

**CITY OF DUNES CITY
RESOLUTION SERIES 2019, NO. 9**

A Resolution Adopting Enterprise Risk Management Policy, Rules and Procedures.

WHEREAS, Dunes City desires to promote a safe and productive work environment for citizens and staff that focuses on early identification of all risk exposures, prevention, training, and mitigation through progressive risk management; and

WHEREAS, Dunes City's insurance company, City/County Insurance Services, recommends cities adopt Enterprise Risk Management Policy, Rules and Procedures as part of each City's efforts to reduce claims; and

WHEREAS, Enterprise Risk Management will enhance the ability of the City to manage its business and financial risks;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DUNES CITY THAT:

1. The Enterprise Risk Management Policy, Rules and Procedures attached hereto as Exhibit A and incorporated by reference herein is hereby adopted.
2. This Resolution takes effect immediately upon adoption.

ADOPTION:

This Resolution is passed and adopted on the 10th day of July, 2019.

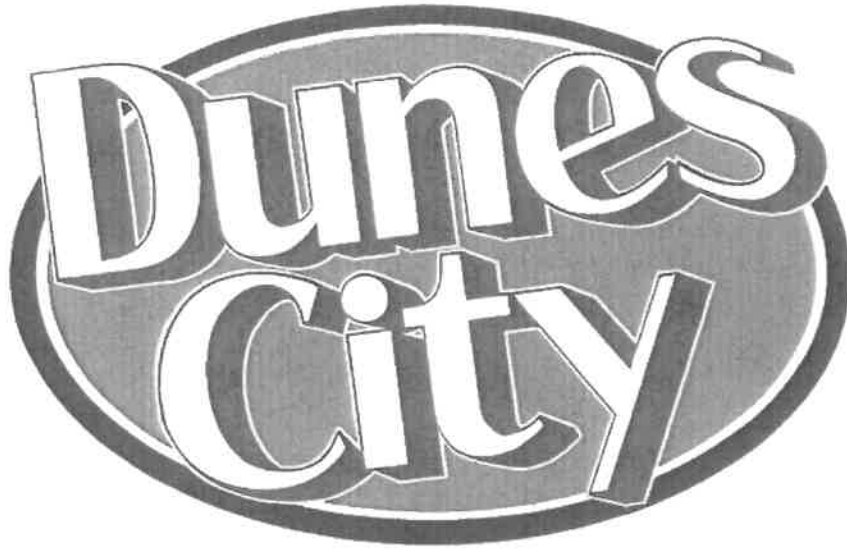


Sheldon Meyer, Council President

Attest:



Jamie Mills, City Recorder/Administrator



**ENTERPRISE RISK MANAGEMENT
POLICY, RULES AND PROCEDURES**

Resolution Series 2019, No. 9

Effective: July 10, 2019

Mission

To promote a safe and productive work environment for citizens and staff that focuses on early identification of all risk exposures prevention, training and mitigation through progressive risk management.

Risk Management Objectives

1. Maintain safe work environment through the use of staff training and advisors where effective.
 - a. Support staff with training
 - b. Promote a proactive safety committee
 - c. Maintain Risk Management Executive Team
 - d. Promote a culture of awareness and accountability
 - e. Provide and maintain appropriate resources for staff
2. Manage risk program effectively to protect public assets and resources.
 - a. Assess risk through identification of exposures
 - b. Determine appetite for risk
 - c. Proactive claims handling and reporting
 - d. Objectively retain, reduce, avoid, or transfer risk
3. Maintain reserves to meet operational and unanticipated expenses while funding the costs of the Risk Management program fairly.
 - a. Ensure adequate reserves are budgeted and attained
 - b. Routinely evaluate levels and types of coverage
 - c. Review methodology for allocating internal charges fairly and revise no less than every 3rd year
4. Develop and document policies to support risk management activities.
 - a. Personnel policies and protocols in operational activities
 - b. Establish protocol for reporting and documenting claims
 - c. Develop, review and implement best practices in key risk areas

Risk Management Responsibilities

Elected Officials, the City Administrator, Risk Management Team, Department Heads/Supervisors, Safety Committee, will together support a culture where all employees and volunteers are responsible for risk management.

Risk Management Accountability

- Identify exposures through a review of operational activities and potential for losses
- Study severity and frequency of claims and potential claims
- Mitigate risk based on actual claims, trends, and perceived exposures
- Regularly provide a summary report of risk management activities to policy makers/management for discussion and decision-making.

ENTERPRISE RISK MANAGEMENT POLICY, RULES AND PROCEDURES

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I. Policy Purpose

To formalize Dunes City's ("City") policies on managing risks inherent in our line of business and setting forth the City's:

- Risk management objectives;
- Risk governance structure and responsibilities; and
- Control policies and procedures.

Enterprise Risk Management (ERM) will enhance the ability of the Utility to manage its business and financial risks through:

- Prudent oversight
- Adequate mitigation of risks
- Sufficient internal controls and procedures

II. ERM Defined

Enterprise risk management is a process designed to identify potential events that may affect the enterprise and assure the risks associated with actions taken to manage those events do not exceed the enterprise's risk appetite, while securing optimum value from the event, thereby providing reasonable assurance of achieving enterprise objectives.

III. ERM Objectives

- Leverage opportunities to increase the value of the City to the community
- Maintain risk within desired tolerances
- Maintain stable net cash flows
- Enhance the value of the City's assets/resources
- Mitigate risk through proper due diligence

IV. Risk Governance Structure and Responsibilities

Risk governance follows a top-down approach whereby the City Council establishes ERM policy and monitors compliance.

a. City Council –Responsibilities and Duties

- Understands the ERM process
- Approves ERM objectives, and sets the City Administrator’s authority limits to conduct risk management transactions
- Establishes and periodically reviews and revises the ERM policy that sets the framework for evaluation, management, and control of risk.
- Receives periodic updates on City’s risk profile
- Approves risk management transactions that exceed delegated authority

b. City Risk Oversight Committee (ROC) - Responsibilities and Duties

The ROC includes the Mayor or one other member of the City Council, City Administrator and the Public Works Maintenance Supervisor. The ROC oversees the risk management activities on behalf of the City Council. The ROC reports to the City Council.

- Establishes scope and frequency for management reporting to the ROC and City Council
- Periodically reviews risk exposures and compliance
- Examines major financial risk exposures and the steps management has taken to monitor and control such exposures
- Periodically assesses adequacy of insurance coverage
- Recommends City Council ERM policy revisions
- Modifies City Council approved authority limits in emergency situations
- Holds formal ROC meetings and publishes meeting minutes at least quarterly

c. City Administrator - Responsibilities and Duties

The City Administrator reports to the Board of Directors and may take direction during an emergency from the ROC.

- Approves management and staff serving on the Risk Management Committee
- Transacts within the level limits set by the City Council
- Approves organization, separation or consolidation of functional risk management activities
- Assures prudent administrative procedures are established for contract controls, credit controls, settlement controls, and risk management transaction execution
- Establishes and ensures effective working relationships with any consultants or service companies utilized to help manage risk (i.e. energy risk)

d. Staff Risk Management Committee (RMC) - Responsibilities and Duties

The RMC includes all office staff. The RMC reports to the General Manager. The RMC establishes a forum for discussion of the company’s risk and develops guidelines to implement risk management control infrastructure; this includes implementation and monitoring compliance with the City’s ERM

policy. The RMC executes its risk management responsibilities through direct oversight and with prudent delegation, and:

- Reviews and implements the ERM policy and oversees enforcement of the policy
- Ensures that risk management objectives, risk tolerances, and limits are employed throughout the City
- Recommends proper organization, separation or consolidation of areas of risk
- Reviews and evaluates proposed activities and transactions to be executed by the City
- Ensures adequate risk analysis has been performed with proper assessment and mitigation of any such risk consistent with risk management objectives and risk tolerance; including the financial, legal, credit and operational impact
- Holds formal RMC meetings and publishes meeting minutes at least monthly

V. Control rules and procedures

These rules address the management of financial and operational risk associated with the City's business activities. Supporting guidelines, controls and procedures are outlined below. Responsibility for their approval, modification, oversight, and compliance shall be consistent with the governance section of this policy and unless otherwise stated, does not require the approval of the City Council.

a. Contract Risk Management

The City Administrator is responsible for monitoring contract regulations and provisions.

Transactions with counterparties shall only be permitted if the City has an active, valid, and executed agreement enabling such activity with that counterparty (i.e. contract, purchase order, letter of agreement). The City will strive to replace enabling agreements that contain outdated products and lack best practice provisions.

b. Counterparty Risk Management

The RMC is responsible for reviewing counterparty transactions. Counterparty transactions greater than \$100,000 will require the approval of the City Council.

Managing credit exposure is a critical component in overall risk management. Credit risk, as defined herein, is the potential loss the City could incur as a result of non-performance (operationally or financially) by a counterparty. The amount of credit risk in a transaction can be measured, monitored and mitigated in order to maintain the level of credit risk authorized.

The objective of credit risk management is to preserve the capital and liquidity of the City by establishing procedures that define the determinants for entering into business relationships with significant counterparty business partners that have contracts greater than \$25,000 and are not typical vendors (large construction vendors, wholesale power contracts, etc.). Counterparty credit standards follow.

It is expected that default risk will increase as the term of a transaction increases. Therefore, the City will expect a higher indication of the creditworthiness of counterparties for transactions of extended term. The creditworthiness of each subject counterparty will be determined through a fundamental analysis of the counterparty's financial and operational condition by members of the RMC. This credit analysis will include review of the two most recent years of audited (if available) financial statement information, trade and bank references, rating information as published by Standard & Poors or Moody's (if available), general industry information, and other information deemed appropriate by the RMC.

c. New Situation/Commodities/Products/Practices Risk Management

The purpose of defining a process for the introduction of a new commodity, product or practice is to ensure that the exposures associated with them are thoroughly reviewed and understood by the City Council. The RMC and/or the City Administrator will perform a review on behalf of, and make recommendation to, the City Council on the benefits and risk of the new situation, commodity, product or practice.

A new situation commodity, product or practice is something not previously transacted by the City or participation in a market that is sufficiently different from the slate of markets previously approved by the City Council in that it requires different systems, operational procedures or accounting treatment (i.e. purchasing power from a different supplier, new line of business, move from past practice).