

Town of Johnstown Comprehensive Financial Management Policies

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Introduction

The Comprehensive Financial Management Policy for the Town of Johnstown assembles all of the Town's financial policies in one document. Financial policies are central to a strategic approach to financial management and are intended to serve as guidelines to achieve and maintain the Town's goals and objectives, both immediate and long-term. The individual policies contained herein are meant to serve as guidelines for both the financial planning and internal financial management of the Town.

The Town of Johnstown is an 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 are intended to provide not only an overview, but also guidance and structure for the various financial functions of the Town. These policies have been based on best practice and industry standard as recommended by the Government Finance Officers Association (GFOA).

The Town's Financial Policies shall be adopted by resolution of the Town Council. The policies shall be reviewed annually by management and any modifications made thereto must also be approved by resolution of the Town Council.

Objectives

In order to achieve its purpose, the Comprehensive Financial Management Policy has the following objectives for the Town's fiscal performance:

1. To guide Town Council and management policy decisions that have significant fiscal impact.
2. To set forth operating principles that minimize the cost of government and financial risk.
3. To employ balanced and fair revenue policies that provide adequate funding for desired programs.
4. To maintain appropriate financial capacity for present and future needs.
5. To promote sound financial management by providing accurate and timely information on the Town's financial condition.
6. To protect the Town's credit rating and provide for adequate resources to meet the provisions of the Town's debt obligations on all municipal debt.
7. To ensure the legal use of financial resources through an effective system of internal controls.
8. To promote cooperation and coordination with other governments and the private sector in the financing and delivery of services.

Budget Policies

Introduction

The formulation of the annual operating budget, including the publication of the budget document is one of the most important financial activities that the Town of Johnstown undertakes each year. The budget process provides a comprehensive plan to deliver efficient services to residents and stakeholders of the Town and translates into financial terms the programs and priorities of the Town. The guidelines in this policy adhere to the Colorado Constitution and State Statutes, the Town of Johnstown Home Rule Charter and reflect the recommended practices of the Government Finance Officers Association.

A. General Budget Policies

1. Fiscal Year. The fiscal year for the Town of Johnstown is the calendar year, January 1st through December 31st. The Town will adopt a budget annually in accordance with the provisions of the Local Government Budget Law of the State of Colorado.
2. Balanced Budget. The Town will adopt a structurally balanced budget, where recurring revenues equal or exceed recurring expenditures. The Town 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 to 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. The Town staff will identify programs to increase efficiency in order to provide for long-term cost savings to the Town. This may include the use of technology, revised organizational structures, or other tools which may be identified. Eliminating outdated practices is encouraged.
4. Investment in the Town's future. The Town staff, whenever possible, will take a long-term view of the investments (people and resources) and emphasize quality operations which encourage productivity for today and the future.
5. Resource Sharing. The Town 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 for adequate maintenance and replacement for capital assets.

8. Employee Programs. The Town recognizes that employees are the most valuable asset of the organization and commits to fund this resource to the extent possible appropriately; including adequate funding for retirement systems, benefit packages, and training.
9. Overhead Allocations. The budget will include transfers or overhead allocations for expenditures/services that are provided by one fund that benefit another fund. The formula for calculating this transfer or allocation may include revenues, staff, supplies and services. The formula will be reviewed annually.
10. Fund Reserves. The Town will maintain adequate cash reserves in order to reduce the potential need for borrowing or service reductions during periods of economic downturn, natural catastrophe, or for other, one-time extraordinary expenditures. The GFOA recommends at a minimum, that general purpose governments maintain unrestricted fund balances in their general fund of no less than two months of regular operating revenues or expenditures. Annually, the Town will hold a minimum target of 41% (150 days) of General Fund revenues as a General Fund ending balance, commonly known as a reserve. The Town Council can increase the target reserve amount at any time.
11. Fund Level. The annual budget is adopted and appropriated by the Town Council on a fund level.
12. Budget Monitoring. The Finance Department will maintain a system for monitoring the Town's budget performance. This system will provide the Council with monthly reports that include resource collections, and expenditures on a fund level.
12. Community Grants. The Town of Johnstown may budget for and provide grants to qualified non-profit or community organizations that provide services within the Town and per Town policy. Grants rarely exceed \$500 per calendar year, per organization. Community grants will be allocated and approved by Council on a case by case basis.
13. Distinguished Budget Presentation. The Town will seek to obtain the Government Finance Officers Association Distinguished Budget Presentation Award for each annual budget. The budget will be presented in a way that clearly communicates the budget to the members of the public.

B. Budget Development Process

1. Council Goals as Direction. The Town budget will support the goals and policies of the Town Council, Town Council adopted long-range plans, and the service needs of the community. Staff is responsible to prepare an annual budget to implement and accomplish the goals identified.
2. Budget Schedule. The following are key procedural steps in the Town's budget development process.
 - a. Each year in the spring, the Town Council has a goal setting meeting to identify Council initiatives.
 - b. Beginning in June, departments are provided with their budget worksheets for the upcoming year. Departments are expected to update their current year existing budgets, including expenditure and revenue estimates, performance data and financial and program delivery outcomes as well as put

together their requests for the upcoming year based on the Council initiatives and organizational needs.

- c. Departmental budget requests are collected and reviewed by the Town Manager and the Finance Director during the month of July with individual meetings with the Departments following during the month of August.
- d. No later than October 15th of each year, the proposed annual budget for the ensuing fiscal year shall be submitted to the Town Council as required by Local Government Budget Law of the State of Colorado.
- e. Between late October and early December, the Council will meet in a series of budget sessions as requested by Council to review and discuss the preliminary budget.
- f. At least one public hearing is scheduled between the months of October and December. Citizens are able to comment on recommended programs and/or ideas for new programs at the public hearing(s).
- g. In early December the Town Council will adopt the budget by resolution and establish the budget appropriation for the upcoming year.
- h. The final budget is published and distributed before the end of the first quarter of the following year. Copies are made available to the public for a fee and are available on the Town's website.

3. Forecasting. Revenues, operating and capital expenditures, and debt service will be projected each year. Based on assumed circumstances, including various economic, service, and inflationary factors, the forecast will attempt to portray whether programs can be supported over the designated period. Generally, 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. Operating expenditure estimates should anticipate contingencies that are foreseeable.

4. Town Manager Review. The Town Manager will review the details of each proposed budget for efficiency and compliance with Council direction.

5. Budget Presentation. The annual budget document will be prepared based on guidelines identified by the Government Finance Officers Association (GFOA).

6. Public Hearings. Open public hearings are noticed and held during the fourth quarter of each year to provide residents with additional opportunities for input regarding the proposed budget.

7. Council Amendments. The Council can amend the proposed budget by adding and increasing programs or amounts and may delete or decrease programs or amounts except those expenditures required by law, for debt service or for estimated cash deficits. If Council amends the budget after the public hearing and prior to formal adoption of the annual budget, and the amendments increase the total expenditures, then an additional public hearing will be noticed and held prior to the adoption of the budget.

8. Legal Requirements. The Town will adopt the budget and levy property taxes in accordance with State and Municipal requirements. Adoption of the budget by Council shall constitute appropriations of the amounts specified therein for expenditure from the funds indicated.

9. General Priorities. Generally, the priority order of the budget are personnel, operations and maintenance, debt service, and capital outlays.

10. Public Record. Copies of the budget and capital program as adopted shall be public records and shall be available to the public.

C. Contents of Proposed Budget

1. Proposed Budget and Message. The Town Manager shall prepare a proposed budget and accompanying message. The proposed budget shall contain a general summary of its contents and, shall include comparative figures for revenues and expenditures for the current and prior fiscal year or years.

2. Revenues. An estimate of anticipated revenues classified by source.

3. Cash Available. An estimate of cash available, as of December 31 of the current fiscal year.

4. Expenditures. Proposed expenditures for the operation of the Town, by fund, by department, office and agency and the method of financing such expenditures.

5. Reserves and Contingencies. – Provisions for both.

6. Capital Expenditures. Proposed capital expenditures by fund, department, office and agency and the proposed method of financing such expenditures.

7. Net Income – Anticipated net surplus or deficit for each municipal utility system, municipal enterprise and the proposed method of its disposition.

8. Ad Valorem Tax. Estimate of the amount to be raised from an ad valorem tax levy.

9. Debt. A statement of the outstanding securities and other debt and payment obligations of the Town, showing the debt redemption and interest requirements, the debt authorized and outstanding and the condition of sinking funds, if any.

10. Other. Such other information as the Council may require.

D. Budget Adjustment & Amendment Processes

Under the provisions of the Town of Johnstown Home Rule Charter, the operating budget may be amended in the following ways:

1. Supplemental Appropriations – When excess revenues are recognized, the Town Council may by resolution make supplemental appropriations for the year not to exceed the amount of such excess, provided that such additional spending is not in conflict with the Colorado Constitution.

2. Emergency Appropriations – To meet a public emergency affecting life, health, property or the public good or peace, the Council may make emergency appropriations. To the extent that there are no available unappropriated revenues to meet such appropriations, the Council may authorize the issuance of emergency notes.

3. Reduction of Appropriations - If during the fiscal year it appears probable to the Town Manager that the revenues available will be insufficient to meet the amount appropriated, it shall be reported to the Council without delay, indicating the estimated amount of deficit, any remedial action taken and recommendations as to any other steps to be taken. The Council shall take such further action it deems necessary to prevent any deficit. For that purpose, it may, by resolution, reduce one or more appropriations. No appropriation for debt service may be reduced.

4. Transfer of Appropriations - The Town Council may, by resolution, authorize a maximum amount which the Town Manager may transfer from any unused balance of any general fund appropriation or portion thereof from one (1) department or other spending unit to another. Except as otherwise provided in this Charter, the transfer of monies from one (1) fund to another shall only be made by a resolution amending the budget as adopted. No appropriation for debt service may be transferred.

E. State of Colorado – Amendment 1

On November 3, 1992, the Citizens of the State of Colorado approved Amendment 1, also known as the Taxpayers Bill of Rights (TABOR). Amendment 1 specifically and significantly addresses the following issues: spending limitations, operating reserves and debt service.

On November 7, 2000, voters within the Town of Johnstown approved the collection, retention and expenditure of the full amount of town taxes, grants and all other revenue collected from all sources including property taxes, received in 1999 and each subsequent year, without regard to any revenue or expenditure limitations including those contained in Article X, Section 20 of the Colorado constitution or any other law.

The Town will be in compliance with the remaining requirements of Amendment 1, including election, debt, and reserve requirements.

Revenue Policies

The Town must be sensitive to the balance between the need for services and the Town's ability to raise fees, charges and taxes to support those services. As much as is possible and feasible, Town 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.

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 and General Fund overhead. Departments

that impose fees or service charges should prepare and periodically update cost of service studies for each such service.

2. Diversify Revenue. The Town should strive to maintain a diversified mix of revenues in order to provide ongoing stability and predictability, even in times of economic downturn. The Town will review revenue raising proposals in light of its total revenue mix in order to encourage growth and keep the Town economically competitive.

3. Taxes. Taxes should be selected for balance, applicability and economic impact. The Council shall have the authority to adopt and levy, by ordinance, all taxes which are not prohibited for home rule municipalities by the Colorado Constitution, subject to any applicable limitations in that Constitution. Council shall comply with applicable voter approval requirements in the Colorado Constitution. The following factors will be considered when the Town's taxes are increased, decreased, extended or changed in any way:

- a. Stability of the tax source over its expected life.
- b. Suitability for a pledge against future debt if that is part of the Council's long-term intent for the revenue source.
- c. Apply the tax impact information for both residential and business taxpayers against a future vision of what the tax policy is intended to foster.

4. Recapture Investment. The overall revenue structure should be designed to recapture for the Town some of the financial benefits resulting from Town sponsored programs and community investments.

5. Additional Resources. The Town will observe the following priorities in obtaining additional resources:

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

5. Enterprise Funds. The Town will set fees, user charges and other revenues for each enterprise fund (Water, Sewer, Drainage) at a level that supports the total direct and indirect cost of the activity including operating costs, system expansion and maintenance. Indirect costs include the cost of annual replacement needs due to depreciation of capital assets.

6. Legal Requirements. The Town will maintain compliance with legal revenue restrictions as identified by voters, for special revenue funds, compliance with State Law, and other restricted revenues.

7. Grant Revenues. The Town will refrain from using grants to meet ongoing service delivery needs. In the Town's financial planning, grants will be treated in the same manner as all other temporary and uncertain resources and will not be used to fund ongoing, basic service needs. When pursuing or

applying for grants, the Town will consider and plan for the long-term implications including increased maintenance, operational costs and replacement costs that may be necessary.

Operating Policies

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.

1. Current Revenues to Pay for Current Expenditures. Current operating revenues will meet or exceed current operating expenditures. Each Town fund budget must identify ongoing resources that at least match 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 Town will not normally earmark discretionary revenues for specific purposes. This will preserve the ability of the Town Council to determine the best use of available revenues to meet changing service requirements to meet the needs of the community.
3. Reserves. The Town will maintain adequate cash reserves for emergencies, unforeseen needs of a non-recurring nature, operating maintenance, equipment replacement and capital projects. Annually, the Town will hold a minimum target of 41% of General Fund revenues as a General Fund ending balance, commonly known as a reserve.
4. Continual Improvement of Service Delivery. The Town will seek to optimize 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, special interest projects or programs that benefit less than the majority.
5. Cash Management. The Finance Department 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. During regular business days, all cash received by Town departments will be deposited with Finance within 24 hours of receipt.
6. Fund Balances. Accruals and non-cash enhancements to revenues will not be made as a means to influence fund balances at year-end or during budget discussions.
7. Fixed Asset Inventories. Accurate inventories of all physical assets (including infrastructure), 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 will be taken.

8. Allocation of Overhead Costs. Overhead costs will be allocated to determine the full cost of providing services. Overhead costs will be allocated according to consistent methodology developed in consultation between the Finance Department and other operating departments.
9. Internal Loans. Interfund loans must be approved by Council and may be charged interest.
10. Publication of Financial Information. The Town will publish the list of bills on the Town's website within twenty (20) days of the adjournment of each regular or special meeting.
11. Bank Accounts. Bank accounts may only be opened or closed by the Finance Director, or the Town Manager. No other employee or department of the Town shall open a bank account in the Town's name.
12. Petty Cash. Petty cash can be obtained upon authorization of the Finance Department. A receipt must be submitted to the Finance Department immediately. Petty cash disbursements should not exceed \$50.00.
13. Surplus Property Disposal. As items are purchased with public funds, the Town Manager must declare items to be surplus prior to disposal and said disposal must follow the provisions herein.
- a. De Minimis Valued Items. Non-capital material and supply items that are normally used up during the normal course of business and have individual value less than \$250 are exempted from the formal surplus disposal process. These items can be thrown away, destroyed, donated or sold with approval from the Town Manager or Finance Director.
 - b. Unusable Equipment. The disposal of capital equipment with a salvage value less than \$2,500 is exempted from the formal surplus disposal process. These items can be sold for salvage value without a declaration of surplus property, upon approval from the Town Manager or Finance Director.
 - c. Auction or Sale of Property (Formal). When the current value is deemed to exceed \$2,500, it can be offered at public auction or written bid. The bid must be advertised at least 10 days prior to sale. If no bids are received or if a determination is made that the market value of the property exceeds the offer of the highest bidder, all bids may be rejected and the appropriate Department Head and Finance Department may negotiate a sale.

Accounting, Auditing & Financial Reporting Policies

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

1. Generally Accepted Accounting Principles (GAAP). The Town will maintain its accounting records and report on its financial condition and results of operations in accordance with State and Federal law and regulations, including GAAP.
2. Basis of Accounting. The term "basis of accounting" refers to when revenues, expenses, expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial

statements. Specifically, it relates to the timing of the measurements made. The following are the basis of accounting available for use by the Town:

- a. Cash Basis – transactions are recognized only when cash is received or disbursed.
- b. Accrual Basis – transactions are recognized when the economic event occurs, regardless of whether cash is paid or received. Proprietary funds, which include the enterprise funds, use the accrual basis of accounting.
- c. Modified Accrual Basis – expenditure transactions are recognized when incurred. Revenues are recognized when both measurable and available. Governmental funds, including the general, special revenue, debt service and capital projects use the modified accrual basis of accounting. “Available” in this case, means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. For purposes of consistency, that time-frame shall be not more than sixty (60) days.

3. Reporting Focus – Budget vs. GAAP. This concept is used at the Town of Johnstown to refer to the way transactions are recorded and reported for compliance with Colorado Budget Law included in the Colorado Revised Statutes as opposed to financial statement presentation in conformance with Generally Accepted Accounting Principles. The Town’s monthly statement of revenues and expenditures are reported during the fiscal year on what is informally called a “budget basis.” The Town’s transactions are recorded throughout the year in accordance with the financial statement requirements as set forth within the Colorado Revised Statutes. By recording the transactions in general compliance with this law, the revenues and expenditures can be more easily monitored on a monthly basis to ensure compliance with the legal requirements as set forth within the Colorado Revised Statutes.

At the end of the fiscal year, adjustments are made to present the financial information in a format that is comparable to that used by other local government units around the country. The standards for this reporting are referred to as “Generally Accepted Accounting Principles” (or GAAP basis). The adjustments to convert the Town’s financial records from “budget basis” to “GAAP basis” are made to ensure that the Town’s financial statements are fairly and consistently presented in conformance with GAAP.

4. Simplified Fund Structure. The Town will minimize the number of funds, departments, programs and account codes. The funds will be categorized in accordance with generally accepted accounting principles (GAAP) for reporting purposes. The development of new funds will be approved by the Town Council. The development of new departments, programs and accounts will be approved by the Town Manager.

5. Classification of Fund Balance. The Town will classify governmental fund balances as follows:

- a. Non-spendable - Amounts that cannot be spent either because they are in non-spendable form (assets) or because they are legally or contractually required to be maintained intact.
- b. Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, Town code or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws and regulations of other governments.
- c. Committed - Amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making authority for the

Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.

- d. 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.
- e. Unassigned - All other spendable amounts.

6. Accounting Internal Controls. The Town will maintain an internal control structure that consists of three elements.

- a. Control Environment - Consisting of an “overall attitude and awareness of actions” as they influence the Town. The management and staff shall consider the financial implications of decisions, both current and long term.
- b. Accounting System - An effective accounting system will result in:
 - 1. Identification and recording of all valid transactions.
 - 2. Describe the transaction in sufficient detail to permit proper classification of the transaction for reporting purposes.
 - 3. Record the transaction in the correct time period.
 - 4. Proper presentation of all transactions and related disclosures in the financial statements.
- c. Control procedures - Consist 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.
 - 5. Independent checks on performance.

7. Independent Audit. An independent firm of certified public accountants will annually perform a financial and compliance audit of the Town’s financial statements as required by state statute. Their opinions may be contained in the Town’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.) The audit shall be completed within six (6) months after the close of the fiscal year.

8. Monthly Financial Reporting. The Finance Department will prepare reports at the end of each month identifying the difference between actual and budget for revenues and expenditures by fund. These reports will be presented to the Town Manager and may be included in Council updates.

9. Excellence in Financial Reporting. As an additional independent confirmation of the quality of the Town’s financial reporting, the Town will annually seek to obtain the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The CAFR will be presented in a way designed to communicate with citizens about the financial affairs of the Town.

Purchasing Policies

The purpose of this section is to establish purchasing guidelines. These policies are applicable to all purchasing for the Town of Johnstown and are established to ensure that needed goods and services are obtained in a timely manner, at the lowest prices possible, consistent with acceptable quality standards.

Consistent with these objectives, a part of the Town's procurement activity is decentralized. In recognition of the cost of staff time and to reduce the cost of making small purchases, purchasing cards are issued to selected personnel as approved by the Finance Director. The purchasing card will be defined later in this manual.

Procedures which apply to purchases made directly by Town staff as well as the steps followed by the Finance Department are described below, along with the public purchasing law and ethical standards that shape the Town's purchasing activities.

1. Governing Laws and Policies. Procurements by the Town of Johnstown are governed by state law and these Purchasing Policies further establish requirements for the Town's purchasing activities.
2. Conflict of Interest. No employee or official of the Town shall participate in a transaction, contract, activity, or service of the Town which has a direct or predictable effect on their financial interests or the financial interests of an immediate family member.
3. Personal Purchases. It is prohibited for an employee or official to make purchases for personal purposes or to receive special pricing from a vendor using the Town's name, account or reputation.
4. Payment Authorization. All requests for payment must be approved by the Department Head or Town Manager. Employees can not authorize payments to themselves.
5. Purchase Orders. A purchase order is required for all purchases over \$50.00.
6. Purchasing Thresholds/Authority. Generally, the purchasing thresholds detailed below will be applicable (if there are grant funds involved, the thresholds may differ. Please refer to any grant requirements and proceed using the most restrictive standards.):
 - a. Under \$2,500. Small items in this category, used on a day to day basis, may be purchased with the approval of supervisory personnel without competitive bidding on each item. However, even on these items, periodic telephone inquiries should be made to be certain the purchases are secured from a local source at the lowest possible price for the quality needed. Items that are used on a day to day basis consist of office supplies and other items that routinely purchased. Department heads may authorize employees to purchase budgeted items.
 - b. \$2,500 - \$49,999.99. Purchases or contracts for services for the sum of \$2,500 to \$49,999.99 shall be secured on a competitive bid basis. This must be accomplished by securing at least three informal bids, requests for proposals or through the formal bid process utilizing advertisement and specifications; whichever is most advantageous to the Town.
 - c. \$50,000 and higher. Any item for services, projects, or equipment in this category shall be purchased through the formal bid process. Formal bids shall be secured by advertisement. Additionally, a random sample of vendors who qualify, or who have indicated an interest in

bidding, shall be forwarded a copy of the specifications, when possible to ensure the best competitive bids for the Town.

1. Appropriated Items up to \$100,000 – Construction contracts and purchases can be approved by the Town Manager.
2. Appropriated Items up to \$10,000 - Construction contracts can be approved by department head.
3. Non-Appropriated Items exceeding \$25,000 – Must go before the Town Council and be approved and if necessary, appropriated by resolution.

7. Local Purchasing Preference.

- a. If a local bidder is within five (5%) percent of the lowest bid from an out of town bidder on a construction or other formally bid project from \$0.00 - \$4,999.99, two (2%) percent on such project(s) from \$5,000.00 up to \$999,999.99, and within one percent on such project(s) from \$1,000,000.00 up to \$5,000,000.00, then the local bidder will be awarded the bid unless otherwise provided in this section.
- b. The local purchasing preference policy shall not apply in the following instances:
 1. When purchases and/or contracts are funded in whole or in part by federal funds;
 2. When purchases are more than \$5,000,000.00;
 3. When purchases are not required to be formally bid, such as sole source procurements, emergency procurements and any other such procurements as defined in the Town procurement policy or the Town emergency management policy;
 4. When professional services are procured through the issuance of requests for qualifications and/or requests for proposals, including design-build contracts; or,
 5. When such preference is in conflict with any applicable state or federal laws, rules or regulations.
- c. The local purchasing preference policy shall not apply to private construction projects financed with public assistance, including, but not limited to, tax increment financing, redevelopment projects and enterprise zone redevelopment.
- d. “Local” is defined as a business operating within the corporate limits of the Town of Johnstown, with the majority of its primary business operations, including, but not necessarily limited to, production, operation, purchasing, billing, marketing, management, administration and ownership, occurring within the town limits. “Local” shall not include the following:
 1. Those businesses with only a local Johnstown post office box;
 2. Those businesses with a sales presence in the Town, but no physical business location within the Town limits.
- e. Home based businesses that merely take orders for products shipped from out of town to their customers. Exceptions will be considered on a case-by-case basis when a written request is submitted to the Town Manager.
- f. Notwithstanding the foregoing, the local bidder must otherwise meet all qualifications and procurement policy requirements of the Town, including, but not limited to, the “best bid” requirements, in order to be awarded a bid under this section.

8. Bid Guidelines.

- a. Correspondence with Vendors. All correspondence with vendors should be communicated through the department head responsible for overseeing the specific bid unless the bid specifications make it advisable to delegate authority to others.
- b. Formal Bid Notice. All formal bid purchases or formal contracts for services shall be advertised as follows:
 - 1. All notices and solicitations of bids shall state the time and place of the bid opening. If required the request for bids will be published in the newspaper and posted on the Town's website at least 10 days prior to 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 application to the public project.
 - 2. Notices and solicitations of bids shall include information that these are sealed bids and that they should be so identified on the envelope.
 - 3. Notices and solicitations of bids shall plainly state to whom the sealed bid(s) should be addressed, and should be filed with the Town Clerk.
 - 4. When advertising for proposals with federal funding, guidance will be followed as per CFR200.319 thru CFR200.322 to ensure proper competition of project awards. This also entails taking necessary affirmative action steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.
- c. Public Opening. All 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.
- d. Performance Bonds. Performance bonds, in cash or otherwise, or other acceptable financial assurance such as a letter of credit shall be requested, if in the best interest of the Town, in such an amount as may be deemed sufficient to secure the execution of the contract or to furnish supplies.
- e. Technology and Advertising. The Town 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 Town. 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. Competitive Buying. Town policy requires quotes or bids to be obtained from as many providers as reasonably possible to ensure a competitive marketing atmosphere and advantageous pricing. Bids will be solicited when required by policy and also when it is found to be advantageous to do so. Any qualified provider may respond to a Town request for quote or bid.
- g. Awards. The Town of Johnstown reserves the right to reject any and all bids and waive any informality. The Town of Johnstown also reserves the right to select the lowest and/or best bidder as determined by the Town in its sole discretion. Bidders may be disqualified for past failure to follow proper change order processes or failure to complete projects in a timely and/or professional work like manner.

9. Exclusive Service. 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.

10. Emergency Purchases. In the event of natural disasters, accidents or other emergencies where health, safety or welfare of the community is at risk, the Town shall comply with the procurement requirements to the extent practicable, but this may be waived by the Town Manager. The Town Manager will notify the Town 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 Town policy. Once the Town 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 should follow guidance from the grantor.

11. Exemptions From Public Bidding. The Town recognizes the need to use outside sources for providing Professional Services, constructing Capital Projects (vendors and contractors) and for providing services for day to day operations and maintenance. The Town requires staff to solicit bids for any purchase of goods over \$50,000, per engagement or annually. This requirement may be waived by the Town Manager for ongoing service contracts where the past experience related directly to the Town 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 Town, knowledge of the Town and region, philosophy of the nature of the job, availability of time, quality of product, quality of service and material, maintenance, warranties, price and other such criteria as deemed appropriate for a particular public project. The Town recognizes the following exemptions for the Public Bid Process:

- a. Professional Services. This purchasing policy shall not apply to professional services and the requirements shall not be mandatory in the employment of professional services. Professional services include, but are not limited to the following: Attorneys, Bond Counsel, Certified Public Accountants/Auditors, Consultants, Engineers, Financial Advisors, Physicians and Real Estate Brokers. The Council may award these services as desired and at their discretion. The staff shall use the following criteria when applicable and necessary, based on specific project that includes:
 1. Past experience in performing the services requested;
 2. Responsiveness to the needs of the Town, with respect to time to complete the project, the approach to the project, and anticipated design concepts offered;
 3. Responsibility and experience in dealing with municipal governments and projects of similar size, scope and nature;

4. The professional's engagement team, including the experience and resumes of key personnel assigned; and
 5. Results of reference checks and past performance for other clients.
- b. Design Build Services. This policy shall not apply to design-build specialty services so long as the project does not exceed \$100,000. If less than \$100,000, the following evaluation criteria shall apply:
1. A guaranteed maximum price must be agreed upon and any savings shall revert back to the Town if the final project cost is less than the guaranteed maximum price.
 2. The Town shall have the option at any time to validate proposed costs and fees of the professional who must disclose all information used to arrive at the proposed costs and fees.
- c. Use of State Bids or Existing Contracts. This purchasing policy shall not apply if the purchasing department is able to piggy-back on a State Bid Award, GSA bid award, or other bid award where a public bid process has taken place on the conditions that appropriate verification of the bid is provided, the cost does not exceed \$100,000, and the funds are available in the budget.
- d. Waiver of Bidding Process. Notwithstanding the provisions of this Policy, the Town may forego the bidding process altogether in certain specific instances that would be in the best interests of the Town provided that there is sufficient information and documentation to demonstrate that a waiver of the procedure would benefit the Town. Any deviations from the bidding process must have Town Manager approval, who shall then generate a report to the Town Council for the next Town Council meeting explaining the reasons for the waiver. It is intended that this process should be used infrequently and only when there is supporting information to demonstrate that the waiver would be in the best interests of the Town and not in any fashion compromise the integrity of the overall bidding policy of the Town.

12. Contract Authority. The Town Manager or department head shall have the power and duty to approve and execute, by signature, all contracts or agreements of, or on behalf of, the Town or its enterprises, subject to the following limitations.

- a. Amount not to Exceed \$100,000. Contracts or agreements that exceed \$100,000 must be approved by the Council unless part of an annual contract and appropriated in the budget.
- b. Conveyances. No contract or agreement shall involve conveyances of interest in land, bonds, indentures, evidence of indebtedness, or proclamations, unless the authority to approve and execute such documents shall be granted by the Council.
- c. Charter and Municipal Code. Contracts or agreements that are required by the Town's Home Rule Charter or the Johnstown Municipal Code to be approved and executed by the Town Council.
- d. Intergovernmental Agreements. Such contract or agreement does not constitute an "intergovernmental agreement" under Colorado law.
- e. Delegation. The Town Manager may delegate the signatory authority for the approval and execution of contracts and agreements to department heads when the contractual matters fall within their area of responsibility.
- f. Appropriation. No contract shall be approved or executed unless funds for the payment of obligations under the contract or agreement are in the budget and have been approved by the Town Council. This section shall not prohibit the approval and execution of multi-year contracts or agreement where such agreements are legally permissible.

- g. Legal Review. Unless of a routine nature as determined by the Town Manager or the Town's standard form of contractor/professional services agreement cannot be used, all contracts or agreements are subject to legal review.

13. Town Issued Purchasing Cards. This policy applies to all items procured by the use of a Town-issued Purchasing Card.

- a. Issuance. Town purchasing cards may only be issued to department heads or other personnel as authorized by the Town Manager and Finance Director.
- b. Legitimate Business Expenses. A purchasing card shall be used for purchases on behalf, or costs associated with, approved travel. No cardholder may procure goods or services for personal purposes. Personal use of a purchasing card consists of an item that is not a legitimate business expense and must be reimbursed to the Town. Misuse of the card could subject an employee to discipline pursuant to the personnel policies of the Town. Department Heads may make available purchasing cards for purchases where time is of the essence to save the Town money; where credit card is the only or easiest form of payment accepted for a product or service; or when required for travel purposes. It is the responsibility of the Department Head to notify the Finance Department if an employee is no longer authorized to use the Town's purchasing card.
- c. Purchasing Procedures. Purchases made with the purchasing card should follow all guidelines as stated in this Financial Policy document.
- d. Travel Related Expenses. If a spouse or family member is accompanying the employee on a business trip, only employee's travel expenses may be charged to the card. Airline tickets or other travel expenses related to the family member must be paid by the individual at the time of purchase. It is not acceptable to reimburse the Town for those expenses. Personal expenses may not be charged to the hotel room and must be paid for separately. Hotel, car rental, parking, taxi, etc. receipts must be submitted to the Finance Department within a week of return from the business trip. Travel expenses for the employee will be reimbursed up to the maximum allowed for that location by U.S. General Service Administration (www.gsa.gov). Mileage will be reimbursed at the published Internal Revenue Service (IRS) standard mileage rate. Mileage will only be reimbursed if no Town vehicle is available for use.
- e. Monthly Statements. It will be the responsibility of the card holder to reconcile the monthly credit card statements and receipts. Original receipts must be submitted to the Finance Department within one week of purchase. Failure to do so will result in loss of purchasing card privileges.

Capital Improvement Planning Policy

A number of important policy considerations are the basis for the Capital Improvement Plan (CIP). 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 Town's ability to provide basic services. The Town 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 Town must also make capital investments needed to support and enhance the delivery of basic services.

1. Capital Expenditures. Capital expenditures for purposes of financial reporting include buildings, land, major equipment, infrastructure investment, and other items that have a value of \$5,000 or greater and have a life expectancy greater than one year.
2. Relationship of Long-Range Plans to the CIP Plan. Virtually all of the projects included in the CIP are based upon formal long-range plans that have been adopted by the Town Council.
3. Ten-year Capital Plan. Each department with capital expenditures will develop and maintain ten-year capital plans. This will include sources of funding and maintenance.
4. Current Capital Budget. The Town will prepare an annual Capital Budget which will include current year capital expenditures and sources of funds based on the current year of the CIP. This document will be presented to the Council concurrently with the date of submission of the proposed budget and should include the following:
 - a. A general summary of its contents.
 - b. A list of all capital improvements which are recommended to be undertaken, continued or completed.
 - c. Cost estimates and methods of financing the improvements.
 - d. The estimated annual cost of operating and maintaining the improvements.
 - e. Such other information that the Council might require.
5. Include Future Maintenance. As part of the annual Capital Budget, the Town 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, supplies and services.
6. Types of Projects Included in the CIP Plan. The CIP Plan will display, to the maximum extent possible, all major capital projects in which the Town is involved. While the following criteria may be used as a general guide to distinguish which projects should be included or excluded from the CIP Plan, there are always exceptions which require management's judgment. For purposes of the CIP Plan, a CIP project is generally defined to be any project that possesses all of the following characteristics:
 - a. Exceeds an estimated cost of \$25,000
 - b. Involves totally new physical construction, reconstruction designed to gradually and systematically replace an existing system on a piecemeal basis, replacement of a major component of an existing facility or computer system, expansion of an existing system, introduction of a new system, or acquisition of land or structures.
 - c. Involves Town funding in whole or in part, or involves no Town funds but is the Town's responsibility for implementing, such as a 100% grant-funded project.
7. Preserve Existing Capital Infrastructure Before Building New Facilities. It is the Town's policy to ensure that adequate resources are allocated to preserve the Town's existing infrastructure before targeting resources to build new facilities that also have operating and maintenance obligations. This policy addresses the need to protect the Town's historical investment in capital facilities and to avoid embarking

on a facility enhancement program, which when coupled with the existing facilities requirements, the Town cannot afford to adequately maintain.

8. Capital Priority. In general, the following guidelines will be used to identify capital priorities: safety, complete existing projects, maintenance of existing capital facilities, extension or expansion of existing systems and new projects. Maintenance should be given priority over new facilities unless a cost/benefit analysis indicates otherwise. 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.

9. Balanced CIP Plan: The CIP Plan is a balanced ten-year plan. This means that for the entire ten-year period, revenues will be equal to project expenditures in the Plan. It is anticipated that the plan will have more expenditures than revenues in single years of the Plan, but this imbalance will be corrected through the use of interim financing as needed. However, over the life of the ten-year plan, all planned interim debt will be repaid and all Plan expenditures, including interest costs on interim debt will be provided for with identified revenues. Any project funding plan, in which debt is not retired within the current ten-year Plan, must have specific Town Council approval.

10. Use of Debt in the CIP. The CIP is viewed as a long-term program that will continually address capital requirements far into the future. As such, the use of long-term debt has been minimized, allowing the Town to put money into actual projects that benefit Johnstown residents and businesses rather than into interest payments to financial institutions. It is expected that debt incurred will be paid back before the end of the current CIP. If the Town uses bonds for financing, then the life of debt is not to exceed 75% of the life of the project or acquisition. Finance staff monitor CIP cash flow regularly and utilize fund balances to minimize the amount of borrowing required. There are exceptions to this policy for extraordinary circumstances, where the voters have approved long-term debt issuances to achieve major Town goals that otherwise could not have been achieved, or would have been delayed an unacceptable amount of time.

11. Finance Director's Authority to Borrow. The Finance Director is authorized to initiate interim and long-term borrowing measures, as they become necessary, as identified in the current CIP Plan, with approval from the Council.

12. CIP Plan Update and Amendment. The CIP Plan will be updated at least annually as a part of the Town's budget process. The Town Council may amend the CIP Plan at any time if a decision must be made and action must be taken before the next CIP review period.

13. Formalization of Monetary Agreements. All agreements between the Town and outside jurisdictions shall be in writing specifying the financial terms of the agreement, the length of the agreement, and the timing of any required payments. Formalization of these agreements will protect the Town's interests. Program areas shall make every effort to promptly request any reimbursements that are due the Town. Where revenues from outside jurisdictions are ongoing, these requests shall be made at least quarterly, unless alternative arrangements are approved by the Town Manager or Town Council.

14. Applicable Project Charges. CIP projects should reflect all costs that can be clearly shown to be necessary and applicable. Staff charges to CIP projects will be limited to time spent actually working on those projects and shall include an overhead factor to cover the applicable portion of that person's operating cost.

Investment Policy

The purpose of this policy is to establish the Town's investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments, selection of financial institutions, portfolio maturities, volatility, diversification, risk, safekeeping, and custody requirements. The investment program for the Town of Johnstown shall operate in conformance with federal, state, and other legal requirements.

1. Scope. This investment policy applies to all investment *transactions/activities* of the Town of Johnstown, Colorado, involving the investable funds of said Town with the exception of its uniformed and non-uniformed employee pension plans. Investment activities shall be performed in conformance with this policy and the Town's financial policies. The Town, its financial institutions, its investment managers and broker/dealers shall be an equal opportunity employer.

2. Restriction of Authority. The ultimate responsibility and authority for investment transactions resides with the Finance Director, who is fully authorized to buy, sell, and trade investments in accordance with the goals and objectives of this investment policy. No person may engage in an investment transaction except as authorized under the terms of this policy.

3. Objectives. The Town shall seek to optimize its return on investments within the constraints of safety and liquidity. The primary objective of this investment policy shall be to manage the portfolio in such a manner as to preserve capital and protect investment principal while attaining a market rate of return equal to or greater than average rate of return. To attain this objective, diversification shall be required to ensure that potential losses on any security or securities do not exceed the income generated from the overall portfolio.

The portfolio shall be structured to allow maximizing the return consistent with risk limitations and prudent investment decisions as set forth by the Finance Director.

The portfolio shall remain sufficiently liquid to meet anticipated disbursement requirements.

Nothing shall prohibit the Town's Finance Director from investing all excess funds in the most efficient and beneficial manner possible in order to achieve market rates of return consistent with constraints imposed for safety, cash flow, and applicable investment laws.

4. Prudent Person Standard. Investments made pursuant to CRS 24-75-601.1 must be made in accordance with the "prudent man (person)" standard of CRS 15-1-304, (CRS 24-75-601.1(2)). This requirement states

that fiduciaries, such as official custodians who make investments or deposits for local governments, are obligated to exercise ... the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital. (CRS 15-1-304)

5. Reporting Requirements. Monthly, the Finance Director shall submit to the Town Manager and Town Council a report listing the investments held by the Town with the current market value of the investments.

6. Internal Controls. The Finance Department shall establish a system of internal controls to ensure the integrity of the investment process. Investment transactions shall be supported by written evidence, such as a confirmation ticket issued by the broker/dealer. In addition, the Town's independent auditor shall perform a review of the controls on an annual basis. The controls shall be designed to prevent loss of public funds because of fraud, error, and misrepresentation by another party or imprudent actions by an employee or employees of the Town.

7. Eligible Investments. Eligible investments shall be defined as those instruments allowed in this policy as follows:

- a. U.S. Treasury Obligations: Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips with maturities not exceeding five years from the date of purchase.
- b. Federal Instrumentality Securities: 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. If a Federal Instrumentality Security carries a rating lower than the highest category by any NRSRO, the security is eligible for purchase subject to the following limitations: the final maturity (from the date of trade settlement) may not exceed the statutory limit stated in C.R.S. 24-75-601 and the security must be rated at least AA- or the equivalent by at least two NRSROs (Nationally Recognized Statistical Rating Organization), and not less by any. Subordinated debt shall not be purchased. For securities authorized in this paragraph, the Town shall limit the combined total of investments to no more than 90 percent of the total portfolio and 30 percent per issuer.
- c. Commercial Paper issued by domestic corporations with maturities not exceeding 270 days from the date of purchase, which at the time of purchase is rated at least A-1, or the equivalent by at least two NRSROs, and rated not less by all NRSROs that rate the commercial paper. If the commercial paper issuer has senior debt outstanding, it must be rated at least AA, or the equivalent at the time of purchase by at least two NRSROs, and rated not less by all NRSROs that rate the issuer. The aggregate investment in commercial paper, banker's acceptances, and corporate debt shall not exceed 50% of the Town's investment portfolio, and no more than 5% of the Town's investment portfolio may be invested in the obligations of any one issuer.
- d. Corporate Debt 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 NRSROs, and rated not less by any NRSRO that rates it. The aggregate investment in corporate debt, commercial paper, and banker's acceptances shall not exceed 50% of the Town's investment portfolio, and no more than 5% of the Town's investment portfolio may be invested in the obligations of any one issuer.

- e. Local Government Investment Pools. Pursuant to CRS 24-75-702 that 1) are "no-load" (no commission or fee shall be charged on purchases or sales of shares); 2) have a constant net asset value of \$1.00 per share; 3) limit assets of the pool to those 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 AAA or the equivalent by one or more NRSROs.
- f. Repurchase Agreements with a termination date of 180 days or less collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in a. and b. above with a final maturity not exceeding ten years. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the transaction. Collateral shall be held by the Town's third-party custodian bank, and the market value of the collateral securities shall be marked-to-the market daily. Repurchase Agreements shall be entered into only with broker/dealers recognized as Primary Dealers by the Federal Reserve Bank of New York, or with firms that have a Primary Dealer within their holding company structure. Approved Repurchase Agreement counterparties if rated, shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent by each NRSRO that rates them.
- g. Non-Negotiable Certificates of Deposit with a maturity not exceeding five years in any FDIC insured state or national bank located in Colorado that is an eligible public depository as defined in CRS 11-10.5-103. Certificates of deposit that exceed FDIC insurance limits shall be collateralized as required by the Public Deposit Protection Act. In addition, at the time of purchase, issuing banks shall meet the credit criteria set forth in the section of this investment policy, "Selection of Banks".
- h. Eligible Banker's Acceptances with maturities not exceeding 180 days, issued by FDIC insured state or national banks. Banker's Acceptances shall be rated at least A-1, or the equivalent at the time of purchase by at least two NRSROs and rated not less by all NRSROs that rate the instrument. If the issuing bank has senior debt outstanding, it must be rate at least AA or the equivalent at the time of purchase by at least two NRSROs and rated not less by all NRSROs that rate the bank. The aggregate investment in banker's acceptances, commercial paper, and corporate debt shall not exceed 50% of the Town's investment portfolio, and no more than 5% of the Town's investment portfolio may be invested in the obligations of any one issuer.
- i. Money Market Mutual Funds registered under the Investment Company Act of 1940 that: 1) are "no-load" (no commission or fee shall be charged on purchases or sales of shares); 2) have a constant net asset value of \$1.00 per share; 3) limit assets of the fund to those 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 AAA or the equivalent by one or more NRSROs.

The foregoing list of authorized securities and transactions should be strictly interpreted. Any deviation from this list must be pre-approved by the Council of Trustees.

8. Prohibited Investments. It shall be the policy of the Town to refrain from investment in SBA's, banks or savings and loan associations who secure more than 5% of their deposits through brokers, or whose equity to asset ratio is less than 3%, or to invest in GNMA's or Eurodollar TD's, Eurodollar CD's, Equity Mutual Funds, Unit trusts, and government backed funds not allowed by C.R.S. 24-75-601 as amended.

9. Collateral Requirements. To qualify as a depository, financial institutions and savings and loan associations must collateralize the Town's deposits in accordance with: Sections 11-10.5-101 through 11-10.5-121, C.R.S. as amended entitled "Public Deposit Protection Act"; Sections 11-47-101 through 11-47-120 C.R.S. as amended entitled "Savings and Loan Association Public Deposit Protection Act."

The Town considers repurchase agreements as simultaneous sales and purchases of securities rather than as collateralized loans. However, securities underlying repurchase agreements are referred to as "collateral" for the purpose of this policy. It is the Town's policy to require all issuers of repurchase agreements to execute a copy of the Town's master repurchase agreement. A copy must be on file *prior to entering* into any repurchase agreements. In addition, the maximum length of a repurchase agreement shall be 90 days.

10. Selection of Financial Institutions and Dealers. The Town's depository shall be selected through competitive bidding in accordance with the Town's financial policies. When selecting the depository, the creditworthiness of the institution shall be considered. It shall be the policy of the Town to purchase securities only from those financial institutions providing services as set forth in State Statutes guidelines.

All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving the Town's funds. The supervising officer of the institution shall agree to exercise due diligence in monitoring activities of the officers and subordinate staff members engaged in transactions with the Town. Employees of any firm or financial institution that offers securities or investments to the Town shall be trained in the precautions appropriate to public sector investments and are required to be familiar with the Town's investment objectives and constraints.

11. Portfolio Maturities and Volatility. It is the Town's intent to manage all of its investments, with the exception of the uniformed and non-uniformed employee pension plans, in such a way that any market price losses resulting from interest rate volatility would be offset by coupon income and current income received from the balance of the portfolio during a 12-month period. In addition, no maturity extension (swap) should be taken if it would result in negative income on the overall funds portfolio. The maximum maturity date for all securities is no more than 5 years from the date of purchase unless otherwise authorized by the Town Council.

12. Diversification. It is the policy of the Town to diversify investments within the portfolio. Securities shall be diversified to eliminate the risk of loss resulting from over-concentration of investment in a specific maturity, a specific issue or a specific class of securities. Diversification strategies shall be determined and revised periodically by the Finance Department.

When establishing specific diversification strategies, the following general policies and constraints shall apply: maturities shall be staggered in such a way that avoids undue concentration of assets in a specific maturity sector. Short-term maturities shall be selected which coincide with specified disbursement dates thereby avoiding the need to sell securities prior to maturity. Longer-term maturities shall be selected which provide for stability of income and reasonable liquidity.

13. Risk Tolerance. The Town realizes that investment risk can result from issuer defaults, market price changes or certain technical complications, which lead to temporary illiquidity. Therefore, portfolio

diversification is used as a means to control risk. The Finance Director is expected to display prudence when selecting investment securities and use safety, liquidity and yield in that order of priority as a way to minimize the risk of default. In addition, no one individual investment transaction shall be made which would jeopardize the total capital position of the overall portfolio.

14. Safekeeping and Custody. Investments of the Town shall be held by a third-party custodian (bank or broker/dealer) or any branch of the Federal Reserve. Investment officials shall be bonded to protect the public against possible embezzlement and fraud.

15. Defense of Staff and Payment of Judgments or Settlements against Staff. Staff, as public employees of the Town, shall be subject to the defense of public employees and payment of judgments or settlements against public employees from liability for losses that may occur in the administration of this investment policy to the extent provided for under the Colorado Governmental Immunity Act, CRS 24-10-101 et. seq.

Debt Policy

Long term debt is a liability that places a future contractual or other obligation against future revenues of the Town. This policy will set guidelines for the amount and type of debt to be issued by the Town.

1. Use for Capital. The Town will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues.

2. Life of Debt. The life of debt is not to exceed 75% of the life of the project or acquisition – when the Town 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.

3. Debt restrictions. The Town will not use long-term debt for current or annual operations. Debt that obligates future Town Councils shall be approved consistent with applicable state statutes.

4. Legal Debt Limits. The Town will review its legal debt limitation at least annually. Debt limits will be included in the statistical section of the Comprehensive Annual Financial Report (CAFR).

5. Form of Debt. The Town may borrow money and issue bonds, securities, documents and instruments of indebtedness or enter into other obligations to evidence such borrowing and may otherwise incur payment obligations. The ultimate form of debt shall be recommended by the Town Manager for consideration and approval by the Town Council.

- a. General Obligation. General obligation debt is subject to voter approval. No general obligation debt can be created unless it has been approved by a majority of the registered electors of the Town, in an election, for that purpose. General obligation debt shall be structured on a level debt service basis with a maximum maturity of 30 years, but terms may vary as conditions warrant. Debt service on general obligation debt can be payable from a separate mill levy, taxation, fees or revenue from projects.

- b. Revenue Bonds. Revenue bonds are generally used to finance assets that generate revenue which may repay the obligation. Revenue bonds may be issued without approval of the registered electors of the Town and are not payable from a dedicated mill levy, or sales and use taxes.
 - c. Lease Financings. Lease financings are generally used for long-lived assets that would not be affordable if funded on a lump sum or cash basis during a single year. Lease financing is subject to approval by the Town Council. This type of financing is not considered debt or a multiple-fiscal year financial obligation under the Colorado Constitution.
6. Annual Review. The Town of Johnstown will conduct an annual review of its debt taking into consideration current market rates and current cash flows.
7. Bond Rating. The Town will maintain a strong bond rating that is consistent with other Town goals. The Town will maintain good communications with bond rating agencies about its financial condition. The Town will follow a policy of full disclosure on every financial report and bond prospectus.
8. Debt Refinancing. When advantageous to the Town, the Town Manager and/or Finance Director shall present options to the Council.

Grant Policy

The purpose of this section is to develop, implement, and maintain meaningful grant oversight and coordination for the Town thereby increasing grant related revenue, limiting the Town's exposure for grant related legal liability, and improving the efficiency and impact of programs and services funded through grants.

Grant funds received by the Town support important programs and services that the Town provides to the community including: public safety, recreation, homeland security, infrastructure improvements, among others.

1. Conflict of Interest. No employee or official of the Town shall have any interest, financial or otherwise, direct or indirect, or have any arrangement concerning prospective employment that will, or may be reasonably expected to, bias the design, conduct, or reporting of a grant-funded project on which he or she is working unless disclosed and such official shall disclose the conflict and if an elected official, abstain from voting for or against the item.

It shall be the responsibility of the Grant Project Manager for each particular grant-funded project to ensure that in the use of project funds, officials or employees of the Town and nongovernmental recipients or sub-recipients shall avoid any action that might result in, or create the appearance of:

- a. Using his or her official position for private gain.
- b. Giving preferential treatment to any person or organization.
- c. Losing complete independence or impartiality.
- d. Making an official decision outside official channels.

- e. Affecting adversely public confidence in the grant funded program in particular and the Town in general.

2. Roles and Responsibilities. Department Heads and staff that occupy positions of responsibility with respect to grant activity have specific roles and responsibilities that they shall perform and uphold both ethically and in the best interests of the Town.

- a. Town Council. The Town Council has the sole responsibility for approving grant awards by resolution.
- b. Town Manager. The Town Manager has the sole responsibility for approving all grant applications not requiring legislative body approval and executing all grant contracts and agreements for grant awards approved by the Town Council.
- c. Finance Department. All grant activity must be routed through the Finance Department including receipt and deposit of grant related funds and requests for expenditure of funds. Grant applications and/or grant status reports often require the signature of the “Finance Officer” or similar title representing the Town’s senior financial authority. In these cases, the name and requested information for the Finance Director shall be provided. The Finance Department is responsible for setting up project accounts to track revenues and expenditures. Separate revenue and expense accounts or sub accounts shall be created for all federal grants.
- d. Town Attorney. A legal review of grant agreements should be done to ensure that all of the terms of the agreement are legally enforceable. The Town Attorney shall review the terms and conditions of the award as the initial step in the Resolution process, as requested by the Town Manager, Finance Department or Department Head.
- e. Town Departments. Town Departments are responsible for all aspects of the grant process including planning for grant acquisition, preparation and submitting grant proposals, preparing Resolution requests to accept funds, developing grant implementation plans, managing grant programs, preparing and submitting reports to grantors, and properly closing out grant projects, as detailed throughout this manual and in compliance with requirements of the grantor. The department receiving the grant shall also be responsible for making an internal request to the Finance Department to establish a project account number for the grant program. Department staff and Finance Department staff will maintain a close working relationship, with respect to grant activity, to ensure a clear understanding of the project status.

3. Grant Planning. Each Town Department that seeks grant funding shall undergo an annual planning process for grant acquisition coordinated through the appropriate department head to compile a comprehensive list of Department needs that can potentially be met through grant funding. Budgets and narrative statements should then be developed for each of the needs, as should goals and objectives that, once achieved, will address the identified need. Federal grants often require more extensive reporting requirements than state and local grants. The anticipated cost of administering and implementing the grant should be compared to the dollar benefit of the grant. The Department Head shall take the cost/ benefit analysis into consideration when determining which grants to submit application requests. If grant becomes available after budget planning, appropriations should be handled as needed.

4. Grant Award and Resolution. The Department receiving the grant award must prepare the Resolution and the agenda commentary and submit it to the Town Clerk for inclusion in the Town Council packet. A

grant award letter and grant agreement must accompany the Resolution. The Resolution may include language for a supplemental appropriation by the Town Council for inclusion in the year-end supplemental appropriation.

5. Grant Implementation. All departments that receive grant funding shall develop a Grant Implementation Plan that identifies the goals and objectives to be achieved, the project timeline, milestone events, an anticipated expenditure schedule, roles and responsibilities, and takes into account grantor terms and conditions.

Upon notification of a grant award, the recipient department shall convene an implementation planning process that includes the Finance Director, Finance staff, key project staff, and any other key individuals. Exceptions to this requirement must be approved by the Town Manager.

6. File Management. All Town Departments shall maintain a file format for grant related documents to include separate sections for documents associated with submittal, research, award, and reports, with clear separation between fiscal years, unless otherwise directed by the grantor. The grantor's preferred file structure shall always take precedence.

7. File Structure. All department and master files associated with a grant award must include the following five sections with clear separations between different fiscal years, unless otherwise directed by the grantor.

- a. Submittal – application guidance and copy of application.
- b. Research – statistical and other information used in preparation and support of the grant.
- c. Award – award letter, objectives and requirements, grant agreement and anything else related to the award.
- d. Financial Services – account set up, copies of all invoices and payment requests.
- e. Reports – reports submitted to granting entity and evaluation components.

8. File Retention. The Town maintains grant records for a minimum of three years following the closure of their most recent audit report. If any litigation, claim, negotiation, audit or other action involving records has been started before the expiration of the three year period, the records must be maintained until the completion of the action and resolution of all issues that arise from it, or until the end of the regular three year period, whichever is later. Grantors may require retention periods in excess of three years. Grantor requirements will take precedence.

9. Budget Modifications. Modifications to the budget associated with a grant funded project in such a way that will alter the grant amount or move funds from one budget to another, shall require prior approval from the grantor or as per the grantor's terms and conditions. Approval in writing from the grantor is required.

10. Receipt of funds. If the grant funds have not already been appropriated then no funds shall be dispersed until a Resolution has been approved by the Town Council and the Finance Department has establishing the accounting specifics.

11. Procurement. All procurement activity associated with grant-funded projects shall follow the procedures outlined in the Purchasing Policy, as well as the grant requirements, whichever is more restrictive.

12. Program Income. All program income resulting from a grant-funded project or program shall be managed and maintained as established in the award letter, grant agreement, contract, special conditions, or other document generated by the granting entity.

13. Reporting. Recipient department shall prepare accurate and timely reports as required by the grantor. All financial reports and reimbursement requests must be reviewed by the Finance Director prior to submission to the grantor.

14. Grant Oversight. During the grant period of any grant received by the Town, the appropriate Department Head may review files associated with the grant and that project or program it funds.