

RESOLUTION NO.

**A RESOLUTION TO AMEND THE CITY OF GILLETTE, WYOMING  
FINANCIAL OPERATING POLICIES**

WHEREAS, the City of Gillette adopted the *City of Gillette, Wyoming Financial Operating Policies*, on December 5, 2011; and

WHEREAS, the City of Gillette amended Part I of the *Revenue Policies* section of the *City of Gillette, Wyoming Financial Operating Policies*, on March 19, 2012 in Resolution 2360 to require an annual review of utility rates with possible recommendation of adjustments for utility rates instead of automatic annual rate increases for fees and charges based on inflation; and

WHEREAS, the City of Gillette amended Part A of the *Reserve Fund Policies* section of the *City of Gillette, Wyoming Financial Operating Policies*, on August 20, 2012 in Resolution 2380 to increase the General Fund operating reserve balance to 120 days; and

WHEREAS, Part A of the *Reserve Fund Policies* section of the *City of Gillette, Wyoming Financial Operating Policies* provides that "[t]he City shall maintain a 120-day operating reserve balance in the General Fund and a 90-day operating reserve balance in the Enterprise Funds."

WHEREAS, setting the operating reserve balance for the General Fund at 150 days is appropriate due to greater vulnerability to extreme events and risks related to revenue source stability.

IT IS RESOLVED BY THE GOVERNING BODY OF THE CITY OF GILLETTE, WYOMING:

SECTION ONE. Part A of the *Reserve Fund Policies* section of the *City of Gillette, Wyoming Financial Operating Policies* is amended to read as follows:

- A. The City shall maintain a 150-day operating reserve balance in the General Fund and a 90-day operating reserve balance in the Enterprise Funds. These operating reserves are maintained to address temporary revenue shortfalls; payment of approved expenditures due to cash flow shortage; reserves for expenditures deemed necessary by the Mayor and City Council. In addition, minimum capital reserves shall be maintained in Enterprise Funds in an amount equal to one-year depreciation expense as per most recent available audited financials.

SECTION TWO. The *City of Gillette, Wyoming Financial Operating Policies*, prepared by the Finance Department, consisting of 17 pages, which is attached to this Resolution and is incorporated herein by this reference, as amended in the preceding paragraph is adopted by the City of Gillette.

PASSED, APPROVED AND ADOPTED this 4th day of September 2018.

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Louise Carter-King, Mayor

(S E A L)

ATTEST:

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Karlene Abelseth, City Clerk

CITY OF GILLETTE, WYOMING  
FINANCIAL OPERATING POLICIES

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# **CITY OF GILLETTE, WYOMING FINANCIAL OPERATING POLICIES**

## **Purpose**

The Comprehensive Financial Management Policy assembles all of the City's financial policies in one document. They are the tools to ensure that the City is financially able to meet its immediate and long-term service objectives. The individual policies contained herein serve as guidelines for both the financial planning and internal financial management of the City.

The City of Gillette is accountable to its citizens for the use of public dollars. Municipal resources must be wisely used to ensure adequate funding for the services, public facilities, and infrastructure necessary to meet the community's present and future needs. These policies safeguard the fiscal stability required to achieve the City's goals and objectives.

## **Objectives**

In order to achieve its purpose, the Financial Management Policies have the following objective for the City's fiscal performance.

- A. To guide the City Council and management policy decisions that have significant impact.
- B. To set forth operating principles that minimize the cost of government and financial risk.
- C. To employ balanced and fair revenue policies that provide adequate funding for desired programs.
- D. To maintain appropriate financial capacity for present and future needs.
- E. To promote sound financial management by providing accurate and timely information on the City's financial condition.
- F. To protect the City's credit rating and provide for adequate resources to meet the provision of the City's debt obligations on all municipal debt.
- G. To ensure the legal use of financial resources through an effective system of internal controls.
- H. To promote cooperation and coordination with other governments and the private sector in the financing and delivery of services.

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**Finance Committee**

The City Council will appoint a committee from among their membership to serve as the finance committee. This committee will be charged with the responsibility of reviewing the financial matters pertinent to the City and the City's operations and reporting as needed to the City Council as a whole. Any financial matters that the City Council would like further direction on can be remanded to the finance committee. The committee will be assisted in their efforts by the City Administrator, the Director of Finance, and other personnel as needed by the City Administrator.

# **CITY OF GILLETTE, WYOMING**

## **FINANCIAL OPERATING POLICIES**

### **Reserve Fund Policies**

Adequate reserve levels are a necessary component of the City's overall financial management strategy and key factor in external agencies' measurement of the City's financial strength.

- A. The City shall maintain a 150 day operating reserve balance in the General Fund and a 90 day operating reserve balance in the Enterprise Funds. These operating reserves are maintained to address temporary revenue shortfalls; payment of approved expenditures due to cash flow shortage; reserves for expenditures deemed necessary by the Mayor and City Council. In addition, minimum capital reserves shall be maintained in Enterprise Funds in an amount equal to one year depreciation expense as per most recent available audited financials.
- B. Reserve levels will be calculated annually as part of the budget process. Additional contributions that may be needed to maintain the target reserve levels will be budgeted from applicable fund resources.
- C. Minimum reserve levels established as a condition of funding from outside sources or negotiated contractual agreements will supersede the requirements of this policy should they be in excess of targeted levels.
- D. All expenditures drawn from reserve accounts shall require prior Council approval unless previously specifically authorized by the City Council for expenditure in the annual budget.
- E. When an expenditure is incurred for which both restricted or unrestricted fund balance or net assets is available, it will be the policy of the City to first apply the restricted resources.
- F. When an expenditure is incurred for which amounts in any of the unrestricted fund balance classifications could be used, it will be the policy of the City to first use committed, then assigned, and then unassigned resources.

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G. Equity classifications shall be made in compliance with legal and contractual provisions as well as management policies.

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**Revenue Policies**

- A. To the extent possible, a diversified and stable revenue system will be maintained to shelter public services from short-run fluctuations in any one revenue source. Trends analyzing the dependence on distinct revenue sources shall be included in the budget documents for consideration by the Council.
- B. Revenue forecasts shall be realistically estimated and based on the best information available. The City will follow a vigorous policy of collecting revenues.
- C. Revenue forecasts will assess the full spectrum of resources that can be allocated for public services. Each year the Council shall review potential sources of revenue as part of the annual budget process.
- D. The use of revenues subject to appropriation by outside entities, subject to the public vote, and/or short term in nature will be limited to the funding of one-time expenditures (ex. State Direct Distributions, optional sales tax, Impact Assistance payments, etc.)
- E. Resources of the General Fund will not be used to subsidize operational costs of Enterprise Funds nor will resources of Enterprise Funds be used to subsidize operational costs of the General Fund.
- F. Short-term (anticipated less than one year) economic downturns and temporary gaps in cash flow: Expenditures reductions or restrictions may be imposed. Council may approve a contribution from fund reserves or interfund loans to address temporary downturns in City revenues. Interfund loans may also be utilized to cover temporary gaps in cash flow.
- G. Long-term (Greater than one year) revenue downturns: Deficit financing and borrowing to support on-going operations is not the policy of the City as a response to long-term revenue shortfalls. Revenue forecasts will be revised, rate increases considered, and cost containment measures will be implemented to conform to the revised long-term revenue forecast.

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- H. All potential grants shall be carefully examined for matching requirements. Some grants may not be accepted if the local matching funds cannot be justified. Grants may also be rejected if programs must be continued with local resources after grant funds are exhausted.
- I. The City shall develop and maintain a comprehensive list of various fees and charges which will be set at levels minimally sufficient to cover the entire operational cost of service delivery in the Enterprise Funds. No less than annually, staff will prepare a recommendation for adjusting utility rates based on a five year cash flow analysis of each fund. The cash flow analysis will take into consideration all anticipated revenues and expenses of each fund including possible 1% Fund contributions for capital related projects. The utility rate model will also factor in established reserve targets as set forth in this policy with an additional margin as deemed appropriate to allow for minor budgetary fluctuations as they may occur throughout the year. The City will also systematically review user fees and rates and consider adjustments as necessary to take into account the effects of additional service costs. Rate studies shall be conducted to ensure that the rates will continue to support direct and indirect costs of operations, administration, plant maintenance, debt service, depreciation of capital assets, and moderate system extensions. Based on a market analysis, fees for similar services in other communities may also be considered. The criteria used to evaluate recommended target rates (equity, cost recovery policy, market demand, etc.) shall be included in the staff report during the review. Such review should be scheduled periodically and be incorporated into the budget process for possible action by the City Council.
- J. Fees assessed through the General Fund will be set at levels based on a cost/benefit analysis. While the goal of the City will be to recover all costs related to a service subject to a specific fee within the General Fund, it is recognized that a greater community benefit may be realized by a certain degree of cost subsidization. Fees assessed through the General Fund will be reviewed annually as part of the budget process and, as a general rule, will be set at a minimum level to recover at least 40% of the determined cost of business.

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- K. The City will review contracts and leases, which result in revenues to the City on a timely basis in order to provide for careful evaluation by the City Council. There will be no waiver of payments for continued occupation/use beyond the lease term.

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**Expenditure Policies**

- A. The City will only propose operating expenditures, which can be supported from on-going operating revenues. Before the City undertakes any agreements that would create fixed on-going expenses, the cost implications of such agreements will be fully determined for current and future years. Capital expenditures may be funded from one-time revenues, but the operating budget expenditure impacts of capital expenditures will be reviewed for compliance with this policy provision.
- B. Department heads are responsible for managing their budgets within the total appropriation for their department.
- C. The City will maintain expenditure categories according to state statute and administrative regulation.
- D. The City will assess funds for services provided internally by other funds. The estimated direct costs of service will be budgeted and charged to the fund performing the service. Interfund service fees charged to recover these costs will be recognized as revenue to the providing fund. Indirect costs may also be assessed to other funds based upon an allocation plan that fairly and accurately distributes these costs. A review of the method for determining the amount of the interfund assessment will be reviewed periodically.
- E. Emphasis is placed on improving individual and work group productivity rather than adding to the work force. The City will invest in technology and other efficiency tools to maximize productivity. The City will hire additional staff only after the need of such positions has been demonstrated and documented. Subject to specific Council approval, all grant funded positions will end upon termination of the grant.
- F. All compensation planning will focus on the total cost of compensation, which includes direct salary, health care benefits, pension contributions, travel allowance, and other benefits of a non-salary nature, which are a cost to the City.

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### Change Order Policy

A Change Order is a means by which a contract can be legally modified after the contract is executed. It is a written agreement signed by the company and the Owner or the company and the subcontractor to revise, add, or delete conditions established by the original approved contract. **Any proposed change order that materially affects the original scope of the project or results in an over expenditure of the approved project budget must be authorized by action of the City Council.** Otherwise, the following thresholds shall guide the approval process:

- Cumulative change orders of up to 10% of the original approved contract may be approved at the Department Head level.
- Cumulative change orders exceeding 10% of the approved contract, in addition to Department Head approval, shall require the approval of the City Administrator.

The City Administrator may refer any proposed change order to the City Council for their consideration at his/her discretion.

## **CITY OF GILLETTE, WYOMING FINANCIAL OPERATING POLICIES**

### **Recapture Policy**

“Recapture” as defined in this policy shall refer to the ability of a private stakeholder to at least partially recover their financial investment in a capital asset such as utility infrastructure (i.e. water or sewer mains) that ultimately becomes property of the City. This cost recovery shall be accomplished through assessment of fees to potential users as set forth in a recapture agreement.

It shall be City policy to participate in recapture agreements when the project demonstrates a potential economic benefit; is infrastructure related; involves participation from multiple entities and funding sources (i.e. private, City, County, State); is located in an area contiguous to or within one mile of existing Gillette city limits; does not incur a financial liability for the citizens of Gillette and results in public ownership.

Participation of the City in recapture agreements shall be limited to collection of amounts advanced as the local match in construction contracts funded by public sources such as the Wyoming Business Council or other State or Federal agencies. The amount of the local match shall be apportioned equitably among the potential users of the specific water or sewer infrastructure. The City shall charge the users of the infrastructure, who did not contribute to the local match, their equitable share along with regular Plant Investment Fees, when the users connect to the infrastructure. The money collected as the equitable share of the local match shall reimburse the user or entity who advanced the match. The specific project, funding and repayment methodology shall be described in the agreement between the entity who advanced the local match and the City. Collections will occur based on the timeframe and conditions defined in the agreement and will be remitted back to the private investor within 28 days of receipt or connection to the infrastructure. The City is not obligated to reimburse any portion of the local match other than from the charges to users of the infrastructure identified in the agreement that it actually receives.

The City will assess a one-time fee of \$15,000 as compensation for costs incurred in administering the Recapture Agreement, which shall be paid to the City when the recovery agreement is approved by the parties. The City shall not be required to collect fees for more than fifteen years.

## **CITY OF GILLETTE, WYOMING FINANCIAL OPERATING POLICIES**

### **Accounting, Auditing and Financial Reporting**

The City will maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall City goals and objectives are met.

**Accounting Records and Reporting.** The City will maintain its accounting records in accordance with State and Federal regulations. The “modified accrual” basis of accounting will be used to account for all governmental funds, expendable trust funds and agency funds. The “accrual” basis of accounting will be used for proprietary funds, nonexpendable trust funds and pension trust funds.

**Auditing.** An annual audit, as prescribed by W.S. § 16-4-121, will be conducted by independent auditors in accordance with generally accepted auditing standards, as promulgated by the American Institute of Certified Public Accountants. The audit will be completed within six months of the end of the fiscal year. Results of the annual audit will be provided to the Council by calendar year end.

**Comprehensive Annual Financial Report.** The City will strive to achieve recognition for financial excellence through submission of a CAFR to the Government Finance Officers Association.

**Simplified Fund Structure.** To the extent possible, the City will minimize the number of Funds.

The Finance Department will develop, maintain, and consistently seek to improve cash management systems which ensure the accurate and timely accounting, investment, and security of all cash assets. All cash received by City departments will be deposited with the Finance Department prior to the end of each business day (unless a department has a secure place to hold it overnight and can demonstrate those secure procedures to the Finance Director).

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**Budget and Operating Policies**

- A. All decisions will be within the context of long-range plans (Capital Facilities Plan / Comprehensive Plan / Capital Improvement Plan). Staff shall provide a review of the implications of budgetary proposals on long-range plans.
- B. The annual budget shall be developed consistent with State Law and in a manner which encourages early involvement with the public and City Council. A calendar of events related to budget development shall be presented to the City Council by January of each year.
- C. The Finance Department will maintain a system of monitoring the City's budget performance. The system will provide the City Council with monthly and/or quarterly information in a timely manner on fund level resource collections and department level expenditures.
- D. Under the provisions of State Law and the City's operating procedures, the budget may be adjusted or amended in two different ways. Adjustment of the budget involves a reallocation of existing appropriations within existing Divisions and does not change the Council approved appropriation. No City Council action is needed as State Law allows budget adjustments to be done administratively. Amendment of the budget involves an addition to or reduction of existing appropriations, or transfer of existing appropriations between Divisions and Funds. City Council action, by ordinance or resolution, is required.
- E. Fixed asset inventories. Accurate inventories of all physical assets, their condition, life spans, and cost will be maintained to ensure proper stewardship of public property. The Finance Director will establish policies and appropriate procedures to manage fixed assets, including establishing the threshold dollar amount for which fixed asset records are maintained and how often physical inventories are taken.

## **CITY OF GILLETTE, WYOMING FINANCIAL OPERATING POLICIES**

### **Purchasing Policies**

The City will follow State Laws, adopted resolutions, ordinances and policies regarding procurement.

Federal Funds. When procurement involves the expenditure of federal funds, purchasing shall be conducted in accordance with any applicable federal laws or regulations.

Grants. When procurement involves the expenditure of a grant, purchasing shall be conducted in accordance with any applicable grant laws or regulations.

Emergency procurement. The Mayor or his/her designated agent may make or authorize others to make emergency procurements of materials, supplies, equipment or services when there exists a threat to public health, welfare, or safety. State Laws relating to emergency purchases will be followed.

For a review of the comprehensive Purchasing Policy, refer to the City of Gillette Administrative Policies and Procedures manual, Chapter 5.

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**Debt Management Policy**

The objectives of the City's Debt Management Policy will be:

- A. To reduce the use of debt so that debt service payments will be a predictable and manageable part of the operating budget.
- B. To raise capital at the lowest cost, consistent with the need to borrow. This will be accomplished by:
  - Keeping a high credit rating (while making attempts to strengthen credit rating).
  - Maintaining a good reputation in the credit markets by managing the annual budget responsibly.
- C. Professional service providers (underwriters, financial advisor, bond insurers, etc.) may be selected through negotiation, RFQ process, or City's procurement policies.
- D. Debt issues will be sold on competitive basis (except when conditions make a negotiated sale preferable) and awarded to the bidder who produces the lowest interest cost.
- E. The term of long-term debt issued will not exceed the life of the projects financed. Current operations will not be financed with long-term debt.
- F. Short-term borrowing will not be used for operating purposes.
- G. The City shall strive to maintain favorable current credit ratings.
- H. The City will comply with all statutory debt limitations imposed by the State of Wyoming. The City of Gillette debt will not in any manner exceed 4.0% of the assessed valuation of the taxable property within the City, except that an additional 4.0% of the assessed value of the taxable property therein may be created for sewage disposal systems. Indebtedness created for supplying water shall be excepted from the limitation herein.

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- I. No debt shall be issued for which the City is not confident that a sufficient, specifically identified revenue source is available for repayment. The Finance Director shall prepare an analytical review for this purpose prior to the issuance of any debt.
- J. It shall be the policy of the City to limit bonded indebtedness to levels that permit sufficient borrowing to support a reasonable rate of capital programming, permit a level and pace of debt amortization within the City's ability to pay, and support the City's credit rating objectives.
- K. Credit enhancements shall be considered with a cost/benefit analysis for each long-term bond issue.
- L. Reserve accounts shall be maintained as required by bond ordinances and where deemed advisable by the City Council.
- M. The City will maintain debt service coverage ratios as required for any bond issues.
- N. Interfund borrowing may be used where such borrowing is effective. Interfund borrowing will be approved and authorized by the City Council.

## **CITY OF GILLETTE, WYOMING FINANCIAL OPERATING POLICIES**

### **Investment Policy**

A statement setting forth the investment and operational policies for the management of the public funds held by the City of Gillette shall be adopted by the City Council. Adopted investment policies can only be amended by the Mayor and City Council. The comprehensive Investment Policy document will be located in the Finance Department.

The investment policies will be designed to ensure the prudent management of public funds, the availability of those funds when needed, an investment return competitive with those of comparable funds and financial market indexes, and compliance with all federal, state, and local laws and regulations governing the investment of public funds.