

**CITY OF GOODYEAR  
COUNCIL ACTION REPORT**

<b>SUBJECT: Adopt Financial Policies</b>	<b>STAFF PRESENTER:</b> Lauri Wingenroth, Finance Manager- Budget and Research
	<b>CASE NUMBER:</b> None
	<b>OTHER PRESENTER:</b> None

**PROPOSED ACTION:**

Adopt the financial policies that will guide the FY2020 budget development and implementation.

**BACKGROUND AND PREVIOUS ACTIONS:**

Each year financial policies are reviewed with Council as part of the annual budget process. These policies were last approved by Council on May 21, 2018.

Council discussed the financial policies in October 2018 at the annual retreat and no revisions to the financial policies were identified as needed based on the Council discussion. Staff indicated at that time that there was a desire to make a revision to move a legal compliance item to the broader Overall Goals portion of the policies.

On February 25, 2019 at a Work Session about capital project needs and funding the Council discussed potential financial policy changes. The conversation was general and provided direction for developing the capital program with no specific financial policy changes identified.

**STAFF ANALYSIS:**

At the October 2018 retreat, staff recommended that the financial policies be adopted in advance of rather than in conjunction with budget adoption. This approach allows the City Manager to understand Council's priorities and policy direction prior to developing a recommended budget.

Staff will continue to report on compliance of the City Manager's proposed budget with the adopted financial policies as part of the budget recommendation process.

The attached financial policies that are recommended for adoption reflect the following changes:

- The previously staff identified revision to move a revenue specific compliance item from Budget Policy 7 into a broader compliance with legal and funding entity restrictions as a fourth Overall Goal.
- Staff recommends that a contingency reserve of 15% of operating revenue, similar to the General Fund, be established for the Water, Wastewater, and Solid Waste enterprise funds. A fund balance target is appropriate for these major operating funds given that they support essential ongoing operations. Having a policy in place will also provide a clear starting point for the planned rate study.

- Finally, rather than identify specific rating agencies in a written policy, staff recommends that existing Debt Management Policy 8F be revised to reflect an investment grade rating from at least one rating agency.

Other than the recommendation to establish a contingency reserve for the enterprise funds, none of the recommended revisions would change existing practice or the approach to budget development.

**FISCAL ANALYSIS:**

This action provides policy direction for developing the budget.

**RECOMMENDATION:**

Adopt the financial policies.

**ATTACHMENTS:**

Financial Policies with Revisions Shown