



AGENDA MEMORANDUM

Action Item for the City Council Meeting of July 23, 2019

DATE: July 3, 2019

TO: Peter Zanoni, City Manager

THRU: Constance P. Sanchez, Interim Assistant City Manager

FROM: Eddie Houlihan, Director of Management and Budget
EddieHo@cctexas.com
(361) 826-3792

Amendment to Financial Budgetary Policies

CAPTION:

Resolution amending Financial Budgetary Policies adopted by Resolution 031547 and providing financial policy direction on preparation of the annual budgets.

PURPOSE:

The financial budgetary policies are being recommended for amendment to address motion raised by City Council and staff recommendations.

BACKGROUND AND FINDINGS:

At the City Council workshop on March 28, 2019, the City Council passed a motion directing City staff to make amendments to the existing financial/budgetary policies. These changes included removing some wording from various sections and clarifying the maximum limit that Internal Service funds can maintain in their reserve fund balances.

Revisions to the financial/budgetary policies include the following:

Section 2. Current Revenues Equal/Exceed Current Expenditures. This section is

being revised to add funds available from all sources in the General Fund to the General Fund's current revenues in presenting a balanced budget so that General Fund current revenues and funds available from all sources will equal or exceed current expenditures.

Section 3. General Fund Balance/Working Capital. The maximum threshold for the reserve in the General Fund's unassigned fund balance is being lowered from 25% to 20%.

Section 4.1. Internal Service Funds. Unassigned reserve wording is being revised to remove the words "three percent (3%) and a maximum of an additional two percent (2%), for a total of five percent (5%) to "up to five percent (5%)".

Section 6. Property Tax Rate for Operations and Maintenance. The term "effective tax rate" was changed to read "no new-revenue maintenance and operations tax rate" as per the new State legislation. Also changed was the term "rollback rate" to "voter approval tax rate".

Section 7. Funding Level from General Fund for Street Maintenance. Some verbiage was removed for clarity.

Section 8. Funding Level from General Fund for Residential Street Reconstruction. The sections relating to transferring General Fund revenue in Fiscal Years 2021, 2022 and 2023 were removed, and a section regarding the voter approved \$0.06 from property tax for residential street reconstruction was added.

Section 9. Funding of Texas Municipal Retirement System (TMRS) Contributions. The section was changed to indicate that the City has reached the fully-funded rate.

Section 11. Operating Contingencies. Clarity was added to the section by setting maximums for operating contingencies for all operating funds.

Section 14. Quarterly Financial Reporting and Monitoring. Language was added requiring the summary of fund balances to be included in quarterly reports.

Section 17. Capital Improvement Plans/Funding. Language was added regarding how the Capital Improvement Planning process shall be organized.

Section 19. Zero Based Budgeting Type of Process. The term "Zero Based Budgeting process" was replaced with "Line Item Budget review process".

Section 22. Budget Controls. This is a new section added to the City's financial/budgetary policies to define some of the controls used to manage City budgets. This section also requires a closing appropriation ordinance to be brought to City Council regarding budget amendments resulting from prior year-end encumbrances.

ALTERNATIVES:

An alternative would be to leave the financial budgetary policies as they currently are written.

OTHER CONSIDERATIONS:

N/A

CONFORMITY TO CITY POLICY:

This item conforms to City policy.

EMERGENCY/NON-EMERGENCY:

Non-emergency

DEPARTMENTAL CLEARANCES:

- Office of Management and Budget
- Financial Services
- Legal

FINANCIAL IMPACT:

X Operating Revenue Capital Not applicable

Fiscal Year: 2018-2019	Current Year	Future Years	TOTALS
Line Item Budget			
Encumbered / Expended Amount			
This item			
BALANCE			

RECOMMENDATION:

Staff recommends approval of the resolution as presented.

LIST OF SUPPORTING DOCUMENTS:

Resolution Redline
Resolution