



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MAY 8, 2018**

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

SUBJECT: PROPOSED REVENUE DIVERSIFICATION AND USE OF ONE-TIME REVENUES FISCAL POLICY

ISSUE:

Receive, review, and approve the proposed Revenue Diversification and Use of One-Time Revenues Fiscal Policy.

RECOMMENDATION:

That the City Council receive, review, and approve the proposed Revenue Diversification and Use of One-Time Revenues Fiscal Policy.

COMMITTEE RECOMMENDATION:

The Finance Committee met on April 11, 2018, with Chair Steve Adams, Vice Chair Chuck Conder and member Mike Soubirous in attendance. The committee received and unanimously recommended to the City Council the proposed Revenue Diversification and Use of One-Time Revenues 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. 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. One of the fiscal policies discussed during that meeting – the Revenue Diversification and Use of One-Time Revenues Fiscal Policy - has been finalized and is presented today.

DISCUSSION:

The Government Finance Officers Association (GFOA) recommends that governments adopt a financial policy that encourages a diversity of revenue sources in order to improve the ability to handle fluctuations in individual revenue sources and discourage the use of one-time revenues for ongoing expenditures.

Revenue Diversification

- A. To the best of its abilities within the existing legal and legislative constraints, the City will seek to maintain a diversified and stable revenue base to reduce the effect of short-term fluctuations in any one revenue source.
- B. The City will seek to develop and maintain sources of revenue that are under its own control such as fees and charges.
- C. The City will seek new sources of revenue to diversify its revenue base.

Use of One-Time Revenues

- A. One-time revenues will be used only for one-time expenditures and not for ongoing expenditures. By definition, one-time revenues cannot be relied on in future budget years.
- B. Appropriate uses of one-time revenues may include early debt retirement, capital expenditures that will reduce operating costs and special projects that will not incur ongoing operating costs.
- C. Once the General Fund Budget is brought into structural balance, one-time revenue such as proceeds from asset sales, debt refinancing, one-time grants, revenue spikes, budget savings and similar non-recurring revenue will not be used for current or new ongoing operating expenses.
- D. The use of one-time revenues will be clearly identified in the biennial balanced budget.

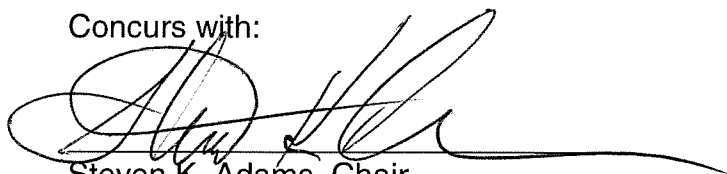
The Chief Financial Officer/Treasurer agrees with the recommendations in this report.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Cheryl Johannes, Office of Organizational Performance & Accountability
Approved by: Marianna Marysheva, Assistant City Manager
Certified as to
availability of funds: Adam Raymond, Chief Financial Officer/City Treasurer
Approved as to form: Gary G. Geuss, City Attorney

Concurs with:

A handwritten signature in black ink, appearing to read 'Steven K. Adams', is written over a horizontal line.

Steven K. Adams, Chair
Finance Committee

Attachment: Revenue Diversification and Use of One-Time Revenues Fiscal Policy