



FINANCIAL POLICIES — HOW THEY WORK TOGETHER

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Items to be covered

City of Wadsworth – key financial policies and how they integrate



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graph TD; A[City of Wadsworth – key financial policies and how they integrate] --> B[Development of policies]; B --> C[City of Wadsworth's policy development journey and what lies ahead]; C --> D[Importance of monitoring and periodically reviewing policies];
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Development of policies

City of Wadsworth's policy development journey and what lies ahead

Importance of monitoring and periodically reviewing policies

Key Financial Policies

PLANNING & BUDGETING

- ☐ Fund Reserves
- ☐ Long-Term Financial Planning
- ☐ Capital Assets & Planning
- ☐ Economic Development
- ☐ Budgeting

TREASURY

- ☐ Investments
- ☐ Revenue Control

ACCOUNTING & FINANCIAL REPORTING

- ☐ Grants
- ☐ Procurement
- ☐ Risk Management
- ☐ Internal Control
- ☐ Audit

DEBT MANAGEMENT

- ☐ Affordability
- ☐ Continuing Disclosure

PLANNING TOOLS





Fund Reserves LTFP Grants
Investments CIP Budgeting
Procurement Capital Budget
Debt One-Time Revenues Audit
Economic Development

Stakeholders are working
together.

Efficient and effective
outcomes.

Proactive instead of reactive.



Development of Policies: Steps to Develop

- Development of Policies
 - Exhaust your resources
 - Consider examples from other governments
- Steps to Develop
 - No one-size-fits-all approach
 - Use great examples as a foundation
 - Tailor policies to specific situations
 - Make sure you include the right people
 - Get multiple opinions

GFOA'S FINANCIAL FOUNDATIONS FRAMEWORK

- Financial Policy Challenge
- <https://www.gfoa.org/financial-policy-challenge>

How many policies have been submitted?

21

Capital Planning

17

Balanced Budget

24

Debt

10

Long-Term Planning

34

Reserves

10

One-Time Revenues

11

User Fees

31

Investing

1

Economic
Development

22

Procurement

Development of Policies: Involvement of Stakeholders

- Involvement of Governing Body
 - Ensures proper oversight and direction
- Legal Involvement
 - Provides legal guidance and compliance
- Outside Consultants
 - Offers specialized expertise and advice



This is our journey...

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- Conservative budgeting practices
 - One-time use of one-time revenues

- Reserves used for routine capital
- Debt Issued for multi-millions dollars projects only

- Purchase Order Policy Adopted by City Auditor

1994

This is our journey...

2002

- Capital Assets Accounting Policy Adopted by City Auditor

2004

- Cost Allocations Policy Adopted by City Auditor

2009

- Electric Cash Reserve Policy Adopted by Council
- General Fund Cash Reserve Policy Adopted by Council

This is our journey...

2012

- Cell Phone Policy Adopted by Council
- Employee Handbook Adopted by Council

2015

- Debt Policy Adopted by City Auditor

2016

- Updated Education & Meeting Policy Adopted by City Auditor (per diem amount in employee handbook)

This is our journey...

2017

- Updated Investment Policy Adopted by Council
- Grant Policy Adopted by City Auditor
- P-Card Policy Adopted by City Auditor

2019

- Updated Annexation Policy Adopted by Council

2021

- Updated Vehicle Maintenance Internal Service Fund Cost Recovery Policy

This is our journey...

2024

- Updated Cash Handling Policy for Transfer Station Adopted by Service Director

2024

- Collections of Misc Bills Adopted by Council

2024

- Developed 15 year Capital Improvement Plan

What we're working on...

- Guidelines for capital improvement plan
- Cash reserve policy for all operating funds
- Internal auditing of policies and procedures
- Written long-term financial planning policy
- Written strategic plan, mission, and goals
- Adoption of 5-year capital plan by Council



Monitoring and Reviewing Policies

- Regular Review of Policies
 - Ensures policies fit the current environment
 - Helps in adapting to changes effectively


Monitoring and Reviewing Policies: Performance Metrics

Simple/Routine analysis:

- Fund balance analysis
- Budget vs. actual analysis
- Reserve fund requirements

Ratio analysis:

- Personnel cost ratio: $\text{salaries} + \text{fringe benefits} / \text{total expenditures}$
- Fixed cost ratio: $\text{salaries} + \text{fringe benefits} + \text{debt service} / \text{total expenditures}$
- Debt service coverage ratio: $\text{revenues} (-) \text{expenditures} / \text{total debt service}$
- Intergovernmental revenue ratio: $\text{intergovernmental revenues} / \text{total revenues}$

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- Remember – it's the journey and the not the destination. It takes time to recognize and develop what policies your organization needs.
 - Use examples!
 - Involve key people in the development and implementation of policies.
 - Regularly monitor the policies to ensure they're still effective, and they follow updated regulatory requirements.
 - Consider ratios and trend analysis.

Key takeaways

Presenter information

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