City of Culver City, California

Agenda Item Report

Meeting Date: 06/23/2014	Item Number: A-4
CITY COUNCIL AGENDA ITEM: (1) Consideration of a Recommendation from the Finance Advisory Committee and (2) (If Desired) Adoption of Resolutions Approving City Council Policies on the Following Subjects: Budget Development and Administration; Financial Policies; Recreation Facilities Reserve; and Investment Policy.	
Contact Person/Dept.: Jeff Muir, Finance Department	Phone Number: (310) 253-5865
Fiscal Impact: Yes [] No [X]	General Fund: Yes [] No [X]
Commission Action Required: Yes [X] No [] Date: Several Finance Advisory Committee	
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: (Email) Meetings and Agendas – City Council (06/17/14); (Email) Meetings and Agendas – Fiscal and Budget Issues (06/17/14)	
Department Approval: Jeff Muir (06/12/14)	City Attorney Approval: Carol Schwab (by H. Baker) (06/16/14)
Chief Financial Officer Approval: Jeff Muir (06/12/14)	City Manager Approval: John M. Nachbar (06/17/14)

RECOMMENDATION:

Staff recommends that the City Council consider recommendations from the Finance Advisory Committee and, if desired, adopt proposed resolutions approving the following policies:

1. Budget Development and Administration
2. Financial Policies
3. Recreation Facilities Reserve
4. Investment Policy

BACKGROUND:

Item 5 of the Finance Advisory Committee (FAC) Work Plan is to review and make recommendations on the City's current financial policies. The FAC created an Ad-Hoc Budget Process and Financial Policies Subcommittee consisting of three members which presented recommendations regarding financial policies that were approved by the FAC in December 2013. Staff subsequently revised two existing policies and created a third in line with the recommendations provided. Additionally, minor revisions to the City's existing Investment Policy have also been made. The recommended policies were all reviewed and discussed by the FAC at their February and March 2014 meetings.

DISCUSSION:

Budget Development and Administration (Revised)

This policy was formerly titled Mission Driven Budgeting. This policy has been completely rewritten and, therefore, retitled to better reflect the contents. The policy outlines the process for budget development, budget organization, certain assumptions, the general process, and administration of the budget once adopted. This policy also includes procedures on authority for budget transfers or amendments that was previously included in the annual budget resolution. Staff feels this information is better contained in a policy document.

Financial Policies (Revised)

This is a lengthy document that combines various financial policies into one central document. The sections include:

- Long-Term Financial Planning
- Auditing, Financial Reporting, and Disclosure
- Revenue Collection
- Cash Management
- Capital Improvement Projects
- Financial Reserves
- Grant Administration
- Debt Management

While the recommendations from the FAC's Ad-Hoc Budget Process and Financial Policies Subcommittee dealt specifically with the Reserves portion of the existing City policy, staff also significantly modified other areas of this document. The General Fund Contingency Reserve is maintained at thirty percent (30%), along with a clearer description of circumstances where this Reserve may be used. Two additional reserve accounts are established. A Facilities Planning Reserve will be established to offset the cost of replacement or major refurbishment to critical City facilities such as City Hall, the Police Department building, fire stations, etc. The policy states that in years where the General Fund ends in a surplus, first priority for the surplus will be to ensure full funding of the Contingency Reserve. Second priority, if the Contingency Reserve is fully funded, shall allocate forty percent (40%) of the surplus into the Facilities Planning Reserve, with the remaining balance reverting to unassigned fund balance. In any year, the City Manager may recommend a different allocation of surplus revenues for City Council approval. Additionally, a Recreation Facilities Reserve is proposed for creation under a new policy, described below.

Recreation Facilities Reserve (Proposed)

This is a newly proposed policy based on prior City Council discussions and a model policy from another city. For several years, when the discussion of the Master Fee Schedule comes before City Council, the topic of a portion of Parks, Recreation and Community Services (PRCS) fees being set aside towards facility and equipment improvement funding has been raised. Staff is proposing a policy where 10% of defined fee revenues would be set aside into a reserve fund to cover the cost of certain recreation facility and equipment improvements. While this will certainly never cover the full cost of such repairs, it ensures some reinvestment of these revenues into the facilities that make them possible.

FY 2014-2015 Investment Policy (Revised)

This policy is in a different format than the others, as the intention is that it be adopted annually. Updates for Fiscal Year 2013/2014 have been delayed due to departmental time constraints. Normally, this policy does not change much from year to year unless there are changes to the relevant provisions of the California Government Code. The City's investment of idle funds is strictly controlled by the Government Code, and this policy conforms to those requirements. The City's investment advisor (currently Cutwater Asset Management) will, in turn, manage the City's portfolio, in consultation with the Chief Financial Officer, within the constraints of the policy.

FISCAL ANALYSIS:

There is no direct fiscal impact associated with the approval of the proposed financial and investment policies.

ATTACHMENT(S):

1. Proposed City Council Resolution including Exhibit 'A' Budget Development and Administration
2. Proposed City Council Resolution including
3. Exhibit 'A' – Financial Policies
4. Proposed City Council Resolution including
5. Exhibit 'A' – Recreation Facilities Reserve
6. Proposed City Council Resolution including
7. Exhibit 'A' Fiscal Year 2014-2015 Investment Policy

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MOTION:

That the City Council:

1. Adopt a resolution approving a City Council Policy related to Budget Development and Administration; and,

2. Adopt a resolution approving a City Council Policy related to Financial Policies; and

3. Adopt a resolution approving a City Council Policy related to Recreation Facilities Reserve; and

4. Adopt a Resolution approving the Fiscal Year 2014-2015 Investment Policy.