

DRAFT



REVENUE REDUCTION RESPONSE POLICY

INTRODUCTION

The City desires to have a framework for effective financial planning, risk management, and decision-making in the face of unforeseen challenges or economic uncertainties. By proactively addressing revenue shortfalls and developing strategies to maintain fiscal stability, the City can better protect the well-being and resilience of the community.

PURPOSE

The purpose of this Revenue Reduction Response Policy is to establish guidelines and procedures for managing budget shortfalls resulting from a reduction in revenue within the City. This policy aims to ensure prudent financial management, prioritize essential services, and maintain fiscal stability during challenging economic conditions.

SCOPE

This policy applies to all departments, officials, and employees of the municipality responsible for budget planning, expenditure management, and revenue generation.

POLICY STATEMENT

Assessment of Revenue Reduction:

1. The Finance Department, in collaboration with the City Administrator, Finance Committee and relevant departments, shall monitor revenue streams and economic indicators to identify reductions in revenue.
2. Upon identification of a revenue reduction, the Finance Department shall conduct a comprehensive analysis to determine the extent of the shortfall and its impact on the municipality's budgetary requirements.

Budgetary Adjustments:

1. The Finance Department shall develop recommendations for budgetary adjustments to address the revenue reduction while maintaining essential services and programs. In developing these recommendations, advice will be sought from all stakeholders.
2. Budget adjustments may include but are not limited to:

- a. Implementing spending freezes or reductions in non-essential areas.
 - b. Deferring discretionary expenditures or capital projects.
 - c. Exploring opportunities for cost-saving measures, such as renegotiating contracts or consolidating services.
 - d. Utilizing reserve funds or contingency reserves to mitigate the impact of revenue shortfalls.
 - e. Evaluating revenue enhancement strategies, such as fee adjustments or seeking alternative funding sources.
3. It is not necessary to adopt formal budget amendments before downward spending adjustments are enforced. A formal amendment can follow the spending cut directives if the City Administrator and Council feel it would be helpful in achieving transparent and clear communication.

General Guidelines for Developing Budget Reduction Plans

1. A comprehensive assessment of the City's financial situation to include current revenue projections, expenditure trends, reserve levels and debt obligations will be performed.
2. Essential services that must be protected from severe cuts should be identified. Spending reductions will be prioritized based on their impact on public safety, service delivery, and long-term fiscal sustainability.
3. Generally, the focus shall be on maintaining police, fire, infrastructure maintenance and water and sewer services at the highest possible levels.
4. Performance metrics and data-driven analysis will be implemented to evaluate the effectiveness and efficiency of programs and services. This information will be used to identify opportunities for streamlining operations and reducing waste.
5. Revenue enhancements strategies such as fees, charges for service and pursuing grants or partnerships will be explored.
6. Reserve spending will be explored to maintain services in the near term if the revenue shortfall is expected to be temporary. The City will consider that it is an economic driver and may help keep the economy going by not making drastic cuts initially when considering reserve spending measures.

Communication and Transparency:

1. The Finance Department shall communicate regularly with department heads, elected officials, and other stakeholders to provide updates on the financial status of the municipality and any proposed budgetary adjustments.
2. Transparent communication with the public shall be maintained through the dissemination of relevant information regarding the revenue reduction, its implications, and the measures being taken to address the shortfall.

TABOR Emergency Reserve Fund

1. The City maintains an emergency fund as required by the Taxpayer's Bill of Rights (TABOR). The definition of "emergency" under this statute excludes economic conditions, revenue shortfalls, and salary or fringe benefit increases.
2. TABOR emergency funds can only be used for declared emergencies such as natural disasters or public health pandemics and any use of the funds must be repaid in the following year.
3. Any plan to spend TABOR reserves would need a full legal review prior to implementation.

Monitoring the Effectiveness of Budget Adjustments:

1. The Finance Department shall conduct regular reviews and evaluations of the effectiveness of budgetary adjustments implemented in response to revenue reductions.
2. Adjustments to the budget will continue based on lessons learned, or identification of further fiscal challenges.

RESPONSIBILITIES

This policy is approved by the City Council and will be implemented by the City Administrator when a revenue shortfall is identified.

All staff with spending authority shall comply with the guidelines communicated by the City Administrator. Communication of the adjusted spending plan takes precedence over the approved budget. Failure to comply with the spending limits can result in disciplinary action.

MONITORING AND REVIEW

This policy shall take effect upon approval and will be adjusted as necessary. For any inquiries or clarifications regarding this policy, contact the City Administrator or Finance Director.

Approved and adopted by:

_____	_____
Mayor	Date Approved

This policy shall be subject to review on _____, or more frequently if necessary, by the Finance Office.