



STAFF REPORT

DATE: February 19, 2019

TO: Ronald L. Olson, City Manager

FROM: Jonathan Locke, Executive Director of Finance

SUBJECT: Financial Governance Policy Annual Review

BACKGROUND AND FINDINGS:

Killeen's Financial Governance Policy was first adopted by City Council on December 19, 2017. The document provides the basic framework for the fiscal management of the City, and assists City Council and staff in evaluating current operations, proposed programs, and the long-term financial stability of the City.

The Financial Governance Policy requires an annual review to begin no later than January of each year. The first of such reviews began at the January 22, 2019 City Council Workshop. At the workshop, staff presented proposed changes to the governance policy. The changes were the result of staff monitoring the application of the governance policy over the past year. During the course of the workshop, City Council also provided feedback and changes to the policy.

At the February 5, 2019 City Council Workshop, staff presented the changes that came from the January 22, 2019 workshop. These changes were requested by City Council, or the result of discussion during the workshop. There were no additional changes recommended at the February 5th workshop.

Highlights of the proposed changes include:

- Establish a process for accepting donations;
- Identify the user fees and rates that City Council must approve, and delegate all other user fees and rates to the City Manager within established parameters;
- Add language that the City Manager determines the purchasing method to match the City's Governing Standards;
- Remove reference to the Purchasing Manual as it is a standard operating procedure document;
- Revise how the General Fund's resources are allocated to allow funding for street maintenance and Support Services prior to the other Budget Categories;
- Revise the Budget Category allocation table, and add language that permits a 0.25% difference between the allocation table and the actual allocation percent;
- Identify the five Budget Categories and assign departments/divisions to the proper category;
- Delete the Capital Project and Economic Development policies due to the adoption of each outside of the Financial Governance Policy document;

- Add language to allow debt issuance when the debt rate exceeds 25% of the total tax rate if approved by the voters;
- Clarify that it is the City Auditor's responsibility to submit an annual Internal Audit Work Plan to the Audit Committee for approval;
- Add language that it is desirable to review the franchise fees received by the City, and that the Audit Committee will determine the frequency and scope of the review; and
- Add language that the City will not contract with entities that are involved in litigation with the City without City Council approval.

THE ALTERNATIVES CONSIDERED:

There are four alternatives to consider in regards to accepting the changes to the Financial Governance Policy:

- 1) Accept the changes;
- 2) Reject the changes;
- 3) Accept some of the changes; and/or
- 4) Propose additional changes.

Which alternative is recommended? Why?

Staff recommends Option 1 to accept the changes. The proposed changes are intended to improve the Financial Governance Policy. Option 1 is not intended to preclude additional changes by City Council. Should City Council have additional changes, staff recommends Option 1 and Option 4 to incorporate the changes.

CONFORMITY TO CITY POLICY:

The Financial Governance Policy document is the comprehensive source for financial policies in the City. The policies were developed within parameters established by applicable provisions of the Texas Local Government Code, the Texas Tax Code, the City of Killeen Charter, the Government Finance Officers Association, and the Governmental Accounting Standards Board. If the changes are approved as recommended, staff will bring back an ordinance to bring user rates and fees in compliance with the Financial Governance Policy.

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 accept the proposed changes to the Financial Governance Policy.

DEPARTMENTAL CLEARANCES:

Finance

Legal

ATTACHED SUPPORTING DOCUMENTS:

Financial Governance Policy