



CITY OF KILLEEN

Public Finance: A Primer for Non-Financial Officials and Managers

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What is our Agenda today?

- Key Financial Policies
- Fund Basics
- Budgeting Basics
- Policy Review
- Conclusion



John Carver: “Boards That Make A Difference

- Focus on larger issues
- Delegate with clarity
- Control management’s job without meddling
- Evaluate organization’s performance
- Truly LEAD the organization



What are the most Common Policies?

- **Budget**
- **Revenues**
- **Expenditures**
- **Fund Balance/Reserves**
- **Accounting, Auditing and Financial Reporting**
- **Internal Control**
- **Asset Management**
- **Capital Improvements and Maintenance**
- **Debt Management**
- **Others (not covered today):**
 - **Investments**
 - **Intergovernmental Relations**
 - **Grants**
 - **Economic Development i.e. abatements, incentives**
 - **Risk Management**



Why have a Financial Policy?

- Provides “fiscal discipline”
- Achieve and maintain long-range stable and positive financial condition
- Provide guidelines for day-to day planning and operations of City’s financial management



Fiscal Responsibility

- Integrity
- Stewardship
- Planning
- Accountability
- Credibility



Stewardship

- Position of Trust
- Safeguarding Community Assets
- Preservation of Community Resources
 - Property
 - Lives
 - Life style



Credibility

- Full Disclosure
- Easy to lose - Hard to regain
- Short term role – Council terms
- Long term impact



Budget Process Policies

- Operating plan – 1 to 2 years
- Capital plan – 1 to 5 years
- Links to long-term, comprehensive plan
 - Budget based on performance and outcomes
- Preparation and adoption
- Assigns control and accountability of funds
 - Transfers between funds/departments
 - Budget Amendment process



Budget Contingency Policies

- Establish guidelines for managing revenue shortfalls
 - Immediate actions include freezing hiring of new positions
 - Delay all “non-essential” spending
- Service level reductions addressed by Council
 - Includes workforce reductions



Revenue Management

- Define “conservative” revenue projection philosophy
- User-based fees and service charges
 - “Cost of service”
- Property Tax Revenues/Tax Rate
 - Relation to effective rate and rollback rate
 - Portion allocated to Operations vs. Debt
- Administrative Services Charges
 - Transfers between Funds



Expenditure Policies

- **Current Funding Basis**
 - **On-going revenue fund on-going expenses**
 - **Excess revenue funds 1-time expense**
- **Purchasing Policy - follows state law**
- **Prompt payment to vendors**



Capital Improvement Program

- Preparation - update 5-Year CIP schedule
 - Citizen involvement
 - At least 5 years forward
 - Identifies plan for funding
 - Includes estimated operational impacts
- Funding must be identified prior to CIP contract being approved



Capital Maintenance Program

- Deferred maintenance increases future capital costs
- On-going capital maintenance is included in operating budget
- Internal Service Funds - “lease” equipment to departments
 - Lease fees fund capital repairs and replacement



Accounting & Financial Reporting

- Provide quarterly/monthly reports to Council
- Outside audit annually of all City accounts
 - Accountable directly to City Council
- Prepare Comprehensive Annual Financial Report (CAFR)
 - GFOA standards



Asset Management

- Investment Policy
 - Reviewed annually by Council
 - Confirms to legal requirements
 - Governed by PFIA
 - Required Training
 - Adopted policies
 - Regular reporting - Quarterly
- Fixed Assets
 - Capitalization criteria - \$5,000
 - GASB 34 requirements



Debt Management

- Use of Debt Financing
 - Future use against future payment
 - Long-life capital assets
- Affordability Targets
 - Debt per capita
 - Debt as a percent of taxable value
 - Debt service payments as percent of current revenues
 - Debt tax rates as percent of total tax rate
- Sale Process
 - Competitive vs. Negotiated
- Full and Continuing Disclosure



Types of Debt

- General Obligation
 - Tax supported and voter approved
- Certificates of Obligation
 - Tax supported
 - Issued by Council after notice process
- Revenue Bonds
 - Repaid through rates
- Self-supporting debt
 - Tax debt PAID FROM OTHER SOURCES
- Internal borrowings
 - Between Funds within the City



Debt Coverage

- Debt coverage ratio
 - Refers to the number of times the debt service payment would be covered by excess operating revenues, net of operating expense
 - Determined by bond covenants



Other Funding Alternatives

- Provides guidelines on alternative funding for new projects
 - Grants
 - Documents grant funding process with Council
 - Use of Reserve Funds
 - Used for debt management purposes
 - Developer Contributions
 - Links to development regulations
 - Leases
 - Impact Fees



Internal Controls

- Deterrents
 - Stop it Before it Starts
- Detection Controls
 - If Can't Stop it, Detect it Early
- Actively pursue
- Acknowledge Risks that Arise from Staff Cuts
- Internal Control program / audits
- Written policies reviewed annually
- Responsibility of managers to maintain within the departments



Financial Reserves

- Fund Balance Policy – 22-25%
 - Rainy day fund for unexpected emergency
 - 90 day reserve in General Fund
 - 30 days = “Emergency” Funds
 - Offset sudden tax increase
 - Replenished next budget cycle
 - 60 days = Long-term reserves



City of Killeen Results

- Conservative revenue projections result in excess ending Fund Balance
 - Used to fund Capital Program
- Maintained our AA Bond rating



Charter Revisions

- Charter contains specific requirements on
 - Budget
 - Financial reporting

QUESTIONS - SUGGESTIONS -AND
OPPORTUNITIES