



FINANCE COMMITTEE

January 9, 2023

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. Meeting minutes from the 12/12/2022 Finance Committee Meeting.
 - 2. Letter of Support for Financial Controls
 - 3. Financial Policy Approval
 - 4. Auditor Discussion
 - 5. Third Quarter Financial Statement Review
- 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: January 9, 2023
Subject: Meeting minutes from the 12/12/2022 Finance Committee Meeting.

BACKGROUND / DISCUSSION

Meeting Minutes from the 12.12.22 Finance Committee Meeting.

STAFF RECOMMENDATION

Approve

ATTACHMENTS

1. 12-12-2022 Minutes

FINANCE COMMITTEE
MINUTES
December 12, 2022

A. CALL TO ORDER

The Town of Wellington Finance Committee meeting was called to order by Chair Christine Gaiter, on December 12, 2022 at 6:00 p.m. at the Town of Wellington.

Attendance:

Christine Gaiter

Dominic Baranyi

Jason Mellin

Pat Johnson remote

Sara Knaack

Nic Redavid

Jesy Andreen absent

Others in attendance:

Jon Gaiter, Trustee Liaison

Charity Campfield, Finance Director

B. PUBLIC INVITED TO BE HEARD

No Public comment was heard.

C. ACTION ITEMS /DISCUSSION ITEMS

1. Minutes from 11/14/2022 were approved through a motion by Member Mellin, seconded by Member Redavid.
2. COLOTrust Investment Recap
3. July/August 2022 Financial Statements
4. Financial Policy and letter of support will be finalized for January Board meeting

D. REPORTS

- January's Finance Committee meeting will be second Monday of January (9th).

E. ADJOURN

The meeting was adjourned at 6:56.

Pat Johnson

Finance Committee Secretary



Finance Committee Meeting

Date: January 9, 2023
Subject: Letter of Support for Financial Controls

BACKGROUND / DISCUSSION

The finance committee has created a statement of support for the finance department to implement internal financial controls.

STAFF RECOMMENDATION

Approve

ATTACHMENTS

1. Wellington Finance Committee - Statement of Support

An effective system of internal financial controls is necessary for the proper management of taxpayer funds as well as ensuring that financial reports are complete and accurate. In alignment with the Board of Trustees' goal to maximize financial transparency to the citizens of Wellington, the Finance Committee supports ongoing efforts to devise an internal controls framework to ensure proper management and accounting of financial resources.

Given our Town's current constraints on personnel and resources, not every conceivable internal control can be implemented. The purpose of this framework is not to mandate all feasible internal controls but to develop a cost-efficient structure that alleviates the most significant financial risks to the Town. The Finance Committee supports all efforts made by Town Staff to demonstrate a commitment to integrity and ethical values that not only align with our Board of Trustees' Strategic Plan but also the ethos of great character woven into the fabric of our community.

We support the implementation of effective and cost-conscious controls and oversight functions to our processes surrounding cash collection, billing & receivables, vendor management, and other areas that impact the Town's financial position. This Committee supports our Finance Director's effort to establish structure, authority, and responsibility delegated amongst the various Town Staff that impact financial controls and risk management. We believe in the competence and character of our Staff and will support their initiatives surrounding risk management to the best of our abilities.

The Town of Wellington is responsible and accountable to its taxpayers to establish an environment where citizens can be confident that funds are being managed properly. We support the Staff's efforts to assess all Town Operations to identify risks and create controls and oversight to mitigate those risks. Our goal is to develop awareness and expertise around the necessity for such controls, understand where targeted efforts can have the greatest mitigating impact, train staff on new procedures, and to aid monitor and oversee the results of said controls to ensure that our framework continues to iterate and improve.



Finance Committee Meeting

Date: January 9, 2023
Subject: Financial Policy Approval

BACKGROUND / DISCUSSION

The Town of Wellington currently does not have any financial policies. The Finance Director and the Finance Committee have been working on these policies for the past few months. These policies are coming before the committee for final approval.

STAFF RECOMMENDATION

Approve

ATTACHMENTS

1. DAB_Wellington Financial Policies V2



TOWN OF
WELLINGTON

FINANCIAL POLICIES

2022

EXECUTIVE SUMMARY

This document summarizes the policies and procedures related to financial reporting and controls followed by the Town of Wellington. The primary financial goals of the Town are to operate under a balanced budget and to maintain the fiscal stability of the Town. The Town defines a balanced budget as one in which expenditures do not exceed available resources. A three-year financial plan will 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 budget will be prepared on an annual basis and shall be presented to the Board of Trustees for approval. Additionally, this budget shall include a capital improvement plan summarizing all ongoing and anticipated capital projects.

The Town of Wellington defines “fiscal stability” as follows:

1. Cash Solvency – The ability to pay for current municipal operations.
2. Budgetary Solvency – The ability to annually balance the budget.
3. Long Term Solvency – The ability to pay for future municipal operations.
4. Service Level Solvency – The ability to provide needed and desired municipal services.
5. Flexibility – The ability to react and respond to changes in the economy and unanticipated service challenges without financial distress.

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 reports shall be prepared by the Director of Finance periodically. These reports should include statements of financial position and of revenues and expenditures, both for the period most recently ended as well as year-to-date, at the government-wide and fund level. 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. The Town shall conform to generally accepted accounting procedures as applied to governmental units in the USA, and standards of the Governmental Accounting Standards Board (GASB) and Government Finance Officers Association (GFOA).

INVESTMENT POLICY

Colorado state law defines specific investment instruments meeting a defined rating and risk criteria in which local governments and municipalities can invest in. Permissible investments include:

1. Obligations of the United States and certain U.S. government agency securities.
2. Certain international agency securities.
3. General obligation and revenue bonds of U.S. local government entities.
4. Banker’s acceptances of certain banks.
5. Commercial paper.
6. Local government investment pools.
7. Written repurchase agreements collateralized by certain authorized securities.
8. Certain money market funds.
9. Guaranteed investment contracts.

The Town of Wellington, in accordance with relevant state and local law, holds funds in local government investment pools, which reinvest in U.S. government obligations and collateralized repurchase agreements.

EXPENDITURE POLICY

Annually, the Town of Wellington will create an operating budget for the upcoming fiscal year. This budget considers known and recurring operational expenses as well as strategic goals and objectives as established by the Wellington Town Board.

In addition to financial policies already enumerated in this document, the Town observes the following restrictive provisions on all expenditures:

1. Budget Expenditures are limited to projected revenues and fund surpluses. This ensures both Cash and Budgetary Solvency.
2. 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.
3. 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.
4. 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.
5. 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.

DEBT POLICY

The Town borrows money and issues a combination of short-term notes, general obligation bonds, revenue bonds, special or local improvement bonds, and general obligation securities not in contravention of the Code of the Town of Wellington. 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:

1. 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
2. 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:

1. Total general obligation debt will not exceed 10% of the total assessed valuation for tax purposes.
2. The interest rate shall not exceed the market rate, with the most favorable bond pricing being obtained through either competitive bids or negotiated placement.
3. All bonds issued by the Town shall contain a provision for redemption prior to maturity.
4. 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

The Town should accept new requirements for services only when adequate funding is available

1. 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.
2. Prior to undertaking a capital project, all ongoing operational and maintenance costs shall be identified and included as part of the policy discussion.
3. 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.

1. User fees for all operations should be reviewed annually to ensure rates defray operating costs and are market competitive.
2. Utility rates should be reviewed annually and adjusted, if necessary, to reflect inflation, construction goals, maintain bond covenants, and avoid major periodic increases.
3. 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.
4. Excess fund balances may be used to off-set rate increases where possible and fiscally responsible.
5. The Town shall maximize state and federal grants, loan interest programs and other intergovernmental sources for capital needs.
6. 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.

The Town's fund balance strategy will be structured in four (4) levels:

1. Level 1: Two (2) full months' operating expenditures for governmental funds, three (3) full months' operating expenditures for TABOR-qualified enterprise funds.
2. Level 2: Funding for capital projects identified in the Town's approved Capital Improvement Plan.
3. Level 3: Anticipated future commitments and unforeseen emergencies.
4. Level 4: Accelerated retirement of debt, accelerated retirement of lease-purchase obligations, savings for future projects, and economic incentives.

Each previous level should be fully satisfied before subsequent levels should be funded. The following fund categories will be funded according to the criteria indicated below:

1. **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.
2. **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).
3. **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.
4. **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.
5. **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.

6. **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.
7. **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.
8. Any funds in excess of those established above may be allocated to Level 3 or Level 4 on a case-by-case basis, considering the Town's overall fiscal health, reasonable assumptions of future circumstances and the discretion of the Town Manager.



Finance Committee Meeting

Date: January 9, 2023
Subject: Auditor Discussion

BACKGROUND / DISCUSSION

The Town received two proposals for audit services. Staff will discuss with the committee the proposals and why they are recommending Mayberry & Company LLC.

STAFF RECOMMENDATION

Approve the proposal of Mayberry & Company LLC.

ATTACHMENTS

None



Finance Committee Meeting

Date: January 9, 2023
Subject: Third Quarter Financial Statement Review

BACKGROUND / DISCUSSION

Staff will go over the thrid quarter financials with the committee.

STAFF RECOMMENDATION

None.

ATTACHMENTS

None