



## Request for City Council Committee Action from the Department of Finance

**Date:** November 5, 2009  
**To:** Ways and Means/Budget Committee  
**Referral to:**  
**Subject:** Changes to City Financial Policies

**Recommendation:** Amend the City's financial policies to eliminate conflicting language and expand independent board recoupment policy.

### Previous Directives:

*August 17, 2009* Ways & Means/Budget Committee request to Finance department for additional review of City financial policies  
*October 28, 2009* Chair Ostrow request to Public Works and Finance departments to ensure no conflicts exist between City financial policies regarding capital project close-out and new internal policy within Public Works.

### Department Information

Prepared by: Heather Johnston, Director, Management & Budget, x2918
Approved by: Patrick Born, CFO _____ Steven Bosacker, City Coordinator _____
Presenters in Committee: Patrick Born, CFO

### Reviews

- Permanent Review Committee (PRC): Approval \_\_\_ Date \_\_\_\_\_
- Civil Rights Approval Approval \_\_\_ Date \_\_\_\_\_
- Policy Review Group (PRG): Approval \_\_\_ Date \_\_\_\_\_

### Financial Impact *(delete all lines not applicable to your request)*

- No financial impact

### Community Impact

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other

## Supporting Information

The Ways & Means/Budget Committee requested a review of the City's financial policies to ensure consistency with information presented in the 2010 budget discussions. The recommendations follow (all page numbers refer to *Financial Policies* section the 2010 Recommended Budget document):

1. **Capital Project Close-out.** Existing language in the Administrative Financial Policies on pages 95-96 and page 98 is sufficient to require a regular close-out of capital projects. The Finance and Public Works departments will examine the internal Public Works policy to ensure consistency. *No change is recommended at this time.*
2. **Independent Board Payment Recovery.** The existing financial policies allow for recovery of unpaid management fees from the LGA allocations for the independent boards. This recovery method could be expanded to encompass other repayments by amending the Management Support Charges language on page 102:

~~As provided for in the 2002 budget footnotes,~~ The City finance officer has the authority to reduce LGA payments to the Independent Boards if payment of the management support charge , or any other charges required by City Ordinance, is are not received prior to the distribution of the December LGA payment.

3. **Year End Re-appropriation Language.** The financial policies contain some inconsistent language regarding the requirements for carrying funds forward into the next year. The Finance department recommends that the language in the "Encumbrance" and "Operating Budget Reappropriation" paragraphs be deleted on pages 92-93 and replaced with the following language:

***"Operating Budget Reappropriation.*** The Finance Officer has the authority to encumber funds and is responsible for certifying that an encumbrance is valid at the end of the fiscal year. Additionally, the Finance Officer may reject carryover based on the financial health of the fund or other extenuating circumstances. This does not impact the requirement for a formal Request for Proposal for contracts over \$50,000. Encumbrances must meet the following criteria:

- 1) a valid encumbrance;
- 2) a one-time expenditure (not recurring budget item);
- 3) a purpose consistent with the department's business plan;
- 4) the 2009 appropriation balance available for the encumbered item; and
- 5) the financial position of the fund (status of the fund relative to work out plans; whether the fund's spending in 2009 had expense in excess of revenue)."