



Financial Policy Challenge

Recognition for Leading Governments

— BY KATIE LUDWIG

In 2020, GFOA launched its Financial Policy Challenge as an opportunity for GFOA members to adopt and share financial policies that are essential to a strong financial foundation.

Our surveys show that significant portions of the GFOA membership do not have some of the policies that GFOA considers critical. For example, only about half of GFOA members have a one-time revenue policy. GFOA members have continually affirmed their belief that financial policies are important, and the Financial Policy Challenge is a way to access policy templates and share examples. By working together, GFOA members can make these policies much more common.

As of year's end, 2021, 12 local governments have earned recognition as winners of the Financial Policy Challenge. To be deemed a winner, a local government had to submit

a policy or policies that addressed at least seven policy categories and for each overall category, and the policy had to include a majority of GFOA's key policy elements.

The first set of winners was highlighted in the October 2021 issue of *Government Finance Review*, and in the coming months, we will highlight more winners. This month, we are featuring the Regional Municipality of Durham, Ontario; the City of Lakeville, Minnesota; the City of Kansas City, Missouri; the City of Flowery Branch, Georgia; the City of College Station, Texas; and the Town of Oak Bluffs, Massachusetts.

GFOA will review submissions twice a year, in summer and winter, and we encourage you to submit your policies at gfoa.org/financial-policy-challenge-entry-form. If you plan to update or revise your policies and are looking for examples, you'll find all the policies that have been submitted at gfoa.org/financial-policy-challenge.



Regional Municipality of Durham, Ontario



Nancy Taylor,
Commissioner of Finance and
Treasurer for the Regional
Municipality
of Durham

Policy Categories Submitted:

Capital Planning, Debt, Long-term Forecasting and Planning, Reserves, User Fees, Investment, Procurement

What is the value of having financial policies in place?

Aside from the role of financial policies in ensuring fiscal stability, continuity, and sustainability, the documented policies the Durham Regional Council approves and champions can also become an important tool to help keep the municipality's broader strategic plans aligned with our objectives, provide consistency and guidance to staff and councilors, and enhance transparency to the public. Clarity around delegated authorities and

reporting also supports a streamlined decision-making approach and higher efficiencies across business and operational divisions.

How have your financial policies helped during the COVID-19 pandemic?

The Region of Durham's policies and processes, including emergency expenditure management, reporting, and approvals protocols, enabled relatively quick action and a streamlined approach to identifying needs, reallocating resources, and meeting the challenges related to the COVID-19 pandemic.

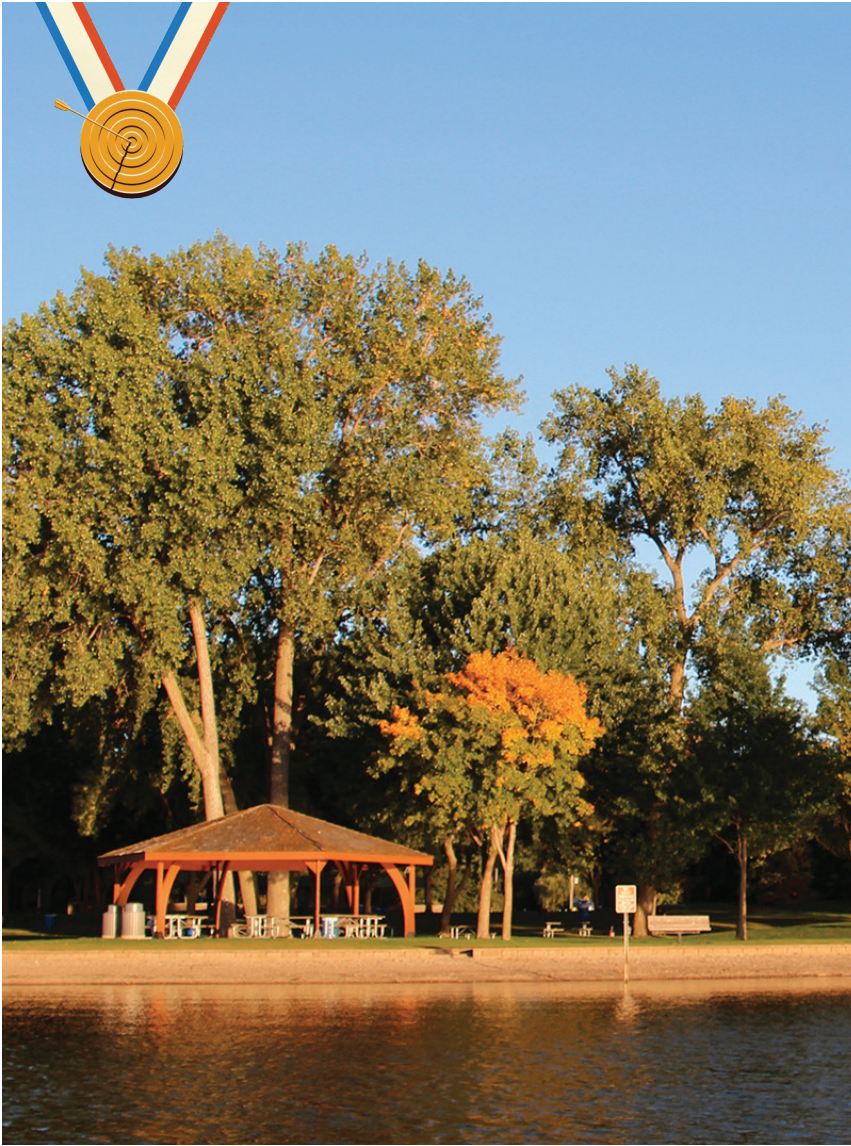
How do you make sure that internal stakeholders are aware of the policies and/or ensure that they are complying with them?

Durham Region uses a multifaceted approach to ensuring knowledge of financial policies and related processes, including disseminating

communications resources, consultations, and training sessions; collaborating through a well-established network crossing all regional program areas; and reporting and approvals by regional council.

Do you have any additional advice or insight related to financial policies that you'd like to share with your peers?

We all understand how easy it can be to lose sight of longer-term strategic objectives within the day-to-day complexities of modern government institutions; however, we also need to take the time to formalize key financial policies, including approval by council, and to revisit them to make sure they're kept current and are known to key internal stakeholders, to whom the policies can afford both guidance and protection. In Durham Region's experience, clear guidance for all staff promotes decision-making certainty as well as improved organizational efficiencies.



City of Lakeville, Minnesota



Jerilyn Erickson,
Finance Director

**Policy
Categories
Submitted:**

Capital Planning,
Structurally

Balanced Budget, Debt, Long-term Forecasting and Planning, Reserves, One-time Revenues, User Fees, Investment, Procurement

What is the value of having financial policies in place?

Lakeville has recently adopted or amended a number of financial policies as we develop long-term financial planning models for property-tax supported funds, utility funds, and debt management. Having these financial policies in place supports and affirms the city's desire to use strategic financial sustainability and resiliency principles

when making critical financial, economic development, and community development decisions.

How have your financial policies helped during the COVID-19 pandemic?

Historically, Lakeville has sought to maintain sufficient reserve levels and to budget conservatively, so we were well-positioned to handle some of the financial challenges presented by the pandemic—although it did affirm our need to build financial resiliency into our long-term planning.

Having financial policies in place also provides the city with guiding principles that we can share with the community to help them understand the decisions made by the council.

How do you make sure that internal stakeholders are aware of the policies and/or ensure that they are complying with them?

As a part of our long-term planning efforts, the policies and corresponding principles are referenced in communications with city leaders and in the final documents. Awareness of the policies is and will continue to be an ongoing effort.

Do you have any additional advice or insight related to financial policies that you'd like to share with your peers?

Lakeville has a finance committee made up of individuals who either reside in the community or work for a business here. This committee has been instrumental in reviewing and supporting policies to promote financial sustainability and resiliency. Having representatives from the community has increased the transparency of and awareness and support for the financial policies.



City of Kansas City, Missouri



Tammy Queen,
Director of
Finance

**Policy
Categories
Submitted:**
Capital Planning,

Structurally Balanced Budget,
Debt, Long-term Forecasting
and Planning, Reserves, One-
time Revenues, User Fees,
Investment, Procurement

What is the value of having financial policies in place?

Financial policies serve several purposes. They provide guiding principles for the city to use when making decisions on competing priorities and, when adopted by the governing body, they represent the shared vision/direction for the city's financial condition. Staff in Kansas City routinely cite our codified policies when providing advice to elected officials, and the credit rating

agencies routinely cite our financial policies as a credit strength.

How have your financial policies helped during the COVID-19 pandemic?

Without the dedication and fortitude of management and elected officials in adhering to the city's fund balance and reserve policy over the past decade, Kansas City would not have had sufficient reserves to sustain operations. This same policy, along with the city's one-time revenue policy, has often been cited during discussions about using American Rescue Plan Act stimulus funds.

How do you make sure that internal stakeholders are aware of the policies and/or ensure that they are complying with them?

Staff routinely cite these policies when advising the city council on financial decisions. The city's monthly budgetary basis financial report,

quarterly budget analysis, and annual financial report also provide benchmarks for adherence to the city's codified financial policies. The proof that the message has been heard loud and clear comes when elected officials cite the policies to each other when considering legislation that would have an impact on the city's financial condition, and that's very satisfying for staff.

Do you have any additional advice or insight related to financial policies that you'd like to share with your peers?

- Use examples from other governments and GFOA as a starting point.
- Involve all affected/interested stakeholders in the development process to ensure buy-in.
- Make sure the governing body adopts all financial policies.
- Develop reporting that demonstrates adherence to the policies.

City of Flowery Branch, Georgia



Alisha Gamble,
Finance Director

**Policy
Categories
Submitted:**

Capital Planning,
Structurally

Balanced Budget, Long-term
Forecasting and Planning,
Reserves, One-time Revenues,
Investment, Procurement

What is the value of having financial policies in place?

Financial policies provide guidance and structure for decision-making, from the governing authority to the operations of a municipality. Financial

policies also guide management and staff members to ensure that the overall goals and objectives for the entity are met.

How have your financial policies helped during the COVID-19 pandemic?

Financial policies are vital. During a time of uncertainty, an organization's policies provide clarity around unexpected situations. For the City of Flowery Branch, our purchasing and budget policies helped guide management and staff to cover supplies and materials to help during the pandemic and provide additional overtime staffing of essential workers. The reserves policy our

council set is conservative, and the extra reserves provided a cushion for our organization during this time of uncertainty. The city would be able to use reserves and still meet the minimum requirement from GFOA of two months' expenditures.

How do you make sure that internal stakeholders are aware of the policies and/or ensure that they are complying with them?

The city formally established most of its policies through this challenge. Management plans to review policies annually for updates, with guidance from GFOA recommendations. Staff members review some policies more frequently as a part of daily processes and procedures. For example, the purchasing policy is used every single day and reviewed as needed with each transaction.

Do you have any additional advice or insight related to financial policies that you'd like to share with your peers?

As a small, growing community, the City of Flowery Branch strives for financial transparency with the most cost-effective approach. These financial policies help guide all our organization's financial decisions and procedures. If you do not have policies, start with this challenge now to get them established. This challenge is an excellent place to begin, with guidance from GFOA and many examples from all the contributors. Teamwork from elected officials, department directors, and managers in developing policies contributes to ensuring everyone strives for the same goals and objectives.





City of College Station, Texas



Mary Ellen Leonard, Director of Fiscal Services

Policy Categories Submitted: Capital

Planning, Structurally Balanced Budget, Debt, Reserves, One-time Revenues, User Fees, Investment, Procurement

What is the value of having financial policies in place?

Strong financial policies provide consistency for the city council, citizens, auditors, and bond holders, among others, regardless of who is leading the finance department.

How have your financial policies helped during the COVID-19 pandemic?

We were able to develop dynamic financial models that could respond

to changes in the COVID-19 environment as we've moved through the last two years. From the shutdowns to the hiring freeze, procuring personal protective equipment, establishing emergency operations and a vaccine center, and, most recently, with the supply chain shortages, we have been able to pivot quickly to provide the best possible financial advice to our council, with the most recent facts and circumstances.

How do you make sure that internal stakeholders are aware of the policies and/or ensure that they are complying with them?

Internally, there is a section on our intranet that holds all the financial policies. In orientation, all employees are made aware of the intranet and what they

will find there. Annually, finance personnel update and repost the policies as part of the year-end closing process.

Do you have any additional advice or insight related to financial policies that you'd like to share with your peers?

For the policies to be a natural part of the organization, they need to have a life. Being intentional about updating policies annually at a set time helps breathe life into the documents. Convincing your external auditors that the policies can take the place of some of their required documentation is another way to breathe life into the documents. Also, require both existing and new staff to review the policies. This way, with turnover, you always get fresh eyes reviewing them.



Town of Oak Bluffs, Massachusetts



**Deborah
Potter**, Town
Accountant

**Policy
Categories
Submitted:**

Capital Planning, Structurally
Balanced Budget, Debt, Long-
term Forecasting and Planning,
Reserves, One-time Revenues,
User Fees, Investment, Procurement

What is the value of having financial policies in place?

There are many benefits to having sound policies in place, but we found that documenting and/or establishing policies provided tangible goals and objectives, along with standardized procedures, and helped us incorporate current industry standards into our operations.

Having the policies also helped us retain our AA+ bond rating, which benefits our town by allowing us to borrow funds at lower interest rates.

How have your financial policies helped during the COVID-19 pandemic?


Certain policies such as our revenue forecasting and reserve policy encapsulate the town's process in dealing with certain aspects of our financial operations and budget planning. For us, the loss of potential revenues due to COVID-19 was a considerable concern; however, we examined the potential revenue shortfalls and adjusted our estimates and budget expenditures to help mitigate the effect on our budget and operations. We further prepared secondary supporting plans for using stabilization funds if they were

needed. Fortunately, the shortfalls did not occur, and we are in a much sounder financial position, having been prepared for the worst. There is also additional confidence in our financial policies and operations, as the pandemic demonstrated that we can rapidly adapt to emergency situations as they may occur in the future.

How do you make sure that internal stakeholders are aware of the policies and/ or ensure that they are complying with them?

We just recently adopted our policies, so many of them were codified from existing policies or practices already in place. We plan to provide initial training and then recurring training to all individuals with responsibilities that are addressed in the policy manual and to conduct an annual (or as needed) update on the policies, which would include a review with the internal stakeholders regarding the policies to ensure currency, effectiveness, and compliance.

Do you have any additional advice or insight related to financial policies that you'd like to share with your peers?

One of the initial issues with our implementation was that everyone wanted the policies to be perfect before they were adopted, which was never going to happen. The initial adoption process spanned two years, and several things changed during that time, which made a few of the policies obsolete when they were finally approved. Our intent, however, was to get the policies adopted as a living document so we could implement the review and modification process, which is far more timely and streamlined, to update any policy to current practices and standards. 

Katie Ludwig is a senior manager in GFOA's Research and Consulting Center.