



Financial Policy Discussion

City of McKinney
December 5, 2016

Financial Policies - Introduction

- The Financial Policies of the City of McKinney are composed of three policy areas:
 1. *Financial & Budgeting Policies*
 2. *Investment Policy*
 3. *Purchasing Policy*
- McKinney's financial policies set forth the basic framework for the fiscal management of the City.
- Policies are developed within the parameters established by applicable provisions of:
 1. *Texas Local Government Code*
 2. *City of McKinney City Charter*
- Policies are reviewed annually by staff, and adopted by City Council during the budget and tax rate adoption process.

Financial Policy – Accounting

- City finances are accounted for in accordance with the principals of the Governmental Accounting Standards Board
- The City utilizes fund accounting to segregate funds according to their intended purpose, and to aid management in demonstrating compliance with finance-related legal and contractual provisions.
- Fund of the city are broke into the following fund types:
 - Governmental Funds
 - *General Fund*
 - *Debt Service Fund*
 - *Capital Projects Fund*
 - *Special Revenue Funds*
 - Enterprise/Proprietary Funds
 - *Airport Fund*
 - *Solid Waste Fund*
 - *Golf Course Fund*
 - *Water/WasteWater Fund*
 - *Surface Water Drainage Fund*

Financial Policy – Budget

- City finances are budgeted annually on a basis consistent with Generally Accepted Accounting Principles for all governmental and proprietary funds, including an appropriation for unspent balances on multi-year projects in the capital project funds.
- The City budget year begins on the first day of October each year and shall end with the thirtieth day of September of each year.
- Each budget year, the City goes through the following:
 - *On or before August 15th, the City Manager submits a full budget to the City Council*
 - *After any changes or corrections, City Council adopts the appropriations ordinance/budget in accordance with Texas state law*
 - *Once the budget is adopted, the City Council adopts the tax rate ordinance for the year*

Financial Policy – Budget

BUDGET PROCESS CALENDAR



Financial Policy – Revenues & Expenses

- Revenues

- Taxes

- *Maintain the tax rate allocated to the general fund at a minimum of 65% level. Conversely, the allocation of the tax rate for debt purposes will be no more than 35%.*
 - *Maintain an aggressive program to reduce delinquent taxes. The minimum collection rate objective is 98.5%.*
 - *Maintain total delinquent taxes outstanding at an aggregate level not to exceed 10% of the current tax levy.*

- Franchise Agreements

- *Incorporate a franchise or rental fee with all public utilities (including municipally owned utilities).*

- Expenses

- *All expenses of the City shall be made in accordance with the adopted annual budget or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance.*
 - *The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.*

Financial Policy – CIP, Debt, & Fund Balance

- Capital Improvement Plan

- *The City maintains a Capital Project Fund to be used to renovate, repair and replace fixed assets of the City, including public buildings, streets, storm sewers, park facilities and water & wastewater improvements.*
- *The Capital Project Fund shall be funded with contributions made to the City, nonrecurring revenues of the City, and other revenues detailed in the budget submitted to the City Council by the City Manager.*

- Debt

- *The City will manage the length of maturity of its long-term debt in order to lower net interest cost and to maintain future flexibility by paying off debt earlier.*
- *The target maturity shall be 20 years.*

- Fund Balance

- *The City will maintain a minimum fund balance reserve equal to three months of the total operating expenses of the General Fund.*
- *The City will maintain a reserve of cash and investments in the Water and Wastewater Fund equal to 90 days of the total operating expenses.*
- *The City will increase the cash and investments balance in all other enterprise funds to reach a level of at least 60 days of the total operating expenses.*

Investment Policy

- The City invests in a manner which will provide the optimum investment return with the maximum security while meeting the daily cash flow demands of the City
- The policy and strategy shall be reviewed by the Investment Committee and the City Council annually. Any modifications will be formally approved by the City Council (last updated 09/20/2016).
- The investment policy, as approved, is in compliance with the provisions of the Public Funds Investment Act of the Texas Government Code Chapter 2256.

Purchasing Policy

- The City will ensure that goods and services needed are obtained by using accepted purchasing practices.
- It will also meet legally mandated federal, state and local statutes, ordinances and codes while providing for a uniform, timely and economical means of purchasing.
- Any modifications to this policy will be formally approved by the City Council (last update 09/20/2016).

Future Updates

- Complete the FY2016 Audit
- Distribute and discuss 10-year financial plans
- 2018 Budget Process
 - Adding 1 public hearing
 - New citizen input process