

TML Annual
Conference
Public
Finance:
A Primer for
Non-Financial
Officials and
Managers

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What is our Agenda today?

- Key Financial Policies
- Fund Basics
- Budgeting Basics
- Tax Rates
- Financial Process
- Funding Sources

What are the most Common Policies?

- Budget
- Revenues/Expenditures
- Fund Balance/Reserves
- Accounting, Auditing and Financial Reporting
- Internal Control
- Asset Management

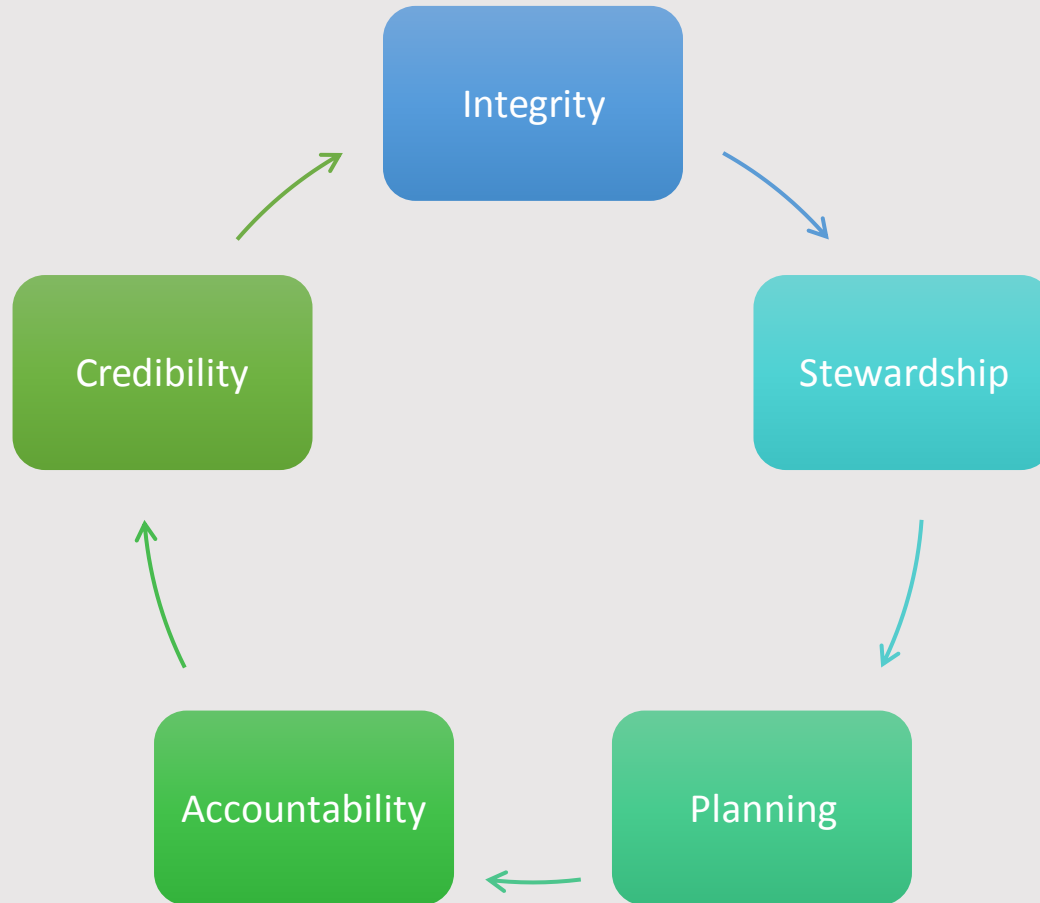
Other Policies

- Capital Improvements and Maintenance
- Debt Management
- Investment
- Grants
- Economic Development
- Risk Management

Why have a Financial Policy?

- Provides “fiscal discipline”
- Achieve and maintain long-range stable and positive financial condition
- Provide guidelines for day-to day planning and operations of City’s financial management

Fiscal Responsibility



Stewardship



Position of Trust



Safeguarding Community Assets



Preservation of Community
Resources

Property

Lives

Life style

Credibility

- Full Disclosure
- Easy to lose - Hard to regain
- Short term role – Council terms
- Long term impact

Budget Process Policies

- Operating plan – 1 to 2 years
- Capital plan – 1 to 5 years
- Links to long-term, comprehensive plan
- Preparation and adoption
- Assigns control and accountability of funds
 - Transfers between funds/departments
 - Budget Amendment process

Revenue Management



Conservative revenue projection philosophy



User-based fees and service charges

Cost of service



Property Tax Revenues/Tax Rate

Relation to effective rate and rollback rate

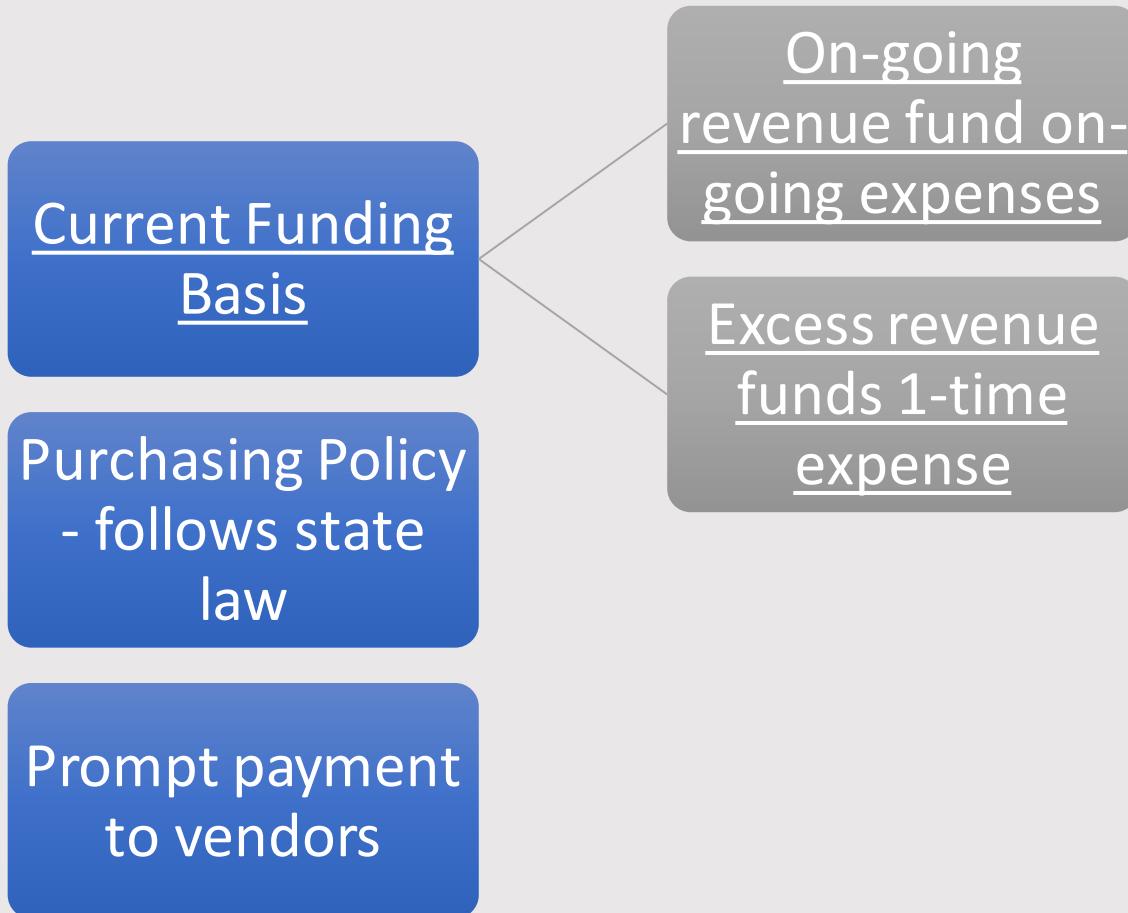
Portion allocated to Operations vs. Debt



Administrative Services Charges

Transfers between Funds

Expenditure Policies



Capital Improvement Program

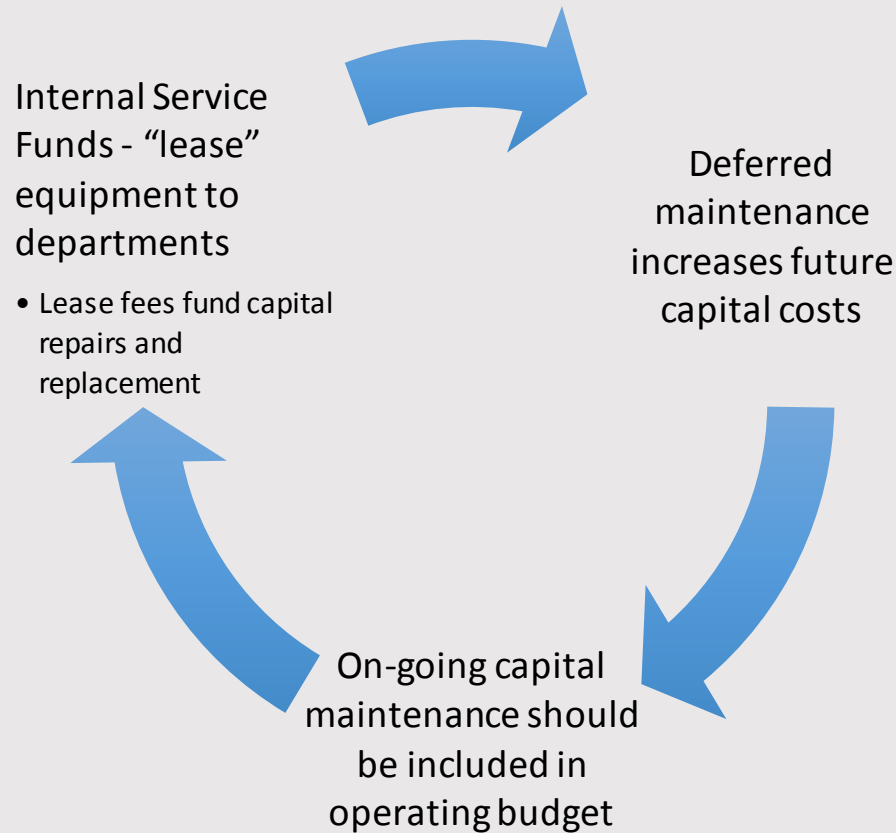
Preparation -
update 5-Year
CIP schedule

- Citizen involvement
- At least 5 years forward
- Identifies plan for funding
- Includes estimated operational impacts

Funding must
be identified
prior to CIP
contract being
approved

- Bonds
- Grants
- User Fees

Capital Maintenance Program



Budget vs. CAFR

Budget:

- Looks forward
- Projects revenues and expenditures
- Serves as a:
 - Financial plan
 - Policy document
 - Operations guide
 - Communications device
- Comprehensive Annual Financial Report (CAFR)
 - Looks backward
 - Follows General Accepted Accounting Principles (GAAP)
 - Records actual revenues and expenditures
 - Records depreciation expense
 - Asset value often included, in addition to cash

Accounting & Financial Reporting



Provide quarterly/monthly reports to Council



Outside audit annually
of all City accounts

Accountable directly to City Council

Prepare (CAFR)

Follow GFOA standards and best practices

Asset Management

- Investment Policy
 - Reviewed annually by Council
 - Confirms to legal requirements
 - Governed by PFIA
 - Required Training
 - Adopted policies
 - Regular reporting - Quarterly
- Fixed Assets
 - Capitalization criteria - \$5,000
 - GASB 34 requirements



Debt Management

- Use of Debt Financing
 - Future use against future payment
 - Long-life capital assets
- Affordability Targets
 - Debt per capita
 - Debt as a percent of taxable value
 - Debt service payments as % of current revenues
 - Debt tax rates as percent of total tax rate
- Sale Process
 - Competitive vs. Negotiated
- Full and Continuing Disclosure

Types of Debt

- General Obligation
 - Tax supported and voter approved
- Certificates of Obligation
 - Tax supported
 - Issued by Council after notice process
- Revenue Bonds
 - Repaid through rates
- Self-supporting debt
 - Tax debt PAID FROM OTHER SOURCES
 - Internal borrowings
 - Between Funds within the City

Debt Coverage

- Refers to the number of times the debt service payment would be covered by excess operating revenues, net of operating expense
- Determined by bond covenants

Other Funding Alternatives

- Provides guidelines on alternative funding for new projects
- Grants
 - Documents grant funding process with Council
- Use of Reserve Funds
 - Used for debt management purposes
- Developer Contributions
 - Links to development regulations
- Leases
- Impact Fees

Internal Controls

- Deterrents
 - Stop it Before it Starts
- Detection Controls
 - If Can't Stop it, Detect it Early
- Actively pursue
- Acknowledge Risks that Arise from Staff Cuts
- Internal Control program / audits
- Written policies reviewed annually

Financial Reserves

- Fund Balance Policy – 25-30%
- Rainy day fund for unexpected emergency
- 90 day reserve in General Fund
 - 30 days = “Emergency” Funds
 - Offset sudden tax increase
 - Replenished next budget cycle
 - 60 days = Long-term reserves

Economic Development

Type A Sales Tax

- Cities located in counties with less than 500K population
- Board of Directors – 5
- Statute does not list requirements

Type B Sales Tax

- All cities are eligible
- Board of Directors – 7
- Must be residents of the City

Economic Development

- Require cities to establish a corporation to administer the fund
- Must file Articles of Incorporation
- Combined Local Sales Tax cannot exceed 2%

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Senate Bill 2

Senate Bill 2 Proposal

- Lower the Property Tax M&O Rate from 8% to 4%
- Increased the M&O Rate to 5%
- Mandatory Election if Rate Set Above Rollback
- Current Total Taxable Value Still Reduced by New Values
- Removed Revenue Caps and Voting Provisions to get out of Committee
- Transparency Provisions Attached to SB 669
- Neither passed

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Governor's Proposal

Governor's Proposal

- The governor proposes a 2.5 percent revenue cap on all cities, counties, special purpose districts, and school districts in the state. More specifically, the revenue cap would:
 - Propose a property tax rollback rate of 2.5 percent;
 - Provide that any proposed increases in excess of the cap may be only for certain purposes, like compensation for law enforcement personnel or critical infrastructure;
 - Prohibit a local government from proposing any property tax increase, even for the purposes listed above, in excess of the statewide (not city-specific) increase in population plus inflation;
 - Require that any proposed increase above the cap (but under the statewide population-plus-inflation rate) be approved by two-thirds of the elected officials of the governing body proposing the increase *and* be approved by two-thirds of the voters at an election; and
 - Include a “carry forward” provision so that taxing entities can offset the effects of declines in property appraisal values during economic downturns.