Wauwatosa, WI

7725 W. North Avenue
Wauwatosa, WI 53213

Financial Affairs Committee

Meeting Agenda - Final

Tuesday, March 14, 2023 | **7:30 PM** | **Committee Room #1 and Zoom: https://servetosa.zoom.us/j/81144274572, Meeting ID: 811 4427 4572**

Regular Meeting

HYBRID MEETING INFORMATION

Members of the public may observe and participate in the meeting in-person or via Zoom at the link above. To access the Zoom meeting via phone, call 1-312-626-6799 and enter the Meeting ID.

CALL TO ORDER

ROLL CALL

FINANCIAL AFFAIRS COMMITTEE ITEMS

1. Review and approval of 2023 Community Development Block Grant (CDBG) funding requests — 23-483

2. Consideration of reallocation of $113,427 of CDBG funds to MSP Real Estate Inc., including a Level Three fund transfer — 23-217

3. Presentation of Police Recruitment and Retention Task Force (RRTF) 2022 Report and 2023 Proposal and request for a Level Three fund transfer for the purpose of funding additional recruitment and retention efforts — 23-220

4. Request for approval to prequalify consultant firms for 2023 and 2024 Construction Inspection Services — 23-219

5. Review of draft Financial Reserves Policy - Part II: Debt Service and Capital Projects Fund — 23-1003

6. Review of Financial Resiliency Policy — 23-431

ADJOURNMENT

NOTICE TO PERSONS WITH A DISABILITY
Persons with a disability who need assistance to participate in this meeting should call the City Clerk's office at (414) 479-8917 or send an email to tclerk@wauwatosa.net, with as much advance notice as possible.

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File #: 23-483 **Agenda Date:** 3/14/2023 **Agenda #:** 1.

Review and approval of 2023 Community Development Block Grant (CDBG) funding requests

Submitted by:
Karl Schreiber
Department:
Development Department

A. Issue
Review and approval of 2023 Community Development Block Grant (CDBG) funding requests.

B. Background/Options
The CDBG Committee met in December, 2022 to review applications and fund requests and set funding levels for the City's 2023 CDBG program year based on an estimated $1,000,000 grant award. The City recently received the official funding notice from the Department of Housing and Urban Development (HUD) that the City's 2023 CDBG grant award is $997,039, a $2,961 decrease from the estimated amount.

CDBG funds are broken into three project categories: (1) Administration/Planning, (2) Public Services, and (3) Public Facilities, Economic Development, and Rehabilitation. Per HUD's regulations, Administration/Planning funds are limited to 20% of the total grant award and Public Services funds are limited to 15% of the total grant award. There is no funding cap for the Public Facilities, Economic Development, and Rehabilitation category.

Attached you will find a complete breakdown of the 2023 funding requests along with a brief project summary, and the recommendation for 2023 grant funding. These projects and their ultimate funding amounts will be included in the 2023 CDBG Annual Plan submitted to HUD.

Given the applications and funding requests received, HUD's spending cap regulations, and the CDBG Committee's recommendations, the proposed final 2023 CDBG funding levels are as follows:

- In the Administration category (page 1 of attached table), the General Administration and Fair Housing requests were funded to the requested level.

- In the Public Service category (page 2 of attached table), the total requests exceeded the public service cap so funding requests were adjusted. Further adjustment to CDBG Committee recommendations were made upon receiving the Notice of 2023 Grant Award by reducing the funding to each organization by $89.

- In the Public Facilities category (page 3 of attached table), all projects are proposed to be funded to the level recommended by CDBG Committee except for the CDA's request which is reduced to balance out the total amount of the 2023 grant award.

C. Fiscal Impact

There is no direct impact on the City budget as a result of CDBG funding.

D. Recommendation

Approval of 2023 CDBG funding levels with a Level III fund transfer and final approval given by the Common Council.

City of Wauwatosa 2023 Community Development Block Grant (CDBG) Program

Amount of 2023 CDBG Funds: $997,039

ADMINISTRATION & PLANNING - $199,408 maximum due to a 20% spending cap in this category

		2022 Funding Level	2023 Request	2023 Recommendation
Project Name:	**Program Administration**	**$ 100,000**	**$ 100,000**	**$ 100,000**
Description:	Provides for all costs associated with the administration of the CDBG Program including salaries and fringe benefits, supplies, notices, and training travel expenses.			
Project Name:	**Comprehensive Plan**	**$ -**	**$ 50,000**	**$ 50,000**
Description:	Update the City of Wauwatosa Comprehensive Plan. $50,000 in both 2023 and 2024 program years.			
Project Name:	**Metropolitan Milwaukee Fair Housing Council**	**$ 39,800**	**$ 41,790**	**$ 41,790**
Description:	The Metropolitan Milwaukee Fair Housing Council is funded to provide fair housing opportunities through its Fair Housing Project (FHP), designed to further fair housing and eliminate unfair and illegal discrimination in the sale, renting, financing or insuring of housing. The Fair Housing Council provides fair housing information, counseling and investigative services and research and technical assistance. The fair housing component is a HUD requirement for each grant year.			
Total Administrative & Planning Requests			**$ 191,790**	**$ 191,790**

PUBLIC SERVICES - $149,555 maximum due to a 15% spending cap in this category

CDBG funding for organizations in the Public Service category requires that a minimum of 51% of clients served meet low/moderate income levels established by HUD.		2022 Funding Level	2023 Request	2023 Recommendation
Project Name:	**Senior Center /Recreation Department**	**$ 82,000**	**$ 93,000**	**$ 82,911**
Description:	The Wauwatosa School District Recreation Department manages activities and other programs for the Senior Centers at Hart Park and City Hall. Operation costs include staff salaries and benefits, equipment and supplies, and publicity/promotion.			
Project Name:	**Tosa Cares**	**$ 6,000**	**$ 10,000**	**$ 6,911**
Description:	Tosa Cares provides food and assistance to families in need and conducts several service projects a year to collect and distribute food supplies, hygiene products and clothing. Funds are used to purchase food and supplies that go directly to families in need. Outside of CDBG funds, the program relies totally on donations and is all volunteer run.			
Project Name:	**Life Navigators**	**$ 24,900**	**$ 30,000**	**$ 25,911**
Description:	Life Navigators assists individuals with developmental disabilities and their families in securing the support and resources necessary to live and work safely and as independently as possible. Grant funds pay for staff salaries/costs.			
Project Name:	**Vision Forward**	**$ 6,002**	**$ 10,000**	**$ 6,911**
Description:	Vision Forward provides vision rehabilitation services for adults who are blind and visially impaired. Services include assessent and training in low vision, activities of daily living, communication, orientation and mobility and technology. Grant funds pay for staff salaries/costs in proportion to the number of Wauwatosa residents served.			
Project Name:	**ERAS Senior Network**	**$ 26,098**	**$ 27,098**	**$ 26,911**
Description:	The chief aim of the neighborhood outreach program is to help older adults live in their homes safely for as long as possible. The program recruits community volunteers to provide day-to-day services such as informational referrals, transportation assistance, home visits and minor home projects. CDBG funds are requested to cover staff salaries.			
Total Public Services Requests			**$ 170,098**	**$ 149,555**

Public Facilities, Economic Development & Rehabilitation				
There is not a funding cap in this category.		2022 Funding Level	2023 Request	2023 Recommendation
Project Name:	**Wisconsin Women's Business Initiative Corporation (WWBIC)**	**$ 40,000**	**$ 40,000**	**$ 35,000**
Description:	WWBIC provides one-on-one technical assistance and business edcuation classes to for-profit businesses to foster small or micro-business start ups and expansions.			
Project Name:	**Lutheran Home**	**$ 142,600**	**$ 144,491**	**$ 144,491**
Description:	The Lutheran Home provides residential care for elderly and frail individuals who have experienced a substantial physical or mental decline and cannot safely live on their own. The Lutheran Home is requesting funds to replace outdated windows throughout the portion of the facility built in 1963 and 1996. (Phase 3)			
Project Name:	**Luther Manor**	**$ 134,775**	**$ 152,130**	**$ 152,130**
Description:	Luther Manor is a Contintuing Care Retirement Community offering life-long, comprehensive housing care and services for older adults. Funds will be used to repair and enhance Health Care Center couryard garden.			
Project Name:	**Carmelite Ministry of St. Teresa (CMST)**	**$ -**	**$ 137,500**	**$ 137,500**
Description:	CMST is a ministry of the Carmelite Sisters of the Divine Heart of Jesus Northern Province, a non-profit organization based in Wauwatosa that provides community programming for individuals with disabilities. Funds will be used for various projects; HVAC, utility improvements, and office/meeting renovation.			
Project Name:	**Community Development Authority - Interdepartmental**	**$ -**	**$ 400,000**	**$ 186,573**
Description:	Funds would be used to provide assistance for affordable housing units that would not be viable without CDBG funding. Funds could also be used to undertake owner occupied housing rehabilitation efforts as part of the City's housing rehabilitation program.			
Total Public Facilities, Economic Development & Rehabilitation			**$ 874,121**	**$ 655,694**
Total CDBG Requests			**$ 1,236,009**	**$ 997,039**

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Wauwatosa, WI

Staff Report

File #: 23-217 **Agenda Date:** 3/14/2023 **Agenda #:** 2.

Consideration of reallocation of $113,427 of CDBG funds to MSP Real Estate Inc., including a Level Three fund transfer

Submitted by:
Jennifer Ferguson
Department:
Development Department

A. Issue

Approval of the reallocation of $113,427 of Community Development Block Grant (CDBG) funds to MSP Real Estate, Inc. for eligible site acquisition and development soft costs related to the development of affordable housing.

B. Background/Options

Staff is requesting $113,427 of existing Community Development Block Grant (CDBG) funds be reallocated for the purpose of providing money to MSP Real Estate for eligible site acquisition and soft costs related to their affordable housing development located at the Mayfair Collection, 11500 West Burleigh Street.

The development will total 80 apartment units in two separate four-story buildings. One building will be a 39-unit age-restricted (55+) building and the second building will be a 41-unit non-age-restricted building. Fifty-six of the units will be offered at affordable rents across various median income ranges and unit sizes.

Funds for the reallocation are comprised of unspent balances from Tosa Food Pantry ($6,000) and general program administration in years 2021 and 2022 ($107,427). Reallocating these CDBG funds allows the city to meet HUD spending requirements in a timely manner as unexpended balances weigh down the city's spending ratio.

In addition to the reallocated funds, the Community Development Authority's approved 2023 CDBG award ($186,573) will round out the balance of the $300,000 in CDBG funding needed for MSP's project, noted in the term sheet recently approved by Common Council.

C. Strategic Plan (Area of Focus)

n/a

D. Fiscal Impact

There is no direct impact on the City budget as a result of CDBG funding.

E. Recommendation

Recommend the Council approve of the reallocation of $113,427 of CDBG funds to MSP Real Estate Inc. including a Level Three fund transfer.

Wauwatosa Police Department

Departmental Correspondence

DATE: 2/28/23

TO: Financial Affairs Committee

FROM: Capt. Luke Vetter, HR Director Beth Mbow, Finance Director John Ruggini

SUBJECT: Police Recruitment and Retention Task Force (RRTF)
2022 Report and 2023 Proposal

ATTCHED: none

Background

In November of 2021 the Police Command Staff and HR Director proposed to Council the need for funding to stand up a recruitment and retention task force for the current challenges in hiring Police Officers. The council approved $203,000.00 to be used for recruitment efforts as determined by the task force, to include hiring bonuses, referral bonuses, and police academy reimbursement.

The RRTF is made up of members from the Police, HR, and Communications Departments. Regular assistance is provided by the Finance and IT Departments, also. The main goals of the RRTF are clear: to attract a wide range of qualified, diverse candidates that are both *newly called* to the law enforcement profession, and attract *current officers looking to develop* and move to our agency which offers numerous advancement and specialty assignments.

RRTF spending was divided into two main categories:

1. Bonuses
    a. New hires given $7500 after successfully completing a year of training
    b. Employees received $2500 for referring a candidate that was hired
    c. New hires that paid for their own State Recruit Academy Training were reimbursed $5000 after completion of training

2. Marketing & Advertisement
    a. Hired a local contractor for Videography and ads: Detonator
    b. Created a new website: www.ServeTosa.com
    c. Created targeted web and social media ads
    d. Purchased recruitment media
    e. Formed a Police recruitment team who attend job fares, colleges, tech schools, and make one-on-one contact with potential candidates
        i. Over-time, travel & lodging covered by RRTF funds

Wauwatosa Police Department

Departmental Correspondence

Summary of 2022 RRTF Efforts

- 14 Officers were hired in 2022 *(5 were hired in Jan. of 2023, 1 in Feb. of 2023, and 2 more will likely be hired in March of 2023)*
- We propose a roll-over of the available balance into our continued efforts in 2023.

We are very thankful for the flexibility and resources the Council granted the RRTF to use for this staffing challenge. We anticipate there still could be as many as **10 vacancies** through Summer of 2023 out of a total of 104 authorized sworn positions. Additional pending MRMC contracts, as well as upcoming resignations and retirements, drive the need to continue RRTF efforts for the **next several years. The RRTF and the funding approved by Council has proven itself.**

2023 NEW PROPOSAL

We are proposing a level 3 transfer to fund recruitment & retention efforts into 2023. The proposals again fall into the same two main categories and **total an estimated $60,000.00**:

1. Bonus
   a. Referral bonus for police employees who refer a candidate that is hired
      i. Personal contact for potential candidates continues to be very successful

2. Marketing & Advertisement
   a. Ongoing recruitment team efforts & associated costs
   b. IT & training funding to adequately train the large amount of new Officers
   c. On-going, targeted social media & ads

To accommodate the additional initiatives described above, the total budget will need to be increased $27,425 from $203,000 to $230,425. Similar to last year, this will be funded through police department salary savings and the Reserve for Contingencies if salary savings are insufficient. Approval of a level three fund transfer by the Common Council is also required for the IT upgrades and marketing and advertisement initiatives.

On behalf of the entire RRTF team, we thank you for your continued support and appreciate considering approval of this proposal for the on-going hiring challenges the Police Department is facing.

Respectfully, and for the RRTF Team,

Capt. Luke Vetter and HR Dir. Beth Mbow

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Staff Report

File #: 23-219 **Agenda Date:** 3/14/2023 **Agenda #:** 4.

Request for approval to prequalify consultant firms for 2023 and 2024 Construction Inspection Services

Submitted by:
Nicholas Deming
Department:
Engineering Division

A. Issue
Approval of the prequalification of consultant firms responding the Request for Proposal (RFP) issued by Engineering Services for Construction Inspection Services for 2023 & 2024.

B. Background/Discussion
The city utilizes two in-house inspectors and supplements that staff with consultant staff as necessary for proper inspection coverage across both public construction and private construction projects requiring inspection through Engineering.

During the 2021 & 2022 construction seasons, the city utilized GRAEF to provide construction inspection services to supplement city staff. Rates with GRAEF for 2022 were negotiated based on rates utilized in 2021. In discussion with GRAEF for construction inspection services in 2023, they indicated that staffing levels only permitted them to dedicate one inspector to the City for the 2023 construction season. Peak needs for the number of inspection staff are expected to exceed at times throughout the season what can be provided through in-house resources and the inspector GRAEF has available to assist.

Due to a potential shortfall in consultant resources, staff issued a RFP to 27 firms with the intent to utilize these consultants on a price, convenience, and availability basis for public construction and private construction projects for the 2023 & 2024 seasons. Of the 27 firms, 6 qualified firms responded to the RFP.

The decision to utilize a Senior Inspector, Inspector II or Inspector I will be determined by project complexity and staff availability.

C. Strategic Plan
Priority #3: Infrastructure
D. Fiscal Impact
In response to the Request for Proposal, the following firms returned a proposal at the rates shown below.

2023 Proposed Rates			
	Sr. Inspector	Inspector II	Inspector I
Lakeside (Public & Private)	$100/hr	$87/hr	$75/hr

GRAEF (Public)	$110/hr	$90/hr	$70/hr
GRAEF (Private)	$125/hr	$105/hr	$85/hr
DAAR (Public & Private)	$115/hr	$105/hr	$95/hr
RA Smith (Public & Private)	$125/hr	$99/hr	$90/hr
Sigma Group (Public & Private)	$140/hr	$85/hr	$80/hr
Bloom Companies (Public & Private)	$160/hr	$120/hr	$90/hr

The funding needs for public construction inspection services in 2023 is included within the approved 2023 Capital Improvement Plan budget. The cost for inspection services utilized for private construction inspection is anticipated to reimbursed by the firm or entity requiring inspection.

E. Recommendations

1. Approve the above six firms for prequalification to provide Construction Inspection Services for 2023 and 2024.
2. Authorize staff to contract with each of the pre-qualified firms on a price, convenience, and availability basis for public and private construction for Construction Inspection Services in 2023 at the above rates.

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Wauwatosa, WI

Staff Report

File #: 23-1003 **Agenda Date:** 3/14/2023 **Agenda #:** 5.

Review of draft Financial Reserves Policy - Part II: Debt Service and Capital Projects Fund

A. Issue

A financial reserve provides protection from risk. The City of Wauwatosa faces risks like revenue shortfalls during recessions and losses from extra-ordinary events, like a pandemic or extreme weather event. Reserves help make sure that the City can respond quickly and decisively to extreme events. Reserves also support vital public services during revenue declines. A reserve policy describes how much we will try to retain in our reserve. It also describes acceptable uses of reserves. The City has had an informal reserve policy but as a best practice, and to protect our Aaa bond rating, we seek to formalize that policy. This is a continued discussion from January 10, 2023.

B. Background/Options

At the January 10, 2023 meeting, staff introduced a draft fund balance policy and reviewed General Fund balances and policy recommendations. Included in this packet is an updated policy to include the Debt Service Fund and the Capital Projects Fund. The table below summarizes the balances of the funds discussed to-date including the Debt Service and Capital Project Funds.

	2021 Adjusted Balance	Benchmark	2021 % of Benchmark	2021 Over/ (Under) Benchmark	Status
General Fund - Emergency and Working Capital Reserve	$ 12,097,343	2 months expenses (subsequent year budget)	105%	$ 532,235	
General Fund - Amortization Fund	$ 9,161,125	125% of Levy Funded Principal and Interest	97%	$ (324,855)	
General Fund - Contingency Reserve	$ 102,000	.5% of expenses (subsequent year budget)	29%	$ (244,953)	
General Fund - Capital Improvements	$ 1,202,572	N/A	N/A	N/A	
General Fund - Plant Beds/ Medians	$ 15,914	N/A	N/A	N/A	
General Fund - Recycling Stabilization	$ 171,564	Current Year Estimated Total Annual Commodity Value X 2	TBD	TBD	
Debt Service	$ 1,879,446	N/A	N/A	N/A	
Capital Projects - PWB Reserve	$ 291,305	N/A	N/A	N/A	
Capital Projects - Working Capital	$ 4,599,107	20% above 3 year average of max monthly cash deficit	102%	$ 75,858	

The Debt Service Fund is used to pay all non-utility principal and interest debt payments as well as debt issuance expenses. Special revenue funds, such as Tax Incremental Districts, transfer funds to this fund for the debt service owed. The Debt Service Fund includes a non-spendable balance for a loan provided to the Milwaukee Area Domestic Animal Control Commission that will be paid off in 2036. The designated fund balance includes bond premium that is held to be used for subsequent year's interest payments. No additional fund balance may accumulate, per state statute.

The Capital Projects Fund is used for expenses and revenues related to constructing, improving or acquiring a non-utility asset. Examples includes roads, bridges, fire apparatus and public building renovations. Unspent bond proceeds are held in reserve and considered restricted. It includes a "Public Works Building and Yard Improvement" assigned balance that was created with funds received by the Department of Transportation for temporary easements necessary for the Zoo interchange reconstruction. These funds are designated for one-time projects at the Public Works Complex. The Capital projects fund also maintains a restricted balance for cash flow as the fund often expends resources prior to receiving revenues such as grants and bond proceeds. A benchmark of 20% above the 3-year average of the maximum monthly cash deficit is recommended. The fund is currently at 102% of that benchmark.

C. Strategic Plan (Area of Focus)

Priority 1: Economic Development and Financial Resilience. A fund balance policy is a critical component of financial resiliency.

D. Fiscal Impact

This item is for informational purposes only.

E. Recommendation

This item is for informational purposes only. Staff will continue to provide updates until all funds have been reviewed. At that point staff will recommend adoption of the policy.

Financial Reserve Policy – City of Wauwatosa

Why a Reserve Policy Is Important

A financial reserve provides protection from risk. The City of Wauwatosa faces risks like revenue shortfalls during recessions and losses from extra-ordinary events, like a pandemic or extreme weather event. Reserves help make sure that the City can respond quickly and decisively to extreme events. Reserves also support vital public services during revenue declines. A reserve policy describes how much we will try to retain in our reserve. It also describes acceptable uses of reserves.

Acceptable Uses of Reserves

Reserves are meant to address unexpected, nonrecurring costs. Reserves should not be used for recurring annual operating costs. An exception is poor economic conditions or events that disrupt the City's revenues. In such cases, reserves may be used to provide short-term relief so that the City can restructure its operations in an orderly manner.

Replenishment of Reserves

If the City uses its reserves and those reserves are below the allowed minimum, then the Finance Director will propose a plan for the replacement of the reserves. The Financial Affairs Committee will review and approve the plan. The City will try to replace the reserves within the minimum amount of time that is practical.

If the maximum reserve is exceeded during the forecast period, the City may spend the excess reserves on allowable uses. Reserves should be treated as a one-time revenue, as per the City's policy on one-time revenues.

The City's finance department will conduct long-range forecasting to determine if City is likely to stay within its range of reserves.

Authority to Use Reserves

The Finance Director may authorize the use of reserves for purposes consistent with this policy.

The Size of the City of Wauwatosa's Reserve

The City of Wauwatosa will endeavor to hold the following amounts in reserves by fund:

General Fund

The General Fund Reserves include non-spendable, restricted and unrestricted balances. See attachment 1 for definitions of these categories. The unrestricted balances include:

Emergency and Working Capital Reserve (Unassigned)

Minimum	Two months of General Fund expenditures (16.7%) from the current year original adopted budget
Maximum	Three months of General Fund expenditures (20%)

Justification	Recommendation by the Government Finance Officers Association for an appropriate level of reserves for communities with a moderate risk profile. Provides sufficient working capital for year-end when debt service payments are due prior to property tax receipts
Reasons reserves may be used	• Response to emergencies (e.g. natural disasters, pandemics, terrorism) • Catastrophic infrastructure damage • Service sustention during a severe fiscal crisis • Short-term revenue bridging (i.e. awaiting property tax receipts in December)
Acceptable Use of Excess Reserves	• Capital Expenditures • Extra-ordinary economic development opportunities • Pay-down debt
Source of Funds	• Year-end Surplus • Budgeted funds

Contingency Fund (Unassigned)

Minimum	.5% of General Fund Expenditures of the current year original adopted budget
Maximum	Refreshed annually so should never exceed minimum
Justification	Based on prior years' experience and revenue constraints
Reasons reserves may be used	• Unplanned departmental budgetary shortfall (but not as an ongoing source of budgetary revenue) due to one-time events (severe winter weather, extra-ordinary public safety event, unanticipated litigation, pandemic, etc.)
Acceptable Use of Excess Reserves	• N/A
Source of Funds	• Must be replenished annually from the Emergency Reserve as of January 1.

Amortization Fund – Debt Coverage (Unassigned)

Minimum	125% of annual levy funded principal and interest payments (subsequent year budget) excluding short-term and refunding borrowings
Maximum	135%
Justification	Maintenance of Aaa bond rating is secured, in part, by this reserve as payment of debt service is pledged. Reserve secures repayment.
Reasons reserves may be used	• Extra-ordinary catastrophe causing an extreme cash flow shortage preventing debt service payments
Acceptable Use of Excess Reserves	• Cash-financing to avoid borrowing • Reducing outstanding debt • Smoothing mark-to-market fluctuations

	Use of excess reserve requires approval of Public Debt Commission
Source of Funds	• Surplus interest earnings • Bond premium

Capital Improvements - (Assigned)

Minimum	N/A
Maximum	N/A
Justification	Source of additional funding for cash financing capital projects
Reasons reserves may be used	• Cash financing capital projects that would otherwise require borrowing
Acceptable Use of Excess Reserves	• Cash-financing to avoid borrowing
Source of Funds	• Sale of public land owned by the City • Other one-time revenues designated by the Common Council

Welcome to Wauwatosa Plant Beds/Medians - (Assigned)

Minimum	N/A
Maximum	N/A
Justification	Donated funds with expressed purpose for the "care and maintenance of the Welcome to Wauwatosa Sign plant beds and the plant beds in the medians.
Reasons reserves may be used	See above
Acceptable Use of Excess Reserves	*N/A*
Source of Funds	Donated from the dissolved "Beautification Committee" in 2019.

Recycling Stabilization - (Assigned)

Minimum	None
Maximum	Current Year Estimated Total Annual Commodity Value X 2
Justification	The City receives revenue based on the market value of its recyclables. This market is subject to significant volatility, which can cause stress on the Solid Waste budget as this function depends on this revenue to offset the cost of the program. This reserve will smooth out year-to-year fluctuations, which in the past have been significant and unpredictable.
Reasons reserves may be used	• Actual or anticipated decrease in recycling revenues that would cause a budgetary shortfall requiring the City to budget additional levy for the solid waste function • Year-end shortfall in recycling revenue compared to budget contributing to a general fund deficit. This is generally not

	realized as a revenue loss, rather a deficit in the expense budgeted to pay the recycling vendor.
Acceptable Use of Excess Reserves	• One-time expenditures related to the solid waste function
Source of Funds	• Surplus recycling revenue

Non-lapsing Funds - (Assigned)

Minimum	N/A
Maximum	N/A
Justification	The City designates certain accounts as “non-lapsing” as part of the annual budget resolution so that any year-end balance automatically carries over. The Senior Commission, Youth Commission and Commission for Persons with Disabilities are all examples of non-lapsing accounts as well as funds donated for specific purposes, such as for the Police K-9 unit. For a full listing, please see the most recent operating budget resolution.
Reasons reserves may be used	• Must be used for the assigned function
Acceptable Use of Excess Reserves	• Per Common Council discretion
Source of Funds	• Year-end surplus in the relevant accounts

Reserve for Subsequent Year Expenditures - (Assigned)

Any funds carried over from the prior year must be reserved as assigned fund balance in the year from which they are carried over. For example, funds carried over from 2022 to 2023 will be held in reserve as subsequent year expenditures in the 2022 Subsequent Year Expenditure Reserve. The 2023 expenditure budget must be amended to reflect the increased expenditure authority with a revenue offset shown as “Appropriated Surplus Applied” to reflect the future use of funds held in reserve. Had these funds not been carried over, they would have otherwise increased the Unassigned Fund Balances. The Finance Department updates this reserve balance manually each year as part of the year-end close process. This reserve will exist in any fund for which there are carry-overs.

Reserve for Encumbrances - (Assigned)

Similar to the Reserve for Subsequent Year Expenditures, any funds encumbered for a purchase order or contract at year-end, will automatically carry-over into the subsequent year and be reserved as assigned fund balance in the year from which they are carried over. For example, purchase order and contract balances carried over from 2022 to 2023 will be held in reserve in the 2022 Reserve for Encumbrances. The 2023 expenditure budget must be amended to reflect the increased expenditure authority with a revenue offset shown as “Appropriated Surplus Applied” to reflect the future use of funds held in reserve. This reserve will decrease automatically as the funds are spent. This reserve will exist in any fund for which there are year-end encumbrances.

Debt Service Fund

The Debt Service Fund is used to pay all non-utility principal and interest debt payments as well as debt issuance expenses. Special revenue funds, such as Tax Incremental Districts, transfer funds to this fund for the debt service owed. The Debt Service Fund includes a non-spendable balance for a loan provided to the Milwaukee Area Domestic Animal Control Commission that will be paid off in 2036. The designated fund balance includes bond premium that is held to be used for subsequent year's interest payments. No additional fund balance may accumulate, per state statute.

Capital Projects Fund

The Capital Projects Fund is used for expenses and revenues related to constructing, improving or acquiring a non-utility asset. Examples includes roads, bridges, fire apparatus and public building renovations. Unspent bond proceeds are held in reserve and considered restricted.

Public Works Building and Yard Improvements (Assigned)

Minimum	NA
Maximum	NA
Justification	This balance was created with funds received by the Department of Transportation for temporary easements necessary for the Zoo interchange reconstruction.
Reasons reserves may be used	• Improvements to the Public Works yard and buildings
Acceptable Use of Excess Reserves	NA
Source of Funds	• One time revenues associated with the Public Works complex

Capital Projects Cash Flow Reserve (Restricted)

Minimum	10% greater than 3 year average of maximum monthly cash deficit
Maximum	30 % greater than 3 year average of maximum monthly cash deficit
Justification	The capital projects fund often expends funds prior to receiving revenues such as bond proceeds and grants so it is necessary to maintain a working capital reserve for cash flow.
Reasons reserves may be used	• To cover cash flow shortages for the fund
Acceptable Use of Excess Reserves	• Cash finance capital improvements
Source of Funds	• Capital project surplus

Attachment 1

Fund Balance

As defined by the Governmental Accounting, Auditing and Financial Reporting of the Government Finance Officers Association, fund balance is "The difference between assets and liabilities reported in a governmental fund."

Non-Spendable

Not in spendable form (such as inventory or prepaid items) and legally or contractually required to be maintained intact

Restricted

Amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation (such as bond covenants)

Unrestricted

Total of Committed, Assigned and Unassigned Fund Balance

Committed

Amounts that can be used for specific purpose stipulated by resolution of the City Commission

Assigned

Resources intended for spending for a purpose set by the governing body itself or by some person or body delegated to exercise such authority in accordance with policy established by City Commission.

Unassigned

Residual classification for the general fund and represents fund balance that has not been restricted, committed or assigned to specific purposes of the general fund

- City Commission refers to the Common Council.

7725 W. North Avenue
Wauwatosa, WI 53213

Wauwatosa, WI

Staff Report

File #: 23-431 **Agenda Date:** 3/14/2023 **Agenda #:** 6.

Review of Financial Resiliency Policy

Submitted by:
John Ruggini, Finance Director
Department:
Finance Department

Issue
In 2016, the Common Council adopted a "Financial Resiliency Policy" based on research conducted by the Government Finance Officers Association. Given the passage of time as well as changes in the organization, local economy and make-up of the Common Council, a review and update of this policy is needed. Over the past several months, the Committee and staff have discussed updates to this policy. A marked-up and clean copy of the policy including all of those changes is attached.

Background/Options
Financial resiliency is defined as the ability to quickly recover from external environmental shocks, such as a severe recession. Attached is a research paper written by the Government Finance Officers Association that describes eight characteristics of a resilient system.

1. **Diversity**: Avoid a single point of failure or reliance on a single solution.
2. **Redundancy**: Have more than one path of escape.
3. **Decentralization**: Centralized systems look strong, but when they fail, the failure is catastrophic.
4. **Transparency**: Don't hide your systems. Transparency makes it easier to figure out where a problem may lie. Share your plans and preparations, and listen when people point out flaws.
5. **Collaboration**: Work together to become stronger.
6. **Fail Gracefully**: Be patient when honest efforts fail and strive to build in safeguards to limit the impact of those failures.
7. **Flexibility**: Be ready to change when plans aren't working. Don't count on stability.
8. **Foresight**: You can't predict the future, but you can hear its footsteps approaching. Think and prepare.

The attached policy applies these eight characteristics to the City's financial systems in order to build a resilient organization. Much of what is included are existing financial practices the City already utilizes while also identifying areas for improvement. A significant component of the policy is adopting specific directions and assumptions to develop the five-year forecast.

It is intended that this policy be reviewed annually with the presentation of the five-year forecast and updated every 5-years to reflect changing economic and political conditions.

The policy has not been updated since adoption. Over the past several months, the Committee and staff have discussed updates to this policy. A marked-up and clean copy of the policy including all of those changes is attached.

Fiscal Impact
This item is for informational purposes only

Recommendation
Staff recommend the committee provides feedback on the policy which will be incorporated and then brought again before the committee for formal approval.

Building a Financially Resilient Government through Long-Term Financial Planning

The Government Finance Officers Association
www.gfoa.org • 312-977-9700

Building a Financially Resilient Government through Long-Term Financial Planning

By Shayne Kavanagh, GFOA senior manager of research

The concept of "sustainability" has captured the attention of local government leaders across the United States and Canada over the past few years. This includes finance officers, as the term "financial sustainability" has come to signify practices such as directing one-time revenues away from recurring sources of expenditure and taking into account long-term maintenance and operating costs when planning and evaluating capital projects.

However, the current recession has taught us that sustainability is a necessary but insufficient condition to ensure the ongoing financial health of local government. A sustainable system is balanced, but an external shock (like a severe economic downturn) can unbalance the system and perhaps even collapse it. Local governments will continue to face serious challenges from outside, including but not limited to economic adjustments, natural disasters, and important policy changes by other levels of government. As such, finance officers must strive to help their organizations go beyond sustainability to a system that is adaptable and regenerative – in a word: resilient.

Jamais Cascio, a fellow at the Institute for Ethics and Emerging Technologies, identifies eight essential characteristics of a resilient system:[1]

- **Diversity**: Avoid a single point of failure or reliance on a single solution.
- **Redundancy**: Have more than one path of escape.
- **Decentralization**: Centralized systems look strong, but when they fail, the failure is catastrophic.
- **Transparency**: Don't hide your systems. Transparency makes it easier to figure out where a problem may lie. Share your plans and preparations, and listen when people point out flaws.
- **Collaboration**: Work together to become stronger.
- **Fail Gracefully**: Failure happens. Make sure a failure state won't make things worse.
- **Flexibility**: Be ready to change when plans aren't working. Don't count on stability.
- **Foresight**: You can't predict the future, but you can hear its footsteps approaching. Think and prepare.

> A sustainable system is balanced but potentially brittle. A resilient system not only survives shocks, it thrives even under conditions of adversity.

This article explores these characteristics as they relate to creating a financially resilient government and the central role that long-term financial planning plays in financial resiliency. You can use these characteristics to evaluate your own financial planning process and prepare a road map for its evolution. The Government Finance Officers Association (GFOA) interviewed officials at several local governments that have been practicing long-term financial planning for a number of years (some as long as 15 or 20) and that have, as a consequence, achieved financial resiliency. Below are some examples of how these governments are not just surviving the current economic downturn, but thriving in it.

AAA Bond Ratings Achieved. Several of our research subjects have had their bond ratings recently upgraded to AAA, and one had its existing AAA reaffirmed. The rating agencies pointed to long-term financial planning as evidence of management's dedication to the practices that maintain long-term financial health. This is a stark illustration of the "flight to quality" that has been occurring in all investment markets.

Making Believers Out of Skeptics. One government recently had a new chief operating officer who was skeptical of the value of long-term financial planning in the current economy. "What use are multi-year forecasts and strategies under conditions of such volatility?" the COO reasoned. However, the COO was soon converted when she witnessed how the fund balances built up in the good times could be used to buffer shocks, how the governing board was highly engaged in serving as an effective steward over long-term financial health, and how the government was spared the need to suddenly and reflexively resort to the same wrenching retrenchment tactics as many of its neighbors. Of course, receiving an AAA bond rating played no small role in the COO's change of opinion.

Preparing for the Future. Our resiliency research subjects have not only been able to avoid the most painful retrenchment tactics, but have been able to make sound investments in their futures. For example, while many state governments have been using stimulus funds to backfill their operating budgets and thereby defer tough budget decisions, the City of Coral Springs, Florida, has been using stimulus funding to invest in labor-saving technologies. The city's managers and officials believe that the economy is entering a "new normal" where former levels of revenue can't be expected to return. While long-term planning and financial reserves have bought the city some time, this doesn't mean the city can continue on indefinitely as it has. Therefore, officials have been supportive of long-term technology investments that will allow the city to maintain its current service levels with fewer employees, as well as many other program and staffing adjustments that, while not immediately necessary, will reduce the cost of city government over the long term.

Our Featured Local Governments

- City of San Clemente, California
- City of Sunnyvale, California
- City of Coral Springs, Florida
- County of Hanover, Virginia
- Mentor Public Schools, Ohio

Saving Jobs. One of the most feared consequences of any recession is job loss. Our research subjects for this paper have been able to avoid layoffs so far. Hanover County, Virginia, is particularly enthusiastic about the potential of long-term planning to help to preserve jobs. In Hanover County's experience, the organization-wide perspective provided by a financial plan has been instrumental in encouraging departments to shift underutilized employees to areas of greater need. For example, the recession has reduced construction and the demand for building inspectors, so the county has been able to use them for in-house construction projects and similar tasks where a contractor may have otherwise been used. Hence, the county has been able to shift
building inspectors across tasks, thereby filling a real need while preserving jobs.

The rest of this paper will describe how long-term financial planning supports each of the eight essential characteristics of a resilient system.

Diversity. Avoiding a single point of failure or reliance on a single solution.

- Keep a multi-faceted perspective on financial health.
- Maintain a diversity of funds to reduce reliance on the general fund.
- Enlarge the base of supportive constituents.

The most fundamental aspect of "diversity" in financial planning is a multi-faceted perspective on financial health. The planners' viewpoint should not be limited to focusing on revenues and expenditures. Land-use patterns, demographic trends, and long-term liabilities (such as pensions) must all be carefully monitored. For example, long-term financial planning has highlighted the connection between land-use policy and financial condition for many of our research subjects, thereby directly influencing land-use policies. In Florida, the state distributes sales taxes on a per-capita basis, rather than the point-of-sale method found in many other states. As a result, cities in Florida don't have the same powerful incentive for commercial development that many other cities have. Coral Springs, though, has recognized that commercial properties are not subject to the same property tax restrictions as residential properties, so commercial properties remain important as net contributors to financial health.[2] This nuance has led Coral Springs to emphasize diversity in local land use, while many other cities in the area are primarily residential.

In another example, the City of Sunnyvale, California, like many cities in the state, is part of the California Public Employees' Retirement System (CalPERS). Warned by CalPERS about potential rate increases, the city performed an independent analysis and discovered that it may experience a 35 to 45 percent increase in required contributions in the future. This has allowed the city to begin planning now to mitigate and absorb this risk.

Another common theme among our research subjects is diversity in the funds maintained. Different funds can be used to account for non-current liabilities such as OPEB, workers' compensation, depreciation, and replacement of assets. Self-supporting internal service funds contribute to efficient overhead services. These practices reduce the burden on the general fund and keep it from becoming a single point of failure.

Finally, Mentor Public Schools in Ohio has consciously cultivated constituent diversity. For a school district, parents are the most engaged constituents. However, district taxpayers who don't have children are an indispensible source of funding. Therefore, Mentor Schools takes special care to demonstrate its financial responsibility to parents and non-parents alike, and to find out what non-parents think of the school district's performance. For example, Mentor Schools has an important use fee component to its extracurricular activities (it is not 100 percent tax-supported) and has been mindful of keeping its asset portfolio consistent with future service demands – for example, two properties were recently sold, thereby eliminating maintenance costs, generating a one-time revenue, and placing the property back on the tax rolls. Enhancing financial management credibility by taking highly visible actions like these enlarges Mentor Schools' base of supporters.

Redundancy. Avoid having only one path of escape or rescue.

- Maintain a reserve policy to prevent use for recurring expenditures and to specify the purpose of reserves.
- Institutionalize financial planning through governance practices like financial policies and citizen engagement.
- Pursue multiple strategies for long-term financial health.

Fund balances, or reserves, are the key to redundancy. Focusing on reserve levels across multiple funds helps make sure each fund has appropriate backup. Our subjects agreed that the basis of strong reserves is good financial policy on reserves. A policy should prohibit fund balances from being used for recurring expenditures, save notable exceptions like working capital, or providing temporary budgetary stabilization in an economic downturn. Reserves must be taken very seriously by all managers and officials, so prohibiting unsustainable uses of fund balance emphasizes the preservation of fund balance as the means of rescue from crisis situations.

Our subjects also agreed that it is important to create reserves for specific purposes and to record these purposes in a policy. This preserves the credibility of the reserve system – the reserves are there for a widely understood and agreed-upon reason, not as a slush fund. This, in turn, protects the integrity of the reserve – people see the restriction as important and are less likely to propose inappropriate uses and such proposals, even if made, are unlikely to receive support. The City of San Clemente, California, for example, recently created a reserve for asset maintenance, an activity that has been widely underfunded in many local governments.

Reserves must be taken seriously by all managers and officials, so prohibiting unsustainable uses of fund balance emphasizes the preservation of fund balance as the means of rescue from crisis situations.

Financially resilient governments are distinguished by the adoption of a policy supporting a financial planning process that assesses the long-term financial implications of current and proposed operating and capital budgets, financial policies, and service policies. In financially resilient governments, long-term financial planning is institutionalized in the governance of the organization. This leads to consistent decisions. Financial policies are the cornerstone of redundancy because they help preserve good practices through changes in elected officials and top management personnel. The GFOA Best Practice, *Adoption of Financial Policies*, describes many of the most important policies.[3]

In addition to formal policies, community engagement can help assure the continuity of financial planning and related practices. For example, Mentor Schools has a special citizen subcommittee focused on financial planning. While the school board fully supports financial planning, it is subject to a variety of pressures and must address a plethora of issues. However, the subcommittee never lets the school board forget the importance of Mentor School's long-term financial health. In Sunnyvale, citizens took a powerful step to institutionalize financial planning. The city's charter study committee (made up of citizens) recently recommended amending the city charter to require 10-year financial plans.

Citizen engagement can also create more grassroots or viral support for financial planning in the community. Coral Springs has an extensive citizen volunteer program, where citizens help with special projects, like canal clean-up, as well as ongoing services like police patrol and call-center staffing. In addition to reducing staffing costs for the government, the volunteer program gives the city the opportunity to educate and fully engage citizens in the Coral Springs business and financial planning model. The city has found that volunteers take accurate information about the city's financial condition and practices back to their friends and neighbors and often become advocates for these practices. Thus, citizens come to expect a long-term, strategic approach to financial problems from the city.

Finally, resilient governments don't bank on just one strategy to remain financially healthy – they rely on a combination of strategies: short- and long-term revenue enhancement and expenditure reduction. For example, Sunnyvale has modeled a combination of expenditure reductions, revenue enhancements, and drawdowns on the city's budget stabilization reserve to cope with the economic downturn. While the short-term pressure is the most immediate concern for many in Sunnyvale, the financial strategy also includes a two-tiered retirement system (i.e., reduced benefits for new employees) that doesn't save much right away but saves $1.5 million annually by the eighth year of the plan, and a total of $44 million in the general fund over a 20-year period – in a general fund operating budget of about $125 million.

Decentralization. Centralized systems look strong, but failure is catastrophic.

- Make managers manage their cost and revenue structures.
- Engage departments in identifying issues, analyzing them, and developing strategies.
- Engage departments in financial modeling and forecasting.
- Develop an organization-wide strategic framework that departments can innovate within.

Decentralization is about engaging operating departments in financial planning so that all departments think more strategically about finance, rather than long-term financial health relying solely on the efforts of central administration.

The bedrock of decentralization is for all departments to be responsible for their own budgets. For instance, a large county in the western United States made departments more responsible for program revenues by directly linking their budget allocations to program revenue income. In one large Midwestern city, budget analysts had been assigned to each department in order to monitor budget compliance and, where necessary, cajole the department into compliance. In search of a better approach, the analysts were withdrawn and re-assigned to other tasks, while department heads who exceeded their budgets were called in front of the board's finance subcommittee, in a public meeting, to explain the negative variances and what is being done to correct the situation. The department head must then return to these meetings until the problem is corrected and for a period afterward to guard against relapse. Needless to say, department heads prefer to avoid these meetings and are therefore much more rigorous in managing their budgets than before.

Sunnyvale goes beyond these fundamental steps by making departments fully responsible for their long-term cost and revenue structure, including the operating impact of proposed capital projects. In fact, there was recently a high level of interest in a new park in the community, and the recreation director was one of the most vocal advocates for having a long-term funding strategy for maintenance in place before committing to building the park.

With this basic ethos of making managers manage their budget in place, it becomes possible to take a decentralized approach to financial plan development. Through its financial planning process, the finance and operating staff at the City of San Clemente identifies a number of "critical issues" that could affect the future financial health of the city. A number of cross-functional "issue teams" are then formed to analyze each issue and suggest strategies. San Clemente has found that staff members are eager to participate on the teams (some even requesting a spot a year in advance) because they know that the decisions made during the planning process are important and that positive involvement is a key to advancement at the city. The consistent and meaningful involvement of departments in identifying issues, analyzing them, and developing strategies is a consistent theme in financially resilient governments.

Involving departments in financial forecasting and modeling hones their understanding of financial condition, and, hence, their perception of the need for a solid, long-term financial strategy. It also improves the quality of the forecast. Hanover County realized that in the new economic reality, historical data was not as useful as it had been in making projections. Qualitative judgment was more important than ever. The county formed cross-departmental teams to examine major revenue sources and develop key forecast assumptions. For example, community development, economic development, and assessor personnel were all involved in analyzing the property tax.

Finally, and perhaps most importantly, long-term planning fosters a strategic framework for creating value for the public through government programs. The long-term plan articulates the service objectives the government is striving for and defines the parameters within which the government will pursue these objectives. Departments can then develop their own plans and budgets, yet remain aligned with the big picture. A plan drives action and prevents paralysis by analysis or inertia. The plan grants permission to try new things to further the plan's objectives.

All of these characteristics promote the innovation that is needed to adapt to changing financial conditions. When it is accepted that everyone is working toward the same objective, innovation is more likely because commonality of purpose makes new ideas that diverge from the established order permissible – if the innovation is intended to achieve a high-priority strategic goal, then the effort is respected.

As an illustration of how planning can create shared goals, Hanover County has found that its planning process has been very important in creating a widely held acceptance of the value of teamwork across departmental lines.

In Hanover, objectives are established through the planning process, and reliable information relative to the objectives and financial condition is disseminated. The county then reinforces the importance of inter-departmental information sharing by creating communication channels across departmental lines. For example, training and professional development is often one of the first expenditures to come under pressure during a revenue downturn, yet training is a primary source of the innovations that are needed to improve cost-effectiveness. Hanover has used its planning process to establish and support an objective for high-quality professional development across the organization, including encouraging joint training opportunities across departments.

Transparency. Make it easier to figure out where a problem may lie. Share plans and listen when people point out flaws.

- Promote transparency in key areas like goals and objectives, forecast assumptions, and reserve standards.
- Use full-cost (direct and indirect) accounting for programs.

Transparency implies openness, communication, and accountability Transparency pervades the financial planning practices of financially resilient governments. Following is some of the most important information to make transparent.

- **The Organization's Goals and Objectives**. Make sure everyone knows what the goals are, how they were arrived at, and what activities will be undertaken in pursuit of the goals.
- **Forecast Assumptions**. The assumptions that drive revenue and expenditure trends should be available for examination. Some key assumptions include population/enrollment trends, employee headcount, changes in property values, and changes in consumer behavior.
- **Reserve Standards.** What amounts will the government endeavor to hold in reserve, and why? What amounts are actually being held? Are these amounts too much or too little? Clarity on these questions (especially when the amounts held are high) is essential to maintaining the credibility and integrity of the reserve system.

The GFOA's research subjects have also found that full-cost accounting for services (direct and indirect costs) is essential to resiliency. Full-cost accounting makes the cost of doing business transparent. Transparency leads to trust, as everyone can see what the true cost of doing business is for all services, including support services such as budgeting and finance. Transparency and trust leads to better-informed discussions about the relevance and contribution of services, and to opportunities for enhancing revenues, for increasing operational efficiencies, and for enhancing the credibility of the financial management system among management, elected officials, and the public.[4]

Collaboration. Working together to become stronger.

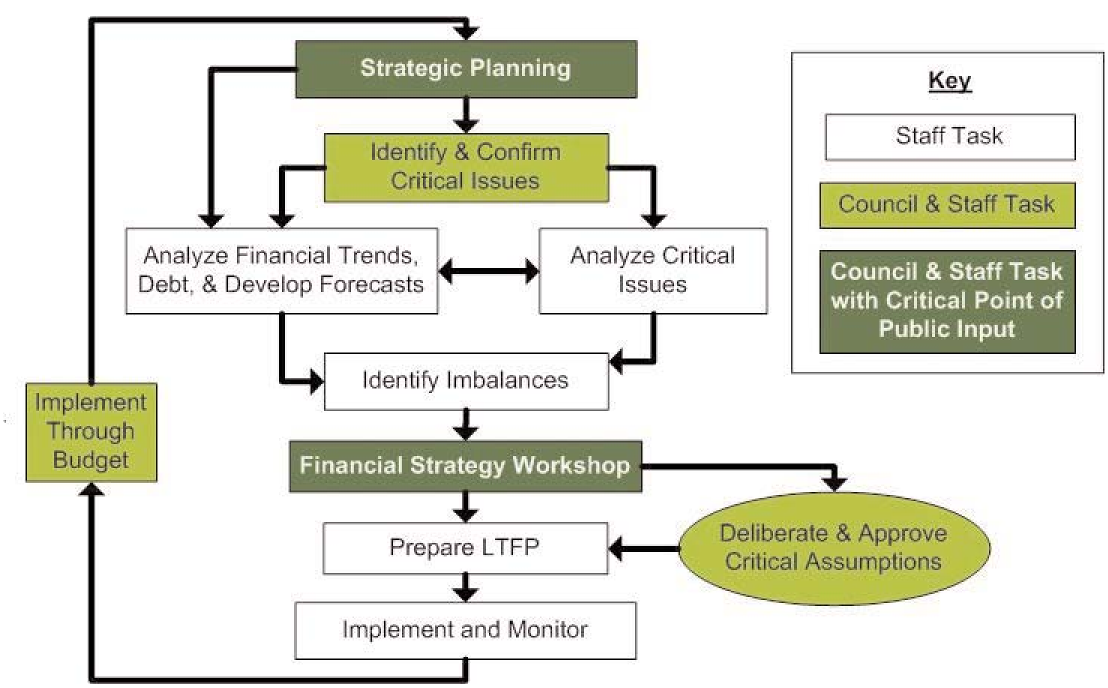
- Build elected officials' service priorities into the plan.
- Provide elected officials a role in that planning process – a role they can thrive in.
- Orient elected officials to the planning process.
- Use key indicators to help elected officials stay abreast of financial condition.

Elected officials have an incalculable impact on financial health because they have the final say over tax policies and budgets. Therefore, resilient governments foster close collaboration between elected officials and staff to help both groups become more savvy financial decision makers, better recognize problems, and enact appropriate solutions.

The first step is to engage elected officials by building their service priorities into the financial plan. In addition to demonstrating that the plan is relevant to their service goals, this step provides a common basis for participation in the planning process – although not every official will be comfortable discussing financial issues, all can discuss and appreciate service issues.

The next step is to provide elected officials with a role in the planning. Exhibit 1 provides an overview of the City of San Clemente's planning process and how elected officials are engaged. The shaded boxes are crucial points of involvement. The Council sets service goals through strategic planning, helps to identify issues that affect the

Exhibit 1: Council Involvement in San Clemente's Planning Process



financial health of the city, and reviews and approves the critical assumptions behind the staff's suggested financial strategies – assumptions that will shape how the annual budget is developed.

When new officials are elected, they must be introduced and acclimated to planning process. Resilient governments have a formal orientation program and periodic refreshers. San Clemente, for example, has an annual financial policy compliance self-review of its policy portfolio. San Clemente has found this is a good way to keep elected officials engaged with financial policies. In addition to these formal mechanisms, regular one-on-one meetings on financial issues give officials a chance to ask questions that they may not be comfortable asking in a public meeting. The impact of all of these efforts is to create a culture on the governing board in favor of financially resilient decisions. Once in place, the culture can become self-sustaining as new officials are subject to peer pressure and existing officials take their own actions to promote resiliency (such as Sunnyvale's aforementioned charter amendment, which was driven by public rather than staff action).

Finally, key indicators of financial condition should be established and communicated to help elected officials remain confident that they have a handle on financial condition. Mentor Public Schools, for example, keeps its board up-to-date on three key indicators:

- Percent of budget spent on personnel (with 85 percent as an upper threshold).
- Recurring revenue versus expenditures (including biannual forecast updates).
- Enrollment trends versus staffing (keeping student to staff ratios consistent).

Fail Gracefully. Failure happens. Make sure failure won't make things worse.

- ❖ Recognize changing conditions to make a soft landing.
- ❖ Promote credibility and open dialogue to learn from and correct failure.

Financially resilient governments recognize, through forecasts and environmental scanning, changing conditions in order to make a soft landing. When Sunnyvale adopted its fiscal year 08/09 budget in June of 2008, staff had predicted an economic downturn, but had not yet seen any evidence in their revenues because city revenues typically lag the economy. By August 2008, the city began to see slight indications, but economic information (from constant scanning of the environment) led them to believe that things were going to be substantially worse. Hence, they began to plan for a serious fiscal challenge and were therefore better able to cope with the economic crisis that finally manifested. In 2004, Coral Springs recognized that politics in the state were headed toward major residential property tax reform, including austere restrictions on local tax autonomy. At that point, the city started making changes such as diversifying its tax base and streamlining operations to make sure its workforce didn't expand beyond the city's means. When reform eventually came in 2007, Coral Springs was prepared.

Few, however, predicted the full breadth and severity of the current economic downturn. When caught in a financial decline, resilient governments quickly recognize it and react by updating forecasts, modeling new scenarios to define the financial parameters within which they must develop strategies, continually monitoring the environment for change, and maintaining open communication with departments so they can take corrective action. Hanover County has found it particularly important to maintain open communication with the board. If news of failure is attenuated in an effort to reduce political fallout, the board will not fully appreciate the gravity of the situation, thereby lessening their support for retrenchment and recovery strategies, eventually making the situation even worse.

Financially resilient governments use long-term planning to enhance the credibility of the financial management system and promote open dialogue about financial condition. A projected imbalance isn't cause for recrimination – it is an opportunity to take preventative action to avoid crisis. Financially resilient governments are careful not to position forecasts as a "prediction" of future financial position, but rather as a tool to: 1) recognize longer-term issues that require a strategic approach; and 2) establish financial parameters within which service strategies must operate.

Resilient governments are also skilled at setting and managing to measurable financial goals. Communication of these goals (including deviations from planned performance) is essential for credibility and encouraging fact-based, data-driven financial decision making. For example, Hanover County's financial goals include protecting its AAA bond rating and getting through the financial downturn without layoffs – two very measurable goals, the importance of which are easy to communicate.

Flexibility. Be ready to change when plans aren't working. Don't expect stability.

- Regularly diagnose the strategic environment to know when flexibility may be required.
- Create financial models to show the impact of changes.
- Evolve and adapt the financial planning process itself.

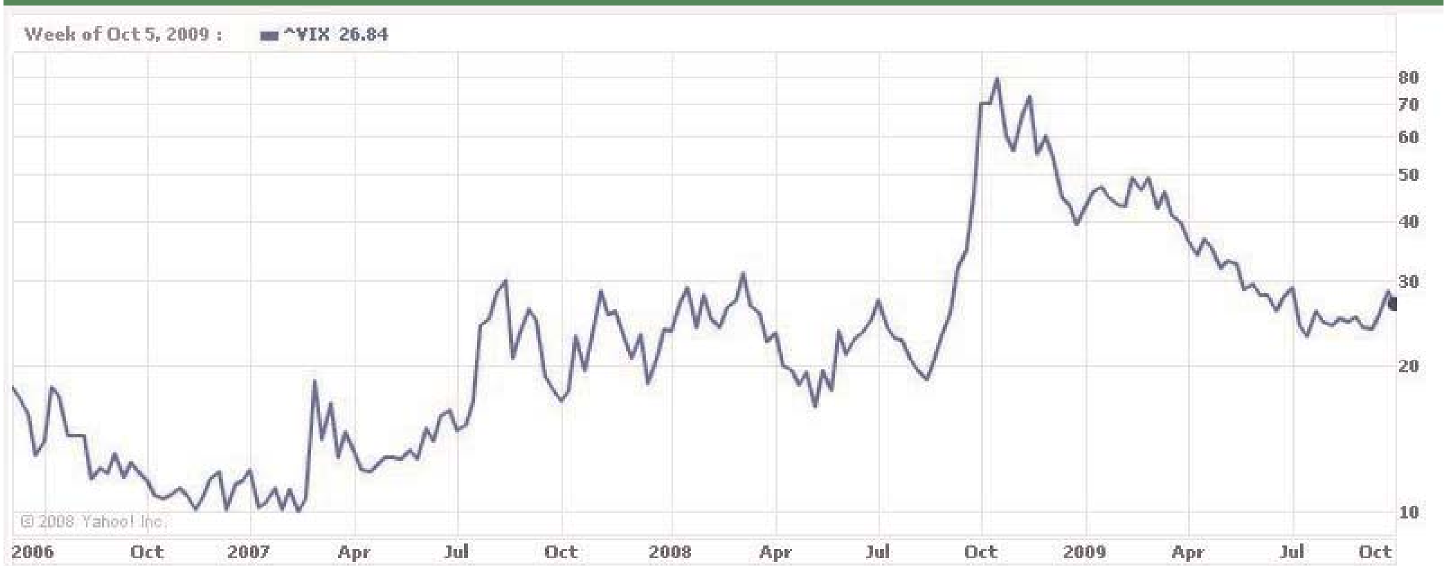
Financially resilient governments are constantly monitoring their environment and financial condition to see if financial strategies are working and to learn of conditions that might call for a change in approach. Regular plan updates are a formal tool all the GFOA's research subjects use, but they have also all developed an institutional habit of taking time to look beyond the day-to-day business of government for issues that could affect financial health. These "strategic diagnosis" exercises are important for strengthening this critical capacity.
Resilient governments also have financial modeling and scenario analysis capabilities to determine the impact of changes in assumptions and financial strategies. For example, Hanover County used its models to show how

deferred maintenance would affect the life cycle of capital assets. This allowed the county to make informed decisions on deferment, including the long-term cost required to make up the impact of these deferments later.

Finally, resilient governments evolve their planning process as needed to address new issues, accommodate new stakeholders, keep up with best practices, and otherwise adapt to the changing needs of the organization. For example, the diagram in Exhibit 1 was developed by San Clemente a few years ago as part of a redesign of its financial planning process to improve the elected officials' involvement in planning. San Clemente also designates a special "theme" for each planning cycle to capture the issues that are driving planning that year. For example, the theme for most recent planning cycle was "Fiscal Tune-Up," acknowledging the need to reaffirm fundamental good financial management practices in a time of financial pressure.

Exhibit 2: Don't Expect Stability

VIX is the ticker symbol for the Chicago Board Options Exchange Volatility Index, a popular measure of the implied volatility of S&P 500 index options. A high value corresponds to a more volatile market. Sometimes referred to as the "fear index," it represents one measure of the market's expectation of volatility over the next 30-day period.[5] Unsurprisingly the VIX reached all-time highs in the fall of 2008 and has been well above historical levels over the past 12 months.[6]



Foresight. Think and prepare.

- ❖ Develop effective forecasting techniques.
- ❖ Build capacity among staff and elected officials for strategic diagnosis.
- ❖ Complement financial planning with other long-term plans.

Financial forecasts are at the crux of foresight. Our research subjects suggest:

- Using forecasts to identify the parameters within which to develop and execute strategies, rather than to try to "predict" the future.
- Involve others in forecasting. Operating departments can improve the qualitative judgment applied to the forecast. Elected officials can review critical assumptions.
- Develop capacity for flexible scenario modeling to show the impact of different possible futures.

Regular review of the environment is essential for diagnosing strategic issues. Elected officials and executive management should be involved in strategic diagnosis to promote informed and realistic financial decision making. Coral Springs found that its strategic diagnosis helped officials and management accept that a return to the halcyon conditions of the early 2000s was unlikely and that the city should begin positioning itself early to operate effectively under new fiscal realities – this included opening union contracts, revising personnel schedules and deployment, and automating work processes.

> Successful long-term financial planning builds interest in better long-term planning in other areas.

Other departments outside of finance often put a great deal of effort into their own long-term plans. These plans can be a source of foresight into financial condition. Resilient governments connect their long-term financial planning process to these other plans to increase the quality of their forecasting and strategic diagnosis. For example, a comprehensive land use plan might suggest long-range facility requirements.

Resilient governments have also found that successful long-term financial planning builds interest in better long-term planning in other areas. Mentor Public Schools, for instance, has seen improvement in its long-term plans and studies for capital, maintenance, technology, instruction, equipment replacement, and enrollment trending as a result of the interest in the long term generated by financial planning. These plans improve the quality of the forecast and help identify possible points of future fiscal failure.

Conclusion

Financial resiliency is essential to continuing a consistent program of public services despite the current volatile economic environment. A number of local governments from across the country have achieved financial resiliency and realized benefits such as AAA bond ratings and a soft landing in the current recession. Most importantly, though, these governments have been able to maintain the trust and confidence of their constituents and continue to create value for the public through government action.

Notes

[1] Jamais Cascio, "The Next Big Thing: Resilience," *Foreign Policy*, May/June 2009.
[2] "Net contributor" means that a constituent contributes more in tax revenues that are used in services.
[3] All GFOA best practices are available at www.gfoa.org.
[4] Jon Johnson and Chris Fabian, "Leading the Way to Fiscal Health," *Government Finance Review*, December 2008, pp. 16-26.
[5] Description of VIX taken from Wikipedia.
[6] Graph from Yahoo.com.

Shayne Kavanagh is the senior manager of research for GFOA. He has written GFOA publications including *Financing the Future: Long-Term Financial Planning for Local Government* and *Financial Policies: Design and Implementation*. Mr. Kavanagh has worked directly on a number of long-term financial planning projects and served as the project manager for projects at the City of Montclair, California; the City of Gresham, Oregon; the City of San Juan Capistrano, California; and Wayne County, Michigan. He has spoken on the topic of financial planning and policies at the California Society of Municipal Finance Officers, the New England States GFOA, the Michigan GFOA, the International City/County Management Association, National League of Cities, and the GFOA annual conference. Mr. Kavanagh has written articles on financial planning that have appeared in journals such as *Government Finance Review*, *Public Management*, and *School Business Affairs*. Prior to joining the GFOA, he was the assistant village manager for the Village of Palos Park, Illinois. Mr. Kavanagh has an MPA degree from Northern Illinois University.

For more information about the GFOA Research and Consulting Center, e-mail consulting@gfoa.org.

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City of Wauwatosa
Financial Resiliency Policy

Policy Objective

The City of Wauwatosa has a long history of strong financial practices reflected in its AAA bond rating. Despite a multiyear recession and state legislation that has severely limited its ability to increase property taxes, the City has continued to invest in its transportation, sewer, water, and parks infrastructure as well as in equipment and buildings. This accomplishment was made possible thanks to years of strong budgeting and financial practices under the guidance of current and past elected officials and staff. It also occurred due to consecutive years of above-average building activity while the City simultaneously implemented organizational changes to create operational efficiencies and resulting savings. The City has effectively managed compensation costs and, in addition, public-private collaborations have been prioritized resulting in both savings and in operational synergisms. The City also continues to invest in human capital by funding a performance pay system, providing annual cost of living increases, competitive benefits, and a robust employee development program.

However, the City still faces a myriad of financial challenges. These include a structural imbalance in forecasted revenues and expenditures due largely to revenue limitations including ongoing reductions to state and federal aid, caps on property tax levy increases, and limits on access to new revenue sources such as sales and income taxes. Collective bargaining for the Fire and Police Departments also limits flexibility to control expenditure growth. Of additional concern are unfunded liabilities including retiree health insurance and deferred infrastructure maintenance that must be addressed.

It is important that we prepare to not only overcome these challenges but develop an organization that can survive external shocks (like a severe economic downturn). Recent research by the Government Finance Officers Association describes such an organization as "resilient" and identifies eight essential characteristics of a resilient system[1].

1. **Diversity**: Avoid a single point of failure or reliance on a single solution.
2. **Redundancy**: Have more than one path of escape.
3. **Decentralization**: Centralized systems look strong, but when they fail, the failure is catastrophic.
4. **Transparency**: Don't hide your systems. Transparency makes it easier to figure out where a problem may lie. Share your plans and preparations, and listen when people point out flaws.
5. **Collaboration**: Work together to become stronger.
6. **Fail Gracefully**: Be patient when honest efforts fail and strive to build in safeguards to limit the impact of those failures.
7. **Flexibility**: Be ready to change when plans aren't working. Don't count on stability.

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[1] Kavanagh, Shayne. Building a Financially Resilient Government through Long Term Financial Planning. The Government Finance Officers Association.

8. **Foresight**: You can't predict the future, but you can hear its footsteps approaching. Think and prepare.

This policy seeks to apply these eight characteristics to the City's financial systems in order to build a resilient organization. Much of what is included are existing financial practices the City already utilizes while also identifying areas for improvement.

It is intended that this policy will be reviewed annually with the presentation of the five-year forecast and updated every 5-years to reflect changing economic and political conditions.

Diversity: Avoid a single point of failure or reliance on a single solution.

1. Keep a multi-faceted perspective on financial health
    a. Don't' focus on just revenues and expenditures
        i. Remain aware of land use patterns, demographic trends and long term liabilities such as pensions and retiree health insurance.
        ii. Diversify the funds you maintain.
        iii. Enhance the City management team's credibility by insisting on transparency in financial philosophies and decisions
    b. Maintain a five-year forecast
        i. The base forecast must be policy neutral
            1. Base revenues and expenditures forecasts on historical trends or other reliable data
            2. Utilize actuarial recommendations to forecast health insurance claim inflation
            3. Do not assume changes in services, staffing, pay or benefits
            4. Include forecasted debt based on the 5-year capital plan plus an additional five years synchronized with inflation adjusted based on Engineering's "State of Good Repair"
            5. Assume agreed upon sewer and water rate increases based on capital spending
            6. Assume property tax increases equal to anticipated net new construction.
            7. Adjust for any future TIF closings.
            8. Produce a forecasted fund balance for every fund and identify where forecasted fund balances deviate from policy
        ii. Include policy options and maintain awareness of the impact of operational changes to balance the 5-year plan.
            1. Continue to aggressively pursue development with an annual goal of 1.5% net new construction (approximately $75 million of development) through 2020.
            2. Increase the property tax levy by the amount of the increase in property tax covered debt service based on the five-year capital budget. The City will strive to smooth debt service increases with a target of a 1% annual levy increase.
            3. As needed, increase the property tax levy an additional 1.5% for operating cost increases.

            a. In years where net new construction is less than 1.5%, utilize excess debt capacity to make up the difference.
            b. In years where net new construction is greater than 1.5% carryover the difference for us in the subsequent year.
        4. The employee cost of living adjustment (COLA) will be influenced by the Consumer Price Index (CPI) and the City's five-year forecast. Based on current inflation forecasts from the Congressional Budget Office and the Federal Reserve, it is anticipated the COLA will be between 1.0-2.0%. Recognizing there may be years the City can not afford to maintain a COLA equivalent to the CPI, it will strive to never let the cost of living adjustment (COLA) fall below 1%.
        5. Consider reducing the forecasted increase in health insurance through plan design changes, increasing employee cost/risk share, improved claims experience, and/or reducing the number of employees covered.
        6. Explore organizational restructuring such as alternate shift structures in the Police Patrol Division and staffing structure changes in the Fire Department in order to reduce staffing and/or overtime.
        7. Continue to implement operational changes to reduce costs or increase efficiency.
c. Proactively address all unfunded liabilities
    i. Infrastructure
        1. Maintain a "State of Good Repair" report to determine the appropriate level of spending necessary to avoid deferred maintenance
        2. Produce a five-year capital budget that achieves a minimum of 75% of the state of good repair spending over a five-year period
        3. Maintain road performance at XXX (TBD)
        4. Ensure sewer rates are sufficient to fund the state of good repair level of spending while maintaining a 1.1 coverage ratio
    ii. Other Post Employment Benefits
        1. Strive to eliminate retiree healthcare benefits from labor contracts
        2. Develop a strategy to mitigate the future impact of the City's retiree health care and sick leave pay-out obligations. Possible options include:
            a. Buy-out of the benefit from groups of employees
            b. Establishment of a Retiree Health Insurance Trust seeded with the surplus Health/Life fund balance and funded with budgetary health/life savings.
d. Maintain a competitive and efficient compensation program for employees
    i. Conduct a periodic review of the pay and benefit system to ensure the right pay and benefits at the right cost are being provided

2. Maintain a diversity of funds to reduce reliance on General Fund and potential single point of failure.
    a. The General Fund should never subsidize any of the other funds
    b. Internal service funds should be used for all business functions

c. Each separate fund should maintain its own fund balance in accordance with a fund balance policy
d. Within the Tax Increment Fund, annual cash flow analysis should be conducted to ensure that each TIF is self-sustainable. Per the TIF Policy, Municipal Revenue Obligations should be the preferred structure for TIF deals. When City financing is required, it should be on a reimbursement basis as late in the deal as possible and a 1.25 coverage ratio must be maintained.
e. Maintain the vehicle replacement, building improvement and information system replacement funds. Depreciate all assets to continue to finance those funds. Add fire vehicles to vehicle replacement fund as possible.

3. Enlarge the base of informed constituents
    a. Continue to expand communication with constituents through social media and through activities like the Citizen's Academy.
    b. Consider adding an educational component to the City's website.

Redundancy: Have more than one path of escape.

1. Utilize designated fund balances for specific long-term investments
    a. Amortization Fund for general obligation debt coverage and capital investments
    b. Redevelopment Reserve for extra-ordinary economic development
2. Institutionalize financial planning through governance practices like financial policies. Financial policies are the cornerstone of redundancy because they preserve best practices despite turnover in elected officials and staff. Policies should include:
    a. Fund Balance
    b. Investment
    c. Fixed Asset
    d. Debt issuance
    e. General budgeting and accounting
    f. Economic Development Investment
3. Create reserves for specific purposes and record those purposes in a policy.
4. Continue to Encourage citizen involvement as this creates more grassroots support in the community
5. Pursue multiple strategies for long-term financial health
    a. Maintain an inventory of services that can be pursued in collaboration with other governments.
    b. Pursue in-sourcing opportunities where economical
    c. Encourage departments to pursue accredited status to insure the use of best practices.
    d. Conduct annual third party departmental reviews to identify efficiencies
    e. Maintain the LEAN program and initiatives
    f. Continue to aggressively manage health insurance
        i. On-site health clinic
        ii. Regular TPA review
        iii. Continued emphasis on Wellness

    g. Conduct regular compensation system review to ensure system is market competitive. Maintain policy of control point representing current market median.

Decentralization: Centralized systems look strong, but when they fail, the failure is catastrophic.

1. Insist on Directors managing their cost and revenue structures.
    a. Departments are responsible for budgeting and monitoring all operating expenses and programmatic revenues. This includes understanding how the compensation system functions and the impacts of their operational decisions on those costs which represent over 75% of the City's General Fund budget.
    b. Break-out costs that departments can control. For example, worker compensation costs can be positively impacted by safety initiatives so Directors need to understand their share of the cost.
    c. Provide departments rewards and incentives to manage their budgets more efficiently
        i. Departments may keep 50% of any unbudgeted revenue so long as it is spent on one-time items (e.g. equipment, training, etc.)
        ii. Departments may carry-over 50% of any salary savings including overtime (not to exceed 1% of their salary budget) for one-time investments
        iii. $250,000 is set-aside annually for internal granting program
        iv. Departments may keep 50% of the amount they exceed any required budgetary reduction. That same amount can also be used towards a subsequent year's reduction.
    d. Identify and budget for any operating impact of capital improvements
2. Strive to decentralize the financial planning process.
    a. Engage departments in identifying issues, analyzing them, and developing strategies.
    b. Engage departments in financial modeling and forecasting.
    c. Develop an organization-wide strategic framework that departments can innovate within.
3. Strategic plan should be developed in the context of the Five-year forecast.

Transparency: Don't hide your systems. Transparency makes it easier to figure out where a problem may lie. Share your plans and preparations, and listen when people point out flaws.

1. Promote transparency in key areas like goals and objectives, forecast assumptions, and reserve standards.
    a. Hold annual employee meetings to present financial health and forecast
2. Use full-cost (direct and indirect) accounting for programs.
3. Ensure departments have access to up-to-date financial information
    a. Provide departments live and easy-to-use budget to actual reports and forecasts

    b. Provide departments live and easy to access salary information by employee and cost center
4. Make sure everyone knows what the goals are and how they will be achieved.
5. The assumptions that drive revenue and expenditure trends should be available for review.
6. Reserve amounts and why they are needed should be explained.

Collaboration: Work together to become stronger.

1. Build elected officials' service priorities into the plan.
    a. Continue engagement of elected officials in strategic plan and budget
    b. Involve elected officials in evaluation criteria for budget prioritization
    c. Ensure that elected officials are in agreement with five-year forecast assumptions
2. Provide elected officials a role in that planning process – a role they can thrive in.
    a. Expectation is that elected officials set priorities and high-level policy guidance to staff
    b. Assist staff in pro-actively identifying critical issues
    c. Provide feedback to staff recommendations and solutions
3. Orient elected officials to the planning process.
    a. Create a financial policy compliance update
        i. Fund balance
        ii. Debt Policy
    b. Review planning calendar (five-year forecast, budget, strategic plan) annually
4. Establish and communicate key indicators to help elected officials stay abreast of financial condition.
    a. Annually present financial indicators review
    b. Quarterly General Fund Projection
    c. Annual TIF cash flow projections

Fail Gracefully: Be patient when honest efforts fail and strive to build in safeguards to limit the impact of those failures.

1. Recognize changing conditions to make a soft landing.
    a. Use five-year forecast process to highlight potential short and long term changes to revenues and expenditures
    b. Regularly evaluate accuracy of forecasts in order to identify problematic assumptions or structural imbalances.
2. Promote credibility and open dialogue to learn from and correct failure
    a. Always assume the forecast is wrong – the final number is not important but recognizing trends is. Identify issues that require a strategic approach and establishing financial parameters within which service strategies must operate
    b. Avoid blaming departments for budgeting and forecasting mistakes and work together to develop solutions
    c. Use long range planning to enhance the credibility of the financial management system and to promote dialogue.

d. Strive to set, manage, and communicate measurable financial goals. Don't ignore performance deviations as this is essential for credibility and will encourage fact based decisions.

Flexibility: Be ready to change when plans aren't working. Don't count on stability.

1. Regularly diagnose the strategic environment to know when flexibility may be required.
    a. Constantly monitor the environment and financial condition to see if financial strategies are working or whether changes are needed.
    b. Plan to implement strategic diagnosis exercises to strengthen your critical capacity.
    c. Use the 10-10-10 decision making tool for significant decision: What will the impact of this decision be in 10 days, 10 months and 10 years?
    d. Maintain an awareness of financial best practices.
2. Create financial models to show the impact of changes.
    a. Be prepared to explain the financial impact for every council recommendation
3. Evolve and adapt the financial planning process itself.

Foresight: You can't predict the future, but you can hear its footsteps approaching. Think and prepare.

1. Develop effective forecasting techniques.
    a. Remember that forecasting is different than predicting.
    b. Involve others in forecasting
    c. Develop the capacity for flexible scenario modeling to show the impact of possible different futures.
2. Build capacity among staff and elected officials for strategic diagnosis.
3. Complement financial planning with other long-term plans.
    a. Capital budget
    b. State of Good repair
    c. Comprehensive Plan
    d. Neighborhood/Business District Plans (i.e. Mayfair Corridor, North Ave. Village)
    e. Departmental Strategic and Operating Plans

City of Wauwatosa
Financial Resiliency Policy

Policy Objective

The City of Wauwatosa has a long history of strong financial practices reflected in its healthy financial condition, fund balance reserves and AAA bond rating. Despite economic challenges and state legislation that has severely limited its ability to increase property taxes, the City has continued to invest in its transportation, sewer, water, and parks infrastructure as well as in equipment and buildings. This accomplishment was made possible thanks to years of strong budgeting and financial practices under the guidance of current and past elected officials and staff. It also occurred due to a number of years of above-average building activity while the City simultaneously implemented organizational changes to create operational efficiencies and resulting savings. The City has effectively managed compensation costs and, in addition, public-private collaborations have been prioritized resulting in both savings and in operational synergisms. The City also continues to invest in human capital by funding a performance pay system, providing annual cost of living increases, competitive benefits, and a robust employee development program.

However, the City still faces a myriad of financial challenges. These include a structural imbalance in forecasted revenues and expenditures due largely to caps on property tax levy increases, and limits on access to new revenue sources such as sales and income taxes which do not provide the City with any flexibility to deal with inflation, fire and police collective bargaining commitments and demand for new programs. Of additional concern are unfunded liabilities including retiree health insurance and deferred infrastructure maintenance that must be addressed.

It is important that we prepare to not only overcome these challenges but develop an organization that can survive external shocks (like a severe economic downturn). Recent research by the Government Finance Officers Association describes such an organization as "resilient" and identifies eight essential characteristics of a resilient system[1].

1. **Diversity**: Avoid a single point of failure or reliance on a single solution.
2. **Redundancy**: Have more than one path of escape.
3. **Decentralization**: Centralized systems look strong, but when they fail, the failure is catastrophic.
4. **Transparency**: Don't hide your systems. Transparency makes it easier to figure out where a problem may lie. Share your plans and preparations, and listen when people point out flaws.
5. **Collaboration**: Work together to become stronger.
6. **Fail Gracefully**: Be patient when honest efforts fail and strive to build in safeguards to limit the impact of those failures.

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7. **Flexibility**: Be ready to change when plans aren't working. Don't count on stability.
8. **Foresight**: You can't predict the future, but you can hear its footsteps approaching. Think and prepare.

This policy seeks to apply these eight characteristics to the City's financial systems in order to build a resilient organization. Much of what is included are existing financial practices the City already utilizes while also identifying areas for improvement.

It is intended that this policy will be reviewed annually with the presentation of the five-year forecast and updated every 5-years by the Financial Affairs Committee of the Common Council to reflect changing economic and political conditions.

Diversity: Avoid a single point of failure or reliance on a single solution.

1. Keep a multi-faceted perspective on financial health
    a. Don't focus on just revenues and expenditures
        i. Remain aware of land use patterns, demographic trends and long term liabilities such as pensions and retiree health insurance.
        ii. Diversify the funds you maintain.
        iii. Enhance the City management team's credibility by insisting on transparency in financial policies and decisions
    b. Continue to aggressively pursue development with an annual goal of 1.5% net new construction (approximately $120 million of development in 2023 dollars) through 2028.
    c. Proactively address all unfunded liabilities
        i. Infrastructure
            1. Maintain a "State of Good Repair" report to determine the appropriate level of spending necessary to avoid deferred maintenance
            2. Produce a five-year capital budget that achieves a minimum of 75% of the state of good repair spending over a five-year period
            3. Ensure sewer and water rates are sufficient to fund the state of good repair level of spending while maintaining a 1.10 coverage ratio (i.e. net operating income is 110% of annual debt service debt service
            4. Achieve 40% cash financing of the capital budget by 2030.
            5. Evaluate, consider and propose alternate funding sources, such as a City Transportation Utility
        ii. Other Post-Employment Benefits
            1. Develop a strategy to mitigate the future impact of the City's retiree health care and sick leave pay-out obligations.
    d. Maintain a competitive and efficient compensation program for employees
        i. Conduct a periodic review of the pay and benefit system to ensure the right pay and benefits at the right cost are being provided

2. Maintain a diversity of funds to reduce reliance on General Fund and potential single point of failure.
    a. The General Fund should never subsidize any of the other funds
    b. Internal service funds should be used for all business functions

c. Each separate fund should maintain its own fund balance in accordance with a fund balance policy
d. Within the Tax Increment Fund, annual cash flow analysis should be conducted to ensure that each TIF is self-sustainable. Per the TIF Policy, Municipal Revenue Obligations (MRO's) should be the preferred structure for TIF deals. When City financing is required, it should be on a reimbursement basis as late in the deal as possible and a 1.25 coverage ratio must be maintained.
e. Maintain the vehicle replacement, building improvement and information system replacement funds. Depreciate all assets to continue to finance those funds. Add fire vehicles to vehicle replacement fund when possible.

Redundancy: Have more than one path of escape.

1. Utilize designated fund balances for specific long-term investments
    a. Amortization Fund for general obligation debt coverage and capital investments
    b. Redevelopment Reserve for extra-ordinary economic development
    c. Affordable Housing Reserve in the Community Development Authority Fund
2. Institutionalize financial planning through governance practices like financial policies. Financial policies are the cornerstone of redundancy because they preserve best practices despite turnover in elected officials and staff. Policies should include:
    a. Fund Balance
    b. Investment
    c. Fixed Asset
    d. Debt issuance
    e. General budgeting and accounting
    f. Economic Development Investment
3. Create reserves for specific purposes and record those purposes in a policy.
4. Continue to encourage citizen involvement as this creates more grassroots support in the community
5. Pursue multiple strategies to limit expenditure growth for long-term financial health
    a. Maintain an inventory of services that can be pursued in collaboration with other governments.
    b. Pursue in-sourcing opportunities where economical
    c. Actively identify and achieve process and organizational efficiencies with an emphasis on leveraging the Tyler MUNIS Enterprise Resource Planning system and other technology.
    d. Continue to effectively manage health insurance

Decentralization: Centralized systems look strong, but when they fail, the failure is catastrophic.

1. Provide Directors the tools and support to manage their cost and revenue structures.
    a. Departments are responsible for budgeting and monitoring all operating expenses and programmatic revenues. This includes understanding how the compensation

system functions and the impacts of their operational decisions on those costs which represent a vast majority of the City's General Fund budget.

   b. Break-out costs that departments can control and identify strategies to incentivize departments to control those costs. For example, worker compensation costs can be positively impacted by safety initiatives so Directors need to understand their share of the cost.
   c. Provide departments rewards and incentives to manage their budgets more efficiently
      i. Departments may keep 50% of any unbudgeted revenue so long as it is spent on one-time items (e.g. equipment, training, etc.)
      ii. Departments may carry-over 50% of any salary savings including overtime (not to exceed 1% of their salary budget) for one-time investments
      iii. When possible the City will budget or carryover funds that will be$ set-aside annually for the internal granting program
      iv. Departments may keep 50% of the amount they exceed any required budgetary reduction. That same amount can also be used towards a subsequent year's reduction.
   d. Identify and budget for any operating impact of capital improvements
2. Strive to decentralize the financial planning process.
   a. Engage departments in identifying issues, analyzing them, and developing strategies.
   b. Engage departments in financial modeling and forecasting.
   c. Continue to support and enhance an organizational culture that encourages departments to be innovative and collaborative in addressing financial challenges.
3. Strategic plan should be developed in the context of the Five-year forecast.

Transparency: Transparency makes it easier to figure out where a problem may lie. Share your plans and preparations, and listen when people point out flaws.

1. Promote transparency in financial management and decision-making.
2. Inform and educate the public, elected officials and employees on the City's budget and financial condition through all communication channels.
   a. All budget documents and audited financial statements are posted timely online
3. Use full-cost (direct and indirect) accounting for programs.
4. Ensure departments have access to up-to-date financial information by leveraging the Tyler MUNIS financial system and other technology.
5. Make sure everyone understands the strategic plan goals and what achievement looks like via a defined communications plan.
6. Reserve amounts and why they are needed should be explained.
7. Conduct a financial policy audit to determine policies that need to be updated or created.

Collaboration: Work together to become stronger.

1. Elected officials set priorities and high-level policy collaboratively with staff

    a. Elected officials participate in development and monitoring of the strategic plan which is used to guide budgetary decisions.
    b. Elected officials participate in developing evaluation criteria for budget prioritization that is tied to the strategic plan
2. Ensure that elected officials are in agreement with five-year forecast assumptions
3. Elected officials assist staff in pro-actively identifying critical issues provide feedback to staff recommendations and solutions
4. Orient elected officials to the financial planning and management process.
    a. Regularly review key financial policies including:
        i. Fund Balance
        ii. Debt
        iii. Investment
        iv. Financial Resiliency
        v. Budget administration
    b. Create a financial policy compliance update
    c. Review planning calendar (five-year forecast, budget, strategic plan) annually
5. Establish and communicate key indicators to help elected officials and public stay abreast of financial condition.
    a. Annually present financial indicators review
    b. Quarterly General Fund Projection
    c. Annual TIF cash flow projections
    d. Investment report
6. City management and elected officials promote a culture of collaboration among City departments

Fail Gracefully: Strive to build in safeguards to limit the impact of failures and be patient when honest efforts fail.

1. Recognize changing conditions to minimize organizational turbulence.
    a. Use five-year forecast process to highlight potential short and long-term changes to revenues and expenditures
    b. Regularly evaluate accuracy of forecasts in order to identify problematic assumptions or structural imbalances.
    c. Prepare for financial challenges so changes can be made that minimize the impact on the community and employees.
2. Promote credibility and open dialogue to obtain buy-in, learn from and correct failure and encourage people to communicate ideas as well as concerns
    a. Appreciate that the forecast is wrong – the final number is not important but recognizing trends is. Identify issues that require a strategic approach and establishing financial parameters within which service strategies must operate
    b. Avoid blaming departments for budgeting and forecasting mistakes and work together to develop mutually agreed to solutions
    c. Use long range planning to enhance the credibility of the financial management system and to promote participation.

   d. Strive to set, manage, and communicate measurable financial goals. Don't ignore performance deviations as this is essential for credibility and will encourage fact-based decisions.

Flexibility: Be ready to change when plans aren't working. Don't count on stability.

1. Have mechanisms in place to monitor the environment and financial condition to see if financial strategies are working or whether changes are needed.
2. Use financial forecasting to prepare for different financial scenarios
3. Keep up-to-date of financial best practices and technology changes.
4. Leverage fund balances to support flexibility in responding to changing conditions. For example, using the Fleet reserve fund balance to weather periods of high fuel prices.
5. Leave space in the budget for good things to happen.

Foresight: You can't predict the future, but you can hear its footsteps approaching. Think and prepare.

1. Maintain a five-year forecast
   a. The base forecast must be policy neutral
      i. Base revenues and expenditures forecasts on historical trends or other reliable data such as the Congressional Budget Office
      ii. Utilize actuarial recommendations to forecast health insurance claim inflation
      iii. Do not assume changes in services, staffing, pay or benefits
      iv. Include forecasted debt based on the 5-year capital plan plus an additional five years synchronized with inflation adjusted based on Engineering's "State of Good Repair"
      v. Assume agreed upon sewer and water rate increases based on capital spending
      vi. Assume property tax increases equal to anticipated net new construction.
      vii. Adjust for any future TIF closings.
      viii. Produce a forecasted fund balance for every fund and identify where forecasted fund balances deviate from policy
   b. Include policy options and maintain awareness of the impact of operational changes to balance the 5-year plan.
      i. Increase the property tax levy by the amount of the increase in property tax covered debt service based on the five-year capital budget. The City will strive to smooth debt service increases with a target of a 0.5-1.0% annual levy increase. This annual increase is necessary to maintain existing infrastructure
      ii. As needed, increase the property tax levy an additional 1.5% for operating cost increases. This increase is necessary to maintain quality city services.

        1. In years where net new construction is less than 1.5%, utilize excess debt capacity to make up the difference.
        2. In years where net new construction is greater than 1.5% carryover the difference for use in the subsequent year.
    iii. The employee cost of living adjustment (COLA) will be influenced by the Consumer Price Index (CPI) and the City's five-year forecast.
    iv. Evaluate strategies to reduce the forecasted increase in health insurance

2. Involve employees from throughout the organization in forecasting
3. Complement financial planning with other long-term plans.
    a. Strategic Plan
    b. Capital Improvement Plan
    c. State of Good Repair
    d. Comprehensive Plan
    e. Neighborhood/Business District Plans
    f. Departmental strategic and operating plans
    g. Housing Study
    h. Community survey
4. Identify and fully fund operational impacts of capital assets
5. Begin communicating and planning for the eventual exhaustion of the City's excess levy limit capacity in approximately 2028-2030.

City of Wauwatosa
Financial Resiliency Policy

Policy Objective

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It is important that we prepare to not only overcome these challenges but develop an organization that can survive external shocks (like a severe economic downturn). Recent research by the Government Finance Officers Association describes such an organization as “resilient” and identifies eight essential characteristics of a resilient system[1].

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2. **Redundancy**: Have more than one path of escape.
3. **Decentralization**: Centralized systems look strong, but when they fail, the failure is catastrophic.
4. **Transparency**: Don’t hide your systems. Transparency makes it easier to figure out where a problem may lie. Share your plans and preparations, and listen when people point out flaws.
5. **Collaboration**: Work together to become stronger.

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6. **Fail Gracefully**: Be patient when honest efforts fail and strive to build in safeguards to limit the impact of those failures.
7. **Flexibility**: Be ready to change when plans aren't working. Don't count on stability.
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It is intended that this policy will be reviewed annually with the presentation of the five-year forecast and updated every 5-years by the Financial Affairs Committee of the Common Council to reflect changing economic and political conditions.

Diversity: Avoid a single point of failure or reliance on a single solution.

1. Keep a multi-faceted perspective on financial health
    a. Don't focus on just revenues and expenditures
        i. Remain aware of land use patterns, demographic trends and long term liabilities such as pensions and retiree health insurance.
        ii. Diversify the funds you maintain.
        iii. Enhance the City management team's credibility by insisting on transparency in financial ~~philosophies~~ policies and decisions
    b. Continue to aggressively pursue development with an annual goal of 1.5% net new construction (approximately $120 million of development in 2023 dollars) through 2028.
    ~~b. Maintain a five year forecast~~
        ~~i. The base forecast must be policy neutral~~
            ~~1. Base revenues and expenditures forecasts on historical trends or other reliable data~~
            ~~2. Utilize actuarial recommendations to forecast health insurance claim inflation~~
            ~~3. Do not assume changes in services, staffing, pay or benefits~~
            ~~4. Include forecasted debt based on the 5-year capital plan plus an additional five years synchronized with inflation adjusted based on Engineering's "State of Good Repair"~~
            ~~5. Assume agreed upon sewer and water rate increases based on capital spending~~
            ~~6. Assume property tax increases equal to anticipated net new construction.~~
            ~~7. Adjust for any future TIF closings.~~
            ~~8. Produce a forecasted fund balance for every fund and identify where forecasted fund balances deviate from policy~~
        ~~ii. Include policy options and maintain awareness of the impact of operational changes to balance the 5-year plan.~~
            ~~1. Continue to aggressively pursue development with an annual goal of 1.5% net new construction (approximately $75 million of development) through 2020.~~

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~~2. Increase the property tax levy by the amount of the increase in property tax covered debt service based on the five-year capital budget. The City will strive to smooth debt service increases with a target of a 1% annual levy increase.~~

~~3. As needed, increase the property tax levy an additional 1.5% for operating cost increases.~~

~~a. In years where net new construction is less than 1.5%, utilize excess debt capacity to make up the difference.~~

~~b. In years where net new construction is greater than 1.5% carryover the difference for us in the subsequent year.~~

~~4. The employee cost of living adjustment (COLA) will be influenced by the Consumer Price Index (CPI) and the City's five-year forecast. Based on current inflation forecasts from the Congressional Budget Office and the Federal Reserve, it is anticipated the COLA will be between 1.0-2.0%. Recognizing there may be years the City can not afford to maintain a COLA equivalent to the CPI, it will strive to never let the cost of living adjustment (COLA) fall below 1%.~~

~~5. Consider reducing the forecasted increase in health insurance through plan design changes, increasing employee cost/risk share, improved claims experience, and/or reducing the number of employees covered.~~

~~6. Explore organizational restructuring such as alternate shift structures in the Police Patrol Division and staffing structure changes in the Fire Department in order to reduce staffing and/or overtime.~~

~~7. Continue to implement operational changes to reduce costs or increase efficiency.~~

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c. Proactively address all unfunded liabilities

i. Infrastructure

1. Maintain a "State of Good Repair" report to determine the appropriate level of spending necessary to avoid deferred maintenance

2. Produce a five-year capital budget that achieves a minimum of 75% of the state of good repair spending over a five-year period

~~3. Maintain road performance at XXX (TBD)~~

3. Ensure sewer and water rates are sufficient to fund the state of good repair level of spending while maintaining a 1.10 coverage ratio (i.e. net operating income is 110% of annual debt service debt service

4. Achieve 40% cash financing of the capital budget by 2030.

~~4.~~5. Evaluate, consider and propose alternate funding sources, such as a City Transportation Utility

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ii. Other Post Employment Benefits

~~1. Strive to eliminate retiree healthcare benefits from labor contracts~~

~~2.~~ Develop a strategy to mitigate the future impact of the City's retiree health care and sick leave pay-out obligations. ~~Possible options include:~~

~~a. Buy-out of the benefit from groups of employees~~

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~~b.~~1. ~~Establishment of a Retiree Health Insurance Trust seeded with the surplus Health/Life fund balance and funded with budgetary health/life savings.~~

d. Maintain a competitive and efficient compensation program for employees
    i. Conduct a periodic review of the pay and benefit system to ensure the right pay and benefits at the right cost are being provided

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2. Maintain a diversity of funds to reduce reliance on General Fund and potential single point of failure.
    a. The General Fund should never subsidize any of the other funds
    b. Internal service funds should be used for all business functions
    c. Each separate fund should maintain its own fund balance in accordance with a fund balance policy
    d. Within the Tax Increment Fund, annual cash flow analysis should be conducted to ensure that each TIF is self-sustainable. Per the TIF Policy, Municipal Revenue Obligations (MRO's) should be the preferred structure for TIF deals. When City financing is required, it should be on a reimbursement basis as late in the deal as possible and a 1.25 coverage ratio must be maintained.
    e. Maintain the vehicle replacement, building improvement and information system replacement funds. Depreciate all assets to continue to finance those funds. Add fire vehicles to vehicle replacement fund ~~as~~ when possible.

~~3. Enlarge the base of informed constituents~~
    ~~a. Continue to expand communication with constituents through social media and through activities like the Citizen's Academy.~~
    ~~b. Consider adding an educational component to the City's website.~~

Redundancy: Have more than one path of escape.

1. Utilize designated fund balances for specific long-term investments
    a. Amortization Fund for general obligation debt coverage and capital investments
    b. Redevelopment Reserve for extra-ordinary economic development
    ~~b.~~c. Affordable Housing Reserve in the Community Development Authority Fund
2. Institutionalize financial planning through governance practices like financial policies. Financial policies are the cornerstone of redundancy because they preserve best practices despite turnover in elected officials and staff. Policies should include:
    a. Fund Balance
    b. Investment
    c. Fixed Asset
    d. Debt issuance
    e. General budgeting and accounting
    f. Economic Development Investment
3. Create reserves for specific purposes and record those purposes in a policy.
4. Continue to e~~E~~ncourage citizen involvement as this creates more grassroots support in the community
5. Pursue multiple strategies to limit expenditure growth for long-term financial health

a. Maintain an inventory of services that can be pursued in collaboration with other governments.

b. Pursue in-sourcing opportunities where economical

~~c. Encourage departments to pursue accredited status to insure the use of best practices.~~

~~d.~~c. ~~Conduct annual third party departmental reviews to~~Actively identify and achieve process and organizational efficiencies with an emphasis on leveraging the Tyler MUNIS Enterprise Resource Planning system and other technology.

~~e. Maintain the LEAN program and initiatives~~

~~f.~~d. Continue to ~~aggressively~~ effectively manage health insurance

~~i. On-site health clinic~~

~~ii. Regular TPA review~~

~~iii. Continued emphasis on Wellness~~

~~g. Conduct regular compensation system review to ensure system is market competitive. Maintain policy of control point representing current market median.~~

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Decentralization: Centralized systems look strong, but when they fail, the failure is catastrophic.

1. ~~Insist~~ Provide~~on~~ Directors the tools and support to manag~~eing~~ their cost and revenue structures.
   a. Departments are responsible for budgeting and monitoring all operating expenses and programmatic revenues. This includes understanding how the compensation system functions and the impacts of their operational decisions on those costs which represent ~~over 75%~~ a vast majority of the City's General Fund budget.
   b. Break-out costs that departments can control and identify strategies to incentivize departments to control those costs. For example, worker compensation costs can be positively impacted by safety initiatives so Directors need to understand their share of the cost.
   c. Provide departments rewards and incentives to manage their budgets more efficiently
      i. Departments may keep 50% of any unbudgeted revenue so long as it is spent on one-time items (e.g. equipment, training, etc.)
      ii. Departments may carry-over 50% of any salary savings including overtime (not to exceed 1% of their salary budget) for one-time investments
      iii. When possible the City will budget or carryover funds that will be$~~250,000 is~~ set-aside annually for the internal granting program
      iv. Departments may keep 50% of the amount they exceed any required budgetary reduction. That same amount can also be used towards a subsequent year's reduction.
   d. Identify and budget for any operating impact of capital improvements
2. Strive to decentralize the financial planning process.
   a. Engage departments in identifying issues, analyzing them, and developing strategies.
   b. Engage departments in financial modeling and forecasting.

c. ~~Develop an organization-wide strategic framework that departments can innovate within.~~Continue to support and enhance an organizational culture that encourages departments to be innovative and collaborative in addressing financial challenges.

3. Strategic plan should be developed in the context of the Five-year forecast.

Transparency: ~~Don't hide your systems.~~ Transparency makes it easier to figure out where a problem may lie. Share your plans and preparations, and listen when people point out flaws.

1. Promote transparency in ~~key areas like goals and objectives, forecast assumptions, and reserve standards.~~financial management and decision-making.
    - ~~a. Hold annual employee meetings to present financial health and forecast~~
2. Inform and educate the public, elected officials and employees on the City's budget and financial condition through all communication channels.
    - a. All budget documents and audited financial statements are posted timely online

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~~2.~~3. Use full-cost (direct and indirect) accounting for programs.

~~3.~~4. Ensure departments have access to up-to-date financial information by leveraging the Tyler MUNIS financial system and other technology.
- ~~a. Provide departments live and easy-to-use budget to actual reports and forecasts~~
- ~~b. Provide departments live and easy to access salary information by employee and cost center~~

~~4.~~5. Make sure everyone ~~knows~~ understands~~what~~ the strategic plan goals ~~are~~ and ~~how they will be achieved~~what achievement looks like via a defined communications plan.

~~5. The assumptions that drive revenue and expenditure trends should be available for review.~~

~~6. Reserve amounts and why they are needed should be explained.~~

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6. Reserve amounts and why they are needed should be explained.

7. Conduct a financial policy audit to determine policies that need to be updated or created.

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Collaboration: Work together to become stronger.

1. Elected officials set priorities and high-level policy collaboratively with staff

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~~Build elected officials' service priorities into the plan.~~

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- ~~1.~~a. Elected officials participate in development and monitoring of the strategic plan which is used to guide budgetary decisions.

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- ~~a. Continue engagement of elected officials in strategic plan and budget~~
- b. ~~Involve e~~Elected officials participate in developing evaluation criteria for budget prioritization that is tied to the strategic plan

2. Ensure that elected officials are in agreement with five-year forecast assumptions

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3. Elected officials ~~A~~assist staff in pro-actively identifying critical issues provide feedback to staff recommendations and solutions

~~Provide feedback to staff recommendations and solutions~~

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- ~~c.~~a.

~~2. Provide elected officials a role in that planning process – a role they can thrive in.~~
- ~~a. Expectation is that elected officials set priorities and high-level policy guidance to staff~~

~~b.a. Assist staff in pro-actively identifying critical issues~~

~~c.a. Provide feedback to staff recommendations and solutions~~

~~3.~~4. Orient elected officials to the financial planning and management process.

  a. Regularly review key financial policies including:

    i. Fund Balance

    ii. Debt

    iii. Investment

    iv. Financial Resiliency

    v. Budget administration

  ~~a.~~b. Create a financial policy compliance update

    ~~i. Fund balance~~

    ~~ii. Debt Policy~~

  ~~b.~~c. Review planning calendar (five-year forecast, budget, strategic plan) annually

~~4.~~5. Establish and communicate key indicators to help elected officials and public stay abreast of financial condition.

  a. Annually present financial indicators review

  b. Quarterly General Fund Projection

  c. Annual TIF cash flow projections

  d. Investment report

~~c.~~6. City management and elected officials promote a culture of collaboration among City departments

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Fail Gracefully: Strive to build in safeguards to limit the impact of failures and ~~B~~be patient when honest efforts fail ~~and strive to build in safeguards to limit the impact of those failures~~.

1. Recognize changing conditions ~~to make a soft landing~~to minimize organizational turbulence.
   a. Use five-year forecast process to highlight potential short and long-~~-~~term changes to revenues and expenditures
   b. Regularly evaluate accuracy of forecasts in order to identify problematic assumptions or structural imbalances.
   ~~b.~~c. Prepare for financial challenges so changes can be made that minimize the impact on the community and employees.
2. Promote credibility and open dialogue to obtain buy-in, learn from and correct failure and encourage people to communicate ideas as well as concerns
   a. ~~Always assume the~~Appreciate that the forecast is wrong – the final number is not important but recognizing trends is. Identify issues that require a strategic approach and establishing financial parameters within which service strategies must operate
   b. Avoid blaming departments for budgeting and forecasting mistakes and work together to develop mutually agreed to solutions
   c. Use long range planning to enhance the credibility of the financial management system and to promote ~~dialogue~~participation.
   d. Strive to set, manage, and communicate measurable financial goals. Don't ignore performance deviations as this is essential for credibility and will encourage fact-based decisions.

Flexibility: Be ready to change when plans aren't working. Don't count on stability.

~~1. Regularly diagnose the strategic environment to know when flexibility may be required.~~
~~a.~~1. ~~Constantly~~ Have mechanisms in place to monitor the environment and financial condition to see if financial strategies are working or whether changes are needed.
    ~~b. Plan to implement strategic diagnosis exercises to strengthen your critical capacity.~~
    ~~c.~~a. ~~Use the 10-10-10 decision making tool for significant decision: What will the impact of this decision be in 10 days, 10 months and 10 years~~?
~~d.~~2. ~~Maintain an awareness~~Keep up-to-date of financial best practices and technology changes.
~~2. Create financial models to show the impact of changes.~~
    ~~a. Be prepared to explain the financial impact for every council recommendation~~
~~3. Evolve and adapt the financial planning process itself.~~
3. Leverage fund balances to support flexibility in responding to changing conditions. For example, using the Fleet reserve fund balance to weather periods of high fuel prices.

4. Leave space in the budget for good things to happen.

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Foresight: You can't predict the future, but you can hear its footsteps approaching. Think and prepare.

1. Maintain a five-year forecast
    a. The base forecast must be policy neutral
        i. Base revenues and expenditures forecasts on historical trends or other reliable data
        ii. Utilize actuarial recommendations to forecast health insurance claim inflation
        iii. Do not assume changes in services, staffing, pay or benefits
        iv. Include forecasted debt based on the 5-year capital plan plus an additional five years synchronized with inflation adjusted based on Engineering's "State of Good Repair"
        v. Assume agreed upon sewer and water rate increases based on capital spending
        vi. Assume property tax increases equal to anticipated net new construction.
        vii. Adjust for any future TIF closings.
        viii. Produce a forecasted fund balance for every fund and identify where forecasted fund balances deviate from policy
    b. Include policy options and maintain awareness of the impact of operational changes to balance the 5-year plan.
        i. Increase the property tax levy by the amount of the increase in property tax covered debt service based on the five-year capital budget. The City will strive to smooth debt service increases with a target of a 0.5-1.0% annual levy increase. This annual increase is necessary to maintain existing infrastructure

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ii. As needed, increase the property tax levy an additional 1.5% for operating cost increases. This increase is necessary to maintain quality city services.
1. In years where net new construction is less than 1.5%, utilize excess debt capacity to make up the difference.
2. In years where net new construction is greater than 1.5% carryover the difference for use in the subsequent year.
iii. The employee cost of living adjustment (COLA) will be influenced by the Consumer Price Index (CPI) and the City's five-year forecast.
iv. Evaluate strategies to reduce the forecasted increase in health insurance

~~1. Develop effective forecasting techniques.~~
~~a. Remember that forecasting is different than predicting.~~

~~b.~~2. Involve ~~others~~ employees from throughout the organization in forecasting
~~c. Develop the capacity for flexible scenario modeling to show the impact of possible different futures.~~

~~2. Build capacity among staff and elected officials for strategic diagnosis.~~

3. Complement financial planning with other long-term plans.
a. Strategic Plan
~~a.~~b. Capital ~~budget~~Improvement Plan
~~b.~~c. State of Good ~~r~~Repair
~~c.~~d. Comprehensive Plan
~~d.~~e. Neighborhood/Business District Plans ~~(i.e. Mayfair Corridor, North Ave. Village)~~
f. Departmental ~~s~~Strategic and ~~O~~operating ~~p~~Plans
g. Housing Study
h. Community survey

4. Identify and fully fund operational impacts of capital assets
~~e.~~5. Begin communicating and planning for the eventual exhaustion of the City's excess levy limit capacity in approximately 2028-2030.

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