

# FINANCIAL MANAGEMENT POLICIES

IT IS THE POLICY OF THE SAN RAFAEL CITY COUNCIL TO BE PRUDENT, CAREFUL AND OPEN REGARDING THE CITY'S FINANCIAL RESOURCES. RECOGNIZING THAT A BUSINESS OR RESIDENT MUST PLAN FOR BOTH SHORT AND LONG TERM FINANCIAL NEEDS, THE CITY SHALL MAKE EVERY EFFORT TO DO THE SAME. THE CITY'S FINANCIAL POLICIES SHALL INCLUDE ASSETS (BOTH HUMAN AND CAPITAL), EXPENSES, SAVINGS AND METHODOLOGY. TO THIS END, THE FOLLOWING SHALL BE THE CITY'S FINANCIAL POLICIES:

## Category One

Assets: The City's allocation of resources shall be balanced in such a way so as to provide for proper management of employees, volunteers, property, buildings and equipment.

The City shall maintain its infrastructure

Ongoing, preventative maintenance is an essential component of the City's operations. Adequate funding shall be allocated in current years to minimize expenditures in future years. Infrastructure maintenance includes, but is not limited to street, sewers, storm drains, sidewalks, lights and parks.

The City shall adequately fund capital replacement

To the extent possible, the cost of replacing or expanding existing facilities and equipment will be fully amortized and funded as a continuing cost of doing business. With respect to equipment, rates shall be established to recover the replacement cost of each item at the end of its useful life. Facilities will be amortized to cover ongoing maintenance and cyclical repairs and, to the extent resources are available, for the replacement or expansion of major structures.

The City shall maintain competitive compensation

The City wishes to continue positive labor relations, be competitive in the market place and desires to attract and retain top talent. Competitive salary and benefits will be provided to all employees within the City's means, with the expectation that services being provided by all staff shall continue to be exemplary.

## FINANCIAL MANAGEMENT POLICIES

### Category Two

**Expenses**     The City shall know the cost of providing services, make certain tax dollars are used both efficiently and wisely, and incur debt only to the extent it does not create a long-term financial burden.

The City must know its true costs of providing all services

The City shall maintain current full business costs of providing each and every City provided service. In addition, the City shall make conscious decisions about cost recovery and/or general tax subsidy of those services that benefit only portions of the tax paying public.

The City shall competitively procure goods and services

Significant savings of tax dollars can be obtained through the competitive bidding of purchases of goods and services. The City shall seek market prices or proposals for all significant purchases of goods and services, including periodic market testing of internally provided services, consistent with the City's purchasing policy. Preference will be given to San Rafael businesses.

The City shall oppose mandated programs that are unfunded

The Federal and State Governments regularly adopt laws that mandate local compliance or implementation. The City is forced to incur additional operating costs and no funding is provided to pay for these mandates. The City shall have a general policy against unfunded mandates, including social services, which have an adverse impact to San Rafael's services and budget.

The City shall only borrow what it can afford to repay

Loans and other debts will be established wisely to level out costs. Refinancing of existing debt will take place when market conditions lend themselves to economic gains. The City shall not overextend indebtedness, which may cause undue financial burdens in subsequent years.

## FINANCIAL MANAGEMENT POLICIES

### Category Three

**Savings:** The City shall set aside sufficient monies to meet short and long term needs and shall invest all savings in a safe manner.

The City Shall Maintain Prudent Reserves, including a 10% General Fund reserve.

Adequate reserves of funds shall be established to meet future capital needs, to offset economic hard times, to stabilize fluctuations in cash flow requirements, and to provide for emergency situations. This shall include an ongoing 10% General Fund reserve.

The City shall conservatively invest its idle cash

The City will invest its idle cash in a conservative manner so as to safeguard public funds. Investment instruments will be chosen using safety, liquidity and yield as the selection criteria.

### Category Four

**Methods:** The City shall live within its financial means, comply with all aspects of local government financial laws and publicly disclose major financial decisions.

City budgets must balance with ongoing revenues equal to or greater than ongoing expenditures

The City Council will continue to adopt balanced budgets on an annual basis. Annual audited financial reports confirm the adoption of a balanced budget, and note any discrepancies. These financial reports are used by the financing community to gauge the City's credit worthiness, among other issues.

Cost must be matched with revenues. Ongoing costs shall only be funded with ongoing revenues. One-time costs can be funded with one-time revenues. However, one-time revenues cannot fund ongoing costs.

The City shall base its budget on realistic estimates, assuming normal revenue inflation will go to pay for normal inflation expenses.

The City shall make its budgetary and financial decisions on conservative estimates or revenues and expenditures. Normal revenue growth, defined as increased amounts from existing sources, may not always increase at a rate equal to or faster than the expenses they support. As a result, the City should avoid using such revenue as start-up revenue money for new projects or programs that have ongoing costs. Increases in service levels should be supported by new revenue sources or reallocation of existing resources. If

## **FINANCIAL MANAGEMENT POLICIES**

normal revenue inflation does not keep up with expense inflation, alternatives such as decreases in expenses or new revenue sources would be explored.

The City shall make and report its financial decisions publicly

Public involvement is encouraged in budgeting and financial planning. The City Council shall make all non-routine or non-administrative financial decisions in public at regularly scheduled meetings. The results of such decision making shall be reported in a timely manner through Comprehensive Annual Financial Reports, newsletters and other public information documents.

The City shall comply with all requirements of generally accepted accounting principles (GAAP) as they apply to local governmental agencies

The City will always conduct our financial affairs and maintain our records in accordance with GAAP as established by the Government Accounting Standards Board, so as to maintain accuracy and public confidence in our financial reporting systems.

The City shall maintain a long-range fiscal perspective

The City shall examine its financial condition periodically by forecasting several years into the future. In this way, adverse trends can be anticipated and better managed.

The City will require that all proprietary funds (Enterprise and Internal Service) be self-supporting.

### **Enterprise Funds**

Any enterprise funds established by the City will be supported by their own rates and not subsidized by the General Fund. We will assess charges against those funds at a reasonable rate for services provided by general government.

### **Internal Service Funds**

The internal service funds for vehicle replacement, information systems and building maintenance should be structured to fund adequate maintenance and replacement of vehicles, office equipment, information systems and City buildings in an efficient and orderly manner. The Building Improvements Fund rates will be brought up to appropriate levels over a five-year period. The Risk Management (liability and worker's compensation) Self-Insurance Funds will continue meeting the City's insurance needs as economically as possible while maintaining sufficient levels of coverage to protect the City's employees, property and reserves.