

BUDGET & FINANCE POLICY

SPECIAL COMMITTEE ON
BUDGET AND FINANCE

DECEMBER 2, 2003

Discussion Overview

- Why a Budget & Finance Policy?
- Standards
- 5 Principles of the Budget Process
- Financial Policies
- GFOA Budget Presentation Criteria
- Next Steps

Why a Budget and Finance Policy?

- Enable Board to make sound policy
- Guide budget development
- Manage District's finances
- Obviate need for LACOE action
- Eliminate potential audit concerns

The Policy Creation Process

- Identify standards
- Draft policy
- Circulate for comment
- Adoption by Board of Education

Standards

- GASB – Accounting Standards
- GFOA – Financial Management Best Practices
 - ◆ National Advisory Council on State and Local Budgeting

5 Principles of the Budget Process

1. Establish Broad Goals to Guide Decision Making
2. Develop Approaches to Achieve Goals
3. Develop a Budget Consistent with Approaches to Achieve Goals
4. Develop a Budget that is Easy to Understand
5. Evaluate Performance and Make Adjustments

5 Principles of the Budget Process

Principle #1:

Establish Broad Goals to Guide Decision Making

- District Goals Stated in Final Budget

Principle #2:

Develop Approaches to Achieve Goals

- Board of Education and Superintendent Key Programs Stated in Final Budget

5 Principles of the Budget Process

Principle #3:

Develop a Budget Consistent with Approaches to Achieve Goals

- ◆ GFOA recommends adopting financial policies to achieve this objective.
- 11 Financial Policies Identified

Financial Policies

1. Recommend a balanced budget.
2. Apply one-time revenues to one-time expenditures.

Financial Policies

3. Establish Reserves

- General Fund Reserve – 5%
- Contingency – 2%
- Economic Uncertainty
- Encumbrances
- Exposures
- Computer, Equipment, Furnishings & Vehicle Replacement
- Employee Benefits
- Retiree Health Care

Financial Policies

4. Set fees to cover entire cost of service provided.
5. Adhere to District's Debt Management Policy.
6. Encourage revenue diversification and flexibility.

Financial Policies

7. Improve management of assets.
8. Require program sustainability.
9. Establish multi-year capital programs budget.

Financial Policies

10. Recognize revenues where appropriate.
11. Adhere to GASB rules governing financial accounting and reporting.

5 Principles of the Budget Process

Principle #4:

Develop a Budget that is Clear and Easy to Understand

- ◆ GFOA Identified Budget Presentation Standards Covering 4 Categories

GFOA Budget Presentation Criteria

1. Policy Document
2. Financial Plan
3. Operations Guide
4. Communications Device

5 Principles of the Budget Process

Principle #5:

Evaluate Performance and Make Adjustments

- ◆ Performance Measures
- ◆ Benchmarking
- ◆ Annual Reporting

Summary

- Budget & Finance Policy complies with GFOA and GASB recommendations
- Identifies 11 Financial Policies
- Identifies 4 Budget Presentation Categories & Criteria

Next Steps

- Feedback from Special Committee on Budget and Finance.
- Revisions to be presented at next Special Committee on Budget and Finance.
- Adoption by Board of Education

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