



Agenda Item Details

Meeting Feb 13, 2013 - City Commission Meeting and Summary Minutes
Category 13. POLICY FORMATION AND DIRECTION
Subject 13.04 Financing the Government Policy Update---RAOUL LAVIN, MANAGEMENT & ADMINISTRATION
Type Action, Discussion
Preferred Date Feb 13, 2013
Fiscal Impact No
Recommended Action Accept the language contained in the updated finance policy and approve staff's recommended additional specific levels of funding as recommended in the City Auditor's October 28, 2011 audit of the electric operating reserve.

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STATEMENT OF ISSUE

The Financial Viability of the Government Target Issue Committee (FVG TIC) has met regularly over the years and discussed a number of issues, some of which have been approved by the City Commission. This agenda item provides an update on revisions to the city's finance policy that have been approved by the City Commission, but not formally codified. The policy also includes the following recommendations: 1) recognition that electric operating reserve funding levels should change periodically, based on approved budgets or circumstances, as recommended in the City Auditor's October 28, 2011 audit of electric utility reserves; 2) a change to the electric fund's transfer to the general fund, effective October 1, 2012, based on FVG TIC's May 23, 2012 meeting that was subsequently approved by the City Commission at the July 10, 2012 budget workshop; and 3) limitation on the amount of time annually-recurring activities (work orders) funded from departments' operating budgets can remain open.

Revisions to the finance policy were last codified on February 22, 2006. This item codifies all City Commission-approved finance policy actions since that date. Changes are indicated on Attachment 1 in a redlined format.

Recommended Action

Accept the language contained in the updated finance policy and approve staff's recommended additional specific levels of funding as recommended in the City Auditor's October 28, 2011 audit of the electric operating reserve.

FISCAL IMPACT

There is a positive financial impact to the General Fund based on the new transfer methodology which is already accounted for in the FY 2013 operating budget and the five year pro-forma.

SUPPLEMENTAL MATERIAL / ISSUE ANALYSIS

HISTORY / FACTS AND ISSUES

Over the past few years, the Financial Viability of the Government Target Issue Committee has met and recommended a number of changes accepted by the City Commission that have served to implement best practices in financial management. The following summarizes various items related to the finance policy that have previously been approved by the City Commission. They have been codified in the policy that is attached.

1. Codifies General Fund Transfers from the Utilities: As part of the FY12 budget process, the City Commission adopted changes in the methodology for calculating general fund transfers from the electric, gas, sewer, solid waste and water funds. Modifications to the finance policy to codify these changes, which set transfers at 6.99% of a three-year average of retail revenues, are reflected on pages 2 through 4 of the attached policy.

At their May 23, 2012 meeting, the Financial Viability of the Government Target Issue Committee recommended a change in the electric fund's transfer from the percentage methodology above to a flat rate. This change was reflected in the 2013 proposed operating budget that was approved by the City Commission at the July 10, 2012 budget workshop. Effective October 1, 2012, the electric fund transferred \$23.9 million to the general fund. This amount, which was targeted at the FY12 transfer level (rounded), will increase annually by the consumer price index.

2. Codifies General Fund Year End Surpluses: The finance policy has been updated to reflect changes to the treatment of applicable year-end surpluses in the general fund. Surpluses now are applied first to the deficiency reserve until its target level is achieved. Surpluses above this amount are allocated to support the subsequent year's operating budget, up to a maximum of five percent of general government expenditures and to buy down debt-financed capital improvement projects (see page 5 of the attached policy).
3. Codifies Electric Operating Reserve Fund: The finance policy has been revised to codify both definitions and targeted funding levels for subcomponents of the reserve, as previously approved by the City Commission. Changes are reflected on pages 8 through 10. Note also, as identified in the City Auditor's October 28, 2011 audit of electric utility reserves, that targeted reserve funding levels are dynamic in nature and will be updated annually based on approved budgets and circumstances.
4. Codifies General Government Capital Project Account (GGCPA) Funding: Language in this section has been modified to reflect circumstances of the past two fiscal years wherein new revenues have been unavailable for to program toward GGCPA-funded capital projects (see page 11 of the policy).
5. Codifies General Government Undesignated Capital Project Construction Funds: As part of the budget process beginning in FY08, the City Commission has approved the use of the information system services' fund balance to support that department's capital projects. These actions have resulted in RR&I funding in the operating budget to be budgeted at lesser levels annually, thereby reducing ISS' internal service fund allocations to user departments in the subsequent fiscal year (see page 11).

In addition, the previously-referenced audit recommended the finance policy be revised to reflect the dynamic nature of the electric operating reserve and its target funding levels (please see page 9).

Finally, the financing policy contains an addition to restrict the amount of time recurring projects can remain open.

Operating Budget Work Orders: Current policy allows projects (work orders) funded by a department's operating budget to remain open for two years, after which time the office of budget and policy can approve a department's

request to keep the work order open longer. However, a number of these type activities are funded annually in departments' budgets, from which dollars are transferred to work orders. As such, it is reasonable to expect these recurring activities to close at the end of each fiscal year, in recognition of additional dollars that will be appropriated in the upcoming fiscal year to ensure that particular activity is able to continue. Examples include funding for operating and maintenance activities at the Gemini and Renaissance buildings, Honeywell operating and maintenance expenses, etc. (see page 11).

CHARITABLE CONTRIBUTIONS

Not Applicable

OPTIONS

1. Accept the codified language contained in the updated finance policy and approve staff's recommended additional specific funding sources as recommended in the City Auditor's October 28, 2011 audit of the electric operating reserve.
2. Do not accept the changes.
3. Provide additional direction.

ATTACHMENTS

Attachment 1 – Finance Policy (redlined)

[Attach 1 FTG Policy Revised 2-13-2013.pdf \(185 KB\)](#)