



# CITY OF ARVADA CITY COUNCIL POLICY

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Policy No. 300.4  
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Effective date: March 2, 2015  
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**TITLE:** Arvada Budget and Fiscal Policy

**PURPOSE:** To establish a consistent Budget and Fiscal Policy that will support efforts to achieve and maintain service excellence by building a data-driven, results-oriented, customer-focused and responsive organization.

**POLICY:** To guide City budget and financial management decisions based on strategic planning, performance measures, long-term financial stability, delivery of basic City services and protection of past and future investments in the City's infrastructure and facilities.

**DEFINITIONS:** **City Council Strategic Plan** – A planning document that establishes community priorities and Strategic Results scheduled for accomplishment during a six-year implementation horizon.

**Strategic Results** – Specific actions that Council has identified to be accomplished during the six-year implementation horizon defined in measurable terms of “how much” and “by when”.

**FOCUS Arvada** – The performance based budgeting process that aligns the City Council Strategic Plan with the allocation of resources.

**Biennial Operating and Capital Budget** – The two-year budgeting process that allocates resources for operations and capital projects.

**Ten-Year Financial Plans** - Long range financial models developed for all major city funds and submitted with each biennial operating and capital budget and updated annually.

**Ten-Year Capital Improvement Plan (CIP)** – A schedule of capital projects to be completed over the ten-year planning horizon that includes inflationary assumptions, projected operating costs and policy justification for each project that is submitted with each biennial budget and updated annually.

**City Comprehensive Plan** - The City's guiding policy document with respect to how the community should develop in the future which is used to review land use proposals over a 5 - 7 year period.

## **PROCEDURE:** Section 1 – City Council Strategic Plan

Every six years the City Council will conduct a comprehensive review of community needs in order to develop the City Council Strategic Plan. The Strategic Plan will identify Strategic Results which will be accomplished over a six-year implementation horizon.

## Section 2 – Integration of Strategic Plan and City Operations

The Strategic Plan shall be the foundation for the allocation of resources for the City's Biennial Operating and Capital Budget. Each Strategic Result will be assigned to at least one department and incorporated within that department's performance measures. The integration of the Strategic Results within the Biennial Operating and Capital Budget is the "Golden Thread" that connects specific City Council direction with the day to day operation of the City.

## Section 3 – FOCUS Arvada

FOCUS Arvada provides the framework for accomplishing the Council Strategic Results and other key results identified by the departments through the performance budgeting process. Each department presents their proposed budget in a consistent manner by utilizing the following elements: a) A Mission Statement that summarizes services, identifies the customer(s) and describes what the customer(s) will experience; b) Issue Statements that describe the impacts of the services; c) Department Strategic Results that align to or may include one or more Council Strategic Results; c) Lines of Business that more specifically define services, customers and experiences associated with a set of inter-related Programs; and d) Programs with Purpose Statements that define individual services and performance measures stated as results, outputs, demands and efficiencies.

This framework links the allocation of resources to the services offered to customers, what the customers will experience and performance measures that determine success.

## Section 4 – Preparation of Biennial Operating and Capital Budgets

FOCUS Arvada will be used to develop and present each Biennial Operating and Capital Budget for consideration by the City Council. Each Biennial Operating and Capital budget is presented in late August and Council approval must be completed by October 31 of the even numbered year prior to the odd numbered year the budget is implemented. Council approval authorizes expenditure authority for only one year. Staff must develop and present an updated budget for the second year which Council will consider and approve in the same manner in order to authorize expenditures for the second year of the Biennial Operating and Capital Budget.

## Section 5 – Ten-Year Plans for Major City Funds

Each year staff will develop and present Ten-Year Financial Plans for each of the City's major funds. The Ten-Year Plans allow expenditures and revenues to be evaluated over a longer framework in order to improve

understanding of revenue and expenditure impacts. The Finance Department will work with internal stakeholders to develop revenue and expenditure forecasts for each fund over the ten year planning horizon. The Ten-Year Plans are submitted with each Biennial Operating and Capital Budget and updated as part of the second year budget process described in Section 4.

In association with each Ten-Year Plan, it is important to establish adequate reserves that will ensure financial stability and the capacity for the City to deliver essential local government services. Therefore, a minimum level of reserves is established for each fund. A fund is considered balanced if the minimum level of reserves is maintained through each year of the ten-year planning horizon. The following minimum reserve levels stated as a percentage of annual expenditures are established for each fund:

General Fund	17%
Arvada Center	11%
Parks	11%
Police Tax .21	11%
Police Tax .25	11%
Water	25%
Waste Water	25%
Golf	11%
Storm Water	25%
Hospitality	11%
Arvada Medical	Set by Actuary
Insurance Services	Set by Actuary
Computers	Varies
Print Shop	11%
Vehicles	Varies
Buildings	Varies

The minimum reserve fund levels for funds which cover a broad range of services and are typically used to fund capital projects and debt service require higher reserves. Therefore, the General, Water, Waste Water and Storm Water Funds have reserve levels established at 17% - 25% of annual expenditures.

The minimum reserve levels for funds that support more limited activities and are not typically used to fund capital projects can be operated effectively with lower reserve levels. Therefore, the Arvada Center, Parks, Police Tax .21, Police Tax .25, Golf, Hospitality and Print Shop Funds have reserve levels established at 11% of annual expenditures.

The Medical and Insurance Services Funds have reserve levels that vary based on the annual actuarial projection.

The Computers, Vehicles and Buildings Funds are replacement funds that will carry varying balances through the assets lifecycles.

## Section 6 – Ten-Year Capital Improvement Plan (CIP)

Each Biennial Operating and Capital budget will include a Ten-Year Capital Improvement Plan that identifies projects, funding sources, inflationary assumptions and any associated operating costs. The Ten-Year CIP also facilitates the allocation of all resources to complete capital projects identified in the Strategic Plan. In addition, the Ten-Year CIP must be consistent with other long-term planning efforts, such as the City's Comprehensive Plan.

The Ten-Year CIP will be updated each year as part of the second year budget process described in Section 4.

## Section 7 – Council Review of Strategic Results

Within the first quarter of each year, the City Manager will present a status report on each of the Strategic Results within the Strategic Plan. This status report will be presented during a public workshop or retreat in a manner that facilitates interaction and discussion between Council and staff. As determined by the Mayor and Council, community members may be invited to discuss the Strategic Results or Council may direct staff to conduct additional public meetings in order to encourage community discussion.

The purpose of the Council review of the Strategic Results is to receive the update and discuss potential changes, additions and/or deletions to the Strategic Plan. Changes to the Strategic Plan will require Council consideration of a resolution during a regular Council business meeting. This process allows the Council to make changes to the Strategic Plan during the six-year implementation horizon.

## Section 8 – Performance Data

Performance data will be evaluated by the City Manager, Deputy City Managers and Performance Budget Manager during quarterly performance review meetings. The purpose of the performance review meetings is to evaluate progress of key performance measures, identify issues and concerns, celebrate successes, promote efficiencies, and determine "course corrections" as needed for programs and services.

## Section 9 – Annual Report

All departments will submit an annual report to the City Manager or Deputy City Managers based on assigned reporting relationships. The schedule for submitting the annual reports will be announced in the first quarter of each year by the City Manager. The annual report will include the status of assigned Strategic Results and all other performance measures included within that department's FOCUS Framework. This information will be summarized and included within the City Manager's annual report to the City Council that is part of the process associated with the Council's annual performance evaluation of the City Manager. Each department's annual report will be reviewed in association with the annual evaluation process for the department head, managers and all employees.