

CITY OF EL CENTRO

POLICY STATEMENT

Policy Statement No: 301
Category: Financial Management
Subject: Financial Policies

Adopted: October 7, 1998
Revised: June 3, 2014
Revised: April 3, 2018
Distribution: All Departments

I. PURPOSE

The purpose of this Policy Statement is to establish Financial Policies to ensure that the City's finances are managed in a manner which will, (i) continue to provide for the delivery of quality services, (ii) maintain and enhance service delivery as the community grows in accordance with the general plan, (iii) guarantee an annual balanced budget assuring that the City is always living within its means, and (iv) establish reserves necessary to meet known and unknown future obligations. To achieve these goals the Financial Policies include General Policies, Revenue Policies, Cost of Growth Policies, Reserve Policies, Expenditure and Budgeting Policies, Debt Policies, and Capital Improvement Policies.

II. GENERAL POLICIES

1. The City will manage its financial assets in a sound and prudent manner.
2. The City will maintain sound financial practices in accordance with State law and direct its financial resources toward meeting the City's long term goals.
3. The City will develop and maintain Programs to ensure its long-term ability to pay all the costs necessary to provide the level and quality of service required by its citizens.
4. The City will maintain accounting systems in conformance with generally accepted accounting principles.
5. The City will establish and maintain investment policies in accordance with State laws that stress safety and liquidity over yield.

III. REVENUE POLICIES

1. The City will strive to maintain a diversified and stable revenue base that is not overly dependent on any land use, major taxpayer, revenue type or restricted revenue.
2. The City will aggressively pursue revenue collection and auditing to ensure that money due to the City is received in a timely manner.

3. The City will seek Federal and State grants and reimbursements for mandated costs whenever possible.
4. The City will investigate potential new revenue sources, particularly those which will not add to the tax burden of residents or local businesses.
5. The City will work proactively with the League of California Cities and local communities to monitor legislation that may impact the City financially.
6. The City will avoid targeting revenues for specific purposes whenever possible.
7. The City will establish user fees when appropriate and monitor all user fees and other charges so that the fees and charges are reflective of the cost of providing the services.
8. The City will periodically analyze actual revenue received.
9. The City will maintain and develop methods to track major revenue sources and evaluate financial trends.
10. The City will seek methods to continually improve the accuracy of revenue forecasts.

IV. COST OF GROWTH POLICIES

1. The City will recover the costs of new facilities and infrastructure necessitated by development, consistent with state law.
2. The City will require large developments to prepare a fiscal analysis which measures direct and indirect costs and benefits to the City.

V. RESERVE POLICIES

1. The City will establish, dedicate, and maintain reserves annually to meet known and estimated future obligations.
2. The City will seek to establish specific reserve accounts in the General Fund (Fund Balance) and Enterprise Funds (working capital) which include, but are not limited to, designated reserves for the following:
 - a. A General Fund reserve for economic uncertainties of not less than 10% of expenditures
 - b. Totally funded worker's compensation
 - c. Liability insurance
 - d. Value of accrued vacation and sick leave
 - e. Estimated cost of retirees medical payments
 - f. Depreciation and replacement of vehicles and major equipment
 - g. Major maintenance and renovations of building, parks, and landscaping
 - h. The City will establish reserves for replacement of facilities and infrastructure
 - i. The city will establish reserves for cash flow purposes

VI. EXPENDITURE AND BUDGETING POLICIES

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the organization's financial and human resources. The budget provides an opportunity to examine the composition and viability of the organization's programs and activities simultaneously in light of the available resources. It is a plan that establishes the spending authority for the City's programs and projects during the twelve month budget period. The City's Annual Budget serves as the foundation for the City of El Centro's Financial Planning and Control.

Budgets are adopted annually, and prior to June 30 of each year the City Manager submits to the City Council a proposed operating budget for the Fiscal Year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted and prior to June 30, the budget is adopted by motion of the City Council.

Goals

The following are the City's goals when developing the organization budget:

1. Follow the City's Strategic Plan which identifies community needs for essential services, activities and programs.
2. Identify and appropriate the resources required to perform program activities and accomplish program objectives.
3. Deliver services in the most cost effective manner, including utilizing the services of volunteers in areas where it is economically viable
4. State the objectives of operating programs and identify the services and resources being provided to accomplish the specified objectives.
5. Periodically update replacement and maintenance financing plans and incorporate them into the Budget.

Basis of Budgeting

It is the policy of the City of El Centro to prepare an annual budget using the accounting basis that is in conformance with generally accepted accounting principles.

The appropriated budget is prepared by:

- Fund (e.g. general fund)
- Function (e.g. Public Safety)
- Department (e.g. Police).
- Division (e.g. communication)

Balanced Budget

Operating budgets will be prepared to fund current year expenditures with current year revenue. However, surplus fund balances may be used to increase reserves, fund Capital Improvement Projects, or be carried forward to fund future year's operating budgets when necessary to stabilize services and fund capital outlay

Expenditure Categories

Departmental expenditures are limited to City Council appropriated expenditures in the following major categories:

- Personnel Services
- Supplies & Services
- Capital Outlay

Monitoring Performance

It is the policy of the City of El Centro to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be performed periodically by the Finance Director.

Budgetary review

- Budget-to-actual comparisons are made on a monthly basis by the Finance Department.
- Budget-to-actual comparisons are presented for City Council review at mid-year and on an as needed basis.
- Budget-to-actual comparisons are provided in the Comprehensive annual financial report for each individual governmental fund, for which an appropriated annual budget has been adopted.

The City maintains an encumbrance accounting system of purchase orders as a means of accomplishing budgetary control. Purchase orders are reviewed to ensure that funds are available and that requests are properly authorized prior to being released to vendors.

Budget modifications (transfers)

- Department Directors may request transfers of appropriations within their departmental budgets
- Transfers of appropriations between departments require the authorization of the City Manager
- Any revision that increases the total appropriations of any fund by more than fifty thousand dollars (\$50,000) must be approved by the City Council.
- Budget transfers required to hire additional permanent personnel require City Council approval

Term of Budget appropriations

All annual appropriations lapse at fiscal year- end.

Budget Development Procedures

The City's budget process shall begin in December/January with the Finance Department issuing to each City Department the calendar, goals, directives and budget worksheets for developing the budget for the next budget cycle.

The Finance Director shall gather the proposed budget information from all Department directors (and others with budgetary responsibilities). Individual departments shall be responsible for developing budgets for non-salary/benefit line items, potential employee overtime, supplies, services and capital. Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds and explanation for all material fluctuations in budgeted amounts from prior years. All requests for additional personnel shall include a narrative explaining the need for an increase in staff potential duties for the new employee and expected salary. All requests for capital shall include a narrative explaining the reason for the need of the respective item and priority.

After appropriate department meetings and subsequent revisions a compilation of all department budgets is prepared. The draft of the organization-wide budget, individual departments' budgets as well as the narratives (for new capital and additional personnel) is presented to the City Manager for discussion, revision, and initial approval.

Capital requests

All capital requests are evaluated to determine whether the capital item is needed to:

- a) clear a safety issue
- b) clear a legal requirement
- c) improve customer service

Personnel requests

All request for additional staff are reviewed for viability based on the economic condition of the City.

At a public hearing the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Prior to July 1, the budget is adopted by motion of the City Council.

The Finance Department inputs the budget into the accounting system and establishes appropriate accounting and reporting procedures (including any necessary modifications to the

chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

VII. CAPITAL IMPROVEMENT POLICIES

1. The City will construct all capital improvements in accordance with an adopted capital improvement program.
2. The City will develop a five year plan for capital improvements to be updated at least bi-annually. Future capital expenditures will be projected annually for a five year period based on changes in the community population, real estate development or replacement of the infrastructure.
3. The City will coordinate preparation of the Capital Improvement Budget with preparation of the Operating Budget. Future operating costs associated with new capital improvements will be projected and included in Operating Budget Forecasts.
4. The City will identify the estimated costs and potential funding sources for each proposed capital project before it is submitted to Council for approval.
5. The City will attempt to determine the least costly financing method for all new projects.
6. The estimated cost of capital replacement for enterprise funds such as water and sewer will be updated at least every two years to ensure that rates and charges are covering the full cost of operating these programs.

RESOLUTION NO. 18-15

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
EL CENTRO, CALIFORNIA AMENDING FINANCIAL
MANAGEMENT POLICY NO. 301

WHEREAS, the City Council of the City of El Centro, California (hereinafter referred to as “City Council”) or its related entities (such as the City of El Centro Finance Authority or the Successor Agency to the Redevelopment Agency to the City of El Centro) has issued bonds or other financing obligations (collectively, “Local Debt”) subject to the filing of reports with the California Debt and Investment Advisory commission (“CDIAC”) pursuant to Section 8855 of the California Government Code (“Section 8855”); and

WHEREAS, Senate Bill No. 1029 (“SB 1029”), effective January 1, 2017, amended Section Govt. Code Section 8855 to augment the information that must be provided by municipal issuers of Local Debt to CDIAC; and

WHEREAS, prior to SB 1029, Section 8855 required municipal issuers of Local Debt to file a Report of Proposed Debt Issuance at least 30 days prior to the sale of any Local Debt issue; and

WHEREAS, SB 1029 amends the requirements of the Report of Proposed Debt Issuance to require that this report include a certification by the municipal issuer that it has adopted local debt policies concerning the use of Local Debt and that the contemplated Local Debt issuance is consistent with those local debt policies; and

WHEREAS, the City or its related entities (such as the City of El Centro Financing Authority or the Successor Agency to the City of El Centro Redevelopment Agency) may also, in the future, issue Local Debt for which a Report of Proposed Debt Issuance, including the aforementioned certification will need to be filed with CDIAC; and

WHEREAS, to facilitate issuance of Local Debt in the future and the ability of the City and its related entities to make the requisite local debt policies certification required in connection therewith by subdivision (i) of Section 8855, as amended by SB 1029, the City desires to amend Financial Management Policy 301 to remove references to Debt Management and to create Policy No. 302, a separate Debt Management Policy, to be separately adopted by the City Council.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL CENTRO, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:

1. That the above recitals, and each of them, are true and correct
2. That the revised Financial Management Policy No. 301, as set forth in Exhibit A, is hereby approved and adopted.
3. The City Manager, the Director of Finance and all other officers of the City are hereby authorized and directed, jointly and severally, to do any and all things to effectuate the purposes of this Resolution and to implement the Policy, and any such actions previously taken by such officers are hereby ratified and confirmed.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of El Centro, California held on 3rd day of Apr. , 2018.

CITY OF EL CENTRO

By Cheryl Viegas-Walker
Cheryl Viegas-Walker, Mayor

ATTEST:

By L. Diane Caldwell
L. Diane Caldwell, City Clerk

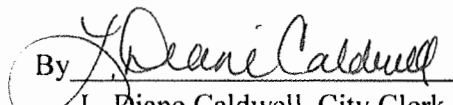
APPROVED AS TO FORM:
Office of the City Attorney

By Elizabeth L. Martyn
Elizabeth L. Martyn, City Attorney

STATE OF CALIFORNIA)
COUNTY OF IMPERIAL) ss
CITY OF EL CENTRO)

I, L. Diane Caldwell, City Clerk of the City of El Centro, California do hereby certify that the foregoing Resolution No. 18-15 was duly and regularly adopted at a regular meeting of the City Council of the City of El Centro, California, held on the 3rd day of Apr. , 2018, by the following vote:

AYES: Cardenas, Jackson, Viegas-Walker, Garcia, Silva
NOES: None
ABSENT: None
ABSTAINED: None

By 
L. Diane Caldwell, City Clerk

