



# City Finances

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**Kentucky League of Cities**



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# Show Us the \$\$\$

*An overview of:*

- Public Purpose Spending**
- Budget**
- Contracting**
- Procurement**
- Surplus Property**
- Audits & Financial Statements**
- Uniform Financial Reports**



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# Public Purpose Spending

- **RULE:** Public funds must only be spent for public purposes.
- **Legal basis:**
  - Kentucky Constitutional requirements that taxes shall only be levied for public purposes
- **Flexibility:**
  - Broad power under home rule to spend as necessary for health, safety and welfare of citizens



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## Budgeting

➤ *Present the proposed budget and message to the legislative body:*

- At least **30 days** prior to beginning of the **fiscal year** (July 1)
- **Budget message** must include:
  - Revenue raising and expenditure goals
  - Important features
  - Major changes




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## Budgeting

➤ *Adoption of the budget:*

- **Legislative body** adopts by **ordinance**
- **Not bound** by the budget proposed by the executive authority
- Becomes effective when **published**
  - Summary or text
- Budget can be **amended** at any time, like any other ordinance




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## Budgeting

➤ *Expenditures:*

- Only expend funds in **accordance with adopted budget ordinance**
- Expenditures may **not exceed revenues** for fiscal year
- Amend **prior to** expending funds in excess of amount appropriated to a fund
- Appropriate full amount necessary to service **outstanding debt** for fiscal year




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## Contracting

### ➤ *Binding Effect*

- Terms may extend beyond the terms of legislative body members...
- BUT**
- ...May NOT limit power of future legislative bodies

*Cannot bargain away the right to legislate!*

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## Contracting

➤ **General Rule:** City officers and employees cannot contract with the city for property or services.

- **Exceptions [KRS 61.252]:**
  - Contract awarded before filed for candidacy/ appointed
  - Contract awarded after public notice and competitive bidding
  - Contract made pursuant to specific legislative finding that it is in the best interests of the public

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## Contracting

➤ **Municipal contracts authorized or regulated by statute:**

- Interlocal Cooperation Act
- Franchise Agreements
- Ambulance Service Contracts
- Governmental Leasing Act
- Construction Contracts

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## Procurement

➤ *General Bidding Statute*

- **Exceptions:**
  - Purchase of **perishable** meat, fish, and vegetables
  - **Professional Services**  
*Physicians   Lawyers   Engineers*  
*Artists   Architects   CPAs   Police*
  - **Banking and Insurance Services**
  - Chief executive officer certifies an emergency exists
  - Certain state purchase contracts

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## Procurement

➤ *General Bidding Statute*

- **Advertisement:**
  - Publish in newspaper 21 to 7 days before last day to submit bids
  - Include **description, time, place, and special terms**
- **Acceptance:**
  - **No requirement** to accept either the lowest or best bid, or to publicly receive or announce

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## Procurement

➤ *Local Model Procurement Code*

- If city chooses to adopt, must do so by **ordinance**
- General Bidding Statute will **not** apply

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## Procurement

➤ *Local Model Procurement Code*

- **Exceptions:**
  - Competitive Negotiation
  - Noncompetitive Negotiation

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## Procurement

➤ *Residential Bidder Preference*

- KRS 45A.490 – 45A.494; 200 KAR 5:400
- Designed to give in-state bidders an advantage against out-of-state bidders whose states have own bidder preference laws
- Applies to **all cities**, regardless of procurement law

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## Procurement

➤ *Residential Bidder Preference*

- **Basic Requirement:**
  - Prior to awarding a contract, city must provide a **preference to resident bidders** of KY against non-resident bidders. **IF** those non-resident bidders are registered in a state that gives or requires its **own residential bidder preference**.
  - Preference must be **equal** to preference given or required by state of nonresident bidder.
  - If **tie** between resident and non-resident, preference must go to **resident**.

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## Surplus Property

➤ **Generally: KRS 82.083**

- Before selling or disposing of **real or personal** property, make a **written determination** of the following:
  - **Description**
  - **Intended use** when acquired
  - Why disposal is in the **public interest**
  - **Method of disposal**

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## Surplus Property

➤ **Generally: KRS 82.083**

- **Methods** for disposal of surplus property:
  - Transfer to **another governmental entity**
  - Sell at public or electronic **auction**
  - Sell by **sealed bids**
  - Transfer for **economic development purposes**
  - If **no bids received**, may dispose of property in any manner consistent with the **public interest**

*\*Any compensation must be transferred to general fund*

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## Surplus Property

➤ **Local Model Procurement Code - KRS 45A.425:**

- **Real property only**
- **Written determination:**
  - Why it is in the **public interest** to dispose of property
  - **Method of disposal**
- **Method of disposal:**
  - Transfer to **another governmental entity**
  - Sell at **public auction** or by **sealed bids**
  - If **no bids received**, may dispose of property in **any appropriate manner**

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## Financial Statements

- **Alternative monthly/ quarterly statements**
  - City may choose to do this under KRS 424.230
  - Covers only month/ quarter; not fiscal year
  - Publication within 30 days of end of month/ quarter

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## Audits

- **Cities with populations of 1,000 or more**
  - Required to have annual audit of each financial fund of city at close of fiscal year.
- **Cities with populations of less than 1,000**
  - Odd-numbered years: Audit required.
  - Even-numbered years: No audit required. Prepare financial statement and forward to DLG.
- **Any city that receives and expends less than \$75,000 with no long-term debt**
  - No audit required. Forward financial statement to DLG.

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## Audits

- Completed by **February 1** following fiscal year being audited
- Conducted by **CPA or Auditor of Public Accounts** through **written contract**
- Within **10 days** following completion of audit and presentation to legislative body, forward **1 electronic copy or 3 paper copies to DLG**
- Publication within **30 days** of completion and presentation

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