



STAFF REPORT

DATE: December 12, 2017

TO: Ronald L. Olson, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Financial Governance Policies

BACKGROUND AND FINDINGS:

On November 7, 2017, City Council was provided a draft copy of the Financial Governance Policies document. At the November 14, 2017 City Council Workshop, staff walked through each section of the policy document with City Council, addressing questions and obtaining City Council's suggestions for revising the policies. The recommended revisions provided by City Council were incorporated into the policies and staff walked through the revised draft policy at the November 28, 2017 Special City Council Workshop.

At the November 28th workshop, City Council reached a consensus to change the City's fund balance target range from 22-25% to 18-22%. That change has been incorporated into the final draft of the Financial Governance Policies document. City Council also reached a consensus to move forward with adopting the financial policies. The financial policies will be reviewed annually, beginning no later than the end of January. The next formal review of the Financial Governance Policies will begin no later than January 2019.

THE ALTERNATIVES CONSIDERED:

There are two alternatives to consider in regards to the Financial Governance Policies:

- 1) Create and adopt financial policies.
- 2) Do not create and adopt financial policies.

Which alternative is recommended? Why?

Staff chose Option 1) to create and adopt financial policies. The Financial Governance Policies set forth the basic framework for the fiscal management of the City, and establishes the boundaries that the City will operate within.

CONFORMITY TO CITY POLICY:

The Financial Governance Policy document is the comprehensive source for financial policies in the City. The policies were developed within the parameters established by applicable provisions of the Texas Local Government Code, Tax Code, the City of Killeen Charter, the Government Finance Officers Association, and the Governmental Accounting Standards Board. Upon

adoption, the Financial Governance Policy document will supersede the following existing policies:

- Inter-Fund Loan Policy 94-86R
- Fiscal Policy for Year-End Encumbrances 97-25R
- Debt Management Policy 97-54R
- Fund Balance and Operating Reserves Fiscal Policy Statements 11-156R
- Purchasing Policy 16-116R (incorporated)
- Lien Waiving Policy 17-055R (incorporated)
- Investment Policy 17-100R (incorporated)

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

N/A

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

Staff recommends that City Council approve the City of Killeen's Financial Governance Policies.

DEPARTMENTAL CLEARANCES:

Finance

Legal

ATTACHED SUPPORTING DOCUMENTS:

Financial Governance Policies