

FMPS Discussion Outline

- **Financial Policies**
- **Financial Successes**
- **Areas for Discussion**
- **Proposed Process**
 - FMPS review & update
 - FY19 Budget preparation

GFOA Best Practice: Adopting Financial Policies

Why adopt financial policies?

- **Institutionalize good financial management practices**
- **Clarify / crystallize strategic intent for financial management**
- **Define boundaries for staff**
- **Support good bond ratings; reducing costs of borrowing**
- **Promote long term and strategic thinking**
- **Manage risks to financial condition**
- **Comply with established public management best practices**

Financial Management Policy Statements

- **First set of FMPS was adopted in 2002**
 - Written statements adopted by City Council Resolution
 - Set of ten statements that set the direction for the City's financial management
 - Reviewed & amended bi-annually
- **Provides for consistent financial management practices**
- **Rating agencies expect to see formal adopted policies when assessing a city's financial strength**

What Defines Financial Success?

- **According to GFOA, Financial Stability:**
 - The ability to manage the city's finances so it can meet its spending commitments, both now and in the future
 - Ensures that future generations of taxpayers do not face an unmanageable bill for government services provided to the current generation
- **Recognition by independent evaluation of the city's finances**
 - Rating agencies upgraded the city's bond ratings as a result of good financial management & policies

What Defines Financial Success?

- **Resiliency & stability of the city's finances are a significant asset to the community**
- **The city's ability to deliver in varying economic cycles**
 - Projects and services that residents value and expect
 - Minimal disruption or changes to service levels

Historical Bond Ratings Tax Backed Debt

	1999	2000	2001	2005	2007	2008	2010	2011	2017
S&P	A+	A+	AA-	AA+	AA+	AA+	AA+	AAA	AAA
Fitch	A+	AA-	AA-	AA	AA	AA+	AAA	AAA	AAA

Bond Ratings

- **Fitch Ratings upgraded the City's rating to AAA in 2010**
- **Their press release noted:**
 - Strong financial and fiscal planning, including debt management
 - The city maintains extensive financial policies and procedures
 - Fitch believes the city's extensive financial planning efforts and conservative budgeting practices, as well as allocation of a portion of sales tax revenue to non-recurring expenses, mitigate much of the associated risk

Bond Ratings

- **AAA Bond Rating from S&P in April 2011**
 - Standard & Poor's deems Sugar Land's financial management practices "strong" under its FMA methodology, which indicates that the city's financial practices are strong, well embedded and likely sustainable
- **As of Jan 2018, only 11 Texas cities carry a AAA rating from both S&P and Fitch**

Bond Ratings

- **S&P assessment of the city's finances:**
 - Very strong economy- access to a broad & diverse MSA
 - Very strong management, with strong financial policies and practices
 - Strong budgetary performance, with balanced operating results
 - Very strong budgetary flexibility
 - Very strong liquidity
 - Very weak debt and contingent liability position

Citizen Satisfaction

- **Long range planning allows the City to assess the long term financial implications of budgetary decisions, which can affect Citizen Satisfaction**
- **FY16 Citizen Satisfaction Survey, on a 5 point scale:**
 - How satisfied are you with the overall value that you receive for your local tax dollars & fees?
 - 66% rated 4 or 5 = satisfied or very satisfied
 - 92% of respondents rated 3 or higher (includes neutral)

Financial Stability

- Allows for stable revenue streams and methodical adjustments to fees and rates when necessary,
- Less impact of volatile economic cycles to our residents or service/project dependability
- From 2003-2017, average annual increase (during time of service expansion – e.g. drainage, ENS, bond election, etc.):

Average Sugar Land Home Value	5.1%
Average Residential City Tax Bill	3.1%
June CPI Increase	2.3%

Areas Identified for Discussion

- **Budget & CIP Process**
 - Makeup of the City's finances
 - Common understanding of assumptions
 - Consistency across all funds
 - Long Range Forecast
 - Filing of proposed budget
 - Review process/ Council input
 - Adoption of budget & tax rate

Areas Identified for Discussion

- **Revenues**
 - Property & Sales Tax Assumptions
- **Expenditures/ Long Range Forecast**
- **Capital Projects Planning**
 - Funding & Debt Capacity - e.g. CO vs. GO
- **Economic Development**
 - Future Use of 4A/4B Sales Tax for alternate needs
 - Funding projects outside city limits

Proposed Process

- **Schedule a series of workshops in lieu of spring retreat**
 - Bi-weekly morning workshop meetings
 - Key FMPS components/topics for review
 - Focus on specific areas vs every topic
- **Wrap up with discussion/direction on proposed changes**
- **Review revisions & adopt via Resolution**
- **Build FY19 budget & revise budget process based on Council input and FMPS direction**

FMPS Workshop Plan

- 1) Revenue Assumptions**
- 2) Expenditure Assumptions**
- 3) Long Range Forecast**
- 4) Capital Projects Planning/Funding**
- 5) Economic Development Corporations**
- 6) Review of Revisions to FMPS (based on discussion)**

Financial Updates

Efforts to Increase Financial Transparency

- **FY2017 Reports:**
 - FY2017 Year End Report & Carryovers to FY18
 - FY2017 Audited Financial Report (CAFR) filing
- **FY2018 Update:**
 - December 2017 Financial Report
 - Investment Report
 - First Quarter Revenues: Sales Tax

Questions?

CITY OF SUGAR LAND