Financial Policies for Small Governments

Government Finance Officers Association

April 10, 2018

Agenda

- Adopting Financial Policies
  - GFOA Best Practice
- Fund Balance/Reserve Policy
  - GFOA Best Practice
  - City of Golden’s Policy
- Debt Management Policy
- Investment Policy
- Purchasing Policy
- Fixed/Capital Assets Policy

Adopting Financial Policies

GFOA Best Practice

- Central to a strategic, long-term approach to financial management
- Usually outlive their creators, thus promote stability and continuity
- Define limits on the actions staff can take
- Manage risks to financial condition
- Support good bond ratings and reduce the cost of borrowing

Fund Balance/Reserve Policy

GFOA Best Practice

- General Fund
  - Level of Unrestricted Fund Balance
    - Minimum of 2 months regular operating revenue or expenditures
    - Maybe more – consider variety of factors
      - Predictability of revenues and volatility of expenditures
      - Perceived exposure to significant one-time outlays
      - Potential drain upon General Fund from other funds
  - Use and Replenishment
  - Amounts Above Policy Requirement

GFOA Best Practice

- Enterprise Funds
  - Working Capital Targets
    - Current assets less current liabilities
    - Factors to consider
      - Strength of collection practices
      - Subsidies/Transfers
      - Customer concentration
      - Demand for services
      - Volatility of, or control over expenses

City of Golden Policy

- Governmental Funds
  - General Fund
  - Capital Project Funds
  - Special Revenue Funds
- Proprietary Funds
  - Utility Enterprise Funds
  - Other Enterprise Funds
  - Internal Service Funds
- Trust/Agency Funds

Debt Management Policy

GFOA Best Practice

- Debt Limits
- Debt Structuring Practices
- Debt Issuance Practices
- Debt Management Practices
- Use of Derivatives
  - If allowed, also need a Derivatives Policy
- Post Issuance Compliance Checklist

City of Golden Policy

- Purpose/Goals
- Legal Provisions/Constraints
- Debt Structure and Restrictions
- Debt Administration

Investment Policy

GFOA Best Practice

- Scope/Objectives
- Roles, Responsibilities, Standards of Care
- Authorized Investments/Diversification
- Safekeeping, Custody, Internal Controls
- Authorized Institutions, Depositories, Broker/Dealers
- Risk and Performance Standards
- Reporting and Disclosure Standards

City of Golden Policy

- Scope/Objectives
  - Safety, Liquidity, Yield
  - SRI (Socially Responsible Investing)
- Use of Professional Investment Advisor
- Investment Advisory Committee

Purchasing Policy

GFOA Best Practice

- Various GFOA Best Practices for specific procurement of services, P-Card programs.

City of Golden Policy

- Purchasing/Approval Thresholds
- Travel
- P-Card
- Purchase Orders
- Competitive Bids
- Independent Contractors

Fixed/Capital Assets Policy

GFOA Best Practice

- Capital Asset Management Practices
- Establish Performance Standards
- Evaluate Existing Assets/Service Delivery
- Revenue Allocation to Maintain Asset Service Levels
- Monitoring and Communication Regarding Goals and Overall Condition
- Periodic (at least every 3 years) “Plain Language” Report on Capital Assets to Elected Officials/Public

City of Golden Policy

- Capitalization Threshold
- Capital Improvement vs Repair/Maintenance
- Acquisition
- Inventory
- Disposition

Questions???

Jeff Hansen
Finance Director
City of Golden
303-384-8020
jhansen@cityofgolden.net