also be considered.
- Enterprise fund fees and rates:
 - The City will set fees and rates at levels which cover the total direct and indirect costs, including operation, capital outlay, capital improvements, the minimum acceptable reserve level as established in the City Budgetary Reserve Policy, and debt service of the following enterprise funds:
 - Public Utilities
 - Storm Water
- Payment In-Lieu of Taxes (PILOT):
 - In certain economic development circumstances, the City may assess reasonable payments in-lieu of taxes.
- Grant funding:
 - The City will actively seek grant funding for both operating and capital expenditures. Prior to accepting grant funding, the Grants Management policy will be reviewed in order to ensure the grant being applied for meets those requirements.