

**Village Council Agenda Item
Village of Yellow Springs, Ohio**

Agenda Title:	Discussion of Budget Policies
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Presenter:	Eric C. Swansen, Village Manager
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Problem/Issue Statement

The Village lacks a comprehensive set of financial policies to guide budget decisions in the future.

Financial Impact

Failure to implement sound budget practices can result in providing services in an unsustainable manner, forcing costs on future generations in excess of what is prudent. Sound budget practices also improve the ability of the Village to obtain credit, issue debt and provide effective services.

Recommendation

This is a discussion item. Staff is seeking Council's consensus to proceed in developing a resolution formalizing these policies.

Introduction

The National Advisory Council on State and Local Budget and the Government Finance Officers Association recommend political subdivisions develop comprehensive budget policies to guide decisions in the future.

The Advisory Council recommends the following principles be accomplished in developing a budget. These include:

1. Establishing broad goals to guide government decision making
2. Develop approaches to Achieve Goals
3. Develop a budget consistent with approaches to achieve goals
4. Develop an evaluation financial options
5. Evaluate performance and make necessary adjustments

In the past, budget documents have been prepared to meet legal requirements that provide appropriations in a series of funds. Based on previous discussions, it has become clear that more effort needs to be put into making the budget document more of a process, then a product.

The Advisory Council goes on to define a good budget as a process that incorporates a long-term perspective, establishes linkages to broad organizational goals, focuses decisions on outcomes

and results, involves and promotes effective communication with stakeholders and provides incentives to government management and employees.

What the Advisory Council suggests is that a budget is not simply an exercise in balancing revenues and expenditures one-year at a time, but rather a strategic initiative that allocates resources needed to accomplish goals.

Developing a process that is consistent with the Advisory Council's vision is a daunting task. Communities have entire departments that engage in such efforts, consuming thousands of hours and dollars. Clearly, at this point and time, the Village lacks the resources for accomplishing this vision. Nevertheless, over time, the Village would be well served to slowly implement these recommendations as time and resources allow.

Probably the most technical aspect of this is developing financial policies, which is part of the element to develop approaches to achieve goals. Financial policies serve as the basis for budget decisions, assist with debt and credit issuance, provide accountability and improve community awareness of emerging issues. The Advisory Council's recommendations related to financial policies are attached as Attachment A.

Background

Staff is recommending starting to move in the direction outlined by the Advisory Council, starting with developing financial policies. The Village already has some basic policies (adequacy of reserves, cash management), as required by law or accounting standards, we lack an overall comprehensive set.

A draft set of policies was shared with Council at the May 6th work session, where we discussed the specifics of what was needed to address the Village's unsustainable budget situation. Staff has refined these policies slightly, taking into account some of the legal hurdles we have in Ohio and some of the observations based on the most recent decision to put a property tax levy on the ballot. The draft policies for discussion purposes are attached as Attachment B.

Staff would like to review these policies in greater detail at the Council meeting, using an interactive presentation to answer questions and make refinements. Based on the discussion of the meeting, staff would return with a set of policies for Council adoption by resolution.

Alternatives Analysis

This is a discussion item. Council can discuss the draft policies, revise, add, delete or otherwise modify, based on preferences and advice to create alternatives.

Recommendation

This is a discussion item. Staff is seeking Council's consensus to proceed in developing a resolution formalizing these policies.

Attachment A

Element 4:

Financial Policies from National Advisory Council on State and Local Budgeting

From "Recommended Budget Practices – A Framework for Improved State and Local Government Budgeting" Government Finance Officers Association, Chicago, 1998

Attachment B

Draft Discussion of Budget Policies