



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL

FROM: LESLIE EDWARDS, FINANCE DIRECTOR

RE: RESOLUTION 24-06, A RESOLUTION ADOPTING TOWN OF FRISCO FINANCIAL POLICIES

DATE: JANUARY 9, 2024

Summary and Background: In February 2023, the Town Council adopted by Resolution the Town's first comprehensive financial policy that combined existing policies, formal and informal, that were previously segregated. These documents included an investment policy, budget policy, and cash handling policy.

Comprehensive financial policies are central to a strategic, long-term approach to financial management. Some of the most powerful arguments in favor of adopting formal, written financial policies include their ability to help governments:

1. Institutionalize good financial management practices. Formal policies usually outlive their creators, and, thus, promote stability and continuity. They also prevent the need to re-invent responses to recurring issues.
2. Clarify and crystallize strategic intent for financial management. Financial policies define a shared understanding of how the organization will develop its financial practices and manage its resources to provide the best value to the community.
3. Define boundaries. Financial policies define limits on the actions staff may take. The policy framework provides the boundaries within which staff can innovate in order to realize the organization's strategic intent.
4. Support good bond ratings and thereby reduce the cost of borrowing.
5. Promote long-term and strategic thinking. The strategic intent articulated by many financial policies necessarily demands a long-term perspective from the organization.
6. Manage risks to financial condition. A key component of governance accountability is not to incur excessive risk in the pursuit of public goals. Financial policies identify important risks to financial condition.
7. Comply with established grant requirements. Grant awards often require documented financial policies to include details on cash management, annual financial audit, recordkeeping, internal controls, procurement, and conflicts of interest.
8. Prevent Loss. By documenting policies and procedures, expectations and internal controls are clarified. In doing so and enforcing the outlined best practices, the Town is better protected from theft, fraud, and misappropriation.

The need for a comprehensive Financial Policies document has become more poignant in recent years, as related to the increase in grant funding available to the Town of Frisco. Many grant programs, particularly federal grants, require a formal documentation of a wide range of financial policies.

Analysis:

A year of experience with the adopted Financial Policies in place has allowed Staff the ability to reflect on the policies in action and conflicts that arise. This experience has allowed Staff the opportunity to provide some thoughtful revisions to the Policies in order to balance internal controls that protect the Town against real world practicalities. Staff believes that the recommendations provided within the updated Financial Policies achieve this balance.

Proposed changes to the prior version of the Town's Financial Policies are described below:

1. *Cash Handling:*

The suggested changes arose from Staff feedback. Due to the nature of special events, including Concerts in the Park, certain aspects of the cash handling policy were impractical. An example is providing a receipt to every customer. With this feedback, Finance Staff worked at an event to understand challenges firsthand. Next, Staff collaborated across the leadership team in order to revise the policy that achieves Town goals of protecting assets from theft, loss, or misappropriation along with smooth processes for Staff and customers. Additionally, the Town aims to reduce cash transactions across departments and has invested in additional technology to support remote, electronic payments where cash was previously commonplace. Staff expects that there will still be challenges with broadband access in certain instances; these challenges will be addressed as they arise.

2. *Grants:*

The policy previously stated that grants will only be budgeted once awarded. In the compilation of the 2024 budget, Staff recognized that this policy places an undue burden on Town resources. Rather, Staff recommends budgeting for grant revenue and expenditures levels expected with a grant award. If the award is not achieved, the revenue and related expenditure appropriation can be revised. This allows for the Town to maximize projects within the capital plan, and to reflect in grant applications that the expenditure has been appropriated within the budget.

Financial Impact: Implementing comprehensive financial policies is expected to protect Town assets and increase the overall financial health of the Town of Frisco. There is no cost associated with implementing the recommended policies.

Alignment with Strategic Plan: These policies have been prepared with the goal of providing quality core services, by protecting Town assets in a manner that aligns with Town priorities.

Staff Recommendation: Staff recommends that Town Council approve Resolution 24-06 to formally adopt a comprehensive financial policy document at the January 9, 2024 Town Council meeting.

Reviews and Approvals: This report has been reviewed and approved by:

Tom Fisher, Town Manager
Diane McBride, Assistant Town Manager

Attachments:

Attachment 1 – Financial Policies
Attachment 2 – Resolution 24-06