




Financial Policy Challenge

Recognition for
Leading Governments

BY KATIE LUDWIG





In 2020, GFOA launched the **Financial Policy Challenge**, 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.

CHALLENGE WINNERS

GFOA is pleased to announce that as of June 2021, 12 local governments have earned recognition for completing the challenge. To be deemed “complete” a local government had to submit a policy or policies that addressed at least seven policy categories, and for each category, the policy had to include a majority of GFOA’s recommended policy elements.

We will highlight the first set of winners in upcoming issues of *GFR*. This month, we are featuring interviews with the City of Mequon, Wisconsin; the City of Brookfield, Wisconsin; the Waukegan Park District, Illinois; the City of Austin, Texas; the Unified Government of Wyandotte County, Kansas; and the City of Thousand Oaks, California.

THE CHALLENGE CONTINUES

GFOA will review submissions every summer and winter, and we encourage you to submit your policies at gfoa.org/financial-policy-challenge. If you are planning to update or revise your policies, you can also view submitted policies from other governments on the same site.



City of Mequon, Wisconsin



William Jones, city administrator, submitted Mequon's policies on

capital planning, structurally balanced budget, debt, long-term forecasting and planning, reserves, one-time revenues, user fees, investment, and procurement.

What is the value of having financial policies in place?

As finance officers, we all know that little, if anything, gets done at the state or local level without the financial resources to pay for it. Moreover, and to safeguard the long-term availability of these resources, units of government need to guarantee that a strong financial foundation has been established and remains in place. Financial policies ensure that a government's day-to-day activities are conducted in a manner that does not weaken

this foundation, or the financial position of the government. Financial policies also guide the work of, and engender public trust in, the elected and appointed officials who are responsible for the lawful and careful stewardship of oft-limited resources that are mostly derived from the taxpaying public.

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

One of the underlying reasons for maintaining financial policies is to set a foundation and build resilience for unexpected events. During the COVID-19 pandemic, Mequon's financial policies were used extensively to ensure budgetary alignment between actual versus budgeted revenues and expenditures. This included enhanced reporting to the city's elected officials in areas where revenues or expenditures varied by five percent or more from the budget, and the adoption of several budget amendments throughout the course of the 2020 fiscal year. Coincidentally,

many of these initial steps were initiated to maintain the city's existing fund balance (and, likewise, adherence to its fund balance policy) while simultaneously preserving the organization's wherewithal during a time when the long-term impacts of the pandemic were still largely uncertain.

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

Following Common Council approval of Mequon's updated policies in 2018, Finance Department staff posted the full suite on the city's website so that they would be readily available to members of the public and staff alike. Additionally, all city staff received an overview of the policies, along with other organization-wide training efforts (like CPR, customer service), to further support both understanding and compliance. Lastly, any substantial expenditures (otherwise requiring council approval) or more infrequent/extraordinary financial transactions (as in debt issuance, donations) are always measured against these policies to promote rigor and ensure adherence.

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

Through the course of this endeavor, more than 40 jurisdictions throughout the United States and Canada posted policies on the GFOA website. Like a lot of work that is done at the local government level, there is no pride of authorship in these materials, which are now available for the taking. So, if your jurisdiction has not yet developed a set of financial policies or it has been a while since you last updated what's currently on the books, it's time to get to work. Put this project on this year or next year's to-do list and start the process of cutting and pasting!



City of Brookfield, Wisconsin



Robert Scott, director of Finance and Administration, submitted the city's policies

on capital planning, structurally balanced budget, debt, long-term forecasting and planning, reserves, one-time revenues, user fees, investment, and procurement.

What is the value of having financial policies in place?

The value of having financial policies in place is twofold: one, it demonstrates to elected officials and external stakeholders that a government takes the framework in which it operates seriously from a financial perspective to the point of formally documenting policies and following best practices. Secondly, it provides a government's financial

professionals with a structure for their work to support their organization, and guidance for other internal stakeholders to understand the parameters in which they are expected to operate.

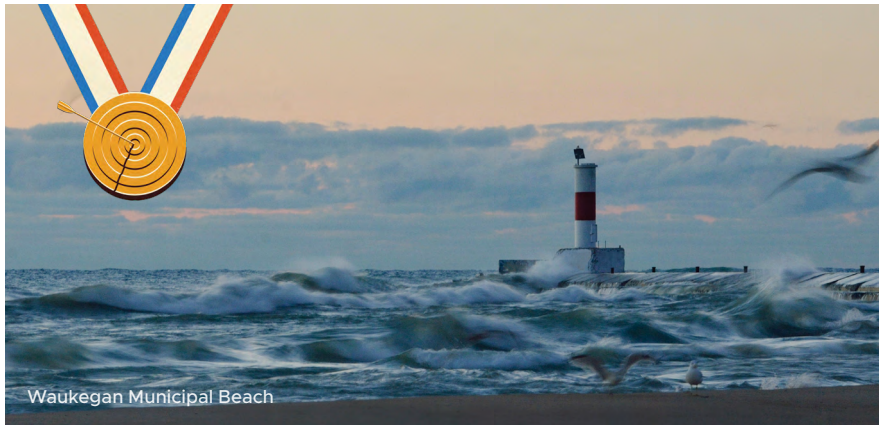
How have your financial policies helped during the COVID-19 pandemic?

They provided solid reference points as we navigated through a number of issues, including a number of newly elected aldermen taking office smack dab in the middle of the chaos. In particular, having well-established debt and investment policies were good tools to use and to justify decisions or recommendations we were making, ensuring that our financing and investing programs stayed on track. Our operating budget policy also provided guidance as to keeping our 2020 and proposed 2021 budgets as structurally balanced as possible, given the pressures on numerous revenue sources. Finally, our procurement policy works well in supporting the rules that

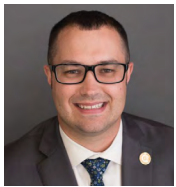
must be followed when procuring goods and services for which the government is seeking federal reimbursement.

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

Internal stakeholders are made aware of our financial policies via our scheduled, periodic reviews of such policies. These involve all departments, the Finance Committee, and the Common Council. Newly elected aldermen and appointed department heads receive copies of the policies as part of their orientations, and all the policies are published on the city intranet. For certain policies that are more operational in nature (for example, the procurement policy), Finance Department staff interact with user departments to ensure awareness and compliance with the relevant provisions.



Waukegan Park District, Illinois



Jon Beckmann,
superintendent
of finance;



Kalina Mendez,
supervisor of
finance; and



April Yarza,
cash receipts
and registration
software
coordinator,
submitted
the district's
policies for
capital planning,
debt, long-

term forecasting and planning, reserves, user fees, investment, and procurement.

What is the value of having financial policies in place?

The Waukegan Park District believes that stakeholders need a roadmap for financial issues and reporting. Financial policies also help provide transparency with internal and external stakeholders. These financial policies benefit internal controls related to day-to-day financial activities and support the audit process.

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

Our fund balance policy, implemented in 2017, has allowed us to have the proper reserves, despite facility shutdowns or a small downturn of the economy. This policy, combined with having cash balances, prevented staff layoffs while using our reserves.

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

Twice a year, the Waukegan Park District sends emails to staff about updated policies and provides training to walk through any questions.

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

I think having a network like GFOA allows government agencies to share knowledge that can benefit their organizations. Being a member of GFOA provides many useful tools that benefit the district in creating these various financial policies. The Waukegan Park District has adopted several policies from GFOA and the IGFOA state association.



City of Austin, Texas



Kimberly Olivares, chief performance officer, submitted the city's policies on capital planning, structurally

balanced budget, debt, long-term forecasting and planning, reserves, one-time revenues, and investment.

What is the value of having financial policies in place?

Financial policies institutionalize good financial management practices, help the organization avoid unnecessary risk, support favorable bond ratings—which in turn reduce the cost of borrowing—and clearly communicate the policy framework within which staff is working. The City of Austin approved its first set of financial policies in 1989, ensuring that the city's financial resources would be managed in a prudent manner.

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

Several of the City of Austin's financial policies pertain to reserves and their intended purposes. During the COVID-19 pandemic, the city used its reserves to help our community before federal assistance arrived, or for items not covered by the federal assistance the city received. Because of the city's past prudent reserve policies and its current cost-cutting measures—which did not include furloughs or layoffs—the city was able to weather the pandemic with only a minimal drop in our reserves. The financial policy mandates a 12 percent reserve, and the city's reserve dropped to 11.9 percent for the general fund. In

other funds, reserves were used to help enterprise departments meet their operational needs.

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

The policies are reviewed annually for compliance. Further, each policy has an "owner" who is responsible for monitoring associated application and compliance. The status of the compliance with each financial policy is provided to the council and the public as part of the budget adoption process.

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

Regular review of financial policies for compliance and regular communication regarding the status of the financial policies are incredibly important, but so is reviewing those policies through the lens of effectiveness and relevancy. Compliance with a policy does not necessarily equate to ongoing relevancy, so it is imperative that organizations regularly review their financial policies and make appropriate adjustments. Consideration should be given to the economic or political conditions, range of government operations that may have changed, and validation that the original purpose of the policy still exists and has not changed. In addition to the review of existing policies, the government should also consider the need for new policies to address the needs of the organization.



Unified Government of Wyandotte County, Kansas



Kathleen VonAchen, chief financial officer, submitted the county's policies on capital planning,

structurally balanced budget, debt, long-term forecasting and planning, reserves, one-time revenues, user fees, and investment.

What is the value of having financial policies in place?

Financial policies set parameters and standards for the fiscal activities of the government. The purpose of the policies is to assist the government's officers and employees in conducting financial activities in an accountable manner and in making better fiscal decisions. The goals we have set for our financial policies include:

- Promote accountability and responsibility for financial activities and assets.
- Ensure legal use of public funds.

- Maintain public trust.
- Promote strong internal controls.
- Establish a framework for financial operations without limiting management discretion or independence.
- Improve the quality, accuracy, and timeliness of the Unified Government's financial reports in compliance with generally accepted accounting principles and the Governmental Accounting Standards Board.
- Provide management with financial data that is timely, accurate, and understandable.

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

Our governing body's commitment to achieving the minimum reserve targets over the past years set up our organization to have the available financial resources for responding to the needs of the public health crisis.

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

All our financial policies are formally adopted by our governing body. During the fiscal year, we periodically report on compliance with our policies. They have become a part of our organization's ongoing operations.

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

Successful compliance with financial policies requires that both management and the elected officials have actively engaged in developing the policies and that there was strong consensus on their final adoption. I would also like to point out that we created a website for our financial policies at wycokck.org/Finance/FAPolicies.aspx.



City of Thousand Oaks, California



Jaime Boscarino,
finance director/
treasurer,
submitted the
city's policies

on capital planning, structurally balanced budget, debt, reserves, user fees, investment, and procurement.

What is the value of having financial policies in place?

It provides standard guidance for all employees to adhere to. Policies

ensure that we apply financial and budgetary guidance consistently across the organization and that we operate in an open and transparent framework, both internally and to the public. They ensure that we have stringent internal controls in place to safeguard taxpayer funds. Our financial and budget policies are also included in our biennial budget process and adopted by our city council. Staff reviews and updates them regularly to make sure they remain applicable and up to date with governmental regulations.


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

The COVID-19 pandemic has been a time of great uncertainty. Knowing that we have sound financial and budget policies in place assisted staff in navigating this challenging time. With a strong fund balance designation policy in place that established general fund reserves of 20 percent for emergencies and working capital, we knew that Thousand Oaks was in a position to weather the crisis.

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

Our finance staff are highly knowledgeable about our financial and budget policies. This knowledge base enables them to hold training for staff citywide to share that knowledge with staff across the organization, such as training on our capitalization policy for our engineering staff. They are also able to work with staff one-on-one to answer questions and provide guidance. All policies are available for every employee to access on our internal website.

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

If you are in an organization that lacks a specific financial policy, don't feel like it's too burdensome to create a policy. Rely on GFOA and other agencies as a great starting point in developing a policy so you aren't recreating the wheel. Having financial policies is vital in operating a financially responsible organization. 

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