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Financial
Policies

2016

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I. Financial Planning Policies

INTRODUCTION

A long range plan that estimates revenue and expenditure activity in the City as impacted by regional and national economies is necessary to support the Council and community in decisions they make regarding City services. This planning must recognize the effects of economic cycles on the demand for services and the City's revenues. Financial planning should be designed to ensure the delivery of needed services as defined by policy and the Comprehensive Plan.

POLICIES

The financial planning and subsequent budgeting for all funds shall be based on the following policies:

1. Five-year plans - The City will prepare annually a five (5) year financial long range plan (LRP) for each fund. Each plan will include revenues, expenditures and other sources and uses with sufficient detail to identify trends and items with major impact.
2. Conservative revenue estimates - Revenue estimates should be prepared on a conservative basis to minimize the possibility that economic fluctuations could imperil ongoing service programs during the budget year.
3. Include contingencies - Expenditure estimates should anticipate contingencies that are foreseeable.
4. Include asset management plan (AMP) on LRPs - The five-year AMP plans will include equipment, major maintenance and associated expenses less than \$100,000. Major renovation or maintenance projects will be identified on long range plans.
5. Use proven methods - The City will constantly test both its planning methodology and use of planning tools in order to provide information that is timely, accurate and widely disseminated to residents and staff.
6. Economy - The City recognizes it is in a complex regional economic system. The City should have the capacity to evaluate and anticipate changes in both

regional and national economic systems in order to engage in strategic financial and management planning. The purpose of these plans will be to allow the Council and residents to evaluate the impact of the financial needs of these programs on the regional economy and to coordinate funding needs with all funds.

7. Department responsibilities - Department Directors and the Finance Department will share responsibility for the preparation of financial plans for operations and asset management needs. The City Manager requires a minimum of two reviewers of detailed work sheets used to generate the long range plans. The Finance Department will assist in developing appropriate systems to monitor and update the long range plans. Each department will meet with the Council to approve strategic policy, identify goals, and performance measures, at intervals determined by the City Manager.

8. Regular status reports - The Staff will continually update the long range plans when any significant change is anticipated. The Staff may distribute the long range plans to the Council at any time to inform the Council. The long range plans will be submitted to the Council for approval at least twice a year. The first update will follow the closing of the year and will include a final comparison of actual to budget for the completed year. The second report will be presented before the presentation of the annual budget and will include an update on the current budget and estimates.

9. Rate structure - The plans must disclose revenue assumptions including rate structures and consumption. The long range plans will include annual rate increases based on inflation unless the Council overrides this direction.

10. Staffing - The plans will identify staffing levels including justification for any changes.

11. Expenditures - The plans will include expenditures based on the service levels / policies and work load indicators (population, strategy, etc.) approved by the Council.

12. Reserves - The plans will include reserves for operations, capital and debt service coverage as established in the Financial Policies and / or as required to issue bonds.

II. Budget Policies

INTRODUCTION

The Staff is responsible for preparing, managing and reporting on the City's annual budget. This function is in compliance with the Home Rule Charter and direction of the Council.

A. GENERAL BUDGET POLICIES

The annual budget will be administered based on the following policies:

1. The Fiscal Year - The fiscal year of the City is the calendar year, January 1st through December 31st. The City may adopt budgets for a term of one or more fiscal years. The City Manager shall prepare and submit to the City Council on or before the 15th of October of each year a recommended budget covering, at a minimum, the next fiscal year. The purpose of the long range plans is to provide the City Council with a continuous budget update.

2. Present a balanced budget to the Council - The City will pay for all current expenditures with current revenues. The City will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses, such as postponing maintenance and other expenditures, accruing future years' revenues, or rolling over short term debt. The exceptions to this policy would be planned equipment purchases, operating maintenance and capital projects based on accumulated funding over the years.

3. Increase efficiency in all City operations - The City staff will identify programs to increase efficiency in order to provide for "long-term cost savings" to the City. This may include the use of technology, revised organizational structures or other tools which may be identified. Eliminating outdated practices is encouraged.

4. Promote investment in our future - The City staff, wherever possible, will take a long term view of

investments (people and resources) and emphasize quality operations which encourage productivity for today and the future.

5. Share resources / services throughout the City - The City staff will explore ways to share staff, training resources and equipment / supplies in order to more effectively utilize resources.

6. Identify funding for new services or service levels - Proposals to add new services or increase existing services will be presented with revenue alternatives to fund or subsidize the new service levels. This includes initial costs and ongoing operations.

7. Asset Management Plan - The budget will provide adequate maintenance of capital plant and equipment and for their orderly replacement.

8. Employee programs - The City recognizes that employees are the most valuable asset of the organization and commits to fund this resource appropriately including adequate funding for all retirement systems, benefit packages and employee incentive programs including training.

9. Overhead allocations - The budget will include transfers or overhead allocations for expenditures / services in the General Fund that benefit other City funds. The formula for calculating this transfer or overhead allocation may include revenues, staff and or supplies and services. The formula shall be reviewed annually.

10. Fund Reserves - Cash reserve policies directly relate to fund accounting. Fund accounting is used as a control device to segregate financial resources and ensure that the segregated resources are used for their intended purposes. Cash reserves provide stability for operations and can cushion the impact to City programs during times of economic downturns. Target reserves are established based on the type of Fund.

- a. Operating funds will accumulate and maintain 3 months of operating reserves based on estimated personnel, supplies and services and AMP expenditures. Operating

reserves allow for the efficient management of cash flow and the opportunity to expand services or fund one time opportunities during the year. The Emergency Contingency Fund is required by the City Charter and includes the Colorado Tax Payer Bill of Rights (TABOR) reserves. The General Fund budget must also provide for a minimum of one month's operating reserves.

- b. Reserves for capital funds, including impact fee funds, are established based on the budgeting methodology. Capital fund budgets are based on the estimated current year ending cash balance for the next year. Subsequently the reserves are funded by the revenues restricted to capital funds. Capital projects may include a contingency for unexpected expenditures.
- c. Debt service fund reserves are based on required debt reserves established when debt is issued.
- d. Fund reserves - The first priority of the City will be to maintain target reserves by individual funds based on the above target. The City Council may identify specific reserves on an individual basis. When a cash reserve deficit exists the City Council will identify the specific fund to off set the deficit and a plan to increase the reserve in the fund.

11. Comprehensive Plan - The Financial Plan (Budget) and the Comprehensive Plan are considered the two key tools to provide a vision of the future and a method of accomplishing those goals. Based on the value of these two documents, the City will develop a methodology to cross reference both tools in order to accomplish the goals of the community as expressed through the City Council.

The Municipal code should concur with Long Range Financial Plans and the Comprehensive Plan.

12. Grants to non-profit or community organizations
- - The City of Evans may provide grants to qualified

non-profit or community organizations that provide services within the City. A grant may not exceed \$10,000 per organization per year. Any funding provided to non-profit or community organizations beyond \$10,000 will not be considered a grant and must follow all other City purchasing policies.

B. BUDGET PREPARATION

Each year the Staff will prepare the annual budget following these policies:

1. Council direction as goals - It is the responsibility of the Staff to prepare an annual budget to implement policy and accomplish the goals identified. Staff will identify the impact to the budget, including alternatives when new service levels are approved by the Council.
2. Budget schedule - The staff will present the Financial Policies by June, Revenue projections in July, Operations in August and Capital in September. The goal is approval of the Budget Ordinance and Revenue Rate Resolution at the first regular Council meeting in October which meets the requirements of the City Charter.
3. Revenue policies - The annual budget process is based on the initial revenue projections. Revenue projections will include rate review, annual inflation increases and frequency estimates. Existing revenue estimates start with a minimum of 75% of the projected trends based on the past year and year-to-date projections. Volatile and/or new revenue sources are estimated at a maximum of 50% of the prior year or industry projections.
4. Expenditure policies - Expenditure budget preparation begins with existing staff including any appropriate adjustments for merit and increased cost of benefits. Salary ranges and benefit packages should be periodically reviewed with comparable communities based on population, general fund tax revenues and comparable market.

Supplies and services should be constantly reviewed for efficiency and effectiveness, eliminating outdated programs and identifying appropriate resident service levels. The operating budget should include the Asset

City of Evans Financial Policies



Management Plan (AMP) to provide for the most effective delivery of services.

Debt is funded per required schedules including reserves.

Capital is budgeted based on priorities, available funding and estimated fund balances.

5. City Manager budget review - The City Manager will review the details of each proposed budget for efficiency and compliance with Council direction. Department Directors may include supplemental budget requests in the annual budget request to the City Manager and ultimately the Council.

6. Budget presentation - The annual budget document will be prepared based on guidelines identified by the Government Finance Officers Association (GFOA). Traditionally, this begins with an introduction to the budget followed by more detailed information presented by fund and department. The budget introduction includes a budget message and a highlights section identifying the major issues addressed by the City and how the budget is adopted to address those issues. Expenditures shall be presented by categories.

7. Resident participation - The budget process will provide for the full participation of the public and ensure opportunities for public hearings and resident participation.

8. Public hearings - Open public hearings at regularly scheduled City Council meetings and work sessions as required by the Home Rule Charter to provide residents additional opportunities for input regarding the proposed budget will be held.

9. State, Charter and other requirements - The City will adopt the budget in accordance to State, Home Rule Charter and other requirements and certify the mill levy to the County by the required date.

10. Grants - Groups requesting grants from the City of Evans shall provide a description of services provided within the City; current year organizational budget summary identifying revenues and

expenditures; financial statement for most recently completed fiscal year; list of Board of Directors and key officers, or active volunteers; and demonstration of non-profit status.

11. Funding subsidy - Funds that receive a subsidy from another fund, in addition to fees and charges or dedicated revenues will include a rationale for the subsidy; and a means for determining the annual level of that subsidy or conditions under which the subsidy should be eliminated.

C. BUDGET MANAGEMENT

Council approval establishes the annual budget limits. Authority for Departments to work within the limits approved by the Council is essential for efficient management of the City. Departments will not exceed the approved budget without the prior approval of the City Council. The budget will be managed based on the following policies:

1. Purchasing and accounting system - The City will maintain a system for monitoring the budget during the fiscal year. Adequate tools must be available to assist staff in managing the budget. The budget system will provide for budget approval before any expenditure is committed by City staff. This system shall also provide reports and query systems which will be used by the staff to prepare Council reports.

2. Council reports - Staff will prepare monthly reports for Council review. Additional reports will be presented in coordination with the annual budget process and financial audit. The Council report will include information on revenues and expenditures, comparing actual to budget, and performance measures related to service levels. The report shall follow the same format as the budget approval.

3. Level of approval - The Council will approve specific grants for qualified non-profit or community organizations.

In relationship to Department Budgets the Council will approve:

- a. The number of full time positions and dollar amount for total regular staff, temporary staff

and overtime by fund and category as defined by the LRPs.

- b. The dollar amount for supplies and services for each fund and category as defined by the LRPs.
- c. Each specific Capital request including start-up cost and ongoing maintenance.
- d. The total of expenditures from each fund including transfers in and out.

4. Amending the approved budget - The staff may submit requests to amend the approved budget during the year. Additional requests will be made only after the staff has determined that no savings exists that can be transferred. Departments will provide information to the City Council during regular Council meetings. (Departments may not expend funds until after the City Council has approved the additional expenditure). The Finance Department will prepare appropriation ordinances officially amending the budget. Departments may expend funds after City Council approval and before adoption of the appropriation ordinance.

- a. Transfers of existing budget - The City Manager or Deputy City Manager may approve transfer of budget between Categories and Departments within a fund. The City Council must approve budget transfers between funds in the form of an ordinance.
- b. Transfers between categories and programs - Department Directors may request City Manager or Deputy City Manager approval to transfer budget between categories (payroll, supplies & services, and capital) within a Department. The Manager will review requests to ensure compliance with the goals and objectives of the annual budget as approved by the City Council.
- c. Supplemental appropriation requests - Staff will prepare a prioritized list of one-time supplemental budget requests which will be

reviewed by the Finance Committee, then presented to the City Council for final approval.

5. Budget savings - During the budget year, some expenditure savings can be realized by Departments. The City Manager or Deputy City Manager may allow transfers of savings to fund other identified needs within the department.

6. Encumbrance of Fixed Expenses - Predictable fixed expenditures will be encumbered on purchase orders in the first month of each year.

D. INTERGOVERNMENTAL BUDGETS

Some costs of the City could be influenced by other governments, either because of duplication of services or mandates imposed by State and Federal governments.

1. Payment for services - The City will budget expenditures for grant-funded programs only after grant award or letter of commitment and only for the amount of grant award. City overhead or "indirect" costs for grant-funded programs will be included in all grant proposals, where permitted. All grants will be reviewed for long term impacts to the City.

2. Outside involvement - The City will aggressively oppose State or Federal actions that mandate expenditures that the Council considers unnecessary. The City will pursue intergovernmental funding to support the incremental cost of those mandates.

3. Intergovernmental agreements - The City will work with other governments to identify the jurisdiction most capable and appropriate to provide specific public services. When the City cannot transfer responsibility for service delivery, it will consider intergovernmental agreements and contracts for service delivery.

E. STATE OF COLORADO AMENDMENT 1

On November 3, 1992, the Citizens of the State of Colorado approved Amendment 1, aka The Tax Payers Bill of Rights (TABOR). Amendment 1 specifically and significantly addresses the following

issues: 1) spending limitations (revenues), 2) operating reserves, 3) emergency reserves and 4) debt service.

On April 5, 1994, the Citizens of Evans approved the following revenue change in compliance with Amendment 1:

City of Evans, Colorado

Amendment One Election Question

QUESTION #1 - SHALL THE CITY OF EVANS, COLORADO, WITHOUT INCREASING OR ADDING ANY TAXES OF ANY KIND, BE PERMITTED TO COLLECT, RETAIN, AND EXPEND THE FULL PROCEEDS OF THE CITY'S SALES AND USE TAX, ACCOMMODATIONS TAX, NON-FEDERAL GRANTS, FEES ON FISCAL YEAR SPENDING, INCLUDING WITHOUT LIMITATION THE RESTRICTIONS ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION, FROM THE DATE OF JANUARY 1, 1993 AND THEREAFTER?

The City will be in compliance with the remaining requirements of Amendment 1 specifically including election, debt and reserve requirements. Considering the reasons behind the original approval of the Tabor Amendment (lack of trust in government), the City shall take an active role in resident participation, communication and relationship building with our residents in order to maintain and increase our level of trust and accountability. The City shall participate in regional and state-wide organizations because the actions of other municipalities or levels of government shall influence state-wide legislation which may impact Evans.

III. Accounting, Auditing, & Financial Reporting Policies

INTRODUCTION

The City will maintain a system of financial management, control and reporting for all operations, departments and funds. This will ensure that overall City goals and objectives will be met and will instill confidence in residents that the City is well managed and fiscally sound.

POLICIES

The Accounting, Auditing and Financial Reporting systems for the City will be based on the following policies:

1. Generally Accepted Accounting Principles (GAAP) - The City will maintain its accounting records and report on its financial condition and results of operations in accordance with State and Federal law and regulations, and GAAP.

2. The City will classify governmental fund balances as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, the City Manager or Deputy City Manager may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

3. Independent audit - An independent firm of certified public accountants will annually perform a financial and compliance audit of the City's financial statements as required by state statute. Their opinions may be contained in the City's Comprehensive Annual Financial Report (CAFR), and the Report on Compliance with the Single Audit Act of 1984 (if required based on federal funding levels).

4. Internal auditing - To complete a full range of audit services, the City's Finance Department will supervise performance audits which review cash management, revenues, expenditures, purchasing and other areas that impact the City budget.

5. Accounting internal controls - The City will maintain an internal control structure consisting of three elements:

- a. Control environment - Consisting of an "overall attitude and awareness of actions" as they influence the City. The management and staff shall consider all the financial implications of decisions, both current and long term.
- b. Accounting system - An effective accounting system will result in the 1) identification and recording of all valid transactions, 2) description on a timely basis of the type of transaction in sufficient detail to permit proper classification of the transaction for reporting purposes, 3) recording of the transaction in the correct time period, and 4) proper presentation of all transactions and related disclosures in the financial statements.
- c. Control procedures - Consists of 1) proper authorization of transactions and activities, 2) adequate segregation of duties, 3) adequate documents and records, 4) adequate safeguards regarding access and use of assets and records, and 5) independent checks on performance.

A. ACCOUNTING STRUCTURE

All City funds and operations must work to achieve the City's mission and goals.

1. Number of funds - The City will minimize the number of funds, Departments, programs and account codes. The funds will be categorized by standard GAAP functional classifications and the creation of new funds will be approved by the City Council. The development of new funds,

Departments, programs, and accounts will be recommended by the Finance Department and approved by the City Manager or Deputy City Manager.

2. Statement of purpose - Each fund in the City will have a Statement of Purpose which consists of:

- a. Intent - Purpose(s) of the fund.
- b. Revenue restrictions - Source(s) of revenues to the fund and descriptions of restriction.
- c. Contingency - Size and use of contingency, if any. Contingency levels shall be based on the uncertainties associated with the purposes of the fund or project.
- d. Reserves - Size and purpose of required reserves. Required reserves will be based on operating needs or debt needs and prudent management requirements.

B. FINANCIAL REPORTING

Financial reports will provide direction and guidance in several areas;

1. Budgetary comparisons - Comparing actual financial results with the legally adopted budget.

2. Financial condition and results of operations - Assessing the changes in fund balances as a result of operations.

3. Compliance - Assisting in determining compliance with finance-related laws, rules and regulations.

4. Efficiency and effectiveness - Assisting in evaluating management and staff in efficiency and effectiveness.

5. Manager reports - The Finance Department will prepare reports at the end of April and each month thereafter identifying the difference between actual and budget for revenues and expenditures by fund. This requirement is also included in the Budget Policies. Reports will identify the current and

projected variance in budget as well as progress on performance measures. These reports will be presented to the City Manager and may be included in Council updates.

C. CHECK CONTROLS

The City will follow these policies related to check controls and the signing of checks:

1. Payment discounts - The City will take advantage of payment discounts to reduce expenditures when the rate offered is deemed favorable compared to the rate of investment income the City is earning on cash.
2. Invoice control - All invoices shall be mailed directly to the Finance Department and the vendor will reference an approved purchase order number.
3. Check preparation - No check will be prepared for approval without an authorized purchase order, compliance with the procurement procedure and adequate budget unless specifically identified in these policies.
4. Check requirements - In most cases the staff will be required to complete the following steps to obtain a check:
 - a. Budget - Adequate budget must exist before staff considers a purchase.
 - b. Requisition - Staff will complete a "requisition" which identifies the vendor, amount, description of purchase, use of items as it relates to the budget (account coding), and budget available. In accordance with established limits, authorized staff, Department Directors, Deputy City Manager, and/or City Manager approve requisitions based on efficiency, appropriateness and general financial and management practices.
 - c. Purchase order - Approved requisitions become purchase orders and only at this time can an order be placed with an "approved vendor". Vendors must be established as legitimate businesses meeting administrative and IRS requirements.

- d. Invoices - Invoices are directed first to the Finance Department for entry into the accounting system for cash flow and cash discount reviews.
 - e. Department approval - After Finance Department entry, invoices are approved by Departments that the items or services received were acceptable.
 - f. Contracts - Major purchases may require following the procurement procedure (V.14.) which may include Council approval of the contract before a requisition can be completed.
5. Check register - The City Manager or Deputy City Manager reviews and approves the check register.
 6. Distribute checks - Checks will be mailed following approval. Staff will copy and distribute to the Council the check register on a monthly basis.

IV. Revenue Policies

INTRODUCTION

The City must consider its discretionary revenues as a group rather than in isolation. Both individual revenues and the total package must be viewed in the context of broader City goals. The City must be sensitive to the balance between the need for services and the City's ability to raise fees, charges and taxes to support City services. As much as is possible and feasible, City services that benefit specific users should be paid for by fees and charges to provide maximum flexibility in use of general taxes to meet the cost of broader public services.

POLICIES

Revenues and rates in the LRP and annual budget will be based on the following policies:

1. Specific use of services - Charges for services that benefit specific users should recover full costs, including all direct costs, indirect costs, depreciation on capital plant and equipment, and General Fund overhead. Departments that impose fees or service

City of Evans Financial Policies



charges should prepare and periodically update cost-of-service studies for each such service. Competing City policies may dictate a subsidy of a portion of the costs of such services.

2. Diversify revenue - The City should strive to diversify its revenues in order to maintain needed services during periods of declining economic activity.

3. Recapture investment - The revenue structure should be designed to "recapture" for the City some of the financial benefits resulting from City sponsored programs or community investments.

4. Additional resources - The City will observe the following priorities in obtaining additional resources:

- a. Use existing resources efficiently - The City will use as efficiently as possible all existing resources.
- b. Collect existing revenues - The City will collect as efficiently as possible the resources to which it is already entitled. The city will minimize receivables and follow an aggressive policy of collecting receivables.
- c. Revenues are consistent with City goals - The City will seek new resources, consistent with the policies in this document and other City goals.

5. Consider total revenue mix - The City will review revenue raising proposals in light of its total revenue mix in order to encourage economic sustainability and keep the City competitive.

- a. City revenues impact - As part of the annual financial forecast or budget process, major revenue generating proposals will contain an evaluation of the impact on the community.
- b. Total community in review - The evaluation should be based on prior year circumstances and includes all local taxation and fees.

c. Review each five years - At a minimum, such an evaluation shall be made at least once each five years.

6. Department responsibility - Department Directors will inform the Deputy City Manager or the City Manager of any revenue that varies from budget by 10% in any quarter. Department Directors will provide notice immediately and in the identified reports to the City Manager.

7. Use proven methods - The City will estimate its annual revenues by an objective, analytical process.

8. Use five year plans - The City will annually project revenues for the next five years.

9. Enterprise funds recover costs - The City will set fees, user charges and other revenues for each enterprise fund (Water, Sewer and Storm Drainage) at a level that supports the total direct and indirect cost of the activity including operating costs, system expansion, and major maintenance. Indirect costs include the cost of annual replacement needs due to depreciation of capital assets. Cost related to growth will be paid for by the growth.

- a. Water Fund rates consist of base, variable, payment in lieu (PIL), and tap fee revenues. The base rate is established each year based on the annual fixed costs to maintain the system. The variable rate is established each year based on the costs to operate the system, i.e. the expenses vary with the level of water treated. PIL revenue is reserved for water right acquisition. Tap fee revenue is reserved for system expansion. Interest income is allocated to the category based on cash balance. Please note that special attention must be given to funding required reserves as they increase.
 - i. The water variable rate and tiers are established to encourage water conservation and the City Council will receive annual reporting on the specific number of customers who exceed tier 1 and tier 2.

- ii. Additionally the gallons consumed in tiers 2 and 3 should be identified and the corresponding revenue generated from this consumption will be considered “water conservation revenue”.
 - b. The preceding years revenue from both water conservation and major maintenance will be appropriated for expenditure once the amount is realized by the City Council. The City Manager or Deputy City Manager will report to the City Council projects identified for use of these funds.
10. Legal requirements - The City will maintain compliance with legal revenue restrictions as identified by voters, for special revenue funds and other restricted revenues.

V. Operating Policies

INTRODUCTION

When the other Financial Policies fail to address a specific issue, general operating policies will be reviewed for direction. In some cases these policies repeat what has already been stated in other areas, but that is only to emphasize the importance and value of that policy. The City must contain its expenditures to current revenues, establish and adequately fund reserves; regularly monitor and report on budget performance, evaluate the fiscal impact of new proposals, operate as efficiently as possible, and constantly review City services for appropriateness and effectiveness.

POLICIES

The City shall follow these operating policies:

1. Current operating revenues to pay for current operating expenditures - Current operating revenues will exceed current operating expenditures. Each City fund budget must identify ongoing resources that at least match expected ongoing annual requirements. One-time cash transfers and ending balances in excess of reserves may be applied to reserves or to fund one-time expenditures; they will not be used to fund ongoing programs.

- 2. Do not restrict revenues - The City will not normally earmark discretionary revenues for specific purposes. This will preserve the ability of the Council to determine the best use of available revenues to meet changing service requirements.
- 3. Reserves - The City will establish reserves for emergencies, unforeseen needs of a non-recurring nature, operating maintenance, equipment replacement and capital projects. The nature of reserves for specific funds will be spelled out in the Statement of Purpose for each fund.
- 4. Financial controls - The Staff will maintain a system of financial monitoring and control. The major components of this system include:
 - a. Fiscal Impact Analysis: The Staff will perform a fiscal impact analysis of each significant administrative or legislative action of the City or affiliated agencies. Where appropriate, the analysis will include the impact on the current budget and the LRP.
 - b. Financial Accounting System and Periodic Status Reports: The Staff will prepare financial status reports on the revenues and expenditures to date and estimated year end balance as described in the Budget Policies.
 - c. Budget Controls: The Finance Department will maintain a system of budgetary controls. These controls will assist Department directors in identifying actual to budget variances.
- 5. Review for efficiency and effectiveness - The City will continually review the efficiency and effectiveness of its services to reduce costs and improve service quality. This will include a review of all existing administrative procedures and software to eliminate exception based procedures, policies implemented to avoid compliance, special interest projects or programs that benefit less than the majority.
 - a. The City Manager will review professional services/consulting agreements for efficiency and effectiveness. The evaluation may

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- include staffing options, ongoing knowledge of City operations, and consideration for additional services.
6. Recover cost of providing services - City operations will be run on a basis devoted to increase efficiency of service delivery or recover the cost of providing the service by a user fee or charge.
 7. Cash reserves - The City will maintain cash reserves in order to avoid borrowing for general operating purposes.
 8. Year-end accruals - Other than as required by Generally Accepted Accounting Principles, the City will not increase accruals and non-cash enhancements to revenues in order to influence fund balances at year end.
 9. Inventories - The City will maintain accurate inventories of capital assets, their condition, life span and cost.
 10. Cash management systems - The Staff will develop, maintain and constantly seek to improve cash management systems which ensure the accurate and timely accounting, investment, and security of all cash assets. All cash received by the City Departments will be deposited daily.
 11. Competition and the service provided - The City must review programs periodically in order to reduce needless competition with other public and private providers and to insure the most cost-effective and efficient provision of services. The City will encourage competition with private providers by comparing the cost to provide services.
 12. Resident input - An effective and comprehensive periodic Resident Service needs assessment will be conducted in order to ensure that City service priorities keep pace with the dynamic needs of the community. The result of this needs assessment will be considered for approval by the City Council and may become an integral part of the budget and financial planning of the City.
 13. Internal loans - Loans made between funds may be charged interest.
 14. Procurement Procedure - No order shall be placed by any City employee, contractor or representative that in any way encumbers or obligates the City until after that person has received an approved purchase order. The City will not be held responsible for any order placed by any employee, contractor or representative if the vendor has not received an approved purchase order before delivery of services or goods. The following policies will provide guidelines for all procurement:
 - a. Local preference - When all other factors are the same the City encourages staff to purchase locally provided the cost is within 10% of other bids on items up to \$25,000. Factors may include quality of product, quality of service, delivery, maintenance, and other issues which may be relevant.
 - b. Recycle - The City encourages recycling and environmental concerns. When all other factors are the same the City encourages staff to purchase recycled products provided the cost is within 10% of other bids on items up to \$25,000.
 - c. Purchase order approvals - Requests for purchase orders will be approved in accordance with the predetermined spending limits as outlined by the City Manager.
 - i. Exceptions - Purchases within preapproved spending authority may be made through the City purchasing card for items approved in the budget. The cost of processing purchase orders, invoices and checks for payments make it practical that small purchases be exceptions to the procurement procedure.
 - ii. Purchases for a single vendor which exceed the purchasing limits on an annual basis must be approved by the City Manager and reported to the City Council.

- d. Purchasing Limits - The following purchasing limits are established:

Professional Services	
Amount	Approval
\$0 - \$10,000	Department Director
\$10,000.01 - \$50,000	Department Director City Manager 3 written quotes
\$50,000.01 and up	Department Director City Manager RFP (competitively bid) City Council

Supplies or Capital Projects	
Amount	Approval
\$0 - \$10,000	Department Director
\$10,000.01 - \$100,000	Department Director City Manager 3 written quotes
\$100,000.01 and up	Department Director City Manager RFP (competitively bid) City Council

- e. Bids and Contracts -The City recognizes the need to use outside sources for providing Professional Services, constructing Capital Projects (vendors & contractors) and for providing services for day-to-day operations and maintenance. The City requires staff to solicit bids for any purchase of goods over \$100K and proposals for services over \$50K per engagement or annually. This requirement may be waived by the City Manager for ongoing service contracts where the past experience related directly to the City is a compelling reason to continue a service contract from year to year. Selection of vendors, contractors or consultants may be based on past experience with the City, knowledge of the City and region, philosophy of the nature of the job, availability of time, quality of product, quality of service and material, maintenance, warranties, price and such other criteria as deemed appropriate for a particular public

project. Once a vendor has been chosen, the City Council shall consider approval of the contract. Sole source purchases may be made if it has been determined that there is only one good or service that can reasonably meet the need and there is only one vendor who can provide the good or service. Written justification for the sole source purchase must be retained with support for the purchase.

When an invitation for bid (goods over \$100,000) or request for proposal (services over \$50,000) is required, a notice will be published in a local newspaper within 45 days and not less than 10 days from the bid deadline. The request shall include an adequate description of the scope of work to be completed, any specifics which may be required of the vendor, including the amount of any bid bond, all contractual terms, and conditions applicable to the public project. Bids shall be opened publicly at the time and place designated in the invitation for bids. The amount of each bid and such other relevant information as may be specified by rules, together with the name of each bidder, shall be entered on a record and open to public inspection. After the time of the award, all bids and requests for proposal documents shall be open to public inspection. The City shall not be obligated to select the lowest bidder, but shall select based on the established criteria in the invitation to bid or request for proposal. Bidders may be disqualified for past failure to follow proper change order processes. The City will use electronic means (i.e. internet, email, etc) to inform potential vendors and may use technology to improve transparency and purchasing efficiencies for the City. All available means for advertising the invitation to bid shall be used to the extent possible, to encourage full and open competition.

When advertising for proposals with federal funding, guidance will be followed in CFR200.319 to ensure proper competition of project awards is encouraged. This also entails,

for example, taking necessary affirmative steps to assure that the minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

- f. Emergencies - In the event of natural disasters, accidents or other emergencies where the health, safety or welfare of the community is at risk, the City shall comply with the procurement requirements to the extent practicable, but may be waived by the City Manager. The City Manager will notify the Council of any emergency immediately, identifying the nature of the emergency and any purchase which may be required. Forms required herein for the purpose of authorizing and acquiring goods or services necessary for the immediate preservation of life, health, safety, welfare or property during a local disaster or emergency conditions shall not require compliance with bidding requirements set forth in this Policy, and may be awarded on a sole-source basis. Documentation of procurement decisions in an emergency period is required to be retained, to support the urgency of the purchase and as justification for deviation of any City policy. Once the City is no longer operating in an emergency period, adherence to the approved procurement requirements is required. Careful consideration shall be given to procurement decisions made in an emergency period and when grant funds may be received. Federal procurement guidance currently available (at CFR200.319) indicates that purchases above the dollar threshold of a micro purchase, currently \$3,000, must also have three written quotes to support the cost reasonableness of the purchase. If, at any time, a purchase may have a grant implication, purchaser shall follow the guidance.
- g. Travel - Consideration of the lowest cost to the City will be made when traveling for City business. When employees travel out of the County, they are required to use a City vehicle if available and practical. Only if no

fleet vehicles are available will the City reimburse employees for mileage at the approved IRS rate with prior Department Director approval. Out-of-City per diem will be paid at the approved IRS reimbursement level. Per Diem is reimbursement for all meals and incidentals, no additional reimbursements will be approved. Lodging should be prepaid by City check or purchasing card when possible in order to avoid taxes.

- h. Meals in City - The City shall restrict the purchase of meals locally to the following items, unless specifically approved by the City Manager or Deputy City Manager:
- i. Work related meetings with outside officials with Department Director, Deputy City Manager or City Manager approval.
 - ii. Preparation for City-wide events on weekends (such as July 4th or Evans Fest).
 - iii. Manager and/or City Council members' meetings with media, residents, employees, Council and outside officials.
- i. Education and training - The City Council has approved in the Personnel Policies the desire to hire the best and most qualified staff available. To maintain the quality of the staff over time, the City will fund adequate participation in professional organizations and training. Recognizing the need for additional training, each Department Director will propose a budget which may include participation at the national level for Department Directors and professionals. In addition to participation in national organizations, it may from time to time benefit the City to send employees to training out of the state. The staff will attempt to identify regional training programs or local programs when possible. The level of training and participation in organizations must be approved by Department Directors. Department Director training will be approved by the City

Manager or Deputy City Manager and Deputy City Manager or City Manager training will be approved by the Mayor. All training must be included and funded in the annual budget.

- j. Education and training for Council and commissioners - The City is committed to professional and progressive leadership. In order to maintain the City's position as leaders in the community and region, it may be beneficial to provide training for the City Council and/or City sponsored Boards & Commissions regarding key management and or technical issues. Travel for these members will be included in the annual budget.
- k. Computers, software, & peripheral purchases - All City-wide computer, software, & peripheral related purchases must be approved by the Systems Administrator with final approval from the City Manager or Deputy City Manager.

VI. Capital Planning & Budgeting Policies

INTRODUCTION

The Capital Improvement Plan (CIP) has a significant impact on the image of the City. The following policies are designed to guarantee that current and future projects are maintained at a quality level and that capital projects do not restrict the City's ability to provide basic services. The City must preserve its current physical assets and plan in an orderly manner for future capital investments, including the operating costs associated with these projects. In addition to amenity improvements, the City must make the capital investment needed to support and enhance the delivery of basic services. This commitment becomes even more important because the demands for basic services biases funding priorities toward the operating services (such as police officers and recreation programs) versus infrastructure (such as streets and buildings) which could be an issue in the future. Capital expenditures for purposes of financial reporting include buildings, land, major equipment and other items which have a value of over \$5,000

and have a life greater than one year. Capital expenditures for purposes of budgeting include buildings, land, major equipment and other items which have a value of over \$100,000 and have a life greater than one year.

POLICIES

The planning, funding and maintenance of all capital projects shall be based on the following policies:

1. Bond rating - The City will maintain a strong bond rating that is consistent with other City goals. The City will maintain good communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus.
2. Five-year capital plans - Each Department with capital expenditures will develop and maintain five-year capital plans. This will include sources of funding and maintenance.
3. Resident involvement - The CIP development process will provide for the full participation of any resident and or Committee appointed by City Council.
4. Details of plan - The City will prepare and update annually a City five-year CIP that identifies needs for capital replacement and additions. The CIP lists all anticipated capital expenditures, total estimated cost, the year in which it will be started, the amount expected to be expended in each year, and the proposed method of financing these expenditures. Methods of financing can include bonding, assessment districts, pay-as-you-go (e.g. taxes, current revenues, cash balances), or other.
5. Current capital budget - The City will prepare an annual Capital Budget which will include current year capital expenditures and sources of funds based on the current year of the Capital Improvement Plan.
6. Include future maintenance - As part of the annual Capital Budget, the City will identify and include full costs of future maintenance needs and operating costs of new capital facilities and equipment

prior to funding as part of the annual Capital Budget. It is essential to recognize that many smaller projects can have a significant impact on the existing staff and maintenance levels when considering the total impact. All capital projects will identify the maintenance requirements in terms of staffing (hours per week) and Supplies & Services.

7. Identify project funding - The City staff will identify the estimated costs and funding sources for each capital project proposal before it is submitted to Council for consideration. This will include capital construction as well as ongoing maintenance.

8. Asset Management Plan (AMP) - The City will develop an AMP that protects capital investment and minimizes future maintenance and replacement costs. The City will maintain accurate information on the condition, life span use and replacement cost of their capital assets to assist in long term planning. The AMP will also indicate future major repairs and their costs, utility costs and other operating costs.

- a. Equipment replacement - The City will estimate its equipment replacement (items over \$5,000 with a life greater than one year). From this projection, a maintenance schedule will be developed and followed.
- b. Cash for equipment - Equipment replacement should be planned on a cash basis. Equipment should be replaced on a useful life basis considering optimum trade-in value and maintenance costs.

9. Planned funding - The budget will provide sufficient funding for adequate maintenance and scheduled replacement and enhancement of capital plant and equipment. Whenever the AMP identifies there is a significant discrepancy between the need to maintain/modernize City infrastructure or facilities and the funds available for such improvements, the City staff will prepare and present to Council a strategy for meeting such needs. The long range plans of the City will include all costs identified in the AMP.

10. Major Maintenance - Although the annual operating budget should provide for adequate maintenance of capital, plant, and equipment, eventually a major expenditure will be required. It is appropriate to consider these types of major expenditures when developing the capital improvement program.

11. Capital priority - In general, the following guidelines will be used to identify capital priorities: safety, complete existing projects, maintenance of existing capital facilities, extensions of existing systems and new projects. Maintenance should be given priority over acquisition of new facilities, unless a cost/benefit analysis indicates to the contrary. State, Federal and local mandates or new service demands may require acquisition of new facilities or new construction even when maintenance needs are not fully met. Unique opportunities may arise which should be considered as a priority particularly if there is community support for acquisition. Maintenance of facilities should take priority over operating programs if deferring maintenance will result in greater costs to restore or replace neglected facilities.

12. Consistency with City policies and impact on community - The City will identify the ongoing costs and benefits that may be associated with each capital project to determine its consistency with other city policies and the impact on the community as a whole.

13. Alternative funding - Assessment district financing is appropriate for those areas of the City that are retroactively installing physical plant features which are normally required by subdivision standards at the time of development or which have been funded by another assessment district. Such physical plant features include but not limited to, curb, gutters, sidewalks, street lights and sewers. Assessment districts are also appropriate in cases where these types of physical plant features are being upgraded for the benefit of property owners in the area. Unless otherwise directed by Council, assessment districts will include all costs associated with the project, including overhead and indirect costs, including but not limited to financing, and administrative costs. The City will take actions to ensure that financial risk to the City is minimized.

14. Long-term debt - is a liability that places a future contractual or other obligation against future revenues of the City. For example, long-term debt includes liabilities arising from bonds, lease purchase agreements and installment purchase contracts.

- a. Use for capital - The City will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues.
- b. Life of debt not to exceed 75% of life of the project or acquisition - When the City finances capital projects by issuing bonds; it will pay back the bonds within a period not to exceed 75% of the expected useful life of the project.
- c. Debt restrictions - The City will not use long-term debt for current or annual operations. Debt that obligates future City Councils shall be approved consistent with City Charter and applicable State statutes.
- d. Legal debt limits - The City will review its legal debt limitation established by the Charter at least annually. Debt limits will be included in the statistics sections of the Financial Plan and Financial Report.
- e. Annual review - The City of Evans will conduct an annual review of its debt taking into consideration current market rates and future cash flows.

VII. Investment Policies

INTRODUCTION

The purpose of this investment policy is to establish guidelines for the purchase and sale of investments for all funds of the City of Evans.

Legality

The investment program for the City of Evans shall operate in conformance with federal, state, and other legal requirements, including the Colorado

Revised Statutes sections 11-10.5-101 et seq. and 24-75-601 et seq., as amended, and City of Evans, Colorado Home Rule Charter VIII.

POLICIES

This Investment Policy (the Policy) applies to the investment of all City of Evans (the City) funds, excluding the investment of employees' retirement funds. Proceeds from certain bond issues are covered by separate agreements.

Pooling of Funds

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with City of Evans Home Rule Charter VIII and generally accepted accounting principles (GAAP). :

OBJECTIVE:

The primary objectives of investment activities, in priority order, shall be safety, liquidity, yield, and local considerations.

1. Safety - Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
 - a. The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - i. Limiting investments to the types of securities listed in Section 9 of this Policy.
 - ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section 6.
 - iii. Diversifying the investment portfolio to minimize the impact of potential losses from any one type of security or from any one individual issuer.

- b. The City will minimize interest rate risk, the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:
 - i. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
 - ii. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

2. Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. Yield - The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

4. Local Considerations - Where possible, funds may be invested for the betterment of the local economy or that of local entities within the State of Colorado. Included is the Local Considerations Investment Program that allows the City to accept proposals from eligible institutions in order to reward local financial

institutions that can document their commitments to private economic growth and local housing investment. These respective institutions must be on the Public Deposit Protection Act list of qualified eligible financial institutions. The Evans City Council recognizes that our Local Considerations Investment Program might diminish investment yields.

5. Standards of Care

a. Prudence -The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived". Authorized City officials and employees acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy.

b. Ethics and Conflicts of Interest - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from

undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

- c. Delegation of Authority - Authority to manage the program is derived from the City of Evans Home Rule Charter, Chapter VIII and granted to the City Treasurer who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Policy. Procedures should include references to safekeeping, delivery vs. payment, investment accounting, wire transfer agreements and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the City Treasurer. The City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6. Authorized Broker/Dealers - To be eligible, a firm must meet at least one of the following criteria:

- a. be recognized as a Primary Dealer by the Federal Reserve Bank of New York, or have a Primary Dealer within its holding company structure;
- b. report voluntarily to the Federal Reserve Bank of New York, or
- c. qualify under Securities and Exchange Commission (SEC) Rule 15c-3 (Uniform Net Capital Rule).

Broker/dealers will be selected by the City Treasurer on the basis of their expertise in public cash management and their ability to provide services for the City's account. Approved broker/dealers and the firms they represent shall be licensed to do business in the State of Colorado and as such are subject to the provisions of the Colorado Revised Statutes, including but not limited to CRS 24-75-601.

Each authorized broker/dealer shall be required to submit and annually update a City approved Broker/Dealer Information Request form which

includes the firm's most recent financial statements. The City's Treasurer shall maintain each approved firm's most recent Broker/Dealer Information Request form. In the event that an external investment advisor is not used in the process of recommending a particular transaction for the City's portfolio, authorized broker/dealers shall attest in writing that they have received a copy of this policy.

7. Financial Institutions and Depositories -

As required by City of Evans Home Rule Charter Chapter VIII, Section 8.8, a list will be approved by the Evans City Council of financial institutions and depositories authorized to provide investment services. To be eligible, a bank shall qualify as an eligible public depository as defined in C.R.S 11-10.5-103.

8. Minority and Community Financial Institutions -

From time to time, the City Treasurer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to certain parts of the criteria under Paragraph 1 may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law. These types of investment purchases should be approved by the Evans City Council in advance.

9. Safekeeping & Custody -

The City Council shall select one or more banks to provide safekeeping and custodial services for the City. A City approved Safekeeping Agreement shall be executed with each custodian bank prior to utilizing that bank's safekeeping services. To be eligible for designation as the City's safekeeping and custodian bank, a financial institution shall qualify as a depository of public funds in the State of Colorado as defined in CRS 24-75-603 et seq.

Custodian banks will be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery

versus payment basis. It is the intent of the City that all securities be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities purchased by the City will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by a City approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wire able book entry securities owned by the City shall be evidenced by a safekeeping receipt or a customer confirmation issued to the City by the custodian bank stating that the securities are held in the Federal Reserve system in a CUSTOMER ACCOUNT for the custodian bank which will name the City as "customer."

All DTC eligible securities shall be held in the custodian bank's Depository Trust Company (DTC) participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the city as "customer."

10. Internal Controls - The City Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated by the City Treasurer annually. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities;

- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian.

Accordingly, the City Treasurer shall establish a process for an annual independent review of compliance with the Policy and its internal control procedures by an external auditor.

11. Suitable & Authorized Investments

Investment Types - The following investments will be permitted by this Policy and are defined by state and local law, where applicable:

- U.S. Treasury bills, Treasury notes, Treasury bonds, and Treasury STRIPS with maturities not exceeding five years from the date of trade settlement
- U.S. government agencies with a final maturity not exceeding five years from the date of trade settlement issued by the Government National Mortgage Association (GNMA)
- U.S. instrumentality obligations (debentures, discount notes, callable securities, step-up securities, and stripped principal or coupons) with maturities not exceeding five years from the date of trade settlement issued by the following only: Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB), and Federal Home Loan Mortgage Corporation (FHLMC)
- Subordinated debt shall not be purchased
- Certificates of deposit and other evidences of deposit at financial institutions, with maturities not exceeding five years, in FDIC insured state or nationally chartered banks or savings banks. Certificates of Deposit exceeding the FDIC insured amount shall be collateralized in accordance with the Colorado Public Deposit Protection Act
- Repurchase agreements with maturities of

180 days or less collateralized by U.S. Treasury Obligations and Federal Instrumentality Securities listed above with the maturity of the collateral not exceeding ten years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102 percent of the dollar value of the transaction. Collateral shall be held in the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

- Repurchase Agreements shall be entered into only with dealers who have executed a City approved Master Repurchase Agreement with the City and who are recognized as Primary Dealers by the Federal Reserve Bank of New York, or have a Primary Dealer within their holding company structure. The Chief Financial Officer shall maintain a copy of the City's approved Master Repurchase Agreement along with a list of the broker/dealers who have an executed Master Repurchase Agreement with the City. The City may utilize Tri-party Repurchase Agreements provided that the City is satisfied that it has a perfected interest in the securities used as collateral and that the City has a properly executed Tri-party Agreement with both the counterparty and custodian bank.
- Corporate bonds with a maturity not exceeding three years from the date of trade settlement issued by any corporation or bank organized and operating within the United States. The debt must be rated at least AA- or the equivalent by at least two Nationally Recognized Statistical Rating Organizations (NRSROs).
- Money market mutual funds registered under the Investment Company Act of 1940 that 1) are "no-load" (i.e. no

commission or fee shall be charged on purchases or sales of shares, 2) have a constant net asset value per share of \$1.00, 3) limit assets of the fund to securities authorized by state statute, 4) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940, and 5) have a rating of AAAM or the equivalent.

- Commercial Paper with maturities not exceeding 270 days from the date of trade settlement and rated at least A-1 or the equivalent at the time of purchase by at least two NRSROs. If the commercial paper issuer has senior debt outstanding, the senior debt must be rated by each service that publishes a rating on the issuer of at least A or the equivalent. Furthermore, the issuer's commercial paper program's size shall exceed \$200 million. Commercial paper may not exceed 20% of the Portfolio and no more than 5% may be invested with a single issuer.
 - Local government investment pools, authorized under CRS 24-75- 702, that 1) are "no-load" (i.e. no commission or fee shall be charged on purchases or sales of shares), 2) have a constant net asset value per share of \$1.00, 3) limit assets of the fund to securities authorized by state statute, 4) have a maximum stated maturity and weighted average maturity in accordance with Rule 2a-7 of the Investment Company Act of 1940, and 5) have a rating of AAAM or the equivalent.
12. Collateralization - Where allowed by the Colorado Public Deposit Protection Act (PDPA) Section 11-10.5-101 et seq., full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.
13. Investment Parameters
- a. Diversification - The investments may be diversified by:

- i. limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities)
 - ii. limiting investment in securities that have higher credit risks
 - iii. investing in securities with varying maturities
 - iv. continually investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs) or money market fund to ensure that appropriate liquidity is maintained to meet ongoing obligations.
- b. **Maximum Maturities** - To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of trade settlement in accordance with state statutes.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools or money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

- a. **Competitive Bids** - Each investment transaction shall be competitively transacted with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the City is offered a security for which there is no other readily available competitive offering, then the Treasurer will document quotations for comparable or alternative securities.

14. **Performance Benchmarks** - The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles,

taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the investment portfolio shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the investment portfolio's weighted average effective maturity. When comparing the performance of the investment portfolio, all fees involved with managing it shall be included in the computation of its rate of return net of fees.

15. **Reporting** - Monthly, the City Treasurer will submit to the City Council a report listing the investments held by the City, the current market value of the investments and performance results. The report shall include a summary of investment earnings during the period.

16. **Policy Considerations** - Any investment currently held that does not meet the guidelines of this Policy shall be exempted from the requirements of this Policy. At maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

17. **Approval of Investment Policy** - The investment policy shall be formally approved and adopted by resolution of the governing body of the City of Evans. Any future changes must be approved by the Evans City Council.

18. **Documentation to be maintained by the City Treasurer**

- Internal Controls Procedures Manual
- Listing of authorized personnel
- Relevant investment state statutes
- Listing of authorized broker/dealers and financial institutions/depositories
- Broker/Dealer Information form
- Credit studies for securities purchased and financial institutions used
- Safekeeping agreements
- Wire transfer agreements
- Sample investment reports,
- GFOA Recommended Policies.