## BUDGETARY AND FINANCIAL POLICIES - CITY OF ALAMEDA, CALIFORNIA

## Section 1. Budget Process & Budgeting Practices

## 1. The Budget Will Be Structurally Balanced

<u>Background</u> – A budget is structurally balanced if it does not spend more on ongoing services than it receives in ongoing revenues. A structurally balanced budget is a necessary component of good financial management and financial discipline and will help sustain the consistent delivery of services to residents. An unbalanced budget (spending more than is received) undermines the City's ability to deal with financial problems. It may lead to reduced services in the future and inhibit the City's ability to take advantage of opportunities that will periodically occur.

<u>Policy</u> - The budget for all City funds will be structurally balanced each fiscal year. A structurally unbalanced budget must include an explanation and describe the expected approach and time frame for achieving structural balance within the context of official revenue and expenditure projections. It is not a violation of this policy to have a planned use of funds available to fund one-time items, including capital, equipment, land, or transitional costs for operations (starting up or termination of a service element). It is also not a violation of this policy to use funds previously set aside to mitigate temporarily higher costs or lower revenues.

## 2. Multi-Year Financial Projections Will Be Incorporated into the Budget Process

<u>Background</u> – The City's financial situation and projected future status are important factors in the financial and economic decisions City Council may make. To support the City's budgetary planning and financial decision-making process, the City needs to analyze the City's financial situation and the key factors impacting the City's economic and financial status.

Strategic planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available revenues and future financial obligations. Prior to the adoption of the biennial budget, the Finance Department will prepare a Long-Range Financial Forecast (LRFF) that evaluates known internal and external issues impacting the City's financial condition. The LRFF is intended to help the City achieve the following:

- A. The City can attain and maintain financial sustainability;
- B. The City has sufficient long-term information to guide financial decisions;
- C. The City has sufficient resources to provide programs and services for the stakeholders:
- D. Identify potential risks to on-going operations in the long-term financial planning process and communicate these risks on an annual basis;

- E. Establish mechanisms to identify early warning indicators; and
- F. Identify changes in expenditure or revenue structures needed to deliver services or to meet City Council goals.

<u>Policy</u> - At a minimum, the proposed biennial budget must include a five-year All Funds projection (the biennial fiscal years plus three additional years). Major assumptions should be identified. The LRFF will forecast revenues and expenditures across each fund, at least five years into the future or longer where specific issues call for a longer time horizon. The LRFF will identify issues that may challenge the continued financial health of the City, and the plan will identify possible solutions to those challenges. Planning decisions shall be made primarily from a long-term perspective and structural balance is the goal of the planning process.

## 3. The Budget Process Is Based on a Biennial Cycle with Minimal Mid-Year and Mid-Cycle Adjustments

<u>Background</u> - The service plan for the City is based on an annual budget as required by Charter and by sound financial and operational practice. Staff develops a biennial budget, which incorporates two fiscal years into a single biennial budget process. Budgeting on a biennial basis provides time to review all revenue sources, develop solutions to previously identified problems, and to discuss and decide on policies and priorities. A biennial budget process also provides time for management to plan and implement changes incorporated into the budget more efficiently and effectively. Shortening or interrupting the process with significant mid-year or mid-cycle changes can lead to poor decision making due to incomplete information and to inefficient and ineffective operations or expenditures.

#### Policv

- A. The biennial budget process will be the general method used by the City to develop service priorities and the level and type of resources to fund those services.
- B. Changes to the budget and to service levels during the fiscal year will be minimized. "Routine" changes during the fiscal year will generally be limited to technical adjustments, time sensitive opportunities or issues, or new grants or awards that are intended to be spent during the year.
- C. The creation of non-routine mid-year new programs or projects, higher service levels, or other expenditures during mid-budget cycle is discouraged and, if proposed, before adoption is considered, should be evaluated for programmatic feasibility and impact and for fiscal impact by the responsible operational department and by the Finance Department. If an adopted mid-year program or project is in conflict in terms of resource use or other aspects, the mid-year program or project will have a lower priority (compared to preexisting budgeted programs and projects) unless otherwise specified by City Council.

- D. Unexpected revenue shortfalls or other significant issues that may create a budget shortfall during the fiscal year are to be reported to the City Council with recommendations by the City Manager as to whether a mid-year budget adjustment should be made.
- E. The City Manager is authorized to make conforming changes, adjustments or technical corrections to the Adopted Budget

## 4. User Fees and Charges Should Be Set at the Cost of the Service

<u>Background</u> - Fees and associated user charges are correlated with recovering the cost of providing a service. The City can charge up to the full cost of providing a service.

#### **Policy**

- A. Fees will be proposed for City Council consideration to fully recover costs of services provided (while complying with CA Prop 218 (1996)), except where there is a greater public benefit through use of a lower fee, such as where full recovery may adversely impact overall revenue, may discourage participation in programs where the participation benefits the overall community, or may result in inequitable access for different communities in Alameda.
- B. The City Manager will establish a process for in-depth review of all fees over time. The review will describe all fees with a clear explanation for those that have or may have significant subvention (may not be at full cost).

## 5. One-Time Resources Will Be Used Only for One-Time Purposes

<u>Background</u> – One-time resources are revenues that only occur once, for a very limited time, or are too unpredictable or unstable to fund operations. One-time revenues may include the variable portion of some revenue sources that have highly variable components. One-time revenues are not suited to fund ongoing operations because they may not be available in the future or cannot be relied on year-to-year to fund the ongoing costs of operations.

#### **Policy**

One-time resources will not be used to fund ongoing operations. They will be used for one-time uses, including capital and other one-time expenditures, transitional funding of operations (for a limited time period with a planned ending date), increasing reserves, or paying down unfunded liabilities.

## 6. Capital Projects Will Be Budgeted and Funded for Both Capital and Operating Costs

<u>Background</u> – Expenditures for capital and infrastructure often have an impact on operating costs. Capital investments and infrastructure must eventually be replaced.

New capital projects typically increase costs while repairs may lower costs. For capital expenditure decisions, both the one-time capital costs, the ongoing net operating costs, deferred maintenance, and replacement costs (lifecycle) should be considered. When capital and infrastructure funding decisions are made, it is important to provide information to City Council about future operating costs, potential replacement costs and possible funding strategies of replacements.

#### Policy

- A. Before approving any new capital project expenditure, City Council shall consider both the capital (one-time) and operating (ongoing) components of costs, including the full capital cost of the project, regardless of funding sources, and all City incurred site, design, overhead and start-up costs. Replacement costs and potential methods of funding shall also be considered. Maintenance projects are excluded from this requirement. Site costs for land already owned by the City do not need to be reported. Projected operating costs through any stabilization period, as well as projected future operating and maintenance costs, are to be identified. If the project has a limited economic life, the fiscal impact information should include proposed end of life actions and costs. The method for funding the projected operating costs is to be included in any funding description. Projects and costs that do not significantly impact the City do not need to be analyzed.
- B. When fees are initially proposed for items charged to external parties but installed and/or maintained by the City, City Council shall have information to allow the Council to consider incorporation of capital costs, maintenance costs and replacement cycle costs in the fees or upfront costs. Costs that are not significant do not need to be analyzed.
- C. The City Manager is authorized to re-distribute budget appropriations between similar capital projects. The maximum transfer shall be \$75,000 per project, in conformance with the City Manager's signing authority. Funds may be transferred from projects in different capital budgets as long as they are between similar projects.

# 7. The Budget Will Fund Costs Incurred in the Current Year or Will Identify the Costs that Have Not Been Fully Funded

<u>Background</u> – Governments have financial issues because they do not budget for or fund costs that are incurred in a budget year but not paid out until a future year. This practice can lead to higher costs to taxpayers in the future if they have to pay for services provided in the past. Typically, these costs are for employee benefits but may also be associated with other costs. Funding current year costs is not the same as funding unfunded liabilities. Paying current costs does not have any impact on existing unfunded liabilities, but it does have an impact on keeping unfunded liabilities from occurring or growing in dollar amount. Current costs, whether paid in the current year or not, are a component of structural balance.

#### <u>Policy</u>

- A. The budget will include funding for the costs for services for the current year. If funding a particular service or type of cost is determined to not be appropriate for a given year, the budget will disclose that and include an analysis of those costs that were not fully funded.
- B. Unfunded liabilities, unfunded lifecycle replacement costs, and deferred maintenance costs shall be explicitly identified in the budget and the budget shall include an examination of them, including general information on the funding of such costs.

## 8. The Budget Process Incorporates Public Participation, Community Engagement and Transparency

<u>Background</u> - The budget process is one of the most important public processes the City takes because it determines the investment of resources. Meetings are conducted in a clear and set schedule so the public can attend. Engaging the community at key points in the process can support the City in setting its priorities and aligning programs, policies, and services with community need. The fiscal planning needed for the Budget is likewise essential to the City's Strategic Plan. The City may use community outreach tools such as surveys and budget forums to maximize resident access and input opportunities to increase budget transparency. It is important to consider how budget resources are allocated with particular weight being given to residents from disenfranchised communities.

#### <u>Policy</u>

A. The City Manager's Office is responsible for developing a community survey that represents Alameda's population demographics, or at minimum, demographic information should be collected with surveys and reported out (to who, the public?). The survey results should be made public and completed with sufficient time to inform the biennial budget decision making process.

When designing the survey and budget priorities, the City will take into account and prioritize Alameda residents who are typically most disenfranchised.

B. The City will host at least one Community Budget Forum in an accessible, central location and made available for online participation and in a format that maximizes community participation with a presentation and opportunity for resident feedback.

The surveys and forums should be publicized on social media and other means in a manner that is linguistically and culturally appropriate for the different

communities of Alameda. City staff will coordinate with community-based, faith-based, identity-based organizations to ensure that a representative and broad group of residents is aware and encouraged to participate.

### Section 2. Fund Balance, Reserve, Revenue, & Grant Practices

## 1. Fund Balance Policy

<u>Background</u> – Generally Accepted Accounting Principles (GAAP) require a policy regarding the establishment and maintenance of fund balances. GAAP does not make any requirements as to the level of those balances; just that there is a policy so they can be clearly and consistently accounted for.

<u>Policy</u> - This policy provides for the establishment and maintenance of fund balances; helps maintain the financial strength, stability, and bond rating of the City; positions the City to be more capable of financially responding to emergencies, unexpected needs; provides a method of accumulating funds for one-time needs; and meets the requirements of GAAP. This policy applies to all governmental funds of the City.

- A. Types of Fund Balance: The City maintains five components of fund balance.
  - a. *Non-spendable* Fund balance that is inherently non-spendable, such as fixed assets and prepaid costs.
  - b. Restricted Fund balance that has externally enforceable (legal) limitations on its use and can only be spent for a specific purpose stipulated by an external provider, a constitutional provision, or through enabling legislation.
  - c. *Committed* Fund balance that the City has placed limitations on its use by way of a motion of the City Council.
  - d. *Assigned* Fund balance that is comprised of amounts intended to be used by the government for specific purposes. The intent can be informally expressed by the governing body or can be stated by the City Manager.
  - e. *Unassigned* This is the residual fund balance that is spendable and not restricted, committed or assigned.

## B) Assigned Fund Balances

- a. Emergency Reserve This reserve is used only in extremely rare circumstances resulting from major emergencies that are not recurring by nature and, in general, are not predictable. Such an event will have resulted in significant physical damage or disruption within the City. Examples of a major emergency that would require extensive additional City operational or capital costs include an earthquake, severe storms, flooding; a terrorist event or a protracted major health or military crisis. It is not intended for use to smooth economic cycles or changes in revenue or expenditure patterns. Use of this reserve for intended purpose is consistent with this policy. Any draws on this reserve should be the highest priority for reserve replenishment.
- b. Operating Reserve This reserve is used to provide funds for unexpected onetime opportunities or temporary operating needs. It is also intended to provide

transition, phase-in or phase-out funding. This reserve is not intended to be used to fund planned infrastructure or capital acquisitions. It can be used in an emergency situation to supplement the emergency reserve. Temporary drawdown of the reserve, or any drawdown below the minimum, should be the second highest priority for reserve replenishment.

- c. Reserve for Subsequent Years Appropriations This reserve is used to identify fund balance amounts that are appropriated or identified through the budget process as a funding source for a future year.
- d. Infrastructure Reserve This reserve is used to accumulate and provide funds to finance capital projects and other capital improvements, to finance the acquisition and implementation of information technology systems that enhance service delivery, create operating efficiencies or improve City operations, or to retire capital-related debt in advance of scheduled debt service payments. It is not intended to serve the purpose of an operating reserve. It can be used in an emergency to supplement the emergency reserve.
- C) Other Reserves and Designation for Purpose Additional committed or assigned reserves may be created by City Council, either explicitly (committed) or through the budget or other process (assigned). Assignments may be designated for a purpose by City Council or, if delegated, Council's designee.
- D) <u>Use of Governmental Fund Balances</u> Use of fund balances, for purposes as defined in this policy, are not a violation of this policy. When an expense is incurred, the normal order of resource use, subject to the reserves specified purposes, when applicable, will first be the use of restricted fund balance resources, followed by committed fund balance resources, assigned fund balance resources, and, finally, unassigned fund balance resources.

## 2. Adequate General Fund Emergency and Operating Reserves Will Be Maintained

<u>Background</u> – Maintaining adequate emergency and operating reserves is a basic component of a financially strong City. Adequate reserves help sustain City operations when adverse or unexpected circumstances impact the City.

#### Policy

- A. The City will maintain a General Fund Emergency Reserve at a minimum of 25 percent of General Fund proposed operating expenditures and transfers out.
- B. If emergency or operating reserves are drawn down below the minimums, a plan will be developed and implemented to replenish them, generally from future surpluses. Replenishing reserves will be a priority use of one-time resources.
- C. The City may establish and maintain special purpose operating reserves (in addition to the operating reserve described above). Special purpose operating reserves are intended to be used for specific revenue and expense variations and will generally be formulaic and automatic in nature in terms of when the reserves will be added and when they will be used.
- D. The City may establish and maintain other reserves.

#### 3. Adequate Reserves Will Be Established for All City Funds

<u>Background</u> – Financial reserves strengthen the City's financial status and provide valuable flexibility for unexpected events that require City funds. Every fund of the City represents a stand-alone financial operation and has its own operating characteristics, financial capabilities, and constraints. The level of reserves needed, if any, should be based on the financial and operating characteristics of each fund.

<u>Policy</u> – The Finance Department, in concert with any relevant operating departments, shall develop and present to City Council recommended reserve policies for each City fund, which will be adopted, as modified, by City Council.

#### 4. Revenues Will Be Projected Using a Methodology that Is Reasonably Conservative

<u>Background</u> - Revenue projections are critical to budget decisions, particularly a budget that is intended to be structurally balanced. Unfortunately, many of the City's key revenues are subject to material variation depending on the economy. No revenue projection is likely to be "accurate" when the economy is changing direction or moving quickly. As a result, it is important to have a consistent approach to project revenues and for decision-makers to understand the basis used to project the resources available for the budget. Revenue should be projected in a way not likely to lead to a revenue shortfall and not be so conservative that the projection is always substantially under revenues.

<u>Policy</u> - Revenue projections are to be objectively prepared using a conservative approach. That approach should result in overall budgeted revenues for a fund being set at a level such that it is reasonably unlikely that actual revenues will be lower than budgeted.

#### 5. Stable Revenue Sources Will Be Used to Fund Operations, to the Extent Practical

<u>Background</u> - Operations require stable revenue sources from year-to-year to minimize the necessity to cut services when key revenues vary in the wrong direction. Revenue sources that have significant variability from year to year, or an unpredictable basis, are not completely suitable to fund operations and often cannot be projected with reasonable accuracy. Two approaches to addressing such a situation are to 1) designate the entire revenue sources as one-time or 2) divide it into stable (operations) and unstable (one-time) components.

<u>Policy</u> - The City will take steps to utilize only the stable portion of revenue sources for ongoing operations.

Any revenue that has a highly variable component and is used to fund ongoing operations may have only a portion of it, or none of it, budgeted for operations. The remainder (unstable portion) may be budgeted in the year of expected receipt or in the

following year for capital or other one-time purposes, including increasing reserves. If budgeted in the year of receipt, it should not normally be budgeted for expenditures that require commitments in advance of receipt. This policy helps stabilize operating revenues and can provide a fairly regular source of funds for one-time purposes. Consideration of such a practice for individual revenue sources will be based on a recommendation from the City Manager and subsequent approval by City Council.

## 6. Grants Will Be Actively Sought, but Only as Appropriate and with Suitable Oversight to Ensure Compliance

<u>Background</u> - Grants are an essential component of City resources. The City of Alameda will actively seek grants from public and private sources that will support or enhance services, support priority projects and initiatives identified in the City's Strategic Plan, capital asset improvement/development, and/or other forms of benefit to the City of Alameda and its residents. All grants have rules and regulations that must be followed, including the purpose for which the grant funds may be used. Failure to follow the rules and regulations may require a return of funds, even after they have been spent. Grants often require a match. A grant may be inappropriate for the City due to a large match requirement, disallowed or limited ability to recover administrative costs, excessive restrictions on expenditures, compliance risk (return of funds if in non-compliance), issues with post-grant funding, or incompatibility with other City priorities.

## Policy -

- A. The City will seek grants that address City priorities and are believed to provide a benefit to the City that provide a substantial net benefit after considering the cost to secure and administer the grant, and the risk associated with unintentional non-compliance. The City will not seek grants if the purpose does not provide a significant net benefit to the City for existing priorities. Before applying for any grant, staff shall ensure the above conditions have been met. The City shall maintain the necessary administrative support and training to ensure compliance with grant terms and requirements. When City Council considers approval of a grant, City Council should be provided with financial impact information on whether the grant funds existing services or creates new programs/services/facilities that will require future funding continued operations. If it subsequently becomes clear that a City Council-approved grant funded program will need to be continued or discontinued differently from previously reported expectations, that change should be reported to City Council during the budget process for the year in which the proposed change is to occur.
- B. Whenever feasible within grant requirements, grant applications budgets are to include both direct and indirect administrative overhead costs to maximize the financial benefit to the City and to offset Citywide administrative impacts.

- Indirect costs of administering grant programs will be recovered to the maximum extent possible.
- C. In accordance with the City's Grant Policy, grants over \$40,000 will be reviewed by the Grant Review Team to consider the program benefits of the grant, matching fund requirements, and ongoing impacts to the City. The Grant Review Team will consist of a representative from the City Manager's Office, Finance Department, and a delegate from each department impacted by the grant application being considered. Grants of \$40,000 or less will not be required to be reviewed by the Grant Review Team if they match the criteria listed in the Grant Policy.
- D. Except as otherwise provided in the Charter or the Municipal Code, the City Manager is authorized to accept grant awards, execute grant agreements, execute all related documents and expend such grant funds if the funds are within the City Manager's spending authority and have already been appropriated within the City Council's approved budget.

## Section 3. Accounting, Reporting, and Planning Policies

#### 1. Accounting and Financial Reporting Will Meet Generally Accepted Standards

<u>Background</u> - To borrow money for City infrastructure and capital needs, the City must maintain financial statements in conformance with Generally Accepted Accounting Principles (GAAP). This is also necessary to have a financial presentation that a knowledgeable reader can understand. Governmental budget decisions, however, are not necessarily best made based on GAAP financial reporting. As an example, GAAP accounting for enterprises and internal service operations focuses on the longer term and not the short-term situation in which many governmental budgeting decisions are made. For this and other reasons, governmental budgetary reporting usually uses a non-GAAP basis. However, it is very important to know how budget reporting differs from GAAP and to know that the budgetary reporting of financial status is traceable to audited GAAP financial statements.

#### Policy

- A. The City will prepare an Annual Comprehensive Financial Report (ACFR) in accordance with GAAP and will include a written description of the basis of accounting in the ACFR.
- B. The City will prepare the annual budget using as consistent an approach as appropriate and will include a written description of the basis of budgeting in the budget, as well as the ACFR.

## 2. Financial Impact Statements Will Be included with All City Council Agenda Staff Reports which Involve Decisions for Spending, Revenues, Debt, Investments, or Other Potential Economic Impact

<u>Background</u> – The City Council should receive information on the actual or potential fiscal and resource impact of proposed actions to aid in making decisions.

Policy – For any proposed City Council action, including those from non-city Manager departments or elected officials, an analysis is to be provided (a fiscal impact statement) of the projected or potential fiscal impact on current and future revenues, on expenditures and resources, including staff resources (hours, opportunity costs, and diversion of resources impact, as appropriate), on existing City Council priorities, and the projected or potential impact on the City's financial or economic position. An examination of any overall economic impacts to the City, if relevant, will also be included. Where analysis has determined that the impact is not significant, a detailed explanation is not required. Any proposed City Council action should include a statement indicating the proposed action was reviewed by the Finance Director. If the urgency of the item does not allow for any Finance Director review or allows for only a partial review, the fiscal impact statement should explicitly indicate that. For any proposed City Council action resulting in a disbursement of funds, the funding source must be identified, as well as whether sufficient funds are budgeted and available in the budget.

#### 3. Financial Status and Financial Issues Will Be Reported

<u>Background</u> - Routine financial reporting is an essential component of financial control and management.

<u>Policy</u> - The City's ACFR will be made available to City Council, the public, bond holders, and rating agencies after issuance of the annual audit. In addition, there will be periodic reporting on the budgetary status of the City, particularly the General Fund and other funds that have unusual or problematic status. Any major or critical issue will be reported as soon as practical.

## 4. Financial Status of Major City Funds will be Periodically Reviewed

<u>Background</u> – A periodic high-level financial review of all major City funds is important to the understanding of the City's financial status and to any decision-making that impacts the City's short or long-term financial status.

<u>Policy</u> – The City Manager will annually present to the City Council a brief report discussing the high-level financial status of each major fund of the City and its future outlook, risks and opportunities. The report may be provided by including it in the proposed budget as a component of each funds' *Fund Summary*.

#### 5. Debt and Capital Leases Will Be Maintained at Appropriate Levels

<u>Background</u> - Debt (borrowing) is a valuable and necessary tool for financing major infrastructure and other capital assets. However, misuse of debt or poor debt management, including excessive debt and poor choices for the structure of debt, can contribute to financial weakness and compromise the City's ability to deliver services over the long-term.

<u>Policy</u> – Limits on the amount of debt shall be recommended by the Finance Department and adopted, as modified, by the City Council. The term of debt will generally not exceed the life of the asset being acquired. Capital leases for vehicle replacement or other recurring costs should be part of a comprehensive strategy that provides for ongoing replacement of the equipment and should not be done to provide a short-term budget solution to replace cash purchases with debt. Debt will not be used to fund operations. Incurring short-term debt (less than one year) to provide for cash flow in anticipation of revenues is not a violation of this policy. A separate policy on debt and debt policy will be adopted by City Council.

#### 6. Investments Will Be Conservatively Managed

<u>Background</u> – Investments can provide a significant source of revenue to the City. However, investments have risk. An investment policy needs to describe the balance between investment income and risk that is desired.

<u>Policy</u> – Investments shall be managed with the following priorities, in order: safety of principal, liquidity (availability of cash) and yield (investment income). A separate policy on investments and investment management will be annually adopted by City Council.

#### 7. A Long-Term General Financial Plan Will Be Maintained

<u>Background</u> - The long-term financial health of the City and the ability to provide services and a quality of life for the City's residents depends on the actions City officials take. To help guide the decisions of City officials where the decisions impact the long-term finances of the City, a plan that identifies adopted general strategies for the long-term financial strength of the City is helpful, if not essential, to the long-term financial success of the City. The general financial plan would be specific enough to determine whether or not a particular proposal is consistent with the plan.

<u>Policy</u> - The City Manager will prepare and periodically update a proposed high-level financial plan for the City. The plan will outline general approaches the City should follow over the long-term to maintain and increase the ability of the City to provide services through maintaining and increasing revenues, growing the City's economy for the purpose of revenue generation, and controlling and managing the cost of services and the method of delivery of services. This plan will identify and discuss unfunded liabilities and other deferred costs such as maintenance. A plan or options

will be identified to address them. This plan is not intended as a general statement of overall City strategies and goals, but rather a focused approach to long-term finances and to enhancing the economic strength of the City to generate more revenues and resources for services. The plan may be integrated into an overall set of goals and strategies for the City. City Council will modify the plan as it desires and adopt it as a general guideline for future financial and economic direction. The plan is to be reviewed and updated no less frequently than every five years.

#### 8. Financial Policies Will Be Periodically Reviewed

<u>Background</u> - Financial policies need to be periodically reviewed to ensure that they do not become out-of-date and to help reinforce compliance with the policies.

#### <u>Policy</u>

- A. Financial policies will be reviewed by the City Manager every three years or more frequently, if appropriate.
- B. The City Manager will report to City Council when any proposed City Council action may not comply with City Council financial policies (preferably through the Fiscal Impact Statement) and will also report biannually on general compliance or non-compliance with each of the policies, recognizing that some policies may take time to fully implement. This biannual report will be released in tandem with the Biennial Budget and will list the financial policies in their entirety.

## 9. Procedures and Practices Are to Be Consistent with Financial Policy

<u>Background</u> – Financial policies are high level expressions of direction. Implementation of policies requires detailed procedures and practices.

<u>Policy</u> – Policy implementation procedures and practices designed and implemented by City Manager and any associated administrative procedures and practices shall be consistent with the adopted City Council policies.

#### **GLOSSARY**

**Appropriation**: An authorization made by the City Council, which permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period, though multi-year appropriations can be established for capital projects and other special purpose funds.

**Budget**: The official financial spending and resource plan submitted by the City Manager and adopted by the City Council.

**Capital Improvements**: Buildings, structures, or attachments to land, such as sidewalks, trees, drives, tunnels, drains, and sewers.

**Capital Investment Program (CIP)**: A plan for capital expenditures to be incurred setting forth each capital project, identifying the expected beginning and ending date for each project, the amount to be expended in each year, and the method of financing those expenditures.

**Capital Projects Fund**: Capital Projects Funds are used to account for financial resources used in the acquisition or construction of major capital facilities other than those financed by Enterprise or Trust Funds.

**Enterprise Fund**: A fund type used to account for operations that are financed or operated in a manner similar to private business enterprise, where the intent of the governing body is that costs of providing goods and services be recovered primarily through user charges.

**Fund**: A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources and related liabilities, in addition to residual equities or balances and changes therein, are recorded and segregated to carry on specific activities, or attain certain objectives, in accordance with special regulations, restrictions, or limitations.

**General Fund**: A specific fund which accounts for tax-supported activities of the City and other types of activities not accounted for elsewhere. The General Fund is a governmental fund.

**Internal Service Fund**: A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.