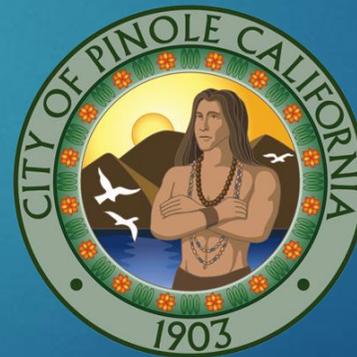


# Fiscal Year (FY) 2024/25 Financial and Investment Policy Review

FINANCE SUBCOMMITTEE MEETING

MARCH 27, 2024



# Staff Recommendation

City staff recommends that the Finance Subcommittee review the proposed Fiscal Year (FY) 2024/25 Financial and Investment Policies and recommend them for City Council approval or provide other direction to staff.

# Overview

- ▶ Financial policies are intended to set guidelines on how the City will manage its financial resources and provide direction for financial decision-making
- ▶ City policies align with standard financial policies recommended by professional associations and those implemented by other local government agencies
- ▶ Best practice to establish financial policies, and regularly review and update when necessary
- ▶ The City is in compliance with its established financial and investment policies

# Structurally Balanced Budget Policy

- ▶ The City will aspire to create a proposed General Fund operating budget that is structurally balanced whereby current expenditures will be funded by current year revenue. If the proposed operating budget is structurally imbalanced, the City will develop a plan to create a proposed General Fund operating budget for the subsequent fiscal year that is structurally balanced.

*Recommended change: none*

# Reserve Policy

- ▶ The City will establish and maintain reserves to meet certain anticipated future obligations as well as to ensure that the City maintains adequate financial resources to continue to provide basic municipal services in the event of a significant unanticipated revenue decrease or expenditure increase.

*Recommended change: Change fund balance designation from “assigned” to “committed,” which requires City Council approval by resolution to use any portion of the reserve.*

# Revenue Policy – One-Time (Non-Recurring) Resources

- ▶ The City will strive to maintain a diversified and stable revenue base that is not overly dependent on any individual revenue type, land use, or major taxpayer. One-time resources (also referred to as “non-recurring”) should be used for one-time (non-recurring) expenditures, including but not limited to establishing and rebuilding reserves, early retirement of debt, capital expenditures, and reducing unfunded pension liabilities (California Employee Retirement System (CalPERS) and Other Post-Employment Benefits (OPEB)).

*Recommended change: none*

# Revenue Policy – User Fees and Charges

- ▶ The City of Pinole is empowered to recapture, through fees, up to the full cost of providing specific services. Regular and consistent review of all fees is necessary to ensure that the costs associated with delivery of individual services have been appropriately identified, and that the City is fully recovering those costs. It is the City's policy to set user fees at full cost recovery levels, except where a greater community benefit is demonstrated to the satisfaction of the City Council, or when it is not cost effective to do so. The City will recover costs of new facilities and infrastructure necessitated through development impact fees consistent with state law.

*Recommended change: none*

# Expenditure and Budget Policy

- ▶ The City will deliver service in the most efficient and cost-effective manner. This includes utilizing the services of volunteers in areas where operationally and economically viable. The budget will state the objectives of the operating programs, and identify the resources being provided to accomplish the specified objectives.

*Recommended change: none*

# Debt Policy

- ▶ The City will limit the use of debt so as not to place a burden on the fiscal resources of the City and its taxpayers. Long-term borrowing will be limited to capital improvements or projects that cannot be financed from current revenues. When capital projects are financed, the City will amortize the debt within a period not to exceed the expected useful life of the project. The City will limit the total debt ratio (debt guaranteed by the General Fund) to 10% or as required by bond coverage ratios. The debt ratio is calculated by the relationship between the debt and the General Fund revenue.

*Recommended change: none*

# Receivables Policy

- ▶ The City will ensure the timely invoicing, monitoring, and collection of outstanding obligations owed to the City.

*Recommended change: none*

# Grants Management Policy and Procedures

- ▶ City departments actively pursue federal, state and other grant opportunities when deemed appropriate. Grant funding allows the City to leverage local public funds by extending and enhancing the services it offers to the community, and to introduce new initiatives.

*Recommended change: none*

# Capital Assets Policy and Procedures

- ▶ Purchased and donated assets meeting the City's capitalization definition and threshold will be classified and recorded in the City's financial records as capital assets. The value of the asset must meet the City's capitalization threshold of \$5,000 to be recorded as a capital asset.

*Recommended change: none*

# Unclaimed Funds/Outstanding Checks Policy and Procedures

- ▶ The City of Pinole will account for unclaimed funds in a manner which follows Government Code Sections 50050 through 50056. Funds that remain unclaimed for at least three (3) years will become the property of the City of Pinole after the procedures identified herein have been followed.

*Recommended change: none*

# Investment Policy

- ▶ The purpose of this Policy is to define the parameters within which funds are to be managed. In methods, procedures, and practices, the policy formalizes the framework for the City of Pinole's investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the City's funds.

*Recommended change: Incorporate the monthly transactions report and update reporting from quarterly to monthly*

# Pension Investment Policy

- ▶ The City of Pinole has established the City of Pinole Employee Benefit Pension Plan (the “Plan”), a Section 115 Trust. The goal of the Plan’s investment program is to provide a reasonable level of growth which will result in sufficient assets to offset a portion of the present and future obligations of retirement benefits provided by the California Public Employees Retirement System (“CalPERS”) for those eligible employees who meet the specified age and service requirements.

*Recommended change: none*

# Next Steps

- ▶ Incorporate Finance Subcommittee recommendations, if any
- ▶ Present the policies to the City Council for approval

Thank you

Questions/Comments

