

**RESOLUTION NO. 22-05**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY  
OF CASTLE PINES, COLORADO, ADOPTING  
FINANCIAL AND BUDGET POLICIES**

**WHEREAS**, the City Council is vested with authority pursuant to Section 1.4 of the Home Rule Charter to adopt budgets and determine policies of the City; and,

**WHEREAS**, the City adopts financial policies to promote a strategic, long-term approach to financial management; and,

**WHEREAS**, the Government Finance Officers Association (GFOA), through its officially adopted Best Practices endorsement of National Advisory Council on State and Local Budgeting (NACLSB) budget practices and the GFOA Distinguished Budget Presentation Award Program, has recognized financial policies as an essential part of public financial management.

**WHEREAS**, formal and written financial policies are established to help the City:

- Institutionalize good financial management practices
- Clarify and set strategic intent for financial management
- Define boundaries
- Support good bond ratings and thereby reduce the cost of borrowing
- Promote long-term and strategic thinking
- Manage risks to financial condition
- Comply with established public management best practices; and,

**WHEREAS**, the City Council has reviewed these financial and budget policies and finds that it is in the best interest of the City to adopt these financial and budget policies; and,

**WHEREAS**, the City Council previously adopted a purchasing policy via Resolution No. 18-21 and an investment policy via Resolution No. 18-17, both of which remain in effect.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Castle Pines, Colorado, as follows:

**Section 1.** The Financial and Budget Policies attached as Exhibit A are hereby adopted as financial and budget policies of the City.

**Section 2.** **Effective Date.** The Financial and Budget Policies set by this Resolution shall be effective January 25, 2022 and may thereafter be amended from time to time by resolution of the City Council.

**Section 3.** If any portion of this Resolution is held to be invalid for any reason, such decision shall not affect the validity of the remaining portions hereof.

**INTRODUCED, READ AND ADOPTED AT A REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF CASTLE PINES by a vote of 7 in favor, 0 against and 0 absent, this 25th day of January, 2022.**



**ATTEST:**

DocuSigned by:

*Tobi Duffey*

AD03A3B02032400

Tobi Duffey, City Clerk

DocuSigned by:

*Tracy Engerman*

18352126504545A...

Tracy Engerman, Mayor

**APPROVED AS TO FORM:**

DocuSigned by:

*Linda C. Michow*

5241DE9908FF444...

Linda C. Michow, City Attorney

**EXHIBIT A**

**CITY OF CASTLE PINES  
FINANCIAL AND BUDGET POLICIES**



## Financial and Budget Policies Purpose

The City adopts financial policies to promote a strategic, long-term approach to financial management. The following formal and written financial policies are established to help the City:

- Institutionalize good financial management practices. Formal policies usually outlive their creators, and thus promote stability and continuity. They also prevent the need to re-invent responses to recurring issues.
- Clarify and set strategic intent for financial management. Financial policies define a shared understanding of how the City will develop its financial practices and manage its resources to provide the best value to the community.
- Define boundaries. Financial policies define limits on the actions staff may take. The policy framework provides the boundaries within which staff can innovate to realize the organizations strategic intent.
- Support good bond ratings and thereby reduce the cost of borrowing.
- Promote long-term and strategic thinking. The strategic intent articulated by many financial policies necessarily demands a long-term perspective from the City.
- Manage risks to financial condition. A key component to governance accountability is not to incur excessive risk in the pursuit of public goals. Financial policies identify important risks to financial condition.
- Comply with established public management best practices. The Government Finance Officers Association (GFOA), through its officially adopted Best Practices endorsement of National Advisory Council on State and Local Budgeting (NACLSB) budget practices and the GFOA Distinguished Budget Presentation Award Program, has recognized financial policies as an essential part of public financial management.

## Objectives

The following policies are developed, designed, presented, adopted, and reviewed to provide written guidance to City officials when making financial decisions that will maintain a level of fiscal health that allows the City to continually deliver the services our citizens deserve and expect.

1. **General fund reserves.** Policies governing the amount to be held in reserve and conditions under which reserves can be used.
2. **Structurally balanced budget.** Policies that offer a distinction between satisfying the statutory definition and achieving a true structurally balanced budget.
3. **Revenues.** Policy guidance through the designing of efficient and effective revenue systems that guarantee the generation of adequate public resources to meet expenditure obligations.



4. **Capital.** Policies that cover the lifecycle of capital assets, including capital improvement planning, capital budgeting, project management, and asset maintenance.
5. **Operating budget.** Policies that describe essential features of the budget development process and form, as well as principles that guide budgetary decision making.
6. **Long-term financial planning.** A policy that commits the City to taking a long-term approach to financial health.
7. **Procurement.** Policies that are most essential for adoption by the governing board in order to encourage efficient, effective and fair public procurement.
8. **Grants.** Policies that deal with the administration and grants' process.
9. **Investment.** Policies that provide guidance on the investment of public funds, including permissible investment instruments, standards of care for invested funds, and the role of staff and professional advisors in the investment program.
10. **Debt.** Policies that govern the use of government debt, including permissible debt instruments, conditions under which debt may be used, allowable levels of debt, and compliance with continuing disclosure requirements.

## Financial and Budget Policies

### 1. General Fund Reserve Policies

Adequate reserve levels are a necessary component of the City's overall financial management strategy to mitigate current and future risks such as revenue shortfalls or unanticipated expenditures. Reserve levels are also a key factor in external agencies' measurement of the City's financial strength which results in favorable credit ratings and access to lower cost of financing.

**A. 3-month reserve requirement:** The City will strive to maintain the General Fund's budgeted fund balance at no less than three (3) months (25%) of regular General Fund operating expenditures. It is essential that the City maintain an adequate level of fund balance to mitigate current and future risks, including revenue shortfalls and unanticipated expenditures.

**B. Use of required reserves:**

- a. Use of the required reserves must be approved by the City Council through the annual budget process.
- b. Use of required reserves during the year must be approved by the City Council during a budget amendment process, which must occur within sixty (60) days of when the revenue shortfall or unanticipated expenditure(s) occur.
- c. Reserves may be used at the discretion of City Council to (a) provide temporary resources in the event of an economic downturn while expenditure reductions are implemented or alternative sources of revenue are determined; (b) provide resources to meet emergency expenditures in case of natural disasters or other catastrophic events; and (c) provide resources



for one-time capital outlay expenditures, which include capital equipment as part of the capital improvement plan, or other one-time expenditures as determined by City Council.

- d. Any requested use of required reserves shall be accompanied by a plan to replenish them.

**C. Replenishment of required reserves:** Should City reserves fall below the 3-month reserve requirement threshold; the City will strive toward regaining the minimum threshold within the next budget cycle; however, recovery should take no longer than within the third budget cycle following such use. The plan for a longer-term replenishment of the reserves should be forecast in an updated City long-term financial plan. Sources that would typically be looked to for replenishment of the required reserves include nonrecurring revenues and budget or year-end surpluses.

**D. Surplus funds:** Funds that exceed the 3-month reserve requirement and the General Fund is brought into structural balance. A minimum of 10% of the surplus amount will be devoted to capital projects, including setting aside funds for future infrastructure and facility maintenance needs.

**E. Taxpayer Bill of Rights (TABOR) reserve:** Article X, Section 20 of the State Constitution requires a reserve of 3% of fiscal spending for emergencies. The TABOR reserve is included in the City's 3-month reserve requirement.

## 2. Structurally Balanced Budget Policies

The City is required by the City Charter to adopt a balanced budget (i.e., budgeted expenditures must not exceed available revenues and beginning fund balances). However, a budget that meets the statutory definition of a balanced budget might not be financially sustainable. For example, a balanced budget that uses fund balance (i.e., expenditures exceed revenues) or that relies on the use of nonrecurring resources to fund ongoing expenditures is not structurally balanced. A structurally balanced budget is one that supports financial sustainability for multiple years into the future.

While it is the City's intent to have flexibility on how to pursue and achieve a structurally balanced budget, the following should be closely observed when developing the annual budget and long-term financial plan.

- A. Ongoing expenses will be covered by ongoing revenues:** The City will strive to adopt a structurally balanced budget; wherein ongoing expenses will be covered by ongoing revenues. Ongoing revenues and ongoing expenses are those that can be expected to continue year after year.
  - i. **Ongoing revenues** are the portion of the City's revenues that are reasonably expected to continue year to year, with some degree of predictability.
  - ii. **Ongoing expenses** are expenditures that are expected to be funded every year to maintain desired service levels.
- B. Create plan to achieve structurally balanced budget:** When adopting a structurally balanced budget is not feasible and the use of fund balance or use of non-recurring revenues are used to cover recurring operating expenditures that are necessary to maintain the quality or a defined level of service, the adopted budget shall include an explanation of the circumstances leading to this. In addition, a long-



term financial plan shall demonstrate the strategy to achieve a future structurally balanced budget.

### **3. Revenue Policies**

#### **A. User charges and fees:**

- i. The City will focus on imposing user charges and fees to help fund City services when those services especially benefit a particular group.
- ii. Established fees will be reviewed and updated periodically based on factors such as the impact of inflation, other cost increases, adequacy of cost recovery, use of services, and the competitiveness of current rates. The review should be performed in conjunction with a look at alternatives for cost reduction.
- iii. The following will be considered when setting user charges and fees.
  - Applicable laws and statutes, including the City's Home Rule Charter Article X, Sec. 10.3.
  - Identify the factors (affordability, pricing history, inflation, service delivery alternatives, and available efficiencies, for example) that may impact the pricing of goods and services.
  - Calculate the full cost of providing a service to provide a basis for setting the charge or fee. Full cost incorporates direct and indirect costs (including operations and maintenance), overhead, and charges for the use of capital facilities.
  - Determine whether the user charges and fees intend to recover the full cost of providing goods and services. If the full cost of a good or service will not be recovered, then an explanation for this deviation should be provided.
  - Benchmark individual fees and charges with those charged by comparable or neighboring jurisdictions can guide setting rates.
  - Utilize long-term forecasting in ensuring that charges and fees anticipate future costs in providing the service.
  - Provide information on charges and fees to the public. There should be opportunities for citizen feedback, particularly when new rates are introduced or when existing rates are changed. This includes the government's policy regarding full cost recovery, subsidies, and information about the amounts of charges and fees (current and proposed), both before and after adoption, and the anticipated impact of the new fee on providing the service in future years.

**B. Non-recurring and volatile revenues:** Identification of non-recurring revenues and volatile revenues should be made and those identified revenues should be directed towards one-time uses and away from ongoing expenditures. Volatile revenues are those that are determined to exceed the normal expected growth rate for a particular revenue.

**C. New revenues and changes to revenue:** The City should continually seek to maintain a diversified and stable revenue base to prevent disruptive fluctuations in revenue yield. New revenues and changes to revenue (change the rate or base) must consider a) associated laws, stability of the revenue source, b) suitability to the program or purpose, c) fair distribution of burden as measured by ability to pay vs. the benefits received, d) acceptability by the community, e) economic competitiveness relative to other



communities, f) costs to administer, and g) having minimal impact on private economic decisions.

- D. Revenue estimates:** Revenues will be estimated conservatively to avoid revenue shortfalls. However, care should be taken to accurately forecast revenue and thereby purposefully avoid underestimating revenue.
- E. Grants:** Grant funding is encouraged. Grants are an attractive form of funding because they offer the possibility to reduce reliance on taxes and fees drawn from the community. However, grants can harm the City's long-term financial position if they lead to implementation of an ongoing program that requires support from general tax dollars when the grant expires. SEE SECTION 8, GRANTS POLICIES.

#### **4. Capital Asset Management Policies**

- A. Capital Improvement Plan:** The City will create and annually update a Capital Improvement Plan (CIP) of no less than five (5) years in length to plan for and describe the capital investments the City intends to make over the multi-year period (applicable law: Section 10.14 of the City's Home Rule Charter).
  - i. **Scope:** For purposes of the CIP, capital outlay is distinguished from capital projects. Capital outlay includes only those projects or equipment purchases between \$5,000 and \$99,999 and having less than an estimated five years of useful life. All capital projects or equipment purchases at least \$100,000 and having five years of useful life will be included in the capital improvement planning process. These projects include capital maintenance items of \$100,000 or more, which increase the life of the existing asset.
  - ii. **Project identification:** Capital projects in the CIP should contain the asset's full lifecycle cost (purchase price, installation, operation, maintenance, upgrades, disposal, etc.), anticipated funding source, proposed timing, and relationship to other City-approved master plans.
  - iii. **Operating budget impacts:** Operating and maintenance costs must be considered for capital projects inclusion in the CIP.
- B. Capital asset renewal and replacement:** It is the City's policy to ensure that adequate resources are allocated to preserve existing infrastructure before targeting resources to build new facilities that also have operating and maintenance obligations. A renewal and replacement reserve will be established for capital assets and included in the CIP. The reserve amount should equal the greater of the average renewal and replacement needs of the asset over the coming five years or 2% of the current asset replacement value. Long-term forecasts will be developed to determine capacity to fund renewal and replacement reserves.

#### **5. Operating Budget Policies**

- A. Applicable law:** Article X of the City's Home Rule Charter and Chapter 4 of the Municipal Code set forth the requirements for the timeline, approval process, scope of the City's annual budget, and subsequent supplemental appropriations.





- B. Basis of budgeting:** The City's basis of budgeting will be the same as the basis used for governmental fund financial reporting under generally accepted accounting principles (GAAP) for all City funds.
- C. Level of control:** The level of control for the budget will be at the fund level.
- D. Link to long-term, strategic plans:** The annual budget will be developed in accordance with the policies and priorities set forth in the comprehensive plan, long-term financial plan, capital improvement plan, City Council goals, and the needs of the community.
- E. Examine past spending patterns:** The City seeks to maximize the value the public receives through its spending. Accordingly, existing spending patterns will be examined to make sure they continue to provide value.
- F. Maintaining existing services:** The City will make sure that it maintains the quality of existing core services before a new service is added unless there is an explicit decision to lower the quality of the existing services in favor of providing a new service.
- G. Budget management:** Departments are responsible for managing their departmental budgets to ensure that actual expenditures will not exceed the appropriated amount. Due to circumstances beyond their control, it may become apparent that expenditures may exceed the approved budget. Departments must notify the finance department as soon as this is apparent. Appropriate steps must be taken, including reducing expenditures in other areas or requesting a supplemental appropriation.
- H. Budget monitoring:** The finance department will monitor the overall budget-to-actual financial performance and will provide the status of the budget to the City Council monthly.
- I. Budget amendments:** When actual conditions diverge from the original budget, City staff may request approval of a supplemental appropriation. Normally, supplemental appropriations will be considered mid-year or at the end of the year. City Council should be informed of the need for a supplemental appropriation when it is known.

## **6. Long-term Financial Planning Policies**

- A. Long-term Financial Plan:** City staff shall develop a long-term financial plan (LTFP) that forecasts operating expenditures and revenue for the next three to five years. The long-term financial plan will be updated prior to the start of the annual budget process.
- B. Purpose of the long-term financial plan:** The purpose of the LTFP will be to analyze long-term trends and projections of revenue, expenditures, debt, and non-current liabilities to assure the preservation of the City's ongoing financial health (i.e., positive operating position for at least the coming five years) and to uncover potential long-term imbalances. City Council must be notified when there are potential long-term positive or adverse trends along with an analysis of these trends and possible solutions identified.

## **7. Procurement Policies**

The City's Purchasing Policy was approved by City Council via Resolution No. 18-21.



## 8. Grants Policies

**A. Grant applications:** All grant applications must have City Manager and Finance Director approval prior to submittal of the application. The following must be considered as part of the approval process.

- i. Does the grant's purpose align with the vision, mission, goals, priorities, and strategic objectives of the City Council?
- ii. Is there a specific need that the City is contemplating that could benefit from the grant being considered?
- iii. Will there be required or resulting on-going expenditures after the grant funding ends?
- iv. Does the City's grant application have a reasonable chance of success in relation to the application criteria and competitive nature of the grant?
- v. Will the financial and program reporting requirements of the grant be too administratively burdensome?

**B. Grant Administration:** Departments are responsible for the timely completion of all program reporting and other non-financial requirements of the grant. The Finance Department is responsible for the timely completion of all financial reporting requirements of the grant and ensuring the grant, associated expenditures, and matching requirements are included in the annual budget or the long-term financial plan, as applicable.

## 9. Investment Policies

The City's Investment Policy was approved by City Council via Resolution No. 18-17.

## 10. Debt Policies

Reserved.