

Financial Policies

1. **Long-Term Departmental Appropriations:** The Council target for operating departments is to fund annual increases in appropriations funded by discretionary General Fund revenues of 1% less than inflation. Departments will be allowed to carry forward 50% of under-expenditures compared to appropriations. Departments are encouraged to restructure service delivery over time to produce more cost effective service.
2. **General Fund Reserve:** The Council target for reserve levels for the General Fund is 8% of total appropriations to protect the General Fund against fluctuations in major revenue sources.
3. **Forecasting Model:** The Finance Department will maintain a 10-year financial forecasting model to test the city's ability to respond to changes in operating costs, capital improvement program needs, and impact from the economy on revenues.
4. **Enterprise Funds:** Enterprise and non-General Fund operations should be self-funding and should carry reserve levels that are adequate to protect against fluctuating revenue levels.
5. **Discretionary Property Tax Transfer:** The Council has earmarked 4% of property tax revenue to the Parks Fund (1400) to be used for Parks related capital improvement projects.
6. **Transfers to Redevelopment Agency:** The Redevelopment Agency will receive the total of the following revenues as "transfers" from the General Fund:
 - a. All sales taxes produced by the old Lincoln School site
 - b. All Transient Occupancy Tax (TOT) generated by the DoubleTree Hotel
 - c. Twenty percent of the remaining TOT.

All monies needed in excess of these amounts shall be considered a loan from and payable to the General Fund.

7. **Budget Items Requiring Council Action:**
 - a. Appropriation of reserves
 - b. Transfers between funds
 - c. Appropriation of any non-departmental revenues
 - d. Inter-fund loans
 - e. Creation of new CIP projects and appropriation increases in existing CIP projects
8. **Budget Items delegated to the City Manager:**
 - a. Transfers between budgeted activities or departments within a fund
 - b. Appropriation of unbudgeted departmental revenues
9. **Budget Items delegated to Department Heads:** Allocation of departmental budgets to individual line items is the responsibility of Department Heads. Movement of appropriation from any Salary lines requires City Manager approval.
10. **Capital Budget:** The 10-year Capital Program should reflect the goals and policies established by the General Plan. Particular emphasis should be placed on filling gaps in currently inadequate infrastructure and planning for the rehabilitation of deteriorating infrastructure. The Capital Program should also direct investment in new infrastructure to adopted specific plans in accordance with expressed Council priorities.

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- 11. Inter-Fund Loans:** Loans between funds, or from fund reserves to an operating department, should be considered in light of a multi-year business plan demonstrating a reasonable ability to repay. The annual budget shall enumerate all inter-fund loans and their conditions of repayment. In general, inter-fund loans shall be repaid as quickly as financially feasible at an interest rate commensurate with risk, at least equal to what the advancing fund would have earned if the advance were not made, and at a minimum, 6%. Loans to the Redevelopment Agency prior to 1992 bear an interest rate of 8%. After 1992, loans to the Agency shall pay interest at 7%.
- 12. Interest Allocation:** Interest should be allocated monthly to all funds based on month-end balances, except interest on the following shall also be allocated to the General Fund: Fleet Management, and grant funded areas where the city receives funding on a reimbursement basis.
- 13. Direct Service Charges:** Charges between funds (commonly known as interfund labor charges and city forces) should be charged on the basis of actual costs, not on the budget. This will insure proper cost allocation. Charges for Internal Service Funds will be charged on budget, because these internal operations have long range plans which require build-up on balances for infrastructure maintenance and investment purposes.
- 14. Interfund Transfers and Advances:** There are basically five types of interfund transfers, listed below, along with a preferred budget entry example. The accountant responsible for each type is also shown.

 1. Current year (non multi-year) transfers where actuals should equal budget. Journals for these are done monthly, in equal amounts. Accountant responsible: Laura Parker

Budget entry: Fund-700-7000-9xxx (Transfer in) Fund-700-7000-7xxx (Transfer out)
 2. Debt service transfers, with actuals based on cash needed to pay debt service. Accountant: Laura Parker

Budget entry: Fund-700-7000-9xxx (Transfer in) Fund-700-7000-7xxx (Transfer out)
 3. Current year transfers, to or from Special Revenue Funds (0510, 0520, 0700), **or** operating grant related, **or** in other cases where fund alone is not sufficient identifier for certain special purpose reports. Actuals may be based on budget, or on specific expenditures. Accountant: Tom Double and/or Gary Torngren

Budget entry: Fund-700-**operating org**-9xxx (Transfer in) Fund-700-**operating org**-7xxx (Transfer out)
 4. Multi-year transfers, with actuals based on CIP expenditures, matching requirements, etc. Note: If transfer is from General Fund, the full amount will be transferred in the first year budgeted, regardless of actual expenditures or matching requirements. Accountant: Tom Douglas and/or Gary Torngren, depending on funds.

Budget entry: Fund-700-CIP **org**-9xxx (Transfer in) Fund-700-CIP **org**-7xxx (Transfer out)
 5. New amounts or repayments of advances between funds. Accountant: Laura Parker or Barry Newlin, depending on funds. Note: Actuals are balance sheet transactions.

Budget entry: Fund-701-7001-9xxx (Advances in) Fund-701-7001-7xxx (Advances out)