



Government Finance Officers Association

About Financial Policies

Section 2

Topics

- What are policies?
- The reasons for policies
- Making financial policies relevant

What Are Financial Policies?

- Guidelines for operational & strategic decision making
 - Ideally, adopted by the governing board
- Identify acceptable, preferred and / or unacceptable courses of action
- Establish operating parameters
- Provide a standard to judge performance

The Reasons for Policies

- Institutionalize good financial management practices
- Clarify & crystallize strategic intent for financial management
- Define boundaries
- Promote long-term & strategic thinking
- Manage risks to financial condition

Yellowknife Stabilization Fund Reserve Policy

Stabilization Funds

Purpose: To maintain an adequate level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Policy: Council shall establish and maintain fund balances as follows:

1. General Fund, Solid Waste Management Fund and Water & Sewer Fund: no less than 10% and no more than 15% of budgeted expenditures;
2. Land Development Fund: no less than nil;
3. Service Connection Failure Assistance Fund: no less than nil;
4. Capital Fund: no less than nil; and
5. Reserve Fund: amounts sufficient to fund expenditures in accordance with the Capital Improvement Plan

Fund balances may be used at Council's discretion for emergencies, unanticipated economic downturns, and one-time opportunities. If feasible, minimum fund balances shall be restored in the following year and, certainly, within five years of use.

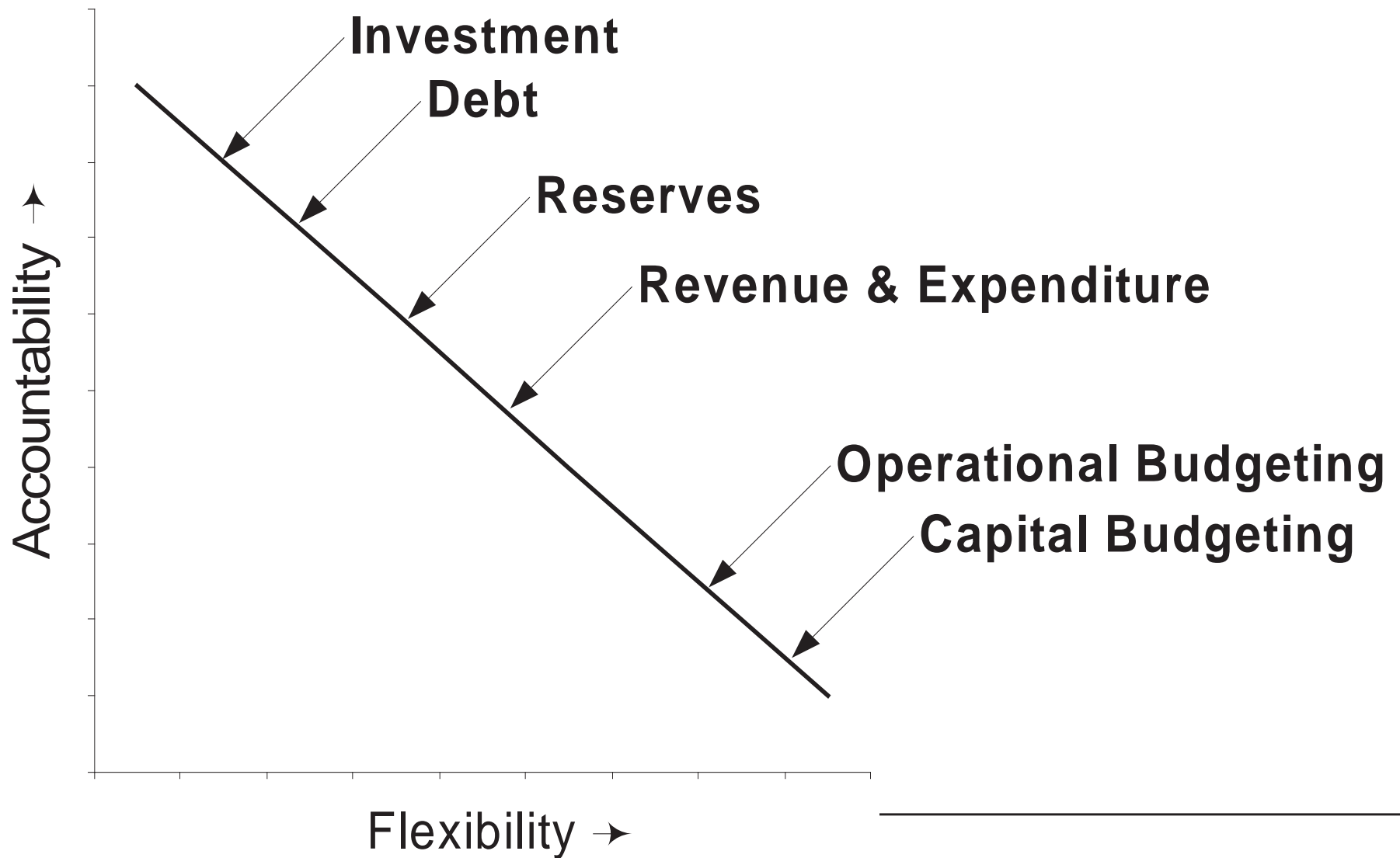


Key Concept

Accountability vs. Flexibility

- **Accountability:** The requirements of responsibility to the public and to follow regulations
- **Flexibility:** The ability of managers to take action in pursuit of public goals
- The tension between the two is the classic dilemma of public administration
 - Accountability requires checks & balances to ensure procedural integrity
 - Flexibility demands freedom of action to meet performance goals
- **Take-Away:** Policies can provide varying levels of discretion to public officials.

Accountability vs. Flexibility



Policy v. Procedure

- Can be hard to distinguish
- Policies...
 - Are principles adopted by the board
 - Are written for broad audience
 - Require procedures to put policy into practice
- Procedures...
 - Comprise administrative details
 - Are written for a narrower audience

Making Policies Relevant

- Pay attention to policies and compliance with policies
 - Consider a compliance review checklist
- Use policies to guide important decisions
- Ad hoc review and revision
- Orient new board members
- Show how policies solve problems or create benefits

Take-Aways

- Policies are essential tools of financial governance
- Consider developing formal policies as prerequisite to financial planning
- You don't need to develop them all at once
 - Take a selective approach