

# FY 2014 Financial Policies

*Presentation to Board of County Commissioners*

May, 2013



# Agenda

- Financial Policies Reflect Board Direction
  - Establish Goals For Financial Management
  - Review Changes From Prior Year
- Brief History of Policies in Multnomah County
  - Current Format Used Since FY 2002
- Why Have Policies?
  - Accountable Government
- Policies, Procedures, and Pronouncements
  - How They Differ, How They Direct Our Work

# Policies Reflect Board Direction

- Policy Goals
  - Preserve Capital Through Prudent Budgeting and Financial Management
  - Most Productive Use of Funds To Meet Goals Established by Board
  - Achieve Stable Balance Between Ongoing Commitments and Revenues
  - Leverage Local Funds w/ Federal and State Funds
  - Support Government Accountability
- Annual Review and Update on Status of Compliance w/ Policies
- 15 Policy Statements, Developed Over Time

# FY 2014 Policy Update

- Significant Policy Revisions in FY 2013
  - Designed to Streamline and Clarify
  - Some Policies Were Not Really Policies
  - Review GFOA Best Practices
  
- Only Minor Changes in FY 2014
  - Took Out References to Library Local Option Levy
  - Update Status and Progress Toward Goals

# Evolution of Financial Policies

- Policies Date Back to 1970's
  - Many Were Informal and Not Well Documented
  - Some Were Budget Policies, Some Were Accounting Policies, and Others Were a Hybrid
  
- FY 2001 Economic Downturn Shaped Current Format
  - Reserves Were Depleted
  - Moody's Put County on Negative Credit Watch
  - Policies Integrated to Demonstrate County's Commitment to Financial Stability

# Why Have Policies?

- State Goals and Preferences of Governing Body
- Prudent Financial Management
  - GFOA Recommended Practices
- Provide Guidance for Staff in Departments
  - Financial Decisions Aren't Ad Hoc
  - But, Policies Should Have Some Flexibility (OTO Revenues)
- Improve/Maintain Credit Rating
  - Prior to 2003 = Aa3, Current = Aa1

# FY 2013 Review

- Policies Jointly Managed by Finance and Budget
  - Took a Critical Look at What Was Included in Policy Document
  - Determined There Were Some Policies Where the Board Did Not Exercise Discretion
  
- Policy – Decision is at Discretion of Board
  
- Pronouncement – Requirement Established in Statute or Set by Standard (i.e., GAAP)
  
- Procedure – Operational Directives Designed to Standardize Processes and Delegated Authority by County Chair

# Policy Statements

- General Fund Forecast
- Tax Revenues
- Federal/State Grants and Foundation Revenues
- Recovery of Indirect Costs
- Use of One Time Only Resources
- User Fees, Sales, and Service Charges
- General Fund Reserve
- General Fund Contingency
- Capital Asset and Transportation Planning
- Long Term Liabilities
- Other Fund Balances
- Internal Service Funds
- Investments, Banking and Cash Management
- Short-Term and Long-Term Debt Financings
- Interfund Loans

# Summary

- Policies Set a Road Map For Financial Decision Making
- Rating Agencies and Outside Funding Partners View Policies Favorably and Provide Confidence In Financial Management
- Policies Should Be Reviewed and Updated on a Regular Basis
  - Generally Every Two to Three Years to Maintain Currency
- Role of the Board and Other Stakeholders
  - Identify Issues or Situations That May Warrant Development of a New Policy or Revisions to Existing Policies