

The Town of  
*Star Valley Ranch, Wyoming*  
Ordinance 2018-07

Title 4 - Water, Chapter 6 – Liquid Assets Management

BE IT ORDAINED BY THE GOVERNING BODY OF THE TOWN OF STAR VALLEY RANCH

Ordinance 2018- 07 provides for the creation of well-defined Water Department Reserves with specific uses and processes for administrating the reserves.

Existing Title 4 verbiage is in BLACK changes will be written in RED

This Ordinance will become effective 10 days after the completion of the third reading and passage.

**Title 4 Water  
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**Chapter 1 Utilities – Culinary Water**

**Chapter 4 Water Conservation**

**Chapter 6 – Liquid Assets Management**

**Sections:**

**4.06.010 Reserve Objectives**

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**4.06.030 WWDC Sinking Fund Reserve**

**4.06.032 System Replacement and Upgrade Reserve**

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**4.06.036 Plant Investment Reserve**

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**4.06.070 *Investments (To be added at a later date)***

## **Chapter 10 – Water Service Fees**

### **Appendix 4.10-A Culinary Water Service Fees**

## **Title 4 – Water**

### **Chapter 6 – Liquid Assets Management**

#### **Section: 4.06.010 Reserves – General**

This chapter establishes a series of Water department reserves that are well defined, and dictates their management processes for authorized uses (replacement, upgrade expansion, loan payments and acquisition of capital equipment) of the Town's Water Department's reserves to maintain the integrity of our water system on behalf of the Town's residents

#### **A. Definitions**

##### **Reserves (Fund Balances)**

A fund balance is defined as the cumulative difference of all revenues and expenditures since the government's creation. Thus, a current fund balance results from the cumulative financial decisions made by the governing body since the government's formation! Positive fund balances are also called reserves. However, not all of these funds are available for spending.

##### **Expansion**

A budgeted increase in capacity to meet the requirements of actual or anticipated users (metered connections).

##### **Maintenance**

The budgeted day to day operations including care and minor repairs of the system.

##### **Replacement**

The budgeted modification of an existing system component to:

1. fix major failed or failing components (usually of significant cost) or
2. fix an inferior component that does not meet department standards.

##### **Upgrade**

The budgeted modification of an existing system component to modernize and improve the efficiency of service to existing users.

##### **Restricted Reserves**

A reserve to be legally obligated and set aside for a particular purpose.

## **Designated Reserves**

A reserve set aside by the governing body for a particular use, but without a binding legal obligation – the governing body is free to change its' mind. Designated Reserves are legally uncommitted and are available for appropriation or spending.

## **B. Changes to Reserves**

Reserves are established to accumulate funds for specific uses. Unless otherwise provided for in a specific reserve, a reserve may be changed, altered, retired, eliminated or abandoned by standard ordinance procedures.

## **Section: 4.06.020 Funds Withdrawal Authorization**

Funds may be withdrawn and used for the sole purposes, as defined in the specific Reserve's section, exclusively under the following conditions:

### **A. Authorization for Planned Use of Reserve Funds**

**1. Budgeted Projects** – The project is part of and specifically identified in Water Department's Annual Budgets:

Title 3–Revenue and Finance,  
Chapter 19-Appropriations for Fiscal Year (current fiscal year),  
3.19.010 General Information,  
Water Department Operating Budget,  
(see appendix 3.19-B 1) or  
Water Department Capital Improvement Budget,  
(see appendix 3.19-B2)

**2. Procedure** – The Town will follow the standard procedure for Project Contracting when withdrawal of funds from any Reserve, except the Loan Repayment and Capital Equipment reserves, for a budgeted project, following these general steps;

1. Public Notification of a Water Project
2. Initiate contract action
3. Council Meeting
  - a) Project Plan – Details
  - b) Intent to finance the project with funds from a specific Reserve
  - c) Resolution

~~**3. Reserves investment income** – The interest income for each reserve investment at the end of each budget year will be placed into the System Replacement and Upgrade Reserve with the exception of the interest from the Plant Investment and Capital Equipment reserves, they will retain any interest income in their respective reserves.~~

## **B. Authorization for Emergency Use of Reserve Funds**

This ordinance gives the Mayor (or Mayor pro tem) the authority to declare a “Water Emergency” for the specific purpose of using funds from the System Replacement and Upgrade Reserve to pay for the emergency repairs of the water system.

### **1. Water Emergency -**

- a. An emergency exists which significantly threatens the continued operation of the water system; and
- b. There is insufficient time to authorize the use of reserve fund for the project in order to effectively address the emergency situation.

**2. Procedure** – Prior to the actual withdrawal of funds from the System Replacement and Upgrade Reserve for an emergency project, steps A. Documentation and B.

Notification shall be completed

#### **A. Documentation**

1. Declaration shall be within 48 hours of the detection of the condition
2. A document shall be presented to the Town Clerk for verification of the action
3. Description of the condition
4. Estimate of time and cost to repair
5. Authorization of Town Clerk to transfer funds from the System Replacement Reserve as needed to meet payment requirements
6. Signed by Mayor (or Mayor Pro Tem) and one additional Councilman

**B. Notification** – Town Clerk will immediately upon receipt of the documentation inform the following individuals of the “Water Emergency” with a copy of the declaration

1. Town Council
2. Town Administration Staff
3. Public Works Director
4. Water Board Members
5. Public Notification

**C. Hold an Emergency Town Council Meeting** within ten (10) days of declaration - Pass an Emergency Ordinance—Water Department Budget Amendment for immediate use of funds needed.

**D. At the next regularly scheduled Town Council Meeting** continue to follow up the Emergency Ordinance process with a first reading of a Budget Amendment Ordinance.

## **Section: 4.06.030 WWDC Sinking Fund Reserve**

This section authorizes the creation and use of a WWDC Sinking Fund Reserve as a condition of our Loans and Grants from the Wyoming Water Development Commission (WWDC). This reserve is classified as a **Restricted Reserve**

## **A. Objective**

1. To remain in total compliance with the terms and conditions of our Loan and Grant contract with the WWDC.
2. To be used for repairs and maintenance to the system.

## **B. Required Amount**

Fully funded at Five Hundred Thousand Dollars (\$500,000.00)

## **C. Source of Funds**

1. This Reserve is fully funded at the inception of this ordinance. Any use of funds from this reserve shall be replaced from Water Fees at a rate of 1/10th (Ten Percent) per fiscal year until fully funded.
2. All earnings from investments shall be redeposited back into the water general fund.

## **D. Authorized Uses**

1. Any use of this fund must be authorized by the WWDC.
2. Sole purpose of this reserve is for the replacement of the water system per WWDC Loan Agreement.
3. At the end of any contractual obligation to the WWDC, this reserve will be terminated and all funds transferred into System Replacement and Upgrade Reserve.

## **E. Administration**

This section authorizes the Town Clerk to deposit, withdraw and pay obligations that are in full compliance with Title 4-Water-Chapter 6-Liquid Assets Management.

## **Section: 4.06.032 System Replacement and Upgrade Reserve**

This section authorizes the creation and use of a System Replacement and Upgrade Reserve for the sole purpose of collecting sufficient funds for the current and future costs of replacement and upgrades of the existing water system's components. This reserve is classified as a **Restricted Reserve**

## **A. Objective**

Set aside sufficient funds to replace and upgrade the existing system as needed to protect the water system's capacity and the integrity of its operational intent.

## **B. Anticipated Size**

The objective is to have a reserve balance commensurate with planned upgrades to the system and the risk of replacing large portions of the system.

### **C. Source of Funds**

1. The Town shall budget each year the larger of (1) annual anticipated Depreciation Expense for the water system's infrastructure or (2) the total of annual water loan payments to the State of Wyoming. All excess funds following the allocation to the Loan Repayment Reserve shall be deposited in this reserve.
2. Town Council by resolution or ordinance may deposit additional funds into this reserve.
3. **All earnings from investments shall be redeposited back into the water general fund.**
4. At the inception of this ordinance, the combining of two existing reserves; Water Depreciation Reserve and Water Connection Fee Reserve shall be transferred by resolution into this reserve.

### **D. Authorized Uses**

Funds shall be used solely for the current and future replacement and upgrades of the water system's components to maintain the capacities and capabilities of the system.

### **E. Administration**

This section authorizes the Town Clerk to deposit, withdraw and pay obligations that are in full compliance with Title 4-Water-Chapter 6-Liquid Assets Management.

## **Section: 4.06.034 Loan Repayment Reserve**

This section authorizes the creation and use of a Loan Repayment Reserve for sole purpose as a depository of equal, monthly deposits from monthly water fees and to ensure the availability of funds to meet loan obligations on time and in full. This reserve is classified as a **Restricted Reserve**

### **A. Objective**

To ensure the Town's ability to meet all payments associated with the water project loans from the various agencies of the State of Wyoming.

### **B. Anticipated Size**

An amount, such that the reserve never goes below \$1.00 during any fiscal period.

Reserve shall be sufficient to meet:

1. Each annual payment of all water loans.

2. The anticipated cost for interim interest or fees associated with a water system construction project loan
3. Known future payments related to in-process water project loans

### **C. Source of Funds**

1. Funds collected from Base Fees & Service Availability Fees required to meet the annual total of the water system's loan payments
2. All earnings from investments shall be redeposited back into the water general fund.

### **D. Authorized Uses**

Funds are for exclusive use to meet the Town's obligations for:

1. Each annual payment of all water loans, on time and in full.
2. The cost of any interim interest or fees associated with a water system construction project loan

### **E. Administration**

This section authorizes the Town Clerk to deposit, withdraw and pay obligations that are in full compliance with Title 4-Water-Chapter 6-Liquid Assets Management.

## **Section: 4.06.036 Plant Investment Reserve**

This section authorizes the creation and use of a Plant Investment Reserve for sole purpose as a depository of Plant Investment Fees (as described in Chapter 10) and use of funds for "expansion" costs of the existing water system's Source and Storage components. This reserve is classified as a **Restricted Reserve**.

### **A. Objective**

To protect the water system's future capacity and the integrity of its operational intent. The funds shall be used to minimize the cost of any additional, expansion to the existing Water System Users.

### **B. Anticipated Size**

The sum of the number of units (Title 4 Water, Chapter 10 Water Service Fees 4.10.035) approved by the Town Council multiplied by the Plant Investment Fees as published in the Water Ordinance Appendix (Title 4, Chapter 10-A Culinary Water Service Fees) less any expenditures for system expansion.

### **C. Source of Funds**

1. Sum of and exclusively from the Plant Investment Fees collected.

2. All earnings from investments shall be redeposited back into this reserve.

#### **D. Authorized Uses**

1. Funds shall be used solely for the current and future expansion of the Water System to provide additional source and storage capacities and capabilities resulting from the additional demands for the added users.
2. Project selection shall be by Ordinance only. (See Title 4–Water, Chapter 6–Liquid Assets’ Management, Section: 4.06.020 Withdrawal Authorization)

#### **E. Administration**

This section authorizes the Town Clerk to deposit, withdraw and pay invoices that are in full compliance with Title 4-Water-Chapter 6-Liquid Assets Management

### **Section: 4.06.038 Capital Equipment Reserve**

This section authorizes the creation and use of a Capital Equipment Reserve as a depository to accumulate funds for future acquisitions of Water Department Equipment. This reserve is classified as a **Designated Reserve**.

#### **A. Objective**

Provide the Town a mechanism to allocate funds in one or more fiscal budget years for planned equipment acquisitions in future years, thus avoiding financing charges for time payments, while spreading the costs over more than one fiscal year.

#### **B. Anticipated Size**

An amount equal to the anticipated costs of the planned equipment acquisition costs

#### **C. Source of Funds**

1. Funds budgeted from the collection of Water Fees
2. All earnings from investments shall be redeposited back into the water general fund.

#### **D. Authorized Uses**

1. Funds are for exclusive use to meet the Town’s anticipated acquisition of equipment as planned and designated in previous and current Capital Budgets, and
2. This reserve may be used to accumulate an end-of-lease purchase option.
3. Based on the needs of the Water Department, the Town Council may change, by Resolution, the designated equipment to a more critical piece of equipment.



4. Any excess funds as deemed by a Town Council Resolution may be transferred back to the Water Department's "Unencumbered Funds – Cash" account.

#### **E. Administration**

This section authorizes the Town Clerk to deposit, withdraw and pay obligations that are in full compliance with Title 4-Water-Chapter 6-Liquid Assets Management.