

RESOLUTION 2022-41

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN DIMAS, COUNTY OF LOS ANGELES, ADOPTING REVISIONS TO FISCAL YEAR 2022-23 BUDGET POLICIES

WHEREAS, the City Manager has presented to the San Dimas City Council a proposed budget for Fiscal Year July 1, 2022- June 30, 2023; and

WHEREAS, the City Council of the City of San Dimas has conducted a public meeting on June 14, 2022, to consider the Fiscal Year 2022-23 budget document; and

WHEREAS, the City Council of the City of San Dimas has adopted Resolution 2022-34 approving the Fiscal Year 2022-23 budget for the City and the Capital Improvement Program and established budget policies; and

WHEREAS, the City Council of the City of San Dimas intends to consider additional approval of budget policies.

NOW, THEREFORE, BE IT FURTHER RESOLVED that the City Council of the City of San Dimas does hereby resolve that:

SECTION 1. The City Council authorizes and approves the budget policies as revised in Attachment 1 to this Resolution and authorizes the City Manager or his designee to act in accordance with established budget policies and procedures.

SECTION 2. The City Clerk shall certify as to the adoption of this Resolution.

PASSED, APPROVED AND ADOPTED this 28th, day of June, 2022.



Emmett G. Badar, Mayor

ATTEST:



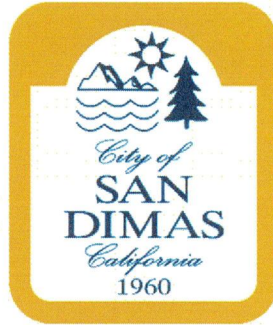
Debra Black, City Clerk

I, Debra Black, City Clerk, hereby certify that Resolution 2022-41 was adopted by the City Council of San Dimas at its regular meeting of June 28, 2022 by the following vote:

AYES: Badar, Bertone, Ebiner, Vienna, Weber
NOES: None
ABSENT: None
ABSTAIN: None



Debra Black, City Clerk



BUDGET POLICIES FOR THE CITY OF SAN DIMAS

2022-23

**Approved: June 28, 2022
City Council Resolution 2022-41**

CONTENTS

A. Introduction

B. Definition

- B.1 Appropriations (Operating and Capital Budgets)
- B.2 Supplemental Appropriation
- B.3 Carryover
- B.4 Budget Modification

C. Fiscal Control Policies

- C.1 Off-Cycle Funding Requests
- C.2 Ongoing Expenditures
- C.3 Statement of Fiscal Impact
- C.4 Guiding Principles for Budget Development

D. Financial Planning and Implementation Policies

- D.1 Balanced Budget and Deficit Spending Reduction Plan
- D.2 Capital Improvement Program

E. Budget Administration Policies

- E.1 Appropriations – Operating and Capital Budgets
- E.2 Supplemental Appropriation/Budget Modification Requirements
- E.3 Rebudget Authority
- E.4 Fund Reserves
 - E.4.a. General Fund Reserves
 - E.4.b. Capital Assets Reserve (Fund 100)

Revision History

CITY OF SAN DIMAS FY 2022-23 BUDGET POLICY

A. INTRODUCTION

In its adoption of the Budget, the City Council recognizes that the appropriations approved for the operating and capital budgets are based upon estimates of municipal needs for the fiscal year. Therefore, in order to establish appropriate control in the administration of the Budget, the following policies are adopted to provide necessary authority for the City Manager to administer the Budget during the course of the fiscal year in the light of varying conditions which may occur and are authorized under San Dimas Municipal Code Section 2.24.070. The Assistant City Manager is delegated authority to sign as the City Manager in the absence of the City Manager or as authorized by the City Manager.

These policies are in addition and supplemental to any provisions contained in the San Dimas Municipal Code (Code), including the Personnel Rules & Regulations (PRRs), Part Time Employee Handbook, the Final Budget Resolution, all Salary Resolutions regarding pay, benefits and other terms and conditions of employment relating to other officers and employees, City of San Dimas Administrative Procedure and Policies, and other documents relating to the Budget, as such provisions may apply to the administration of the Budget.

All references to the Administrative Services Director and/or Finance Director shall refer to that individual empowered as the Finance Director, as defined in the San Dimas City Municipal Code.

B. DEFINITION

B.1 Appropriations (Operating and Capital Budgets)

The term "Appropriations" means the amounts approved for expenditure by the City Council in its adoption of the Budget, together with subsequent "**Supplemental Appropriations.**"

B.2 Supplemental Appropriation

The term "**Supplemental Appropriation**" means an increase and/or decrease in an existing appropriation(s) in the City Council Adopted Budget or a new appropriation(s).

B.3 Carryover

The term "**Carryover**" means the process of carrying over unspent appropriations or unrealized revenue from one fiscal year into a subsequent fiscal year. Carryovers shall be documented in a Budget Modification.

B.4 Budget Modification

The term "**Budget Modification**" means an adjustment to operating and capital project funding sources, pay schedules, job title allocations, changes in these Budget Policies, and other non-appropriation matters.

C. FISCAL CONTROL POLICIES

C.1 Off-Cycle Funding Requests

Off-cycle funding requests represent items not contemplated during the normal budget production and approval process which may result in exceeding a department and/or category appropriation. To ensure that all budget requests are considered in the context of the entire budget, consideration of funding request submitted outside the normal budget production process shall be subject to staff analysis to assist the City Council in evaluating the proposal. The formal analysis shall include, where applicable, the short-term and long-term budget impact and the impacts on other Council approved priorities; identified source of funding and impact on fund balance; and any other pertinent financial implications relevant for City Council decision-making.

C.2 **Ongoing Expenditures**

Approval of all expenditures which would result in an ongoing fiscal commitment should be funded only with ongoing revenue sources. One-time revenues, including fund balance and reserves, should be used only for one-time expenditures, such as capital improvements.

C.3 **Statement of Fiscal Impact**

All staff reports or action items to the City Council which relate to issues expected to have a fiscal impact on the City shall include a statement of fiscal impact. The impact will show the current year and multiyear impact of the recommended action.

C.4. Guiding Principles for Budget Development¹

The following principles shall guide budget development:

C.4.a. A balance between public safety, infrastructure maintenance, and quality of life services is required to ensure a livable community.

C.4.b. A budget must be sustainable into the future, not balanced with one-time fixes, such as transfers of reserves or set asides, and must reasonably reflect expenditures that match available revenues.

C.4.c. Reducing funding for capital projects, or eliminating projects from the Capital Improvement Program, in order to support operating activities sacrifices the community's long-term interests.

¹Adapted from: (1) "Budget Strategies for Challenging Fiscal Times" presented by Robert Leland, Director of Finance, City of Fairfield; (2) *Recommended Budget Practices* published by the National Advisory Council on State and Local Budgeting; (3) *A Budgeting Guide for Local Government* published by the International City/County Management Association; (4) *Model Practices for Municipal Governments* published by the Connecticut Town and City Management Association; and (5) *Strategic Recruitment for Government, Ten Innovative Practices for Designing, Implementing, and Measuring Recruitment Initiatives in Government* published by the Performance Institute.

C.4.d. Continuous investment in technology, systems and equipment is needed to improve organizational efficiency, especially when staffing levels are reduced.

C.4.e. Reasonable compensation levels in line with the labor market for similar governmental agencies are desired in order to minimize staff turnover and maintain City productivity; however, compensation levels must stay within a range that the city can sustainably afford while still providing the full range of city services that citizens expect from their city government. Total Compensation will be defined as all pay, benefit, and other elements that provide value to staff (i.e., hourly rate, specialty pays, insurance, time off, in-lieu payments, retirement plans, training, etc.).

C.4.f. Additional revenue sources, such as grants and development related income, should be sought to augment City resources after due consideration of the cost associated with accepting a grant or approving development.

C.4.g. Program cost recovery should be maximized, including reasonable General Fund indirect costs allocated to other funds, to reduce the need for program reductions and to reduce taxpayer subsidies where such subsidy is not in the public interest.

- C.4.h. Quality economic development and strengthening the City's economic base through implementation of supportive business strategies should be promoted to expand the City's revenue base and provide a net resource gain.
- C.4.i. Services and programs that serve a limited number of participants should be the focus of reductions, reformation, elimination, or reorganization, or should be considered for implementation by a private vendor or non-profit organization.
- C.4.j. Reductions should be avoided that could exacerbate liability issues for the City or have long-term consequences that would be costly to reverse.
- C.4.k. The budget must ensure administrative accountability, internal controls, and long-term financial stability.
- C.4.l. A balance of long-term liabilities and current operations is necessary to ensure the City avoids the growth in unrecognized or sudden significant liabilities.

D. FINANCIAL PLANNING AND IMPLEMENTATION POLICIES

D.1. Balanced Budget, Resiliency Plan and Deficit Spending Reduction Plan

The City shall establish a Resiliency Plan to ensure the long-term sustainability of the City's budget. Where appropriate, the City will establish a section within the Resiliency Plan to address deficit spending in a specific fund, activity, and/or program where such deficit spending materially impacts the long-term sustainability of the City's budget and where establishing a deficit spending reduction plan is necessary.

The goal is to achieve a balanced budget in which recurring revenues equal recurring expenditures, where appropriate and prudent, and/or to balance the City's budget without overreliance on interfund loans, advances, or other short-term mechanisms indicative of financial stress.

Revenue Control

- D.1.a. The City will dedicate new ongoing revenue sources in the following manner and priority:
 - Priority 1: Fixed cost increases, such as built-in contract escalators, benefit increases outside City control including CalPERS pension contributions, etc.;
 - Priority 2: Funding significant long-term liabilities and replenishing City reserve funds to established targets;
 - Priority 3: Replenishing internal service funds, such as infrastructure, vehicle, building maintenance, and technology funds, etc.;
 - Priority 4: Discretionary expenditures.
- D.1.b. The City will designate and assess fees for service and other fees in the following manner and fee will comply with all applicable laws.
 - Category I – Fees that are determined to have a full cost recovery goal. Fees shall be updated regularly based on the total direct and indirect

costs of providing the service.

- Category II – Fees that are below full cost recovery goal. Fees are generally subsidized where collection of fees is not cost-effective; collection of fees would not comply with regulatory requirements; purpose of the fee is not to offset cost but to provide benefits to the recipients and the community. If fee is proposed to be Category II, the proposer will describe the level of subsidy, the reasoning and purpose why the fee is less than full cost recovery, and compliance with the intent of this fee category.
- Category III – Penalty and fine fees. Fees in category III should be reviewed annually relative to the reasonableness for the fee and the fiscal effect as it relates to deterrence.

D.1.c. One-time revenues and budgetary costs savings not anticipated during the fiscal year will be primarily dedicated to funding significant long-term liabilities and replenishing reserves and internal service funds to established targets.

D.1.d. All revenue receipts shall be processed through the Finance Division. In the case revenue receipts are offset by any non-cash transaction or discounts, the Administrative Services Director's review and approval will be required.

D.1.e. Any commitment by the City to perform or pay for services which will be reimbursed by another entity will be documented in either a written agreement prior to proceeding with the services or provided for in an approved fee schedule and approved by the City Manager, and if over \$50,000, the City Council. After approval, the City Manager may appropriate funds reimbursing City operations up to \$50,000 per each individual service (e.g., Revenue reimbursed by the State Office of Emergency Services (OES)). All amounts appropriated under this provision will be reported to Council via budget modification reports.

Expenditure Control

D.1.f. Expenditure controls safeguard limited government assets and ensure resources are maintained where they were originally approved during the budget process. To this end, while Budget Policy E.1 provides City Manager control over fund-level expenditures, tighter controls and authorizations are required to maximize safeguards over the use of funds. Operating and Capital expenditures will require the following approvals and processes:

- D.1.f.(1) **Changes between Personnel and Non-Personnel Expenditures** – Transfers of appropriations between personnel and non-personnel categories requires approval of the Administrative Services Director, City Manager, and City Council.
- Under \$10,000 – Administrative Services Director;
 - \$10,000 to \$50,000 – Administrative Services Director and City Manager;
 - Over \$50,000 – Administrative Services Director, City Manager, and City Council.
 - Exception: Any change intended to add new permanent personnel will require approval of the City Council.

- D.1.f.(2) **Changes between Departments** – Expenditures will be appropriated at the Department level. Department level is demonstrated by the second level of the accounting structure (i.e. 001-**4150**). Appropriation transfers between departments requires approval through a budget modification form by the Administrative Services Director, City Manager, and/or City Council based the following authorization amounts:
- Under \$10,000 – Administrative Services Director;
 - \$10,000 to \$50,000 – Administrative Services Director and City Manager;
 - Over \$50,000 – Administrative Services Director, City Manager, and City Council.
 - Exceptions: In the case of emergency, to prevent the loss of capital/grant funds, and/or other circumstance where delay would have a material negative impact to the City, the Administrative Services Director and City Manager can approve appropriation transfers and report such transfers to the City Council.
- D.1.f.(3) **Changes between Expenditure Categories** – Expenditures will be appropriated at the Category level which is demonstrated by the third level of the accounting structure (i.e. 001-4150-**020**). Within each category exists an object code which is demonstrated by the fourth level of the accounting structure (i.e. 001-4150-020-**001**). Departments can expend within the category as necessary without requiring further action. Appropriation transfers between categories requires approval of the Department Director, Administrative Services Director, and/or City Manager based the following authorization amounts:
- Under \$25,000 – Administrative Services Director;
 - \$25,000 to \$50,000 – Administrative Services Director and City Manager;
 - Over \$50,000 – Administrative Services Director, City Manager, and City Council.
 - Exceptions: In the case of emergency, to prevent the loss of capital/grant funds, and/or other circumstance where delay would have a material negative impact to the City. Administrative Services Director and City Manager approval is required and any such transfer will be reported to the City Council.
 - Not Applicable: Non-discretionary items such as allocations, technology, fuel, and utilities are not available for transfer.
- D.1.f.(4) **Fiscal Year-End Adjustments** – In order to expedite closing the accounting records at June 30th of each year, the City Manager is authorized to transfer an amount not to exceed \$5,000 between Departments within a single Fund in order to appropriate amounts to cover insignificant overages. A subsequent report will be made to Council listing total appropriations made within a Fund at fiscal year-end. This provision is only applicable to fiscal year-end adjustments and shall not be used at any other time.
- D.1.f.(5) **Prepaid Expenses** – In limited instances, some City costs are required to be paid prior to receiving the service or product. Examples include annual licensing fees, annual memberships, insurance policies and software maintenance agreements. Many of the terms of these agreements require payment prior to July 1, which begins the new fiscal year. In addition, some prepayments offer a discount.

The City Manager is authorized to approve prepaid expenditures when the payment relates to an ongoing service provided to the City and when failing to make payment would either cause an interruption in ongoing City operations or cause the City to operate illegally (e.g., failing to renew software licensing). However, the payment classified as a prepaid expense shall not include more than a 10% increase over the prior year's payment for the same product or service. No later than the 1st meeting in September, Council will be provided a list of prepaid expenditures that occurred under this authority.

- D.1.g. The City will refrain from allowing funds to fall into deficit positions or continuing growing existing fund balance deficits. Annual fund deficits should be eliminated by transferring funds into the deficit fund to maintain the previous year's fund balance. The only exceptions to this are funds in which future revenues are estimated to be sufficient to cover current deficits (e.g., Fee Funds and Capital Grant Funds) or where such deficit (or liability) is determined by a required actuarial review.
- D.1.h. The Finance Division will establish an appropriate purchasing process with adequate controls to ensure expenditures are properly approved and do not exceed City Council appropriations.
- D.1.i. The City will evaluate and consider personnel compensation and benefit expenditures from a total compensation perspective which will include both employee and employer items as well as any reasonably certain and reasonably anticipated future pension cost increase.
- D.1.j. Any revenue or expenditure item may be submitted to the City Council for review and/or approval at the recommendation of the City Manager. Exceptions to revenue and expenditure controls require City Council notification.
- D.1.k. All Council actions that appropriate funding or approve an agreement where such required funding is articulated in the recommendation or fiscal impact shall constitute formal appropriation authority and are not required to be resubmitted to Council for approval during the formal budget supplemental request process.
- D.2. Capital Improvement Program

The Five-Year Capital Improvement Program (CIP) is developed and presented with the overall City budget.

- D.2.a. **Transfers Between Council Approved Capital Projects (Same Year – Reallocation of Funding Between Projects)** – Projects are approved over a five-year period by Council. Each budgeted project has been appropriated an amount that may include funding from multiple City Funds. Appropriation transfers between capital projects scheduled in the same year requires approval of the City Manager and City Council based the following authorization amounts:
 - Up to \$50,000 – City Manager; or
 - Over \$50,000 – City Manager and City Council.
- D.2.b. **Transfers Between Council Approved Capital Projects (Different Years – Rescheduling Projects)** – Projects are approved over a five-year period by Council. Each budgeted project has been appropriated an amount that may include funding

from multiple City funds. Appropriation transfers between capital projects scheduled in different years require approval of the City Manager and City Council based the following authorization amounts:

- Up to \$50,000 – City Manager; or
- Over \$50,000 – City Manager and City Council.

Additional funding requirements for capital projects in excess of the total amount appropriated requires Council approval unless the initial appropriation included approval for contingency funding, in which, no further Council approval is necessary.

The approved budgets for the individual capital outlay projects and capital improvement projects remain as authorized until these projects are completed when an agreement to perform the project is executed. Any unexpended authorized appropriation for each capital project is automatically carried over from fiscal year to fiscal year until the funds of the individual capital project are expended up to the not to exceed amount of an executed agreement or its approved contingency or the capital project is canceled by the City Manager. Following the completion of the individual capital projects, the unexpended appropriation of each completed capital project shall be canceled, and the capital projects' funding sources shall be released from their unexpended funding commitment.

D.3. Cost Allocation Plan (CAP) & Fee Studies

The City Manager will ensure the timely completion of appropriate cost allocation plans and user fee studies. Generally, cost allocation plans should be completed every 3 years and reported to the City Council for review or as directed by the City Manager. Cost allocation charges (administrative overhead) will be assessed to each fund based on the results of the Plan. However, the General Fund will be required to make transfers to specific funds that do not have sufficient funding to pay for its share of the CAP (each fund's share of administrative overhead). Fee studies should be completed and reviewed every 5 years or as directed by the City Manager.

E. BUDGET ADMINISTRATION POLICIES

E.1. Appropriations - Operating and Capital Budgets

Appropriations approved for the Operating Budget Activities and Capital Budget Expenditure Accounts of the City's offices/departments are based upon estimates of needs for the fiscal year for projected service level requirements under normal conditions and circumstances.

However, as a result of changing conditions, unanticipated needs, emergencies, the availability of unforeseen State/Federal and/or other funding sources and like circumstances, it may be necessary during the course of the year to increase, reduce, eliminate, or provide new funding for Operating Budget Activities or Capital Budget Expenditure Accounts.

Therefore, in administering the Budget, the City Manager is authorized to provide each office/department with sufficient funding to meet its needs in such circumstances, so long as a decision to vary from approved appropriations does not exceed, except in the case of emergencies, the total appropriated expenditures of the affected municipal fund at the time

of the decision. This policy includes, but is not limited to, the authority to supplement budgeted capital projects by transferring funds reflected in a Council-approved Capital Improvement Program from a future year to the current fiscal year if the City Manager determines that the action is necessary to prevent a disruption to the construction schedule of the project, and that there is sufficient fund balance available to cover the expenditures.

In the event of an emergency, the City Manager is authorized to provide the resources necessary to meet the needs of the emergency subject to the limitations of available fund balance.

In all such instances, the City Manager shall report budgetary decisions to the City Council by means of an appropriate Supplemental Appropriation/Budget Modification.

E.2. Supplemental Appropriation/Budget Modification Requirements

Whenever the City Manager determines that a proposed budgetary adjustment does not fall within budget policies, or that it would add new or substitute substantially different projects, equipment, or programs to those approved for Operating Budget Activity or Capital Budget Expenditure Accounts, the City Manager shall submit to the City Council a Supplemental Appropriation or Budget Modification.

E.3. Rebudget Authority

Upon closing the financial books each fiscal year, the Administrative Services Director will review department requests to carryover unexpended funds and unrealized revenues to the ensuing fiscal year's budget. For those items approved by the City Manager and already encumbered, the Administrative Services Director shall carryover unexpended funds and unrealized revenues to the ensuing fiscal year's budget. The items carried over shall be documented in a Budget Modification. Unencumbered funds will either be released and available as one-time resources in the ensuing year's budget or in the case of unencumbered capital, considered for carryover based on a previously identified project need.

Grant and Donation funds may be carried over when the grantor allows use of such funds into the following fiscal year, when there are funds remaining, and when the purpose of the grant or donation (i.e., specific project) has not changed. The items shall be documented in a Budget Modification.

E.4. Fund Reserves

The City will maintain appropriate fund reserves which segregate resources for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

In accordance with GASB 54, the Administrative Services Director will classify each fund balance into one of the following five categories. GASB 54 applies to all governmental fund types (General Fund, Special Revenue Funds, Capital Projects Funds and Debt Services Funds), but does not apply to proprietary fund types (Enterprise Funds and Internal Service Funds).

Non-Spendable Fund Balance – Amounts that cannot be spent because they are a) not in a spendable form or b) legally or contractually required to be maintained intact. Examples includes inventories, prepared items, and advances

to other funds.

Restricted Fund Balance – Amounts that are restricted by external parties, such as creditors, grantors, contributors, or laws/regulations of other governments, or restricted by law through constitutional provisions or enabling legislation.

Examples include grants, bond proceeds, impact fees, and park dedication fees.

Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Examples include Emergency Reserve, Compensated Absences Reserve Fund, and Other Post-Employment Benefits Fund.

Assigned Fund Balance – Amounts constrained by the City's intent to be used for specific purposes that are neither restricted nor committed. The intent can be expressed by a) the City Council through budgetary action or b) another body or official to which the City Council has delegated the authority. Examples include an approved General Fund appropriation for a multi-year capital expenditure.

Unassigned Fund Balance – Amount available in the General Fund that has not been appropriated for another purpose and is available for future expenditures.

E.4.a. **General Fund**

E.4.a.1 **General Fund Reserves**

Reserved

E.4.b. **Capital Assets Reserve (Fund 100)**

Fund 100 has been established to accumulate funds for the scheduling of significant capital assets, such as infrastructure, buildings, vehicles, equipment, and technology for the purpose of prefunding replacement and rehabilitation at the end of the capital assets useful life. The City will make annual contributions to prefund capital asset replacement and rehabilitation and reduce the operational impact of the related significant expenditures in the year the capital asset is needed. In accordance with GASB 54, this fund balance is committed.

E.4.b.1 **Scheduled and Prefunded Capital Assets**

Capital assets entered into the schedule and identified for prefunding are intended to identify liabilities associated with existing capital assets for which the City has adopted a funding schedule. Such capital assets will receive annual transfers to support full funding by the capital asset's replacement or rehabilitation schedule.

E.4.b.2 **Scheduled and Unfunded Capital Assets**

Capital assets entered into the schedule and not receiving annual funding allocations are intended to identify significant unfunded liabilities associated with existing capital assets. An appropriate funding target amount and year such fund is needed for replacement or rehabilitation will be established.

E.4.b.3 **Pooled Capital Assets**

Certain capital assets, such as buildings, include capital needs whose replacement or rehabilitation occurs in smaller, staged time frames or to which a specific

replacement and rehabilitation date varies based on condition (i.e. carpets, etc.). To facilitate prefunding of such capital assets, a pooled amount will be specified in such manner (by building, location, etc.) to accommodate regular replacement and rehabilitation as needed, but to also achieve an annual funding contribution amount which is consistent and predictable.

E.4.b.4 Asset Management Schedules and Funding

The City will maintain an asset management schedule for scheduled assets which are intended to receive funding through the Capital Asset Reserve. The schedule will provide such detail to properly manage the asset and its replacement or rehabilitation. The City Manager, or designee, is authorized to allocate such appropriation and schedule such assets to Fund 100 to further the intent of the Capital Asset Reserve.

Revision History

- June 8, 2021, Resolution 2021-37 – Establishing and approving the first version of the City's Budget Policies
- June 22, 2021, Resolution 2021-41 – Adding section E.4 and creation of Fund 100 Capital Assets Reserve
- June 28, 2022, Resolution 2022-41 – Revising various sections, adding requirement for a financial resiliency plan, adding authority for expenditure transfers between personnel and non-personnel items for non-permanent activity.