



Finance Committee Memorandum

City of Arts & Innovation

TO: FINANCE COMMITTEE MEMBERS **DATE: JANUARY 10, 2018**

FROM: OFFICE OF ORGANIZATIONAL **WARDS: ALL**
PERFORMANCE AND ACCOUNTABILITY
AND FINANCE DEPARTMENT

SUBJECT: PROPOSED BALANCED BUDGET AND LONG-TERM FINANCIAL PLANNING
FISCAL POLICIES - DIRECT SUBMITTAL

ISSUE:

Receive, review, provide input on, and recommend to the City Council approval of the proposed Balanced Budget and Long-Term Financial Planning Fiscal Policies.

RECOMMENDATIONS:

That the Finance Committee receive, review, provide input on, and recommend to the City Council approval of the proposed:

1. Balanced Budget Fiscal Policy; and
2. Long-Term Financial Planning Fiscal Policy.

BACKGROUND:

Fiscal policies establish the framework for managing the City's financial resources and safeguarding the City's assets in compliance with relevant regulatory mandates, industry standards and best practices.

Under the direction of the City Manager, the Office of Organizational Performance & Accountability and the Finance Department are responsible for collaborating with subject matter experts to develop, implement, and manage the City's fiscal policies.

The City's comprehensive fiscal policies are developed in conformance with relevant local, state and federal laws, Generally Accepted Accounting Principles (GAAP), standards of the Governmental Accounting Standards Board (GASB), and recommendations from the Government Finance Officers Association (GFOA).

On October 11, 2017, the Finance Committee received an update on the status of the City's fiscal policies that were in development at that time. The update included an overview of the most critical fiscal policies recommended by the GFOA, a recognized nationwide leader in government finance, as well as a tentative timeline to establish each policy. Two of the fiscal policies discussed during that meeting – the Balanced Budget Fiscal Policy and Long-Term Financial Planning Fiscal Policy – have been finalized and are presented today for Finance Committee review.

DISCUSSION:

Balanced Budget Fiscal Policy

The Government Finance Officers Association (GFOA) recommends that governments adopt a policy that defines a balanced budget, commits to ensuring a balanced budget is maintained in order to provide the best possible services to taxpayers, and provides disclosure when a deviation from a balanced budget occurs.

In summary, this fiscal policy includes the following guidelines:

1. The City shall adopt a biennial structurally balanced budget at an individual fund level;
2. A biennial budget is structurally balanced when, over the course of two fiscal years, ongoing revenues equal ongoing expenditures, and limited duration or one-time revenues are only used for limited-duration or one-time costs; and
3. When developing a biennial balanced budget, the following elements must be taken into account:
 - a) The City's reserve policies for individual funds (e.g., General Fund, Liability, Electric, Water and Sewer) must be taken into consideration to achieve or maintain an individual fund's reserve target;
 - b) If a structural imbalance occurs or one-time revenues are used, the biennial budget will include a plan to bring revenues and expenditures into structural balance within the biennial budget cycle; and
 - c) Appropriated revenues may include transfers from fund balances where such fund balance is expected to exist by the end of the fiscal year preceding the year of the adopted budget, and contingent upon meeting the minimum reserve requirements.

Long-Term Financial Planning Fiscal Policy

The Government Finance Officers Association (GFOA) recommends that governments adopt a long-term financial plan of at least five years into the future. A long-term financial planning policy is intended to assist City leaders (elected officials and City management) in making prudent and informed financial decisions regarding economic development, tax policy and labor negotiations. Credit rating agencies encourage long-term financial planning, and generally favor government entities with such plans when assigning bond ratings.

In summary, this fiscal policy includes the following guidelines:

1. The City shall adopt a long-term financial plan spanning at least five years for all major City funds (e.g., General, Electric, Water, Sewer, etc.) in conjunction with the proposed biennial (two-year) budget; and
2. The long-term financial plan should incorporate the following elements as relevant and appropriate:
 - a) An analysis of economic and demographic data at the national, state and local level;
 - b) Past revenue and expenditure trends;
 - c) Forecast assumptions;
 - d) Forecasts of major revenues and expenditures based on known data, documented assumptions, and input from subject matter experts, and various internal and external stakeholders; and
 - e) Compliance with existing City fiscal policies.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

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Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Proposed Balanced Budget Fiscal Policy
2. Proposed Long-Term Financial Planning Fiscal Policy
3. Presentation