

Regulatory Analysis

Notice of Intended Action to be published: 545—Chapter 2
“Budget Amendments and Fund Transfers”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 384 and 388

State or federal law(s) implemented by the rulemaking: Iowa Code sections 384.13 through 384.15 and 384.16 through 384.22

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

August 1, 2025
11 a.m.

Room G14
1007 East Grand Avenue
Des Moines, Iowa

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Department of Management no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Brad Horn, General Counsel
Department of Management
1007 East Grand Avenue, Room G13
Des Moines, Iowa 50319
Phone: 515.414.6187
Email: brad.horn@dom.iowa.gov

Purpose and Summary

The City Finance Committee is proposing to rescind Chapter 2 of its rules and repromulgate the rules with substantial edits. Chapter 2 of the Committee’s rules provides basic legal frameworks concerning budgetary transfers.

Analysis of Impact

1. Persons affected by the proposed rulemaking:

• **Classes of persons that will bear the costs of the proposed rulemaking:**

Only individuals who interact with the City Finance Committee bear any costs associated with these proposed rules. The rules provide minimally necessary guidance for those seeking to alter city budgets, as well as basic information about the required process to properly transfer funds consistent with the Iowa Code.

• **Classes of persons that will benefit from the proposed rulemaking:**

City officials benefit, as well as taxpayers within cities, by understanding the basic procedures required.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

• **Quantitative description of impact:**

This proposed rulemaking would not have a quantitative impact on citizens or any other entity.

• **Qualitative description of impact:**

This proposed rulemaking simplifies the existing rules and removes all restrictive words and phrases from the rules, which should provide those who access the rules a better qualitative experience when interacting with the Committee.

3. Costs to the State:

- **Implementation and enforcement costs borne by the agency or any other agency:**

This proposed rulemaking removes any unnecessary statements in the rules and simplifies the text where possible. There are no additional implementation or enforcement costs borne by any agency because of the updates to the rules.

- **Anticipated effect on State revenues:**

State revenues, as well as implementation and operations costs, do not change based on this cleanup of the Committee's rules. It is not anticipated that there will need to be any system changes or other changes in policy of any kind.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

Inaction is not permissible because the rules must be addressed pursuant to Executive Order 10. The benefits of this proposed rulemaking should be that taxpayers accessing the Committee should have an easier time because the rules will be easier to follow. The rulemaking also removes some unnecessary burdens from the rules, which provides a benefit to anyone interacting with the Committee.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

All rules were evaluated with the goal of reduction, elimination and simplification of the existing rules. No less intrusive methods have been identified along the way. No less costly alternatives were identified in the process.

6. Alternative methods considered by the agency:

- **Description of any alternative methods that were seriously considered by the agency:**

No alternatives are available.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

Not applicable. The rules are necessary to provide basic information about the budgeting amendments and funds transfer obligations.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

This proposed rulemaking does not have any substantial impact on small business.

Text of Proposed Rulemaking

ITEM 1. Rescind 545—Chapter 2 and adopt the following **new** chapter in lieu thereof:

CHAPTER 2

BUDGET AMENDMENTS AND FUND TRANSFERS

PREAMBLE

Consistent with home rule legislation, the city finance committee encourages as much flexibility as possible in the municipal budget administration. At the same time, it is the responsibility of the city finance committee to impose those procedures and processes necessary to ensure adequate notice to citizens of proposed and adopted changes in the local budget and to provide an opportunity for citizen involvement in the reallocation process.

545—2.1(384,388) Appropriation of unanticipated amount. Budget amendments to the adopted city budget to permit the appropriation and expenditure of unencumbered and unanticipated balances or amounts anticipated to be available from sources other than property taxes but which have not been appropriated in the adopted budget will be prepared as provided in Iowa Code section 384.16 and are subject to protest as provided in Iowa Code section 384.19.

All adopted budget amendments to appropriate and expend unanticipated amounts are to be certified to the auditor of the county or counties where the city is located and to the director.

545—2.2(384,388) Transfers between programs. Except as specifically provided elsewhere in these rules, all appropriation transfers between programs are budget amendments and will be prepared as provided in Iowa Code section 384.16 and subject to protest as provided in Iowa Code section 384.19.

All adopted budget amendments to permit the transfer of adopted budget appropriations between programs are to be certified to the auditor of the county or counties where the city is located and to the director.

545—2.3(384,388) Transfers within programs. Transfers within programs are not budget amendments within the meaning of Iowa Code section 384.18. It is the responsibility of the governing body of each city to provide its own written rules for transfers within programs.

545—2.4(384,388) Fund transfers.

2.4(1) General provisions. All transfers of moneys between funds found in the city budget forms will be approved by a fund transfer resolution. Transfers between funds in one program are types of amendments that are not subject to preparation and adoption as provided in Iowa Code section 384.16 and are not subject to protest as provided in Iowa Code section 384.19, but such transfers will comply with the state laws regarding the funds and the following subrules.

2.4(2) Debt service fund. Except where specifically not allowed under state law, moneys may be transferred from any other city fund to the debt service fund to meet outstanding principal and interest. Such transfers are to be authorized by the original budget or a budget amendment that has been adopted as provided in Iowa Code section 384.16 and subject to protest as provided in Iowa Code section 384.19.

2.4(3) Capital improvements reserve fund. Except where specifically not allowed under state law, moneys may be transferred from any city fund to the capital improvements reserve fund for purposes specified in Iowa Code section 384.7. Such transfers are to be authorized by the original budget or a budget amendment adopted as provided in Iowa Code section 384.16 and subject to protest as provided in Iowa Code section 384.19.

2.4(4) City utility fund and city enterprise fund. Any governing body of a city utility, combined utility system, city enterprise, or combined city enterprise that has a surplus in its fund may transfer such surpluses to any other city fund, except the emergency fund, by resolution of the appropriate governing body. For the purposes of this subrule:

a. A surplus may exist only after all required transfers have been made to any restricted accounts in accordance with the terms and provisions of any revenue bonds or loan agreements relating to the utility or enterprise fund.

b. A “surplus” is defined as the cash balance in the operating account or the unrestricted net position calculated in accordance with GAAP, after adding back the net pension and other post-employment benefits liabilities and the related deferred inflows of resources and deducting the related deferred outflows of resources, in excess of:

(1) The amount of the expenses of disbursements for operating and maintaining the utility or enterprise for the preceding three months, and

(2) The amount necessary to make all required transfers to restricted accounts for the succeeding three months.

These rules are intended to implement Iowa Code chapters 384 and 388.