City of Culver City, California

City Council Agenda Item Report

Meeting Date: 06/25/2007	Item Number: A-1
AGENDA ITEM: Adoption of a Resolution Revising City Council Policy Statements No. 5001 Mission Driven Budgeting and No. 5002 Financial Policy and Rescinding Resolution 95-R005.	
Contact Person/Dept.: Marlee Chang, City Controller	Phone Number: (310) 253-6011
Fiscal Impact: Yes [] No [x]	General Fund: Yes [] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Master Notification (06/20/07)	
Department Approval: Marlee Chang (6/14/07)	City Attorney Approval: Carol Schwab (by H. Iker) (06/14/07)
City Controller Approval: Marlee Chang (6/20/07)	City Manager Approval: Jerry B. Fulwood (06/14/07)

RECOMMENDATION:

Staff recommends the City Council adopt the Resolution revising City Council Policy Statements related to Budget and Finance. The recommended revised policies include Mission Driven Budgeting and the City's Financial Policies.

BACKGROUND/DISCUSSION:

In conjunction with the preparation of the City's two-year budget, staff also updated the existing financial policies. The Mission Driven Budgeting policy was established to streamline the City's Budget process, promote prudent management of City funds, and encourage innovation and cost effective solutions to city service needs. It also provides flexibility of budget management to the operating departments. The updated financial policy is intended to establish a comprehensive set of guidelines for use by the City Council and City staff on decision-making that has a fiscal impact.

The updated Mission Driven Budgeting policy reflects minor language changes, and the substance of the policy remains the same. The Financial Policy, however, was updated to include various financial related issues which were not in the current policy and that will provide more comprehensive guidelines. Staff developed the policy based on surveying other cities' policies and also reviewing financial policy models recommended in the publication from Government Finance Officers Association (GFOA). The intent was to set up frame work for the City's financial related policy for the new fiscal year, and for when the City's new Chief Financial Officer is hired. It will be reviewed and modified/updated as needed.

The following are highlights of the changes in the Financial Policy:

- The current policy of calculating the General Fund Reserve Policy was based on the projected General Fund revenues. The revised policy is recommended to be based on the projected General Fund expenditures excluding debt service, fund transfer, and encumbered funds, and the purpose is to clearly describe how the General Fund Reserve percentage is calculated.
- The revised policy includes additional sections:
  - Financial Reporting Policies
  - Operational Management Policies
    - User Fees and Charges and Development Impact Fees
    - Grant Management
    - Revenue Collection Policy
- Financial Management Policies
  - Cash Management Investment
- Capital Improvement Project Policies
- Debt Management Policies
  - Issuance of Debt
  - Credit Rating
- Internal Service Funds
  - Self Insurance Fund
  - Equipment Replacement Fund
- Enterprise Funds
  - Refuse Fund
  - Sewer Fund
  - Transportation Fund

It should be noted that on February 17, 2000, the City Council discussed Culver City Financial Matters including revenues, expenditures, fund balance, capital projects, replacement funds, and related financial or budgetary policies. Staff researched and found the minutes of the meeting which indicate the following: "*The City Council agrees that the City reserves will be maintained at or above a figure equal to 25% plus a 5% cushion of the General Fund. The reserve balance will be updated quarterly. Also, if the reserve balance drops below 30%, efforts will be taken to get it back to 30% within one yea.*" *However, no record was found of this revised policy's adoption by resolution.*

Tonight, staff is presenting to you an updated comprehensive set of financial policies which includes the above noted policy for official adoption.

FISCAL IMPACT:

This is to implement Best Management Practices. The adoption of the City Council Policies has no fiscal impact.

ATTACHMENTS:

Resolution (including policies)

MOTION:

That the City Council:

Adopt the Resolution revising City Council Policy Statements No. 5001 - Mission Driven Budgeting, and No. 5002 - Financial Policies and rescinding Resolution No. 95-R005.