



City of Grand Island

Tuesday, February 17, 2009

Study Session

Item -2

Discussion Concerning Balanced Budget

Staff Contact: Councilmember Chuck Haase

From: Chuck Haase [mailto:chaase@charter.net]
Sent: Thursday, February 12, 2009 11:01 PM
To: Jeff Pederson
Subject: Balanced Budget Letter for Packet

To: City Council
From: Chuck Haase, City Council Rep – Ward 5

Subject: Amendment to the City Fiscal Policies – To include a Balanced Operating Budget definition

BACKGROUND – The City fiscal policies were formalized the 1st time in 1992. The goal at that time, was to put in place a formalized standard of conservative financial performance to serve the Community. These policies will be an important part of reviewing the Trending that Jeff Pederson has introduced.

TODAY - In discussing with Finance Director and the City Administrator, they both view a definition that includes using existing fund balance in defining the term “balanced budget”. Including fund balance changes the definition to mean when you’re bankrupt. I would like a trend that should send signals of needed change, long before the fund balance is gone.

RECOMMENDATION – I propose to add the following definition to the Fiscal Policies.

A BALANCED OPERATING BUDGET is defined when current year operating revenues equal or exceed the current year operating expenses.

This simple definition is an accepted definition by the GFOA (Government Finance Officers Association), and provides for a point of reference and trending that are intended to help the Council, Staff, and Public understand and effectively communicate

There are other existing budget and fiscal policies that dove-tail into this definition that, taken together make, conservative fiscal common sense. For example, there are policies that authorize one-time revenues to be used for one-time expenses.

REPORTING – An important and necessary part of the communication process from the City Administrator and Finance Director would be to report whether the operating budget is balanced, and if not, what steps are being taken to insure that we move to achieve a balanced operating budget