



# APPENDIX

# Appendix

## FINANCIAL POLICIES

### ADOPTED BY THE CITY COUNCIL - RESOLUTION NO. 18-62

The cornerstone of municipal financial management is a sound policy that sets forth guidelines in the areas of revenues, operating expenditures, investments, reserves, financial reporting, capital improvements, and budgeting. Elected officials and appointed staff are accountable for public funds and responsible for the wise management of municipal finances. The community is entitled to reports that clearly communicate the financial health of the City. The following policies will guide and influence the financial management practices of the City of Grover Beach.

### BUDGET POLICIES

The City Manager will provide a proposed Annual Budget to the City Council no later than June 1st of each year, and the City Council will review and adopt an Annual Budget no later than June 30th every year.

The City's budgetary system will be integrated and compatible with the accounting system, and the City Budget will be prepared on a basis in conformance with Generally Accepted Accounting Principles (GAAP).

The Mid-Year Budget Review will be presented no later than the first regular City Council meeting in March of each year. The Mid-Year Budget Review will include the current status of revenue collections and budget expenditures, economic trends, and state budget deliberations, as well as any proposed amendments necessary to bring the budget back into balance.

Annually, the City may seek the Government Finance Officers Association (GFOA) Certificate of Achievement for Distinguished Budget Presentation award.

Annually, the City's Comprehensive Annual Financial Report (CAFR) will be prepared by an independent auditor in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Annually, the City may seek the Government Finance Officers Association (GFOA) Certificate of Achievement for Distinguished Budget Presentation award.

Annually, the City may seek the GFOA Certificate of Achievement for Excellence in Financial Reporting.

## RESOURCES

Resources are defined as revenues collected during one fiscal year, as well as resources carried over from prior years. Revenues may be ongoing or one-time in nature, but resources from prior years are always one-time in nature. The following policies shall apply to resources:

- One-time resources will be used for one-time expenditures or enhancement of reserves.
- All revenue forecasts will be conservative.
- Regular reports comparing actual to budgeted revenues will be prepared by City staff for the City Council.
- The City will avoid using one-time resources to fund ongoing municipal services.
- All potential grants shall be carefully reviewed for matching and/or maintenance-of-effort requirements.
- Intergovernmental grants, which are grants will be evaluated to determine the long-term operating and maintenance costs associated with the grant.

## EXPENDITURES

Expenditures are payments made to employees, vendors, or contractors supplying goods or services to the City, except as provided in GBMC Section 2107.1; all expenditures must be made consistent with appropriations approved by the City Council in the Annual Appropriation Resolution.

- Regular reports comparing budget expenditures to actual expenditures will be prepared by City staff for the City Council's information.
- When new operating programs or capital projects are proposed, staff will provide the City Council with an analysis of the one-time and ongoing costs associated with the program or project.
- With the exception of initial expenditures for the creation of new programs or during periods of economic distress which result in reductions in local revenues or state funding for municipal activities, all ongoing costs for operating programs shall be paid from the ongoing revenues.

## RESERVES

It shall be the City's policy to draw down reserves consistent with the following priorities:

- The use of reserves for one-time expenditures that generates ongoing cost savings or cost avoidance.
- The use of reserves for one-time expenditures that generates ongoing revenue enhancements.
- The use of reserves for a one-time expenditure that leverages the expenditure of significant public or private investment in the City by other entities.
- The use of reserves to offset shortfalls in the collection of revenues.

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- The use of reserves to offset unanticipated increases in expenditures for current programs or projects.

The General Fund Reserves for the City is established as a minimum of 15% of operating expenditures with a goal of at least 20%. The minimum reserves of 15% is comprised of a General Reserve and Emergency Reserve as described below:

## **GENERAL FUND - GENERAL RESERVE**

The City hereby establishes a General Reserve of 10% of the current fiscal year's General Fund operating budget. The General Fund reserve should be increased to an amount greater than 10% when economic conditions warrant. The specific purpose of the General Reserve is to provide funding to meet operational appropriation requirements in the event that the City experiences shortfalls in the collection of General Fund revenues or major unanticipated increases in expenditures.

Any transfer of funds from the General Reserve may only be made upon City Council approval of an amendment to the Annual Appropriation Resolution.

## **GENERAL FUND - EMERGENCY RESERVE**

The City hereby establishes an Emergency Reserve of not less than 5% of the General Fund operating budget. This reserve is established for the purpose of providing emergency funding as a result of a declared emergency or to fund an unanticipated urgent event affecting or threatening the public health, safety, and welfare of the City of Grover Beach. The goal is to have the Emergency Reserve equal one year's contribution from the largest revenue source.

Any transfer of funds from the Emergency Reserve may only be made upon City Council's approval of an amendment to the Annual Appropriation Resolution, subsequent to the City Council's finding that the guidelines established in the Resolution have been met.

## **WATER ENTERPRISE FUND - GENERAL RESERVE**

The City hereby establishes a General Reserve of not less than 10% of the current fiscal year Water Fund operating budget. The Water Fund's General Reserve should be increased to an amount greater than 10% when economic conditions warrant. The specific purpose of the General Reserve is to provide funding to meet operational appropriation requirements in the event that the City experiences shortfalls in the collection of Water Fund revenues or unanticipated increases in expenditures.

Any transfer of funds from the Water Fund's General Reserve may only be made upon City Council approval of an amendment to the Annual Appropriation Resolution.

## **WASTEWATER ENTERPRISE FUND - GENERAL RESERVE**

The City hereby establishes a General Reserve of not less than 10% of the current fiscal year Wastewater Fund operating budget. The Wastewater Fund Reserves should be increased to an amount greater than 10% when economic conditions warrant. The specific purpose of the General Reserve is to provide funding to meet operation appropriation requirements in the event the City experiences shortfalls in the collection of Wastewater Fund revenues or unanticipated increases in expenditures.

Any transfer of funds from the Wastewater Fund's General Reserve may only be made upon City Council approval of an amendment to the Annual Appropriation Resolution.

## **APPROPRIATION TRANSFER AUTHORITY**

The following criteria establish the transfer authority for appropriations as set forth in the fiscal year budget.

- Transfers between line items in the same program may be made by department heads.
- Transfers between programs in the same fund may be made by department heads with City Manager approval.
- Transfer between department budgets within the same fund may only be made by the City Council.
- Transfers between different funds may only be made by the City Council.
- Transfers to or from employee services line items may be made by the City Manager.

## **CAPITAL IMPROVEMENT PROGRAM**

Annually, City staff will propose a Capital Improvement Program covering the subsequent five fiscal years. The plan will recommend specific funding of projects for the next three years and identify projects for further consideration.

The Capital Improvement Program will include a listing of projects for further consideration by the City Council. Such projects will be those which are determined to merit further study, but lacking funding sources.

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Capital improvements will include Facilities and Infrastructure improvements which are valued over \$50,000.

Capital Improvement Program projects will be reviewed to determine the best method of financing the project. City Council will determine whether the project is funded on a “pay as you go” basis or a debt instrument.

The City will continue imposing development impact fees which ensure that a new development pays its fair share of the increased service capacity.

## FISCAL MANAGEMENT

It is the City’s policy to minimize the subsidization by the general taxpayer of the costs of services provided to the public which are of specific benefit, rather than general benefit. The City Council shall annually consider establishing specific cost-recovery policies related to such costs to be reflected in the Master Fee Schedule.

Consistent with the State Constitution, charges for services will not exceed the cost reasonably borne to deliver those services. Costs reasonably borne may include direct and in-direct costs, as well as reasonable reserves or amortization of equipment associated with the provision of the services.

The City will annually review the Master Fee Schedule to ensure that each user fee is reflective of its intended cost-recovery percentage, and will revise the fees as needed or revise the cost-recovery percentage.

The City will maintain water and sewer rate structures which are adequate to ensure that these enterprise funds remain firmly and separately self-supporting, including the cost of operation, infrastructure maintenance and replacement, indirect cost recovery, and debt service. Whenever required by bond indentures, the City will determine whether debt service coverage ratios are being met. Whenever coverage ratios are not being met, staff will recommend rate increases or expenditure reductions or some combination of the two, in order to meet coverage ratios.

An independent firm of certified public accountants will perform an annual financial and compliance audit according to General Accepted Auditing Standards (GASS) which will be incorporated into the Comprehensive Annual Financial Report

## INVESTMENTS

The City will continue to have a written investment policy approved by City Council resolution annually. The policy for investments in priority order are safety, liquidity and yield.

The City Council will receive reports on the cash position and performance of City investments at a minimum of a quarterly basis.

## CAPITAL ASSETS

Future maintenance needs for all new capital facilities will be fully costed out.

All equipment and facility maintenance needs for the next five years will be projected and updated annually.

All assets will be maintained at a level that protects capital investment and minimizes future maintenance costs.

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## **GANN APPROPRIATIONS LIMIT**

City of Grover Beach Gann Appropriations Limit as defined in Article XIII-B of the California State Constitution

The voters of California, during a special election in 1979, approved Article XIII-B of the California State Constitution. Informally known as the “Gann Initiative,” Article XIII-B provides limits regarding the total amount of appropriation in any fiscal year from “the proceeds of taxes.”

The State Legislature, in 1980, added Section 9710 to the Government Code, providing that the governing body of each local jurisdiction must establish, by resolution, an appropriations limit for the following year. The appropriation limit for any fiscal year was equal to the previous year’s limit, adjusted for population changes and the changes in the US Consumer Price Index (or California per capita personal income, if smaller). The necessary statistical information is provided by the California Department of Finance.

However, the original Article XIII-B (Proposition 4) and its implementing legislation were modified by Proposition 111 and SB 88 by the voters in June 1980. The changes were incorporated in the FY 1990-91 appropriations limits. Beginning with the fiscal year 1990-91 appropriations limit, a city may choose annual adjustment factors. The adjustment factors include the growth in the California per capita income or the growth in the non-residential assessed valuation due to construction within the City and the population growth within the county or the City.

The table on the next page provides the calculation for the appropriations limit for fiscal year 2018-19, as well as the total appropriations subject to the limit. The adjustment factors utilized for the fiscal year 2018-19 calculation include the growth in California per capita income and the population growth within the City of Grover Beach. These two factors yielded the most favorable appropriations limit for the City. As the table demonstrates, the City’s appropriations subject to the limit (\$8.66 million) are below the appropriation limit itself (\$10.61 million).



CITY OF GROVER BEACH APPROPRIATIONS LIMIT FOR FISCAL YEAR 18-19		AMOUNT	SOURCE
A.	Last Years Limit	\$ 10,259,357	2017/18 Limit
B.	Adjustment Factors		
	1. Population	0.99760	CA Dept of Finance
	2. Inflation	1.03670	CA Dept of Finance
		1.03421	B1 * B2
<b>TOTAL ADJUSTMENT %</b>		<b>0.03421</b>	<b>B1 * B2 - 1</b>
C.	Annual Adjustment	\$ 350,992	A * B
D.	<b>THIS YEARS LIMIT</b>	<b>10,610,349</b>	<b>A + C</b>
E.	Tax Proceeds Subject to the Limit	\$ 8,661,240	2018/19 Budget
<b>AMOUNT UNDER/(OVER) LIMIT</b>		<b>1,949,109</b>	<b>D - E</b>

