



Fiscal Policies Overview and Adoption of Self-Insurance Funds Reserve Policy

Finance Department
City Manager's Office – Internal Audit Division

Finance Committee

October 11, 2017

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FISCAL POLICIES OVERVIEW

- Fiscal policies
 - Establish framework for managing the City's financial resources
 - Safeguard the City's assets
 - Ensure compliance with relevant regulatory mandates, industry standards, and best practices
 - Can lead to improvement in bond ratings and lower cost of capital
 - Provide assurance that tax payers dollars are spent effectively and efficiently



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COLLABORATION

- Internal Audit Division and Finance Department
 - Under the direction of the City Manager
- Develop, implement, and manage the City's fiscal policies
 - Administrative guidelines provide direction on how to implement the fiscal policies
 - City relies heavily on recommendations from the Government Finance Officers Association (GFOA) – a recognized nationwide leader in government finance – to develop its fiscal policies



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FISCAL POLICIES STATUS

Recommended GFOA Fiscal Policy Category	Recommended GFOA Fiscal Policy Name or Existing City Fiscal Policy Name	If City Fiscal Policy Exists, Date of City Council Adoption	For Proposed New Policies, Tentative Timeline for Finance Committee Presentation
Reserve Policy	General Fund Reserve Policy	9/6/2016	
	Electric Fund Reserve Policy	7/6/2016	
	Water Fund Reserve Policy	7/6/2016	
	Sewer Fund Reserve Policy	11/15/2016	
	Liability (Self-Insurance Trust) Funds Reserve Policy		10/11/2017
Debt Policy	Debt Management Policy (Including analyzing, issuing, and refunding bonds)	1/1/2017	



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Treasury, Cash, and Investment Management	Investment Policy	12/15/2015	
	Investment Pools Policy	12/15/2015	
	Policy on Investment of Bond Proceeds (Included in Debt Management and Cash Management Policies)	1/10/2017	
	Cash Management Policy	1/10/2017	
Balanced Budget	Balanced Budget Policy		December 2017
Long-Term Financial Planning	Long-Term Financial Planning Policy		December 2017



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Capital	Policy on Multi-Year Capital Planning, including Incorporating a Capital Project Budget in the Budget Process		January 2018
	Policy on Prioritization of Capital Improvement Projects		January 2018
Revenues	Policy on Establishing Government Charges and Fees		February 2018
	Policy on Revenue Diversification, Use of One-Time Revenues, and Use of Unpredictable Revenues		February 2018
Grants	Grant Management/Administration Policy	November 2017	



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SELF-INSURANCE TRUST FUNDS – RESERVE POLICY

- Developed to establish and maintain a prudent level of cash reserves to address anticipated payouts on claims, lawsuits and settlements
 - The Self-Insurance Trust Funds consist of the Worker's Compensation and General Liability funds
- Currently, the Self-Insurance Trust Funds are 32% funded.
 - With this Measure Z contribution in Fiscal Years 2017-18 and 2018-19, the funding status will increase to 47%, absent major payouts or settlements.



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SELF-INSURANCE TRUST FUNDS – RESERVE POLICY

- A survey of other cities has revealed generally higher funding levels of the liability funds.
 - Generally, a 100% funding level is desirable
 - In San Diego, a formal policy exists to maintain a 50% funding level.
- Given the City's fiscal realities, it is simply not realistic to achieve a funding status above 47%. Staff recommends:
 - **40% minimum funding level of the total combined current claims liability outstanding for the Self-Insurance Trust Funds effective June 30, 2018**



Increasing that minimum level to 50% effective June 30, 2020

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RECOMMENDATIONS

That the Finance Committee:

1. Receive an update on the status of developing critical Fiscal Policies for the City, including an overview of the policy development and review process; and
2. Review, provide comments on and forward to the City Council for approval the attached draft Self-Insurance Trust Funds Reserve Policy.

