



City of Victor, Colorado

FINANCIAL PLANNING POLICY

Adopted: November 14, 2013

POLICY TITLE: FINANCIAL PLANNING POLICY

EFFECTIVE DATE: 11/14/13

This policy is intended to replace all previously adopted financial planning policies, including Budget, Reserve and Industrial Water Policies adopted on 11/11/11.

STATEMENT OF PURPOSE: A top priority of the City Council is to improve the fiscal health of the City. Revenue projections are conservative and authorized expenditures are closely monitored. In stable economic times, the combination of these two strategies leads to revenue collections higher than actual expenditures. The accumulation of reserves protects the City from uncontrollable increases in expenditures or unforeseen reductions in revenue, or a combination of the two. It also allows for the prudent financing of capital construction and equipment projects.

The City of Victor sells untreated water for industrial use. Currently, the largest customer is the Cripple Creek & Victor Gold Mining Company. While it is anticipated sales to the mining company will continue in the near future, long term, this sale is less certain. It is the goal of the Council to prudently utilize these revenues, while available, to stabilize and improve the fiscal health of the City. The Council hopes to become less reliant on these funds for operational purposes but does see value in augmenting operations in the short term with careful appropriations. The highest value the Council has placed on this revenue source is for the continued improvement of the City's infrastructure.

FINANCIAL PLANNING STRATEGY: This policy addresses types of restricted reserve funds, recommended fund balances, utilization of revenues and establishment of long and short term capital planning. The following policies are in order of priority based on statutory requirements combined with prudent financial planning.

1. Restricted Reserves

The City of Victor maintains reserves that are required by law or contract and that serve a specific purpose. These types of reserves are considered restricted and are not available for other uses until any restriction is released. Restricted reserves are generally not appropriated in the annual budget adoption process until there is such need for use of the funds for a loan payoff or an "Act-of-God" emergency (TABOR).

- a. **TABOR Reserve:** Restricted for Emergencies – Article X, Section 20 of the State Constitution requires a reserve of three percent (3%) of annual fiscal year spending in the General Fund be set aside for emergencies. The use of this reserve is restricted to the purpose for which it was established and may be used solely for declared emergencies.
- b. **Debt Reserves:** Any amount required by the issuance of bonds or the acceptance of a loan may require that a specific reserve be established. These reserves will vary from time to time and are typically associated with funding of large capital projects.

2. Unrestricted Reserves/Fund Balances

City Council has determined that operating reserves or fund balances be established and maintained in each major fund (General and Utility Enterprise). Year-end fund balances are considered unrestricted reserves and shall be maintained at a minimum of twenty-five percent (25%) of the same year's operating budget (not calculated on debt or transfers between funds). In addition, the Conservation Trust shall maintain a minimum fund balance of \$1,000. When the minimum fund balance in the General Fund includes the TABOR reserve, which is generally the practice that amount remains restricted.

3. Transfers and Operating Expenses: Operating expenses and transfers between funds are allocated as the next priority.

4. Long Term Capital Reserve: The Long Term Capital Reserve Fund is for the replacement or construction of large city assets such as buildings, water and sewer treatment plants and other infrastructure. There is a specific fund within the City's accounting system for the safeguarding of these dollars. Annually, a minimum of one hundred and twenty-five thousand dollars (\$125,000) shall be placed into this fund from net proceeds (total revenues minus total expenditures). Use of these funds is restricted to: a) reducing City debt or b) addressing long term capital projects identified in the City's adopted Capital Improvement Plan.

5. Annual Capital Improvements and Equipment. The balance of anticipated net proceeds may be appropriated for capital projects and equipment in the current budget year. The use of these funds is budgeted by City Council on a priority basis and shall address the current goals as adopted by City Council.

If an emergency is declared by resolution of City Council requiring the use of reserves, funds may be spent immediately. In any case, reserves and fund balances shall be replenished, according to the formulas above, as soon as possible when operating revenues rebound.