



# Overview of Budgetary and Financial Policies

# Agenda and Overview

- Provide an overview of the City's budgetary and financial policies and current status
- There are 22 policies, last updated in the FY 23 Budget
- No changes or updates are being recommended

# 1. The Budget will be Structurally Balanced

## Policy

- The General Fund budget will be structurally balanced for the fiscal year

## Status

- Currently the General Fund has a budgetary structural imbalance but has been balanced with one-times since the pandemic with funds made available through the Long Beach Recovery Act

## 2. Multi-year Financial Projections

### Policy

- The proposed annual budget should include a three-year General Fund surplus/(shortfall) projection at minimum

### Status

- Budget includes four-year projection (FY 24 – FY 27)

## 3. Budget Process is an Annual Cycle

### Policy

- The budget process develops annual service priorities and changes are minimized

### Status

- The City works to make as few changes as feasible other than technical changes, new grants, etc.

## 4. User Fees to be Set at the Cost of Service

### Policy

- Fees fully recover costs, except where there is greater public benefit through use of a lower fee

### Status

- A multi-year citywide fee study in progress. Fees are generally set at cost of service, except where City Council approves exceptions.

## 5. One-time Resources are for One-time Uses

### Policy

- One-time resources not used to fund ongoing operations
- Five percent of one-time revenues are set aside for unfunded liabilities

### Status

- One-time resources are generally used for one-time purposes, except for recent years post pandemic to help balance General Fund
- Five percent of General Fund funds available is set aside for unfunded liabilities

## 6. Capital Projects Budgeted for Both One-time and Ongoing

### Policy

- Before approving any capital expenditure, both the capital (one-time) and operation (ongoing) costs will be considered

### Status

- Where known, the fiscal impact of capital items includes estimates of normal operating costs.



# 7&8 Emergency and Operating Reserves Will Be Maintained

## Policy

- Emergency reserves: 8% min (of expenditures), 10% target
- Operating reserves: 2% min, 7% max
- Other reserves may be established

## Status

- Reserves have been maintained at the minimum levels or higher.

## 9. Adequate Reserves for All funds

### Policy

- Financial Management will develop and recommend reserve policies for each City fund

### Status

- Review is in process

## 10. Revenue Projections will be Reasonably Expected

### Policy

- Revenue projections are to be objectively prepared using a reasonably expected approach, so that there is an equal chance of coming in higher or lower than projection

### Status

- Projections are following this guideline

# 11. Stable Revenue Sources will be Used to Fund Operations

## Policy

- Any revenue which has highly variable component may have only a portion of it, or none of it, budgeted for operations
- Oil revenue will be budgeted at a price likely to be lower than the actual price

## Status

- Oil has been budgeted in this manner and has protected the City from more serious budget impacts

## 12. Fiscal Impact Statements Required

### Policy

- Fiscal impact statements are required for proposed City Council actions, including revenues, expenditures, financial position, and economic impact

### Status

- This policy is being followed and fiscal impact statements are provided

## 13. Current Year Costs will be Funded or Explanation Provided

### Policy

- The Budget will include funding for all costs of operation for the current year or will discuss those costs where full funding is not provided

### Status

- The City funds most annual costs in the proposed budget except for deferred maintenance and retiree health costs

# 14. Financial Reporting Will Use Generally Accepted Standards

## Policy

- Annual financial statements will use Generally Accepted Accounting Principles (GAAP) and will include a reconciliation of budgetary funds available to GAAP

## Status

- The City's financial reports are in accordance with GAAP. Reconciliation to budgetary funds available is done for key funds

## 15. Financial Status will be Reported

### Policy

- The City's Annual Comprehensive Financial Report (ACFR) will be available and there will be periodic reporting on the budgetary status of the City

### Status

- Reports are prepared in accordance with policy



## 16. Financial Status of Major Funds will be Reviewed

### Policy

- The City Manager will annually present a brief report discussing the high-level financial status of each major fund and the report may be incorporated as a component of the budget's *Fund Summary*

### Status

- The financial status is contained in the budget document, in periodic performance reports, and in the year-end report for funds that have significant issues or are of interest

## 17. Appropriate Grants will be Sought

### Policy

- The City will seek grants that address City priorities and provide substantial net benefit. Appropriate grant support levels will be maintained

### Status

- This policy is being followed

## 18. Debt Maintained at Appropriate Levels

### Policy

- Debt will not fund operations and debt limits will be adopted. Capital leases for vehicles will be part of a comprehensive strategy
- A separate debt policy will be adopted

### Status

- This policy is being generally followed. While there is no formal policy for capital leases, they are watched closely for conformance with budget
- A separate debt policy has been adopted by City Council

## 19. Investments will be Conservatively Managed

### Policy

- Investments are managed with the priorities of (in order): safety of principal, liquidity (availability of cash), and yield (income)
- A separate investment policy is to be adopted

### Status

- This policy is being followed
- A separate investment policy has been adopted by City Council

## 20. Long-Term General Financial Plan will be Maintained

### Policy

- A long-term general financial plan will be adopted that includes general approaches on revenues, economic growth, control and management of costs and method of service delivery

### Status

- The City does not have a formal plan, but instead prepares a three or four-year outlook and the issues and ramifications of that outlook are discussed as part of the annual budget process

## 21. Financial Policies will be Reviewed

### Policy

- Financial policies will be reviewed every three years and the City Manager will report annually on any non-compliance

### Status

- This was last reviewed as part of the FY 23 Budget

## 22. Administrative Procedures to be Consistent with Policy

### Policy

- Administrative procedures shall be consistent with the adopted City Council budgetary and financial policies

### Status

- Administrative procedures are consistent with City Council financial policy

# Questions

