



FINANCE COMMITTEE

September 19, 2022

6:00 PM

Regular Meeting Agenda

8225 3rd Street
Centennial Conference Room
Wellington, CO 80549

- A. CALL TO ORDER
- B. PUBLIC INVITED TO BE HEARD
- C. ACTION ITEMS /DISCUSSION ITEMS
 - 1. Minutes from the 8.15.22 Finance Committee Meeting
 - 2. FY 2022 Quarter 1 Preliminary Financial Reports
 - 3. Financial Policy
- D. REPORTS
- E. ADJOURN

The Town of Wellington will make reasonable accommodations for access to Town services, programs, and activities and special communication arrangements. Individuals needing special accommodation may request assistance by contacting at Town Hall or at 970-568-3380 ext. 110 at least 24 hours in advance.



Finance Committee Meeting

Date: September 19, 2022
Subject: Minutes from the 8.15.22 Finance Committee Meeting

BACKGROUND / DISCUSSION

STAFF RECOMMENDATION

ATTACHMENTS

1. 8-15-2022 Minutes

FINANCE COMMITTEE
MINUTES
August 15, 2022

A. CALL TO ORDER

The Town of Wellington Finance Committee meeting was called to order by Chair Christine Gaiter, on August 15, 2022 at 6:00 p.m. at the Town of Wellington.

Attendance:

Christine Gaiter
Dominic Baranyi
Jason Mellin
Jesy Andreen online at 6:18
Nic Redavid
Pat Johnson
Sara Knaack

Others in attendance:

Jon Gaiter, Trustee Liaison
Patti Garcia, Town Administrator
Charity Campfield, Finance Director
Vik Runkle, Finance Consultant

B. PUBLIC INVITED TO BE HEARD

Public comment was opened to which there was none.

C. ACTION ITEMS /DISCUSSION ITEMS

1. Minutes from 8/8/2022 were approved through a motion by Member Redavid, seconded by Member Baranyi.
2. A discussion of the Capital Improvement Projects was held.
3. Reviewed Budget spreadsheets and recommended the following, as presented: 10, 11, 12, 13, 14, 15, 16, 17, and 20. A motion to that effect was made by Member Knaack and was seconded by Member Baranyi.

D. REPORTS

There were no reports.

E. ADJOURN

The meeting was adjourned at 8:14.

Pat Johnson
Finance Committee Secretary



Finance Committee Meeting

Date: September 19, 2022
Subject: FY 2022 Quarter 1 Preliminary Financial Reports

BACKGROUND / DISCUSSION

Staff will provide a copy of the preliminary FY 2022 Quarter 1 financial report for the finance committee to review at the meeting. There is key information that is highlighted in the report that staff will go over in detail with the committee. We will analyze the data, discuss how to read the reports, and go over any questions from the committee.

STAFF RECOMMENDATION

None

ATTACHMENTS

None



Finance Committee Meeting

Date: September 19, 2022
Subject: Financial Policy

BACKGROUND / DISCUSSION

Discussion on the presented Town of Wellington Financial Policies

STAFF RECOMMENDATION

ATTACHMENTS

1. 2021 Town of Wellington Financial Policies



TOWN OF
WELLINGTON

FINANCIAL POLICIES

2022

BALANCED BUDGET

The Town of Wellington defines a balanced budget as one in which expenditures do not exceed available resources. Available resources are defined as annual projected revenues and beginning fund balances. Ongoing operational expenses must be funded by ongoing sources of revenue. As a matter of policy, the Town of Wellington does not use one-time revenues such as impact fees or grants to fund ongoing operations.

FINANCIAL POLICIES

The over-riding financial goal of the Town of Wellington is to keep intact Wellington's fiscal stability. There are a number of components, principles and procedures, and sub-policies used to achieve this goal, but the main focus is still on this one basic goal.

Components of Fiscal Stability

The Town of Wellington's definition of fiscal stability has several interrelated components:

- Cash Solvency – The ability to pay for current municipal operations.
- Budgetary Solvency – The ability to annually balance the budget.
- Long Term Solvency – The ability to pay for future municipal operations.
- Service Level Solvency – The ability to provide needed and desired municipal services.
- Flexibility – The ability to react and respond to changes in the economy and new service challenges without measurable financial stress.

Principles and Procedures

1. The Town shall conform to generally-accepted accounting procedures as applied to governmental units in the United States of America, and standards of the Governmental Accounting Standards Board (GASB) and Government Finance Officers Association (GFOA).
2. A balanced budget will be prepared annually by the Town Manager and Director of Finance and presented to the Town Board for consideration.
3. The Director of Finance will present the Town Board with a monthly financial report of both revenues and expenditures for all of the Town's funds.
4. The Director of Finance shall annually prepare a Comprehensive Annual Financial Report. The report shall be audited by an independent certified public accountant. The audit shall be conducted in accordance with state statutes establishing the local government audit laws.
5. A five-year capital improvement plan should be prepared each year prior to submission of the budget.

INVESTMENT POLICIES

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Permissible investments include:

- Obligations of the United States and certain U.S. government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of U.S. local government entities.
- Banker's acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

The majority of the Town of Wellington's investment lies in local government investment pools, which reinvest in U.S government obligations and collateralized repurchase agreements.

EXPENDITURE POLICIES

Annual budget priorities are established on the basis of reorganized organizational goals and objectives established by the Wellington Town Board. Usually, the considerations taking precedence include: Debt Payments, Police Services, Water / Sewer / Drainage Services, Street Maintenance, and Parks, Recreation & Culture.

In addition, the Town observes the following restrictive provisions on all expenditures:

- Budget Expenditures are limited to projected revenues and fund surpluses. This ensures both Cash and Budgetary Solvency.
- Ongoing operating costs should be funded by ongoing revenue sources. This protects the Town when one-time or unpredictable revenues are reduced or removed, thus ensuring Cash, Long Term and Service Level Solvency.
- Capital projects, vehicles and new equipment should initially be funded through the Capital Improvement Fund or capital funds appropriately designated as such in another fund. This ensures Cash Solvency.
- Recurring operation and maintenance costs will be funded through the General Fund or Operations and Maintenance funds appropriately designated as such in another fund. This ensures both Long Term and Service Level Solvency.
- The Town Board shall set total appropriations at the fund level, any additional appropriations or adjustments between funds shall be approved by budget amendments, ensuring Budgetary Solvency.
- Department Heads are responsible for managing Departmental budgets with the total appropriated budget, ensuring Cash, Budgetary and Service Level Solvency.

DEBT POLICY

The Town borrows money and issues short-term notes, general obligation bonds, revenue bonds, special or local improvement bonds, or any securities not in contravention of the Code of the Town of Wellington. The Town borrows money and issues the following securities to evidence such indebtedness:

Short-term notes

Special or Local Improvement District Bonds

General Obligation Securities

A sound debt policy ensures the components of Service Level Solvency and Flexibility. It is a high priority for the Town of Wellington to maintain good communications with bond rating companies and to earn good bond ratings. The Town has developed the following policies to ensure that debt is soundly financed:

- The Town should maintain an underlying bond rating (without the issuance of bond insurance) of no less than “A-” from Standard & Poor’s Rating Services or “A1” from Moody’s Investors Services Inc. Bond insurance may be attached to any bond issue to enhance the bond rating over the underlying rating;
- Revenue sources to be used to finance debt are conservatively estimated.

In addition, the Town observes the following restrictive provisions in all issues of bonds by the municipality:

- Total general obligation debt will not exceed 10% of the total assessed valuation for tax purposes.
- The interest rate shall not exceed the market rate, with the most favorable bond pricing being obtained through either competitive bids or negotiated placement.
- All bonds issued by the Town shall contain a provision for redemption prior to maturity.
- Annual budgets include debt service payments and reserve requirements for all debt currently outstanding for all proposed debt issues. Debt service should be limited to 10-15% of operating expenditures exclusive of capital improvements and debt service expenditures.

FINANCIAL PLANNING POLICY

Sound Financial Planning Policy most directly ensures Long Term, Budgetary and Service Level Solvency as well as Flexibility.

The Town adheres to the following guidelines related to Financial Planning:

- A three-year financial plan should be developed annually to react to economic changes and accommodate regulatory and legislative mandates.
- Revenues should be conservatively estimated and expenditures budgeted at or below 100% to ensure budgetary solvency.

- The Town should accept new requirements for services only when adequate funding is available.
- Enterprise Funds should be self-sustaining. They should be charged for indirect administrative services performed by other Town departments. Operational revenue should be sufficient to fund capital costs and replacement.
- Prior to undertaking a capital project, all ongoing operational and maintenance costs shall be identified and included as part of the policy discussion.
- The Town shall inventory and assess the condition of all major capital assets. This information will be used to plan for the ongoing financial commitments required for major repairs or replacement to be funded through the Capital Improvement Fund or Capital funds appropriately designated as such in another fund.

REVENUE POLICY

A sound revenue policy affects all of the components of fiscal stability. Ongoing provision of services cannot be achieved without sufficient funding.

- User fees for all operations should be reviewed annually to ensure rates defray operating costs and are market competitive.
- Utility rates should be reviewed annually and adjusted, if necessary, to reflect inflation, construction goals, maintain bond covenants, and avoid major periodic increases.
- The cost of utility contractual services over which the Town has no control shall be passed through to rate payers in a manner consistent with Town Board direction.
- Excess fund balances may be used to off-set rate increases where possible and fiscally responsible.
- The Town shall maximize state and federal grants, loan interest programs and other intergovernmental sources for capital needs.
- The Town shall maintain a diversified revenue system to protect it from short-run fluctuations in any one revenue source.

FUND BALANCE AND RESERVE POLICY

This policy established strategies for operational, capital emergency, and debt servicing funding, and ensuring reasonable reserves in the Town's portfolio of funds. The Town Board expressed interest in establishing policies directed at ensuring reasonable fund balances in all fund categories, such that future financial commitments and contingencies may be accommodated. The Town Board concluded that a strategic structuring of fund balances is advisable, particularly in the context of anticipating emergencies and facilitating accelerated debt retirement. This policy is deemed to promote the public health, safety and welfare through responsible fiscal strategy.

COMPONENTS OF THE FUND BALANCE POLICY

Operating money

Operating money requires the most scrutiny. This is the money used to pay for the daily operations. Guidance from the Government Finance Officers Associations (GFOA) concerning the General Fund recommends 2 months of operating expenses as a fund balance. GFOA also recommends 3 months operating expenses in the enterprise fund balance.

Capital Money

The current policy states that a project is not funded if there are not sufficient resources. This still holds true. To further define a proper fund balance, the Town should keep at least one year of depreciation as a base for these funds.

Criteria for the Fund Balance Policy

1. Fund Balance General Strategy. As a preliminary matter, the Town's fund balance strategy will be structured in four (4) levels:

Level 1: Two (2) full months' operating expenditures for governmental funds, three (3) full months' operating expenditures for TABOR-qualified enterprise funds.

Level 2: Funding for capital projects identified in the Town's approved Capital Improvement Plan.

Level 3: Anticipated future commitments and unforeseen emergencies.

Level 4: Accelerated retirement of debt, accelerated retirement of lease-purchase obligations, savings for future projects, and economic incentives.

2. Fund Balance Criteria. The following fund categories will be funded according to the criteria indicated below:

(a) General Fund. The General Fund will be funded at a level sufficient to meet two (2) months' operating expenses, plus any TABOR-required emergency reserves, plus any Town commitments not otherwise included in the remaining funding categories below.

(b) Capital Improvement Fund. The Capital Improvement Fund will be funded at a level sufficient to meet the amount of annual depreciation booked in this fund category for the fiscal year immediately preceding, plus any TABOR-required reserves, plus the amount of any capital improvement projects expected in the current fiscal year (including Town capital improvement commitments found in any economic incentive agreements and reimbursement agreements).

- (c) **Conservation Trust Fund.**
 - (d) Park Improvement Fund. The Park Improvement Fund will be funded at a level sufficient to meet the amount of annual depreciation booked in this fund category for the fiscal year immediately preceding, plus any TABOR-required emergency reserves.
 - (e) Street Fund. The Street Fund will be funded at a level sufficient to meet the amount of annual depreciation book in this fund category for the fiscal year immediately preceding, plus and TABOR-required emergency reserves.
 - (f) Sewer Fund. The Sewer Fund will be funded at a level sufficient to meet three (3) months' operating expenses, plus the amount of annual depreciation booked in this fund for the fiscal year immediately preceding, plus any Sewer Fund-related capital improvement projects expected in the current fiscal year (including Town commitments for Sewer Fund-related capital improvements found in any economic incentive agreements and reimbursement agreements), plus the annual amount of any future water-acquisition commitments, plus any annual contractually-required debt service reserves.
 - (g) Storm Drainage Fund. The Storm Drainage Fund will be funded at a level sufficient to meet three (3) months' operating expenses, plus the amount of annual depreciation booked in this fund for the fiscal year immediately preceding, plus any Storm Drainage Fund-related capital improvement projects expected in the current fiscal year (including Town commitments for Storm Drainage Fund-related capital improvements found in any economic incentive agreements and reimbursement agreements), plus any annual contractually-required debt service reserves.
 - (h) Water Fund. The Water Fund will be funded at a level sufficient to meet three (3) months' operating expenses, plus the amount of annual depreciation booked in this fund for the fiscal year immediately preceding, plus any Water Fund-related capital improvement projects expected in the current fiscal year (including Town commitments for Water Fund-related capital improvements found in any economic incentive agreements and reimbursement agreements), plus the annual amount of any future water-acquisition commitments, plus any annual contractually-required debt service reserves.
3. Any funds in excess of those established above may be allocated to Level 3 or LeI 4 on a case-by-case basis, considering the Town's overall fiscal health, reasonable assumptions of future circumstances, and Town Manager recommendations.