

Finance Committee Meeting

Topic: Financial Policies



City of Lockport, NY

January 26, 2022

Financial Policies – What are they?

- Well organized and structured organizations typically have various policies that dictate how managerial practices and operations must be done.
- Financial policies are no different- fiscal health and operations are also dictated by minimum standards introduced in various policies.
- Tonight you will be voting on four resolutions which each contain a different finance policy. Today's finance committee meeting will be spent briefly reviewing these policies and discussing relevant changes being introduced.

Fund Balance Policy Purpose

- The City's fund balance policy dictates minimum requires that must be met to maintain financial well-being and solvency in the various operating funds. Originally stablished in resolution 051717.7, the City's current policy includes both budgetary and cash requirements.
- Typically, these figures come into play during the budget cycle, when technical work is done to analyze project budgetary and cash balances and to assess whether the projected budget amounts are to meet the minimums.

Fund Balance Policy 2022 Changes

- Outside of formatting changes, the 2022 policy contains no revision to the 2017 policy (which already contains an annual review guideline).



Investment Policy Purpose



- The City's investment policy provides standards and procedures for City investments. Namely, much of the language included is legally required by investment agencies, City Charter, and NYS OSC. The original iteration of this policy was introduced in 1993 via resolution 110393.7 and has not been altered since.

Investment Policy 2022 Changes

- Outside of formatting changes, one new guideline has been established which requires annual review of the policy to be undertaken.



Budget Amendment Policy Purpose

- Operating budgets of all entities typically require some degree of flexibility in order to maintain operations while still meeting budgetary goals. In the City, we have a budget amendment policy that was introduced in resolution 071515.8C of FY 2015. This resolution established budgetary constraints on the administration in form of procedures that must be taken when amending the budget.

Budget Amendment Policy 2022 Changes

- This 2022 policy contains the same monetary and managerial guidelines, but adds in some additional details on procedures that should be followed internally in addition to a worksheet that Department Heads are to complete.

CITY OF LOCKPORT
BUDGET AMENDMENT WORKSHEET

DEPARTMENT HEAD: _____ DATE: ____/____/____

This worksheet is to be completed for (1) any budget amendment request that is not supported with a corresponding decrease housed in the same department, and (2) any alteration greater than \$10,000. Please refer to the Budget Amendment Policy for more information. Submit form and all supporting documentation to the Finance Director. Please note that this worksheet does not replace the Purchasing Worksheet. Attach copies of any relevant documentation/correspondence that may support this request.

LINE ITEM:	INCREASE:	DECREASE:

REASON FOR INCREASE: _____

To be completed by Finance Director:

	Option	Finance Director Approval & Date	Mayor Approval & Date	Council Resolution
\$10,000 to \$25,000	<input type="checkbox"/>	_____	_____	_____
\$25,001 to \$50,000	<input type="checkbox"/>	_____	_____	_____
Unfunded/ Council	<input type="checkbox"/>	_____	_____	_____

Procurement Policy Purpose



- An entity's procurement policy is vital for its operations, as it provides minimum guidelines to abide by when making purchases and expenditures. In the City, the last iteration of this was introduced and passed in 2012.
- This version (containing 18 pages) provided the user with information relating to not only procurement policy standards, but also guidelines for City employees on how to input purchase orders and how to utilize the system in place at the time.

Procurement Policy 2022 Changes

- The 2022 revision is largely reduced and only contains matters related to procurement (leaving procedural matters of how to input purchase orders and approvals in our ERP system as an internal document).
- There are no substantive changes to our procedures in place today or on the monetary limits places on each tier of procurement (nor exclusions).



Why is Annual Review and Passage Important?

- Policies are constructed to be guidelines for operations. Over time, the needs of an organization may change in ways which weaken the intent and purpose of the original policy. This could be the result of:
 - operational changes (different organization structure, changed managerial and political priorities, etc..)
 - environmental changes (improved/worsened financial condition, introduction of new IT advances such as ERP systems, etc...)
- It is important for routine review to occur to ensure that our financial policies are appropriate and current for the City. Imposing annual passage of our policies via resolution will help ensure that these policies are being updated as needed.

~Financial Policies Takeaways~

- The City currently has four main financial policies- budget amendment, investment, procurement, and fund balance. Each have their own distinct purpose in our financial well-being.
- Many of these have not been reviewed or updated in many years (the oldest being from 1993!).
- Contextual and environmental changes in the organization may occur over time which weakens the intent and purpose of policies. It is important to annually review and update all financial policies to ensure that the current needs of the organization are being met.