



By the Book:

A Guide to Financial Policies

Today's Session



Writing Effective Policies

- Best Practices
- Tips & Tricks

Policies & Examples

- Public Purpose Expenditures
- Professional Ethics
- Fund Balances
- Debt Management
- Budget Development
- Procurement

Financial Polices: Why Are They Important?



Types of Regulations & Policies

Statutory & Charter

Establishes the organization

Creates legal parameters

Approval by the State Commission or public

Mayor & City Council

Establishes vision & mission

Creates strategic goals & policies

Approval by the governing board

Administration

Establishes & directs daily operations

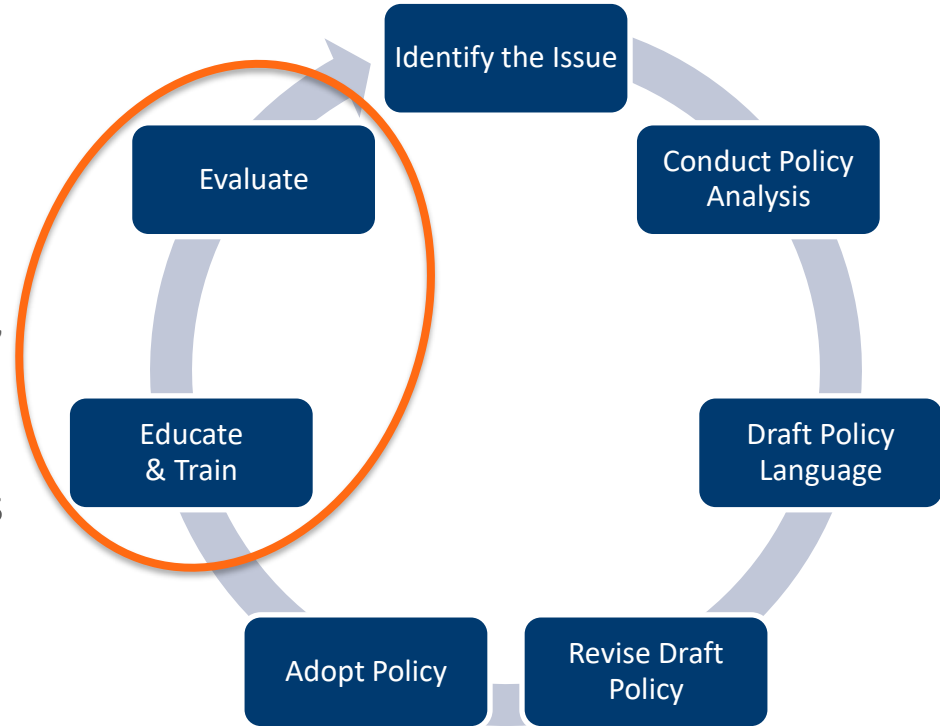
Creates operating policies & procedures

Approval by the CAO or governing board

Local Control

Where To Begin?

- Review & potentially revise on a regular basis
 - ✓ Changes in applicable laws & regulations
 - ✓ Consider a “policy inventory”
- Consider training staff on policy development & process improvement
 - ✓ Use branding & templates



What Should it Include?

Purpose
& Policy Statement

Definitions

Statutory or
Governing Policy
References

Clear & Concise
Policy Statements

Step-by-Step
Procedures
& Forms
(if needed)

Primary Contact(s)

Adoption & Revision
Dates

Approving Authority

Some Tips & Tricks!

Instead of this...	Try this...
"Approved by City staff..."	"Approved by the Finance Director..."
"Staff will respond ASAP"	"In five [business/calendar] days"
"According State law"	"Pursuant to M.S., Section XXX.XX"
"CIB Committee"	"Committee"
"At least \$1,000,000"	"At least \$1 million"
"An additional three precent"	"An additional 3.0%"
"Completed annually"	"Completed annually by April 1"

When possible, use accessible charts, tables & figures!

Public Purpose Expenditures Policy

Policy considerations:

- Permitted & prohibited expenditures
- Acceptable uses of assets
- Documentation requirements
- Expenditures & outlays provide a public benefit

Per MN Supreme Court, public purposes activities must:

- Must be authorized explicitly or implicated by Statute or Charter
- Primarily benefit the community as a whole
- Be directly related to functions of government
- Does not have as its primary objective the benefit of a private interest

Public Purpose Expenditure Policy Areas

Meals & Refreshments

- Sponsored events
- “Meal-hour” meetings
- Uninterrupted work

Staff Recognition

- Recognition events & items
- General gifts & appreciation

Memberships & Dues

- Professional organizations
- Certificates & licensures
- Local organizations

Use of Public Assets

- Borrowing equipment
- Personal storage
- Public technology

Professional Ethics Policy

Purpose

- To help guide behavior & decision-making
- To create expectations of acceptable conduct for officials & staff
- To promote confidence & integrity in public processes

Resources

- AMC General Ethics Guide
- GFOA Code of Ethics
- ICMA Code of Ethics
- LMC Integrity & Ethics Toolbox

Professional Ethics Policy: GFOA



Personal Standards

Uphold honor, integrity, and professionalism



Accountability

Prudently manage funds and transactions

Address public needs, ensure quality performance, comply with legal standards



Competence & Growth

Responsibility to maintain knowledge & expertise

Encourage new talent & career growth

Professional Ethics Policy, Continued...



Reliable Information

Provide accurate financial reports
Protect confidential information



Professional Relationships

Act with fairness, integrity & respect
Promote safe & healthy work environments



Avoid Conflicts of Interest

Avoid personal or financial conflicts of interest
Refrain from using public resources for personal gain
Act without favor

Fund Balance Policies

Purpose

- Allow the organization to operate seamlessly
- Protect the financial position of the organization
- Comply with specific commitments & restrictions

Scope

- Include General, Capital Project, Special Revenue, Enterprise & Debt Service Funds
- Consider cashflows & restrictions for the specific fund

Fund Balance Guidelines



Define clear policy on level of unassigned fund balance



Include process for adjusting fund balance over time



Define conditions & occasions for use



Consider & plan for replenishment after use

Recommended Fund Balance Requirements

Fund	Description	Requirement	Measurement	Basis
General	Small Governments	>\$500,000	Credit Rating Agency Req.	Fund Balance
	All Others	35%–50%	Subsequent Year Expenditures	
Special	Property Tax Supported	25%–50%	Subsequent Year Expenditures	
	Other Revenues	0%–50%		
Capital	Equip. & Improvements	25%–35%	Five-Year Rolling Average	
Enterprise	Public Utility	Varies	Six-Months Operating + Debt Service + Capital Projects	Cash Balance
	Other			

Debt Management Policy

Purpose

- Establishes parameters for issuing debt
- Helps manage the debt portfolio
- Promotes financial sustainability

Scope

- Types & terms of debt the community may issue
- Debt limits & metrics
- Issuance of private activity or conduit bonds

Debt Management Policy

- Term: less than or equal to the useful life of project
- Type:
 - ✓ General obligation versus “pure” revenue bonds
 - ✓ Allowable statutory authorities & uses
- Structure & limits
 - ✓ Retire a certain amount of principal
 - ✓ Limit debt to a specific amount or metric
- Reserves & refundings
- Debt monitoring & reporting

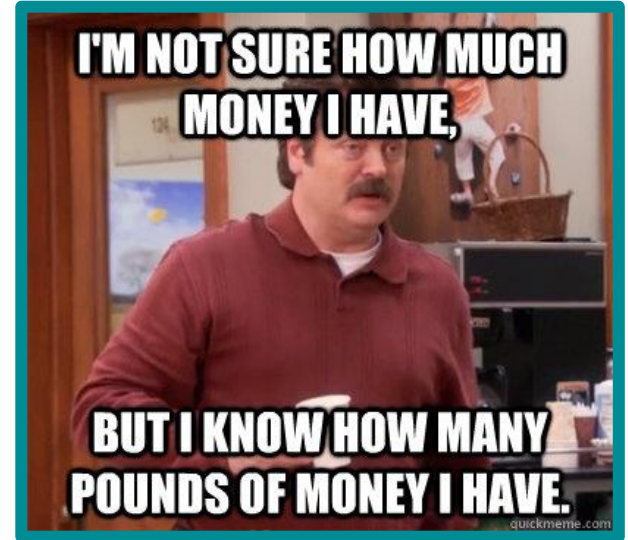
Budget Development & Management Policy

Purpose

- Guides the development of the long-term financial plan & annual budget
- Establishes budget compliance requirements & amendment processes

Scope

- Includes an operating budget policy & capital improvements policy
- May include a performance measure program, capital asset policy & fiscal agent policy
- Considers the treatment & use of different funding sources



A Reminder... Municipal Budgeting

Most important community annual task for elected officials

- Setting policy on what's important & where to spend

Every organization pays for things differently

- Comparing with neighbors not always fair

You only get what you levy

- Property taxes do not change based on market values

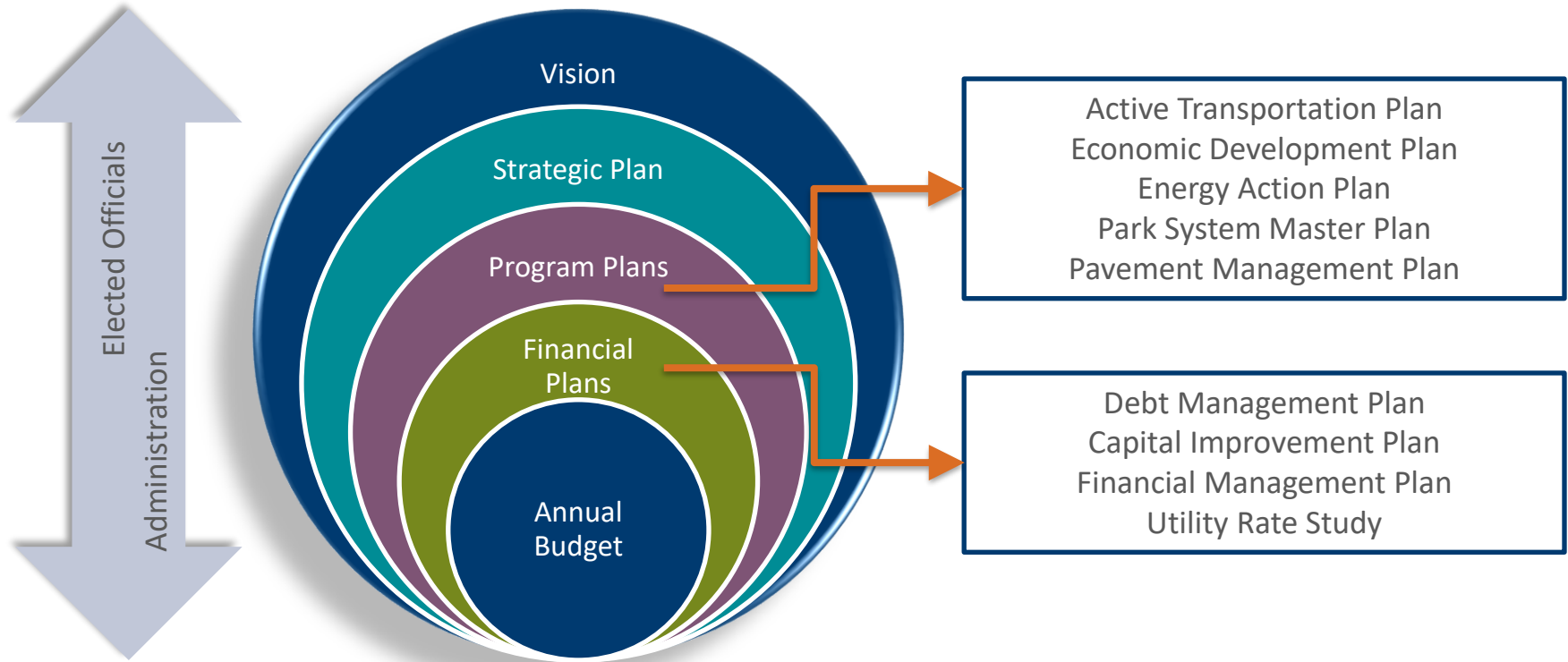
“Budgeting is not about limiting yourself. It is about making the things that excite you possible.” – Anonymous

Budget Development & Preparation

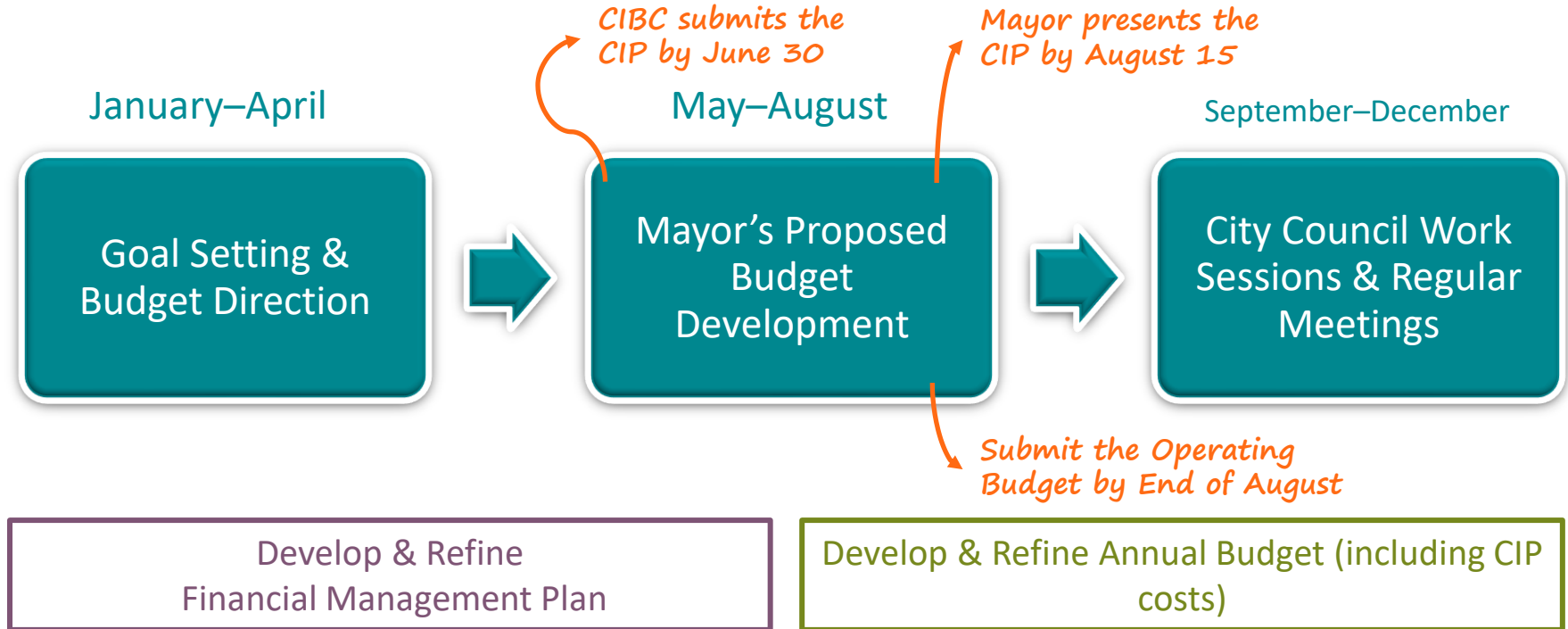
- An Annual Budget may be defined in several ways
 - ✓ Requirement... defined by State Statutes & City Charter
 - ✓ Process... to incorporate needs & wants
 - ✓ Plan... to set goals & priorities for the foreseeable future
 - ✓ Timeline... usually, a 12-month period
 - ✓ Tool... for accountability & to gauge success
 - ✓ Values **statement**... to identify & guide activities

Good budget documents weave these definitions together!

Planning & Budget Development Hierarchy



Annual Budget Calendar: General



Annual Budget Calendar: Deadlines

First (or Second) Meeting in December

By September 30

Adoption of
Proposed Property
Tax Levy



After November 24

TNT Public Meeting
& Budget
Presentation



Due 5 Working Days after
December 20

Adoption of Budget
& Final Property Tax
Levy

- Must be held after 6:00 p.m.
- Public must be allowed to speak

City Council adopts the budget at least 12 days before the certification deadline

Procurement Policies



Purchasing Policy



Procurement Cards
Policy



Travel, Training, &
Reimbursement Policy

Purchasing Policy

Purpose

- ✓ Ensure accountability & transparency in spending public funds
- ✓ Promote fair & open competition
- ✓ Protect government entities from legal liabilities

Minnesota Statutes

- ✓ **471.345: Uniform Municipal Contracting Law** - sale or purchase of supplies, materials, equipment or rental thereof, or construction, alteration, repair or maintenance of real or personal property
- ✓ **Chapter 82: Purchasing Procedures; Public Contracts**

Purchasing Policy

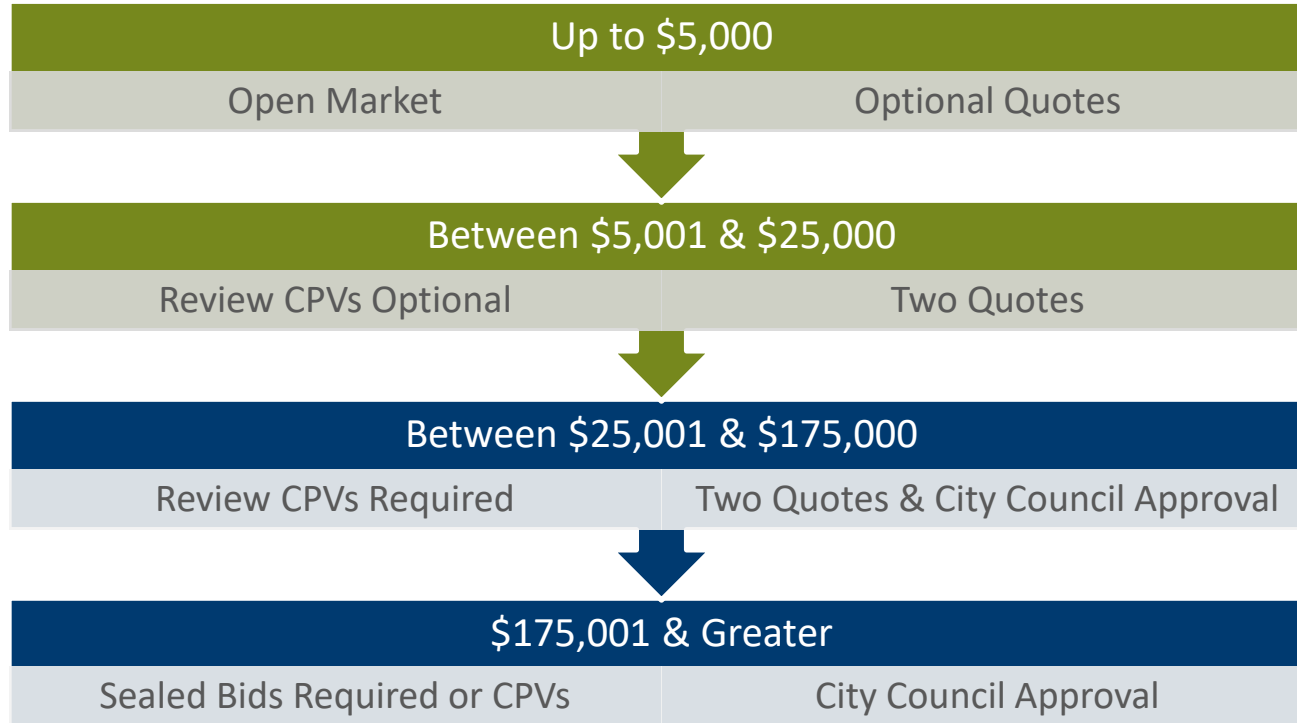
Policy should...

- Define staff roles & responsibilities
- Establish approval levels
- Address acceptable procurement methods
- Include any exceptions

Key topics covered

- Acquisition of goods & services
- Emergency purchases & exceptions
- Bid protest procedures
- Conflicts of interest & ethical standards

Example: Budgeted Purpose



Under Chapter 82 of the City Code, the City currently uses different purchasing thresholds

Procurement Cards (P-Cards) Policy

- Establish cardholder responsibilities
 - ✓ Identify business cases for use
 - ✓ Collect written policy acknowledgments
- Identify allowable purchases & authorization levels
- Supporting documentation requirement
 - ✓ Itemized invoices & receipts
 - ✓ Monthly submissions
- Do not provide P-Cards simply to maximize rebate potential

P-Cards Policy

Staff Level/Position	Transactions		Approval
	Per	Total (Monthly)	
Non-Management	\$500	\$3,000	Division Manager
Division Manager	\$1,000	\$5,000	Department Director
Department Director	\$2,000	\$10,000	Mayor or Deputy Mayor
Mayor or Deputy Mayor	\$5,000	\$25,000	Finance Director
Accounts Payable	\$10,000	\$50,000	Finance Director

- Establish limits by user type
- Create a review & approval process
 - ✓ Ensure another party reviews purchases made by the certain senior leaders or managers

Travel, Training & Reimbursement Policy

Purpose

- Provide clear guidelines for travel, training & reimbursement processes
- Promote organizational accountability & compliance

Scope

- Applies to employees, officers & elected officials
- Covers in-state and out-of-state travel

Travel, Training & Reimbursement Policy

- Employee expectations & guidelines
 - ✓ Cost-effective & appropriate arrangements
 - Meals and incidental expenditures
 - In-town vs. out-of-town training
 - Personal vs. business travel
 - ✓ Prohibited expenditures
 - ✓ Documentation & authorization

Per Diem Resource
U.S. General Services
Administration (GSA)

<https://www.gsa.gov/travel/plan-book/per-diem-rates>

Amount	Review	Approval
Up to \$4,999	Division Manager	Department Director
\$5,000 or more	Department Director	Mayor or Deputy Mayor

Helpful Guides & Resources

Legal Requirements

- Federal regulations
- State statutes
- Offices of the State Auditor & Attorney General
- City Attorney
- Consultants

Examples & Best Practices

- Government Finance Officers Association (GFOA)
- League of Minnesota Cities
- Association of Minnesota Counties
- Your peers & similar organizations

Always Remember...

- **Rules Are Your Friend**
They are not red tape; they are your parachute
- **Plan Like a Pro**
Failing to plan is planning to explain yourself later
- **Write It Down**
If you do not write it down, it does not exist
- **Don't Be "That Person"**
No conflicts, no shortcuts, no awkward headlines



Let's Talk!

