



## Balanced Budget and Long-Term Financial Planning Fiscal Policies

Office of Organizational Performance &  
Accountability and Finance Department

Finance Committee  
January 10, 2018

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### BACKGROUND

1. 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.
2. 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.
3. Two fiscal policies discussed in October have been finalized and are being presented today.



2

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## DISCUSSION

### Balanced Budget Fiscal Policy

1. The Government Finance Officers Association (GFOA) recommends that governments adopt a policy that:
  - a) Defines a balanced budget;
  - b) Commits to ensuring a balanced budget is maintained in order to provide the best possible services to taxpayers; and
  - c) Provides disclosure when a deviation from a balanced budget occurs.



3

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## DISCUSSION

### Balanced Budget Fiscal Policy

2. The City shall adopt a biennial structurally balanced budget at an individual fund level.
3. 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.



4

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## DISCUSSION

### Balanced Budget Fiscal Policy

4. The biennial balanced budget shall include the following elements:
  - 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.

5



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## DISCUSSION

### Long-Term Financial Planning Fiscal Policy

1. The Government Finance Officers Association (GFOA) recommends that governments adopt a long-term financial plan of at least five years into the future.
2. 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.

6



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## DISCUSSION

### Long-Term Financial Planning Fiscal Policy

3. Credit rating agencies encourage long-term financial planning, and generally favor government entities with such plans when assigning bond ratings.
4. 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



7

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## DISCUSSION

### Long-Term Financial Planning Fiscal Policy

5. 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.



8

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## RECOMMENDATIONS

That the Finance Committee 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.

