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GFOA Executive Board Approves 10 Best Practices, Advisories.

The GFOA's Executive Board approved six new best practices and one new advisory at its January 2015 meeting. The board also approved updates to one other existing best practice and two existing advisories. These documents provide recommendations to government finance officers in the areas of budgeting, accounting, retirement benefits administration, debt issuance, and investment management.

Additional Supplementary Information for Departmental Reports. This new best practice provides guidance to government finance officers on content and format for presenting departmental financial reports that are issued separately from a government's general fund financial report. Before the GFOA Committee on Accounting, Auditing, and Financial Reporting developed this document, authoritative accounting and financial reporting standards did not specifically address the contents of separately issued financial reports of units that are not legally separate (e.g., departmental reports and reports of individual funds).

Best Practices in Community College Budgeting. This new best practice was a product of the GFOA Budget Committee's work with practitioners, researchers, and other education finance experts, identifying the best ways for community colleges to leverage the budget process in ways that will align their resources with student outcomes. Funding for this work was provided by a grant from the Bill and Melinda Gates Foundation.

Best Practices in School District Budgeting. The GFOA Budget Committee worked with practitioners, researchers, and other education finance experts to identify the best ways for PK-12 institutions to leverage the budget process in ways that will align their resources with student outcomes. Funding for this work was also provided by a grant from the Bill and Melinda Gates Foundation.

Establishing a Grants Administration Oversight Committee. In this new best practice, the Committee on Accounting, Auditing, and Financial Reporting provides guidance to help governments that receive grant funds support their programs and activities by maintaining compliance with the requirements associated with the grant, to avoid incurring a penalty or forfeiting grant funding because of compliance failures. The GFOA advises governments to create both a grant administrative oversight policy and a grant administrative oversight committee to ensure adherence to that policy.

The Finance Officer's Role in Collective Bargaining. Workforce costs represent more than two-thirds of the operating budget for many local governments. In many regions of the country, most of these compensation costs are negotiated or collectively bargained, at least in part, with public employee unions. But despite the tremendous fiscal implications of these negotiations, those involved do not always incorporate resource planning information from the finance office. This new best practice, which was organized by the GFOA's Committee on Retirement and Benefits Administration, urges governments to include their finance officer in the collective bargaining process in order to protect the financial health of governments.

Pension Obligation Bonds. This existing advisory was updated to urge governments to avoid issuing pension obligations. It summarizes the associated risks.

Public-Private Partnerships (P3s). The amount of discussion surrounding the potential benefits of government engagement with the private sector for funding capital improvement projects led the GFOA's Committee on Economic Development and Capital Planning to create this new advisory cautioning governments about the risks of engaging in P3 agreements. Finance officers should be involved throughout the process as a public entity considers potential P3 opportunities. Failing to fully understand the overall financial implications, including what the public entity may forfeit, can result in P3 agreements that may not serve the public interest or that may be detrimental to the government's long-term financial health.

Use of Debt-Related Derivatives Products. The GFOA's Committee on Governmental Debt Management updated this existing advisory to alert governments to new federal rules that affect the public sector – such as the new rules issued by the Commodity Futures Trading Commission, requiring governments that want to use derivative products to use a qualified independent representative to advise on the deal. The advisory was also updated to strengthen language that cautions governments about the risks associated with using these products and to advise governments against entering into derivatives contracts unless they have the level of in-house expertise necessary to understand the core aspects and risks of a derivatives transaction.

Using Benchmarks to Assess Portfolio Risk and Return. This new best practice from the GFOA's Treasury Investment Management Committee recommends that government investors assess their investment portfolio for performance and risk by comparing the total return to carefully selected benchmarks.

Using Mutual Funds for Cash Management Purposes. The Treasury Investment Management Committee updated this existing best practice to alert governments to new Securities and Exchange Commission rules that regulate the investment policies, organization, and structure of money market mutual funds. The document recommends that state and local governments restrict their use of mutual funds for cash management purposes exclusively to: 1) money market mutual funds that are invested in Treasury, federal government agency, or first-tier categories, and possess the highest ratings available from at least one nationally recognized ratings agency; and 2) short-term bond funds that receive the highest credit quality ratings and the lowest risk ratings available.

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