

MASTER

FEA/77-8-5

**Development of a
Financial Management Program for
City of Gillette and Town of Moorcro**

FINAL REPORT

Volume I. Project Summary

July 15, 1977

DISTRIBUTION OF THIS DOCUMENT IS UNL

DISCLAIMER

This report was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial product, process, or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply its endorsement, recommendation, or favoring by the United States Government or any agency thereof. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or any agency thereof.

DISCLAIMER

Portions of this document may be illegible in electronic image products. Images are produced from the best available original document.

VOLUME I. PROJECT SUMMARY

NOTICE

This report was prepared as an account of work sponsored by the United States Government. Neither the United States nor the United States Department of Energy, nor any of their employees, nor any of their contractors, subcontractors, or their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness or usefulness of any information, apparatus, product or process disclosed, or represents that its use would not infringe privately owned rights.

DISTRIBUTION OF THIS DOCUMENT IS UNLIMITED

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Background.	2
PROJECT OBJECTIVES	4
SCOPE OF WORK.	6
SUMMARY: FINANCIAL MANAGEMENT SYSTEMS	9
City of Gillette.	9
Town of Moorcroft	12
SUMMARY: FINANCING PROGRAMS	13
Management of Capital Programs.	13
Federal Assistance Programs	17
State of Wyoming Assistance Programs.	19
City of Gillette Municipal Electric Utilities System.	20
City of Gillette Water and Sewer Utility System.	22
Town of Moorcroft	24
APPENDIX	
A. Copy of Request For Proposal.	A-1
B. Bibliography.	B-1

INTRODUCTION

This report responds directly to a Request For Proposal, dated December 7, 1976, prepared by the City of Gillette, Wyoming with the advice and assistance of the State of Wyoming Department of Economic and Planning Development. A copy of the Request appears in the Appendix to this volume.

The Request For Proposal concerned development of financial management programs for the City of Gillette and the Town of Moorcroft so that the communities could provide for their present and future fiscal needs and design financial management systems capable of dealing with the impacts of rapid growth.

The project was 90% funded under a cooperative agreement for reimbursement by the Federal Energy Administration, in accordance with the Federal Energy Assistance Act of 1974 (PL93-275, Sec. 7(d)). Funds for the remaining 10% of the total cost were provided by the State of Wyoming.

The report was prepared by a contracting team composed of:

Duane G. Lankford & Company, Denver
Ernst & Ernst, Denver
Kaiser and Company, Cheyenne

In addition, the firm of Dawson, Nagel, Sherman, and Howard, recognized municipal bond counsel, Denver, assisted by providing certain legal counsel to the authors.

Duane G. Lankford & Company was the author of those sections relating to financing programs, and Ernst & Ernst prepared those sections concerning financial management systems. Kaiser and Company, with offices in Cheyenne, contributed to the project by providing valuable assistance in the difficult areas of data gathering, maintaining liaison with Wyoming municipal and State officials, and advising on the history and current practices in the field of municipal finance in the State of Wyoming.

There are four volumes comprising the total report:

Volume I. Project Summary provides an overview of the project and a summary of findings and recommendations for development of financial management programs for the City of Gillette and Town of Moorcroft.

Volume II. Financial Management Program for the City of Gillette contains specific detailed findings and recommendations and other relevant data on financial management systems and financing programs for the City of Gillette.

9506564

Duane G. Lankford & Company

9506565

Ernst & Ernst

Volume III. Financial Management Programs for the Town of Moorcroft contains similar data as in Volume II, however for the Town of Moorcroft.

Volume IV. Financial Management Assessment Handbook for Local Government is a generalized assessment manual which was developed by Ernst & Ernst as a by-product of the project. The Handbook is designed to be used by any smaller city or town to evaluate its financial management systems needs.

BACKGROUND

As stated in the Request For Proposal, Gillette, Wyoming is, to date, one of the most severely impacted communities in the rapidly developing western coal regions. Accelerated energy development in the Gillette area has already doubled its population to a current level of 12-13,000 persons. Recent federally-related actions may cause another 2,000 to 5,000-person increase in Gillette by the end of 1976. To a lesser extent, the neighboring town of Moorcroft is and will be similarly impacted.

The communities are currently operating with few trained and experienced professionals on their municipal staffs and are particularly deficient in the fiscal area. Procedures for financial management are still related to the past, rather than to the rapidly changing situations they now face and will face in the future. Urgently needed is the development of financial management systems which are dynamic in nature and can adjust as the communities' responsibilities expand and change.

In addition, both municipalities urgently need an extensive analysis of their present and future fiscal and financial conditions. A solid basis is needed for taxing, expenditure, and related fiscal conditions to provide solid information to back probable bond issues of some tens of millions of dollars in the next several years. Without such a firm informational foundation, these bonds may face considerable difficulties in the current bond market situations.

Because of the availability of strippable low-sulfur coal deposits, the energy rich western states are expected to play a major role in supplying the nation's future energy needs. When large scale energy resource development occurs within a short period of time in an area unaccustomed to such sudden growth, local government revenues and capital investment in the local services sector fail to keep pace with growing demands. The severity of socioeconomic impacts depends upon the type of development, original population size, rate of growth, location, existing local services and facilities, quality of planning, adequacy of financial management system, etc. The problems are complicated by the fact that population influxes peak in the early years of development when communities are least able to cope. As a result, housing, public facilities, and local services may not be able to keep pace with the demands of the growing population.

Such a sequence of events is not new or confined to western coal regions. Similar problems are associated with off-shore oil and gas development and development of nuclear plants in other regions. Nor are these problems strictly local in nature. Their resolution will affect the rate of expansion of the supply of the nation's energy needs. Experience indicates that most such adverse impacts may be minimized by timely financing of needed facilities and services. This requires capital...primarily public capital.

PROJECT OBJECTIVES

OVERALL OBJECTIVES

The primary objective of the project was the development of a financial management program for the City of Gillette and the Town of Moorcroft, Wyoming, in the form of a workbook written, insofar as practicable and appropriate, in laymen's language, encompassing all of the tasks and work elements described in the Request For Proposal (see Appendix), and transferable to other similarly impacted communities.

A secondary objective of the project was to recommend improvements in the communities' financial management systems as well as actions which would lead toward the attraction of necessary public or private capital.

SPECIFIC OBJECTIVES

Detailed objectives were:

1. To develop procedures to assess:
 - Present financial management systems (revenue and expenditure controls, budgeting, accounting systems, etc.).
 - Studies, such as growth plans, capital improvement plans, etc.
 - Local revenue sources (property tax, sales tax, fees, etc.).
 - Federal and state revenue sources.
2. To provide communities with guidelines and alternatives on:
 - Improvements in financial management techniques.
 - Implementation of capital growth plans.
 - Management of state and federal revenue sources.
 - Survey of cooperative governmental activities.

3. To develop an evaluation system for communities to determine the adequacy of their fiscal control and management.
4. To develop procedures for analyzing the communities' capacities and resources for marketing of borrowings.
5. To develop procedures for investigating the use of private funds for total or partial support of public development.
6. To develop an action plan for financial management improvement for the subject communities.

SCOPE OF WORK

CONTRACTING TEAM

The work was accomplished by a team of consulting firms and advisors as displayed in the Project Organization Chart, page 6. Duane G. Lankford & Company, Ernst & Ernst, and Kaiser and Company functioned as the lead team with Duane G. Lankford & Company and Ernst & Ernst as principal authors and Kaiser and Company as Wyoming liaison and municipal market advisor. Dawson, Nagel, Sherman, and Howard provided special municipal legal counsel to the team.

Members of the lead team conducted essentially four monthly progress meetings with the project coordinators from Gillette, Moorcroft, the Tri-County Planning Commission, WDEPAD, and FEA Region VIII in Denver and Washington, D. C., as well as many supplemental and information gathering meetings with the heads and staff members of affected departments. In excess of 400 manhours were expended on-site in the Gillette-Moorcroft area and total project mandays exceeded 200.

TECHNICAL WORK PLAN

The tasks accomplished conformed closely to the technical work plan initially proposed. During the course of the engagement, several detail tasks were deleted from the final report, as agreed by all project coordinators; however, those tasks were not significant in view of the overall objectives.

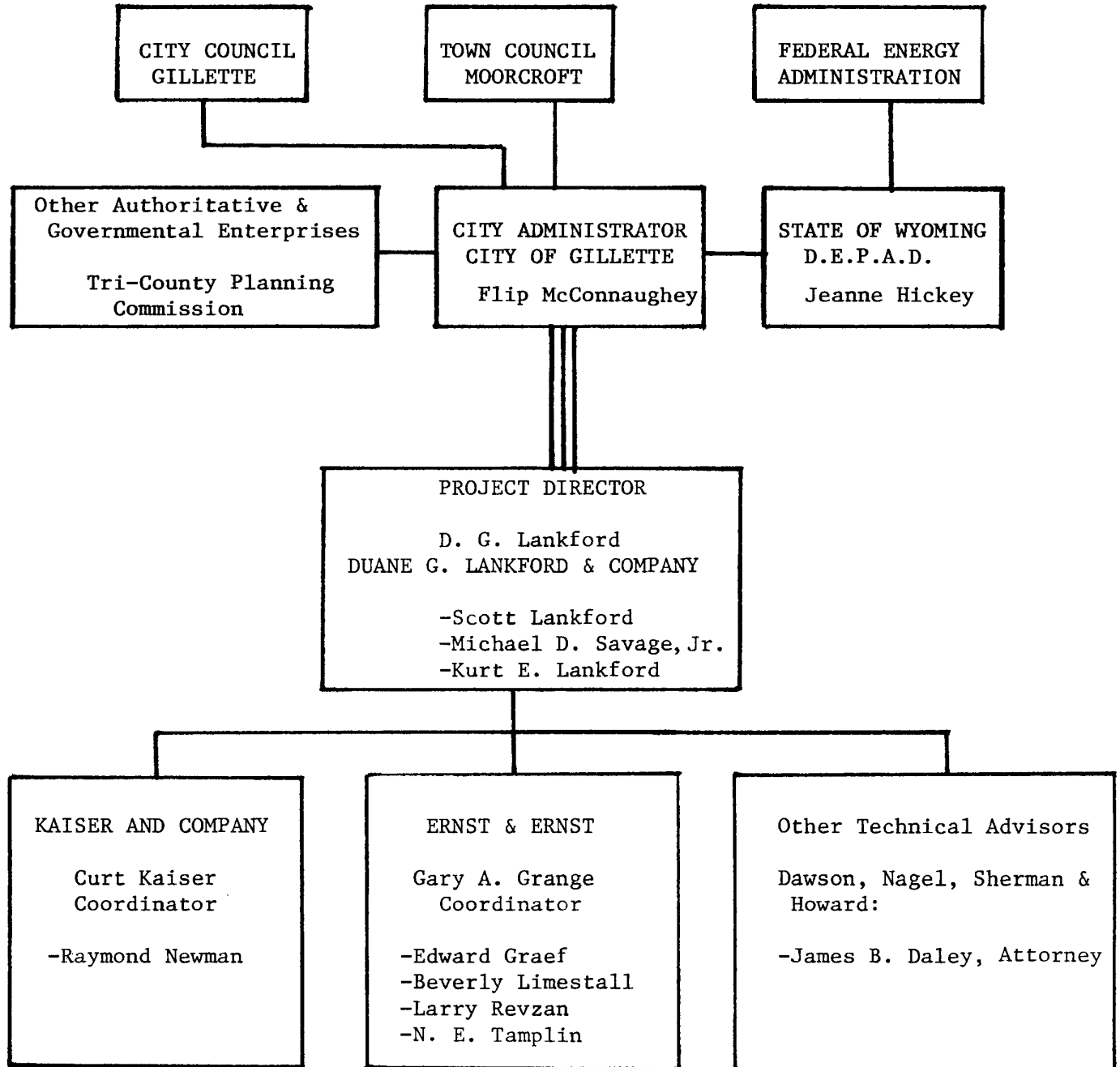
Task A. Assessment of Community Resource Management

Our staff conducted interviews on site in Gillette and Moorcroft with City and Town employees. We gathered document samples and noted critical elements of data, timing, and workflow.

The inventory of existing management systems was coordinated with development of an assessment model (later termed the Assessment Handbook) in which procedures used to assess the various systems were documented to later be included in the Handbook as a series of assessment questions.

Also included in the Handbook were brief statements of the "ideal" status of each topic in a typical municipal financial management system. This, coupled with the subject matter of questions in the Handbook, provides the user with outcome alternatives for improvement of management systems.

PROJECT ORGANIZATION



The capital growth planning alternatives were examined through an exhaustive inventory of existing and historical capital financing projects. We collected all available data from the City of Gillette regarding utility and other capital projects, as well as details on borrowings and prospective financing issues.

Task B. State and Private Public Development Support

We assessed recent borrowings of the communities of Gillette and Moorcroft from the standpoint of net effective interest costs, covenants, terms, conditions, etc. We found meaningful comparisons with other Wyoming communities, negated by the fact of the advance refunding of practically all such recent borrowings.

We analyzed and commented upon the necessity or lack thereof for standard or common provisions and clauses contained or to be contained in the documentation of outstanding and anticipated future borrowings of Gillette and Moorcroft, with particular emphasis on the effect of such clauses or provisions on future revenue planning.

We detailed the content of a general agenda of procedures for improving the step by step programming format of capital improvement projects, the format and the level of detail of full disclosure documents, and reports of Gillette and Moorcroft.

We assessed and commented upon the advantages and disadvantages of multi-jurisdictional agreements, pledge arrangements, etc., including those with the existing local and State authorities and agencies.

We commented upon current procedures and arrangements under which private sector funds may have been successfully obtained and used to support and/or mitigate impact development of public facilities, with emphasis on "front-end" or advance payment of fees and/or taxes.

We commented upon potential annexation strategy for real estate development in the subject communities.

Task C. Financial Growth Planning Program

The Assessment Handbook was applied to both subject communities, utilizing assistance from the Accounting Department and other municipal employees. Weaknesses in systems identified through the assessment technique were discussed and verified with City employees and checked against our own earlier findings.

Our consultants analyzed the findings and recommended improvements to be made in the financial management systems.

Additional tests of the Assessment Handbook were conducted at the City of Douglas and Town of Glenrock, Wyoming. Ernst & Ernst also subjected the Handbook to scrutiny in its National Office in Cleveland, Ohio and in communities in Illinois as a final evaluation.

SUMMARY: FINANCIAL MANAGEMENT SYSTEMS

The following summary condenses our findings and recommendations on financial management systems topics assessed for the City of Gillette and Town of Moorcroft. For a detailed presentation, please refer to Volumes II. and III.

CITY OF GILLETTE

RECOMMENDATIONS: FOR IMMEDIATE IMPLEMENTATION (0-12 MONTHS)

Data Processing Changes

- Change the mode of data processing to a small scale or minicomputer based data processing system.
- Engage a specialist to perform a detailed feasibility study and draft a data processing specification.
- Replace the current billing system with a more efficient one.
- Develop new accounting systems to include fund accounting as recommended in GAAFR.
- Include cash receipts as an application in new systems.

Cash Management and Investment

- Adopt a more aggressive cash investment policy.
- Prepare and update a 12-month cash flow projection.

Property Control

- Set up a property tag system as in the Handbook, Section N.
- Develop a formal preventative maintenance, maintenance scheduling, and reporting system.

Goals and Objectives

- Develop a formal statement of goals and objectives.

Operating Budget

- Make suggested additions or modifications to the budget instructions.
- Review the operating budget for inclusion of operating and maintenance costs for major capital items.

Enterprise Funds

- Develop and issue a policy on the self-sufficiency goal of each enterprise.

Grant Administration

- The City Administrator should approve all grant applications.

Personnel Administration

- The Personnel Technician should keep detailed records on operations of the Department.
- Eliminate the manual system for keeping employees' leave and sick hours records.
- Obtain a magnetic display board for the City organization chart.

Cash Receipts

- Cash should be given directly to the Accounting Department on a daily basis (from all departments).
- For other departments receiving cash, establish better internal controls over those funds.

RECOMMENDATIONS: FOR SHORT-TERM IMPLEMENTATION (1 to 2 years)

Capital Program and Budget

- Develop a capital program as in the Handbook, Section C.

Enterprise Funds

- Conduct rate studies for each enterprise after the funds have been established.

Grant Administration

- Designate a Grant Coordinator and assign duties.
- Communicate new awards to Finance Office.

- Review progress of grant programs.
- Give the Finance Office full fiscal responsibility for grant funds.

Personnel Administration

- Write formal job descriptions and distribute.
- Analyze and revise compensation plan.

Supplies and Material Inventory

- Establish a centralized warehouse for common inventory items.
- Set up a recordkeeping system for the central warehouse.

RECOMMENDATIONS: FOR LONG-TERM IMPLEMENTATION (2 YEARS+)

General Fund Revenues

- Analyze sources of general fund revenue for quality of data, dependent variables, cost data, etc.
- Perform an analysis of revenue vs. costs projected for each annexation (upon occurrence).

Personnel Administration

- The Personnel Technician should meet with department heads to determine training needs of key employees.
- Redesign the employee time reporting system and forms to allow for more detailed time reporting.

Financial Management Reports

- Prepare a conventional balance sheet and statement of changes in fund balances for each fund.
- Prepare financial reports as recommended in GAAFR.

Policy and Procedure Manual

- Prepare and issue to all department managers a policy and procedures manual.

TOWN OF MOORCROFT

RECOMMENDATIONS: FOR IMMEDIATE IMPLEMENTATION (0-12 MONTHS):

Goals and Objectives

- Develop a formal statement of goals and objectives.

Capital Program

- Develop a capital program which contains the elements outlined in Section C of the Handbook.

Payroll

- Document the Town's pay policies for improved employee information and understanding.

Policies and Procedures Manual

- Document the Town's accepted and used policies and procedures in the form of a notebook or manual.

RECOMMENDATIONS: FOR SHORT-TERM IMPLEMENTATION (1-2 YEARS):

Personnel Administration

- Establish a basic personnel administration system.
- Write job descriptions for each Town employee.

Billing

- Investigate an automated utility billing system when volume reaches 500+ bills per month.

RECOMMENDATIONS: FOR LONG-TERM IMPLEMENTATION (2 YEARS +):

Payroll

- Employees should report time spent on various activities using a new weekly time sheet.

SUMMARY: FINANCING PROGRAMS

CITY OF GILLETTE AND
TOWN OF MOORCROFT

Following is a summary of our findings and recommendations concerning financing programs.

With the exception of the City of Gillette Municipal Electric Utilities System and the City of Gillette Water and Sewer Utility System, practically all our comments and suggestions apply to both communities and would apply to other communities in the State of Wyoming.

MANAGEMENT OF CAPITAL PROGRAMS

Information and Data Base

- The "ad hoc" approach to capital program formulation typically leads to poor, inefficient, or restrictive financial arrangements.
- Without an adequate information base, it is difficult, if not impossible, to properly plan a capital program. We recommend that the City and Town implement the Assessment Model to re-evaluate its current practices with the goal that its information and data base can be more effectively used in planning the capital program process.
- Rather than comply only with current state regulations concerning accounting and audit policies and procedures, information systems should be redesigned to meet emerging national standards such as Governmental Accounting, Auditing, and Financial Reporting developed by MFOA.
- In retaining and managing technical specialists, it is essential that they be supplied with complete and accurate data with which to work. They should be required, where appropriate, to analyze and comment upon the adequacy of information supplied to them. In addition, when economic or financial considerations are analyzed by technical specialists, they should be required to comment upon the adequacy of rate structures, cost control, reserves for replacement and renewal of utility system components, and any other matters which reflect upon the financial self-sufficiency of an existing or proposed utility system.

Internal Management of Capital Programs

- Planning and management of capital programs can and should commence with the adoption, by City or Town administration, of a programming process which formalizes and delegates responsibility to various departments and/or parties.
- Depending upon the size of local government, its management structure (or lack thereof), and historical, political, or administrative policies, the precise management process will differ. However, the essential elements of the process to be performed by local government are:
 - General Administration
 - Recordkeeping
 - Planning and Development
 - Public Works and Service
 - Finance

Municipal Management Process

- The capital programming process should be comprised of the following sequence of steps:
 - Assemble and analyze information base.
 - Inventory potential capital projects.
 - Analyze individual projects.
 - Perform a financial analysis of project feasibility and capital formation.
- It is essential that the overall responsibility for the capital programming process be centralized in one individual or a group of individuals and/or departments. Criteria for centralizing are:
 - Public accountability and legitimacy.
 - Time availability.
 - Influence relative to other participants.
 - Perspective (both long-range and immediate operational).
 - Skills in data and general analysis, as well as finance.
 - The ability and authority to achieve operational effectiveness.
- In the case of the City of Gillette, we recommend that the City Administrator lead a committee made up of the City Clerk, Planning Director, and Operations Superintendent (Director of Public Works). In addition, we recommend that the City consider establishing a Finance Department for the purpose of centralizing its budget and fiscal management activities and include it on the committee.

- The City and Town, in designing their individual processes, should consider the functional purposes of the process, which are:
 - Determining the magnitude of capital needs.
 - Establishing priority of needs.
 - Analyzing ability to pay for capital needs.
 - Identifying financial assistance alternatives.
 - Portraying financial alternatives and their fiscal consequences.
- It should be emphasized that the capital programming process should be individualized and tailored to the particular needs of the local government. There is no ideal process which can be universally applied. By allowing maximum flexibility in designing the process, the character and style of government may be preserved while establishing an efficient process.

Roles of Technical Specialists

- At the point of "Financial Analysis", a highly staffed local government has probably extended the process as far as it can without outside technical assistance. On the other hand, the Town may require outside technical specialists from the outset.
- When undertaking the "Financial Analysis", local government is often best served by retaining a technical specialist to provide financial advice. There are two general types of specialists:
 - The Municipal Securities Dealer purchases the issuer's securities for resale to investors and receives its fee from the "spread" or profit on the difference between the price it pays the issuer for its securities and that which it receives from investors.
 - The Independent Municipal Financial Advisor is an advocate solely for the issuer, acting as a fiduciary much like a CPA or attorney, with its fee being unaffected by or unrelated to the Municipal Securities Dealer's "spread" or profit.

Financial Advisors

- While each type of technical specialist performs similar and divergent functions, local government, in choosing its advisor, should be aware that the borrowing process is an adversary process. Local government should choose its advisor on the

basis that its interests as a borrower are paramount to any other. In many cases an Independent Municipal Financial Advisor on behalf of local government can work effectively with a Municipal Securities Dealer whose expertise and interest involve the complex and ever-changing conditions in the securities markets.

Technical Specialists - The Team Approach

- Once local government has retained its financial advisor, it can effectively retain and manage other technical specialists, such as engineers, CPA's and special borrowing counsel, etc., on a team basis. With proper coordination of the activities of team specialists, both time and expense may be saved, with the final team product being of the highest quality to potential investors, resulting in the best borrowing terms for the issuer.

Final Capital Program Design (Agenda of Proceedings)

- Once local government has retained its financial advisor, and at the appropriate times other technical specialists, an agenda of proceedings or "roadmap" can be tailored to identify the required steps and delegate the functional responsibility to the various participants. Supplemental agendas for specific tasks may be designed to assure that they are accomplished on a timely basis. Once again, the team approach assures greater efficiency.

Full Disclosure - Official Statement/Status Reports

- Issuers of municipal securities are faced with more stringent standards of disclosure when marketing their securities in the public markets than ever before. The practical effect of these disclosure standards will be to require local government to improve its recordkeeping systems, accounting practices, and operational information base. Failure to possess an adequate information and data base may foreclose local government from accessing the public capital markets.
- The Municipal Securities Rulemaking Board proposes setting up a research system and library to compile information on new issues of municipal securities and to make the data available to the public. We recommend the City and the Town endorse this proposal and require participation of the Municipal Securities Dealers who have in the past or will in the future purchase their bond issues.

City of Gillette Parking Authority

- We recommend that the City of Gillette retain recognized independent civil parking facilities engineers and financial advisors to coordinate in the production of a planning and engineering study for the parking projects desired, and, on the basis of the findings, refund the outstanding \$500,000 Bonds to eliminate, where appropriate, any covenants and conditions not consistent with the said financial and engineering study.

FEDERAL ASSISTANCE PROGRAMS

- While federal assistance programs can potentially help meet a wide variety of financial and planning needs in energy development impacted communities, the limited availability of program funds, as well as the time and expense involved in applying for federal assistance may in many cases make it more worthwhile for small communities such as Gillette and Moorcroft to devote their resources to attempts aimed at finding funds elsewhere in the public or private sectors.
- Up-to-date and complete knowledge of the current status, priority, and funding levels of various federal assistance programs combined with information concerning proposed amendments to existing programs or the creation of new programs is essential in selecting the appropriate source of federal assistance to meet a specific problem.

General Federal Assistance Programs

- Because of the flexibility they allow in the planning, use, and administration of grants and aid, programs of general, nonspecific federal assistance such as revenue sharing, the BLM Organic Act, and the Community Development Block Grant Program are very attractive sources of future funds for planning, construction, and technical assistance. Although the amounts of assistance available are somewhat limited, such programs deserve high priority consideration by both Gillette and Moorcroft.

Housing Assistance Programs

- Although a wide variety of housing assistance programs do exist, a shortage of funds and complexity of administration make most of these programs an unlikely source of assistance at the present time. Gillette and Moorcroft would be better off investing their time and resources in attempts to have local banks and lending institutions loosen credit restrictions on housing loans, or in seeking other sources of public and private funds.

Water Resource Grants

- Despite a temporary slowdown in Congressional appropriations for water resource grants, EPA grants and loan guarantees are an excellent possible source of future funds for the construction or improvement of sewage treatment facilities in Gillette and/or Moorcroft.

Planning Assistance

- Federal planning assistance is severely limited in both scope and funding. Communities the size of Gillette and Moorcroft should concentrate on obtaining funds from the larger local planning entities, such as regional councils of government, to which federal planning monies are channeled.

Other Federal Assistance Programs

- Limited funds may be available to Gillette and Moorcroft for the construction or improvement of new airport facilities.
- Limited funds are available to provide employment and job training services for underemployed and underskilled workers.

Proposed Federal Assistance Programs

- Due to Congressional interest in both energy development and the financial needs of municipalities, there are several pieces of pending legislation before both houses, which, if passed, could provide major new sources of federal assistance and funding alternatives for energy development impacted communities. The progress of such legislation in Congress should be closely monitored by Gillette and Moorcroft.

Application for Assistance

- Gillette and Moorcroft should be aware of recent innovations made by the Office of Management and the Budget in the financial assistance application process.

STATE OF WYOMING ASSISTANCE PROGRAMS

Wyoming Community Development Authority

- Depending upon the ultimate decision of the Wyoming Supreme Court, the Wyoming Community Development Authority may become an extremely valuable source of assistance to communities such as Gillette and Moorcroft seeking the kind of "front-end" financing needed to meet the demands of rapid growth. As currently conceived, the WCDA will be able to make substantial loans, float its own revenue bonds, purchase securities issued by local governments, provide supplements to federal grants and loans, and make available technical and planning assistance. The flexibility and generous funding capacities of the WCDA could make it the single most important source of future state aid to energy impacted communities, unless restricted by the pending decision of the Wyoming Supreme Court. The final ruling of the Court on the Wyoming Community Development Authority is expected to be handed down before the end of 1977.

Wyoming Farm Loan Board

- The Wyoming Farm Loan Board has several programs specifically available to energy development-impacted communities. Once again, a key feature of the WFLB is its flexibility in affording a mixture of grants, loans, and other assistance to small communities. In combination with the WCDA, the WFLB may become the single most important source of funds for the construction of needed facilities in energy development impacted communities.

The Wyoming Industrial Siting Council

- While the Wyoming Industrial Siting Council cannot directly provide financial assistance, it may aid communities impacted by a large scale energy facility (i.e., construction cost in excess of \$50 million) by requiring the developer to use its financial resources to help maintain the quality of facilities or services in the community. In the case of Gillette and Moorcroft, the Act may have limited value since the surface mines impacting them have an individual cost below the \$50 million requirement.

Old West Regional Commission

- The Old West Regional Commission seems to recognize the special needs of small communities in energy development areas and has demonstrated a willingness to help provide some of the funds necessary to deal with the effects of rapid growth. While the historic budget of the Commission

has not enabled it to provide major construction grants and loans, the Commission is clearly a valuable source of "front-end" funding for program matching fund requirements and planning.

New Wyoming State Mineral Excise Taxes

- The six additional increases in excise taxes levied upon the production of various minerals and fossil fuels recently enacted by the Wyoming State Legislature are clearly intended to help the state, its counties, and municipalities deal with the effects of energy and mineral development. Although the bulk of the new revenues to be collected are not specifically earmarked for energy development impacted areas, the creation of these new revenues should mean a substantial increase in the funding levels of various state assistance programs for which Gillette and Moorcroft are eligible.

Joint Powers Act

- Although the effectiveness and flexibility of Joint Powers Boards have been somewhat more limited than originally intended by the Wyoming State Legislature, the Joint Powers Act could provide an excellent mechanism for more equitable distribution of new tax revenues caused by energy development. To date, no county participant in a Joint Powers Board has pledged its credit in support of a project benefiting a co-participant. Theoretically, Gillette and Moorcroft will be able to cooperate with their respective counties to jointly develop or expand much needed major utility projects, pooling the combined credit of all participants to obtain the needed funds. In addition, Joint Powers Boards may in the future be eligible for loans from the Wyoming Farm Loan Board.

CITY OF GILLETTE MUNICIPAL ELECTRIC UTILITIES SYSTEM

- Financing the electric utility system out of internally generated surplus revenues is no longer possible and, in our opinion, has not in the past been practical.
- The statutory restraint clouding the authority of the City to issue its electric utility revenue bonds should be remedied by legislative enactment of enabling legislation.

Such enabling legislation should not require a referendum.

- The statutory restraint contained in Wyoming Statutes, Section 15.1-431 should either be repealed or amended to allow any monies remaining after the specific flow of funds requirements of the securing documents of any outstanding borrowings of a specific electric utility system have been met to be used for any other lawful purpose.
- If and when the above are accomplished, the necessity for borrowings through the Gillette Electrical Facilities Authority will have been eliminated and the City may elect to issue its electric utility revenue bonds to acquire the facilities of the Authority and to secure payment of the Authority's then outstanding revenue bonds.
- Gillette and the Authority should not only adhere strictly to the terms and conditions of the Internal Revenue Service's "Letter Ruling" regarding the Authority's outstanding bonds, but should remain constantly aware of any new Internal Revenue Service revenue rulings, such as Nos. 77-164 and 77-165.
- From our analysis of the Bond Resolution, it is our opinion that while it seems clear that the Authority may issue \$650,000 of parity lien bonds, it is not clear that any subordinate lien bonds may be issued while the original \$1,150,000 Series or the proposed \$650,000 Parity Lien Series are outstanding. Furthermore, it is not clear whether the proceeds of the semi-annual bills refers to the bills presented by the Authority to the City for the lease payments for use of the facilities or to the proceeds of the bills presented by the City to its electric system customers.

We recommend that the City seek a clarifying opinion on these issues from counsel who drafted the Bond Resolution and Leasehold Agreements.

- Any prohibition found to exist on the issuance of subordinate lien bonds of the Authority should be eliminated by refunding the outstanding bonds of the Authority.
- The restriction on the issuance of parity lien bonds of the Authority in excess of \$1,800,000 should be eliminated by refunding and replaced by reasonable provisions and tests for issuance of parity lien bonds.
- In the absence of accomplishment of the findings and recommendations above, an innovative alternative borrowing technique may be the creation of a second authority independent of the Authority to act as the issuer of the necessary future electric utility borrowings.

- Gillette should select and retain recognized independent civil electric utility engineers and financial advisors to conduct a coordinated and thorough, current and future electric utility rate analysis on the basis of and to refine the planning of all visable capital expansions of the electric utility system.
- The "Consumer Annexation" section of the Dunham Associates, Inc. report on the electric utilities system^a, mentioned above, indicates the estimated cost of each consumer conversion from the Tri-County Electric Cooperative to the City under the annexation program "could conceivably run from \$200 to \$300 per consumer". Further, it is our understanding that the City currently estimates the total initial cost (including capital facilities recovery) of each new single family equivalent consumer unit connection is approximately \$1,000. Therefore, we recommend that the City establish a policy of recovering at least one third of the said \$1,000 total cost of connection in the form of a "plant investment - connection fee" for all new electric utility system connectors.

CITY OF GILLETTE WATER AND SEWER UTILITY SYSTEM

- The "COST OF WATER DELIVERED TO USERS" section of the Nelson, Haley, Patterson, and Quirk, Inc. report on the water system^b summarizes review of the City's 1975 budgets and accounts "to establish an actual cost of producing and delivering water to the City" which they indicate was \$1.9867 per thousand gallons (including capital facilities recovery) and \$1.1379 per thousand gallons (excluding capital facilities recovery). They further stated:

According to the 1975 City records, water users were billed for water consumption indicated by individual meters at a rate of \$0.88 per thousand gallons.

Since this was the only source of revenue to cover the costs of producing and delivering water to the user, the City experienced a loss of about \$0.26 per thousand gallons recorded by individual meters. This amounted to a total loss of \$86,692.

^a Report on the Electrical Distribution Feeders of the Municipal Electric Utility of the City of Gillette, Wyoming; Dunham Associates; July 1977.

^b Water Facilities Inventory - Remedial Work Program for the City of Gillette, Wyoming; and Addendum; Nelson, Haley, Patterson, and Quirk; May-June 1976.

It is our recommendation that the City of Gillette either increase the rate charged per thousand gallons to cover actual costs or find and eliminate the discrepancy between pump station logs and individual meters. In either case the City should realize approximately \$86,000 in additional annual revenue.

We concur with this recommendation.

- The approximately \$2,000,000 Outstanding General Obligation Water and/or Sewer Bonds have previously been viewed by the City as "self-supporting". With the borrowing of the \$775,000 FLB-CDA Series B, Donkey Creek A Sewer Transmission and \$1,465,000 FLB-CDA Series C, Water Storage and Transmission Loans, as subordinate lien borrowings to the Outstanding \$290,000 Sewer Refunding Revenue Bonds, Series A, the said Outstanding General Obligation Water and/or Sewer Bonds may no longer be viewed as "self-supporting" and, thus, may require payment from ad valorem taxes.
- In the continued absence of comprehensive engineering and financial feasibility studies by recognized independent civil water and sewer system engineers and financial advisors, and in the absence of the development of an innovative borrowing technique developed on the basis of such comprehensive study (including adequate rate analysis), in our opinion, contemplated future borrowings for the water and sewer utilities will be confined to FLB-CDA borrowings.
- In the future, the City should take appropriate action to assure that the terms, conditions, and covenants of any new borrowings do not conflict with previously existing terms, conditions, and covenants.
- In that the Joint Powers Agreement provides that the County "...in no way obligates itself or any of its funds for repayment of the obligation created", and in that FLB-CDA loans and grants are available to "...any agency of the State or local government", fiscally as opposed to politically, we question the value of any Joint Powers Board. On the other hand, if a county obligates an appropriate portion of its general tax base to the borrowings of a Joint Powers Board, such entity would have fiscal value.

- The total revenue of a municipally owned utility should be based on detailed estimates of cash requirements supported by operating experience and knowledge of future needs. Nationally recognized basic items included are operation and maintenance expenses, debt service requirements (principal and interest or sinking fund and principal and interest reserve requirements), normal renewal and replacement costs, and stipulated renewal and replacement reserves. Provisions for normal extensions, improvements, and replacements may be substantially equivalent to the depreciation allowances of a privately owned system. The rate structure, both current and estimated future, of the water and sewer utilities system should, at a minimum, be based upon a comprehensive analysis of these basic components. We strongly recommend that the City retain engineers to do a detailed study of the actual requirements as well as a comprehensive rate analysis.

TOWN OF MOORCROFT

- In the case of Moorcroft, it is clear that the Mayor should take the lead role in management and administration of financing programs. Due to the size of the community, many of the programs discussed in this report are not yet functionally applicable.
- The Town has little, if any, staff available and qualified to assist in the managing and administration of financing programs. Furthermore, it is questionable whether the Tri-County Planning Agency has sufficient manpower, funding, and responsibility under its current mandate to provide staff support to the Town.

Unless the mandate of Tri-County is broadened (by increasing manpower and funding), we recommend as an alternative that the Mayor retain technical specialists to act as staff to the Town. Funds for such assistance may be readily available from a variety of sources.

A P P E N D I X

- A. Request For Proposal copy
- B. Bibliography

REQUEST FOR PROPOSAL

FINANCIAL MANAGEMENT PROGRAM

CITY OF GILLETTE, WYOMING

TOWN OF MOORCROFT, WYOMING

I. Instruction to Offerers

In responding to this solicitation, please submit your proposal in three separate parts as follows:

A. TECHNICAL PROPOSAL

1. A technical dissertation describing in detail how you would proceed if awarded a contract. Not more than 25 pages, double spaced and on one side, shall be submitted in PART 1A of the proposal.
2. Included as a part of your technical proposal shall be an organized work plan. This plan should set forth a specific schedule of the work to be performed. The work plan should be in such a form as to establish a firm schedule of dates for the start and completion of all activities, related requirements of manpower, and other resources assignable to each activity. The work plan schedule shall be reviewed periodically and revised as mutually agreed by the parties to this contract. A flow chart illustrating the work plan shall also be included.

B. STAFFING, BACKGROUND AND FACILITIES

1. A general history of the research segment(s) of firms(s) involved and a description of experience in comparable studies. The name(s) of proposal writer(s) shall be included in the proposal. The names of all personnel and the positions

-2-

they will occupy as related to this project shall be provided. Biographical summaries of key personnel shall also be included.

2. If subcontractors will be used in carrying out the requirements of this project, the following minimum information concerning the subcontractor shall be furnished:

- a. Name and address of the firm
- b. Statement of work and work plan (schedule) for the portion
- c. Cost proposal (Include in PART 1C)
- d. Names and positions of personnel who will work on the project.

C. COST ESTIMATE

The cost breakdown should detail the elements of work involved, the level and number of personnel to be utilized, labor, materials, overhead, etc., and should be keyed to the organized work plan. Also included should be a maximum upset cost for the entire project.

II. EVALUATION CRITERIA

In addition to cost benefits, each proposal will be evaluated and the prospective contractor will be selected based principally on the following criteria listed in order of descending importance:

- A. Offeror's demonstration of technical competence and understanding as reflected in his proposed approach to solution of the problem.
 1. Demonstration of familiarity with appropriate technical literature.
 2. Logic and completeness of work plan.
 3. Creativity, ingenuity, inventiveness.
 4. Plan for collection and analysis of data.

-3-

- B. Offeror's responsiveness to the technical requirements of the RFP.
 - 1. Grasp of problem, recognition of critical technical issues.
 - 2. Work proposed consistent with scope of RFP.
 - 3. Time of performance.
- C. Offeror's indication of sufficient resources to complete the contract requirements satisfactorily and on schedule.
 - 1. Experience and background of principal investigator.
 - 2. Percentage of time of availability of principal investigator.
 - 3. Experience of other professionals and coverage of required disciplinary areas.
 - 4. Adequacy of required facilities and equipment.

III. OBJECTIVE

The primary objective of this study is the development of a Financial Management Program for the City of Gillette and Town of Moorcroft and a workbook that would give any community the steps to perform to arrive at a similar program. To satisfy the primary objective, the contractor shall perform the following tasks, as a minimum:

Task A - Assessment of the Status of Community Resource Management

Objective (1): To develop procedures, which communities can use to assess and evaluate the current conditions of their local financial management programs. Included will be the sources of the data and forms for utilizing that data.

Work Elements:

- 1. Develop procedures to assess present financial management systems including but not limited to revenue and expenditure control techniques, budgeting procedures, and accounting systems.

-4-

2. Develop procedures to assess studies such as growth plans or capital improvement plans and programs, focusing on their effect on local government financial management activities.
3. Develop procedures to assess local revenue sources, including but not limited to property tax, sales tax, fees, excise taxes, etc. Develop means of comparing local revenue sources to revenue data collected from other communities within the state. The local revenue sources should be organized to reflect their percentage of importance to the community.
4. Develop procedures to assess federal and state revenue sources which have been utilized by the community, including but not limited to revenue sharing, state and federal grants. Develop means of comparing state and federal revenue sources to revenue data collected from other communities within the state. The federal and state revenue sources should be organized to reflect their percentage of importance to the community.

Objective (2): To provide communities with guidelines and alternatives to improve local financial management programs. The guidelines and alternatives developed are to be presented in such a way as to insure maximum understanding by local governments.

1. Present alternative ways in which local governments can improve present financial management techniques including but not limited to revenue and expenditure control, budgeting procedures and accounting systems. Included in the alternatives should be the advantages, disadvantages and the approximate cost of implementing an alternative. A flow chart on the yearly budget process emphasizing mandatory dates should be developed.

-5-

2. Present guidelines as to how capital growth plans could best be implemented. Prepare on a per capita basis a list of necessary capital facilities for various population levels, a list of facilities required by law, and a per capita basis of the cost of each. Included in this should be alternatives for handling utilities expansions, for example self-sustaining utility systems, limits to the feasibility of extending city service systems, and methods of handling utilities extensions.
3. Furnish local governments with alternative ways of improving management techniques of present state and federal revenue sources. Prepare guidelines for administering future state and federal revenue programs, including but not limited to grants, revenue sharing, etc.
4. Provide evaluation methods for annexation impacts on local financial management programs. To be included are alternatives for evaluating the revenues the community will derive from annexations as well as the expenditures necessary to provide normal services to annexation.
5. Provide information concerning interrelationships possible between impacted governmental jurisdictions. Included should be a survey of what cooperative governmental activities are being utilized at the present time in Wyoming and what additional cooperative capabilities are provided for in the Wyoming state statutes.
6. Provide alternatives to communities on the availability of short and long term investment possibilities.
7. Develop an evaluation system for communities to use to determine if they have provided for adequate fiscal control

-6-

and management.

Task B - Wyoming Support for Community Resource Requirements

Objective: To develop procedures which communities can use to analyze their financial resource situations to determine solutions to improve their position in the sale of bonds.

Work Elements:

1. Develop procedures to assess the recent pertinent public bonded indebtedness history including successful and unsuccessful attempts at approving and selling bonds; interest rates on bonds sold; pertinent tax assessment rates, etc. Provide a basis by which information can be compared to other communities within the state.
2. Provide a list of common clauses used in Wyoming bonds that can obligate future revenue and influence future revenue planning.
3. Prepare document providing information needed to improve marketing of bonds including but not limited to:
 - a. Improvements in financial institutions of local government.
 - b. Possibilities for multijurisdictional marketing of public bonds.
 - c. State and local powers which could be used to enhance the communities bond market position.
 - d. Innovative concepts and techniques which could be developed by communities dealing with the impacts of rapid growth to facilitate the marketing of public bonds.

-7-

Task C - Private Activities in the Support of Public Development

Objective: To develop procedures which communities can use to investigate the possibilities of private funds used for the total or partial support of public development.

Work Elements:

1. Develop procedures to assess any recent pertinent arrangements in which private sector funds were used to support public development, including facilities.
2. Develop procedures to assess any recent pertinent ventures in which the private sector and government cooperated for public purpose.
3. Provide information on methods communities could employ to obtain necessary "front-end" money from developments in the private sector. Included in this analysis should be a discussion of the private prepayment of taxes.
4. Investigate and discuss the possibility and potential of local governments annexing industries to the communities which the industry is impacting.
5. Analyses of these and other private participation possibilities should include constitutional, statutory and other restrictions on the use of private sector funds for public purposes.

Task D - Financial Growth Planning and Management Program

Objective: To develop a financial management program for the City of Gillette and the Town of Moorcroft by applying the information and procedures developed in Task A-C.

Work Elements:

1. Assess and evaluate the current financial management programs of Gillette and Moorcroft.

-8-

2. Provide the communities of Gillette and Moorcroft with guidelines and alternatives to improve local financial management programs.
3. Implement procedures for Gillette and Moorcroft to determine methods of improving their position in the sale of bonds.
4. Project, to the extent possible, financial assistance to Gillette and Moorcroft from the state and federal governments and from private groups.
5. Implement evaluation system to determine if the financial management program has provided for solid fiscal control and management.

TASK E - FINAL REPORT - The final report shall be submitted in book form, encompassing all of the tasks and work elements described above. Such book shall be written in language so as to be useful to laymen. Ten copies of each book will be provided to Moorcroft, Wyoming, twenty copies of each book will be provided for the City of Gillette, five (5) copies of each book will be provided to the State of Wyoming.

NOTE: Three (3) copies of all field notes, computations, computer programs developed and/or utilized, inventory sheets, and other pertinent information, or copies thereof shall be submitted with the final report. All assumptions utilized shall be listed and discussed.

IV. TIME FRAME

It is anticipated that each task as a percentage of the total

-9-

study time should be approximately as follows:

TASK A	40%
TASK B	20%
TASK C	10%
TASK D	30%

The preparation of the final report in TASK E should in large part be accomplished as a part of Tasks A through D.

V. CITY SUPPLIED MATERIALS

1. Copies of budgets since 1969
2. Copies of grants since 1969
3. Requested information on bonds-paid or outstanding

VI. STATE SUPPLIED INFORMATION

1. The Wyoming Department of Economic Planning and Development will provide any and all documents which they may have available relative to Tasks A, B, and C of this Project.

B. BIBLIOGRAPHY

Analyses of the Economic Base and Growth Potentials, 1976-1990; Gillette and Campbell County, Wyoming. Prepared for the Department of Planning and Development Gillette and Campbell County by Gladstone Associates, June 1976.

Boom Town Financing Study - Volumes I and II; Ross M. Bolt, Dan Luna, Lynda A. Watkins; Department of Local Affairs, State of Colorado; November 1976.

Compilation of Raw Data on Energy Impacted Communities Including Characteristics, Conditions, Resources, and Structures for Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming; Mountain Plains Federal Regional Council; June 1976.

Disclosure Guidelines for Offerings of Securities by State and Local Governments; Municipal Finance Officers Association (Chicago, Illinois); December 1976.

Economic Impact of Anticipated Growth - City of Gillette and Campbell County, Wyoming; Community Development and Planning Committee, Campbell County Chamber of Commerce; July 1976.

E.P.A. 201 Facilities Plan for the City of Gillette, Wyoming; Plains Engineering, 1976.

Federal Assistance Programs and Energy Development Impacted Municipalities; Federal Energy Administration, 1976.

Financial Policies and Procedures Handbook; Colorado Department of Education; January 1976.

Financial Strategies for Alleviation of Socioeconomic Impacts in Seven Western States; Leonard D. Bronder, Nancy Carlisle, Michael D. Savage, Jr.; Western Governors' Regional Energy Policy Office; May 1977.

Governmental Accounting, Auditing, and Financial Reporting; Municipal Finance Officers Association (Chicago, Illinois) 1968.

Interim Report - Future Water Supply, Gillette, Wyoming and Environs; Robert L. Streeter, Consulting Engineer; December 1974.

Local Government Uniform Accounting System, Budgeting, Cash Management, Personnel Administration, Purchasing Procedures, Suggested Internal Reviews for Management, Additional Internal Revenues for Management; Legislative Auditor (State of Wyoming); Multi-volume Series; August 1976.

Managing the Social and Economic Impacts of Energy Developments; Energy Research and Development Administration; July 1976.

Organizing for Capital Programming in Smaller Municipalities, "Governmental Finance", Volume 3, Tichard D. Evans; November 1974.

Report on the Electrical Distribution Feeders of the Municipal Electric Utility of the City of Gillette, Wyoming; Dunham Associates; July 1977.

Socioeconomic Impacts and Federal Assistance in Energy Development Impacted Communities; Region VIII Federal Energy Administration - Region VIII; August 1976.

Special Report to the Governors - Strategies for Alleviation of Socioeconomic Impacts in Wyoming Communities, Leonard D. Bronder, Western Governors Regional Energy Policy Office; December 1976.

Water Facilities Inventory - Remedial Work Program for the City of Gillette, Wyoming; and Addendum; Nelson, Haley, Patterson, and Quirk; May-June 1976.