



FISCAL SUSTAINABILITY POLICY

City of Pomona *Fiscal* Policies & Procedures

Number:

Effective Date: **May 2, 2011**

Approval: **Reso #2011-49**

Purpose and Scope

The purpose of the Fiscal Sustainability Policy is to guide the City's financial planning to meet financial obligations while providing high quality services.

Approving Authority – City Council

Fiscal Sustainability Overview

The City has an important responsibility to its citizens to carefully account for public funds, to manage its finances wisely, and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities and ongoing infrastructure improvements. The City needs to ensure that it is capable of adequately funding and providing those government services desired by the community taking into account available ongoing resources, major changes in federal and state policies toward local government funding, and changes in economic conditions. Ultimately, the City's reputation and success will depend on its ability to set policy and goals and execute within those parameters.

The set of Fiscal Sustainability Policies are intended to establish guidelines for the City's overall fiscal planning and management. These principles are intended to foster and support the continued financial strength and stability of the City as reflected in its financial goals. The financial goals are broad, fairly timeless statements of the financial position the City seeks to attain:

- To deliver quality services in an affordable, efficient and cost-effective manner.
- To maintain an adequate financial base to sustain a sufficient level of municipal services, thereby preserving the quality of life in the City of Pomona.
- To provide essential public facilities and prevent deterioration of the City's public facilities and its capital assets.
- To have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of our community, and to respond to changes in Federal and State priorities and funding as they affect the City's residents.
- To protect and enhance the City's credit rating in the financial community to assure the City's taxpayers the City government is well managed and financially sound.
- To insure the legal use of all City funds through adherence to the highest accounting and management practices as set by the Government Finance Officers' Association standards for

financial reporting and budgeting, by the Governmental Accounting Standards Board and other professional standards, and by adherence to State Law.

- To provide transparency in the financial operations of the City.

Following these principles will enhance the City's financial health as well as its image and credibility with its citizens, the public in general, bond rating agencies and investors. It will also protect the Council's policy-making ability by ensuring that important policy decisions are not controlled by financial problems or emergencies.

To achieve these purposes, it is important to regularly engage in the process of financial planning, including reaffirming and updating these financial policies. Policy changes will be needed as the organization continues to change along with the services and service level it provides to its citizens.

Objective

The policies shall be designed and structured to develop principles that guide, support and respect the direction of the community so that taxpayers can look forward to stable, equitable and affordable service delivery.

Policies

The following policies are established as part of the City's Fiscal Sustainability Plan

- Budget
- Economic Development
- Risk Management
- Accounting, Auditing and Financial Reporting
- Cash Management and Investment
- Debt Management

Budget

I. GENERAL POLICY

Fiscal planning refers to the process of identifying resources and allocating those resources among competing purposes. The primary vehicle for this planning is the preparation, monitoring and analysis of the City's budget. It is increasingly important to monitor the performance of the programs competing to receive funding.

1. The City Manager shall submit to the City Council a proposed annual budget, with recommendations, and shall execute the budget as adopted, pursuant to Sections 1002 through 1011 of the Pomona City Charter. The City will budget on the basis of a fiscal year which begins July 1 and ends on the following June 30. The City Council will adopt the budget no later than June 30.
2. Annually, the City Manager shall submit to the City Council for consideration, a list of Budget Guiding Principles to be used in the development of the coming year's budget.
3. The City will prepare a budget in accordance with the guidelines established by the Government Finance Officers Association in its Distinguished Budget Award Program. The proposed budget will contain the following:
 - a. Revenue estimates by major category, by major fund
 - b. Expenditure estimates by program levels and major expenditure category, by major fund
 - c. Estimated fund balance by major fund
 - d. Debt service by issue detailing principal and interest amounts by fund
 - e. Proposed personnel staffing levels
 - f. A detailed schedule of capital projects
 - g. Any additional information, data, or analysis requested of management by the City Council
4. The Finance Department in consultation with the City Manager shall provide annually a budget preparation schedule outlining the preparation timelines for the proposed budget. Budget packages for the preparation of the budget, including forms and instructions, shall be distributed to City departments in a timely manner for the Department's completion. Department officials shall prepare and return their budget proposals to the Finance Department, as required in the budget preparation schedule.
5. The operating budget will be based on the principle that current operating expenditures, including debt service, will be funded with current revenues creating a balanced budget. The City will not balance the current budget at the expense of meeting future years' expenditures; for example accruing future years' revenues or rolling over short-term debt to avoid planned debt retirement.
6. One-time revenue sources or unexpected revenue should be placed in reserves and not used for operating expenses. Once the reserve balance exceeds the set policy amount, one-time revenue may be used for one-time expenses. If the one time expense results in ongoing

- operating costs, funding for the ongoing costs must be determined before the one-time funds are allocated.
7. All authorized regular positions will be fully funded at the start of the budget preparation cycle. During the budget development process a vacancy factor or allowance for identified vacant positions, either for the full year or partial year, may be incorporated into the proposed budget if fully disclosed within the proposed budget document and accompanying staff report. Department directors shall have input to any reductions in position funding, other than minor corrections, prior to removal or adjustment. If a vacancy factor is used, the amount established will be set in a separate line item number within the personnel category of each department affected. Salary savings from unanticipated vacancies may be used at the discretion of the Department Director with approval of the City Manager.
 8. At no time shall the number of regular full-time employees on the payroll exceed the total number of positions authorized by the City Council unless the position is related to a long-term absence of the incumbent and temporarily filled on a 'limited-term' basis. All personnel actions shall be in conformance with applicable federal and state law and all City ordinances and policies.
 9. Although alternatives for improving the efficiency and effectiveness of the City's programs and the productivity of its employees will be considered on a continuous basis, a more formal review shall be performed during the budget process. Duplication of services and inefficiency in service delivery should be eliminated wherever they are identified. Where practical, this will be accomplished by conducting performance audits of department operations on a rotating basis.
 10. The City's annual budget will include contingency appropriations in the General Fund sufficient to provide for unanticipated increases in service delivery costs and needs that may arise throughout the fiscal year. Expenditures from this contingency appropriation can only be undertaken with approval of the City Manager and only if funds are not available in the department requesting the contingency funding.
 11. Department Directors are required to control expenditures to prevent exceeding their total departmental expenditure budget as well as monitor departmental revenues. It is the responsibility of Department Directors to immediately notify the Finance Director and the City Manager of any exceptional circumstances that could cause a departmental expenditure budget to be exceeded or revenue estimates not be reached.
 12. Budget amounts for allocations, insurances, fleet operations, administrative service charges, telephones, lease payments, debt payments, and the like, shall be calculated by the Finance Department. Any movement of these expenses from one department to another will also result in a movement of the related budget with City Manager approval and department director notification.
 13. A mid-year report on the status of the major funds budgets will be prepared by the Finance Department and presented to the City Council within 75 days of the mid year.
 14. If a deficit is projected during any fiscal year, the City will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using the Fund Balance, to the extent necessary to ensure a balanced budget at the close of the fiscal

year. The City Manager may institute a cessation during the fiscal year on hiring, promotions, transfers, and capital equipment purchases. Such action will not be taken arbitrarily and without knowledge of the City Council.

II FUND BALANCE / RESERVES / SURPLUS

Defined –

Fund Balance – The excess of current assets over current liabilities, and represents the cumulative effect of revenues and other financing sources over expenditures and other financing uses. A positive fund balance means there are more assets than liabilities; a negative fund balance means just the opposite. Fund balance can be complicated by the fact that part of the fund balance is reserved and part unreserved. The difference between reserved and unreserved is that the unreserved can potentially be authorized for future expenditures while the reserved cannot. Additionally, the fund balance is a residual and not necessarily a cash amount. This term applies to governmental funds only; the equivalent term in proprietary funds is net assets.

Reserves – Prior to GASB 54, this was an account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for spending. For Pomona, the term Unreserved Fund Balance is used interchangeably with the 'amount of reserves available for use'.

Surplus – The amount of revenue received in excess of expenditures/expenses, exclusive of adjustments for balance sheet items (e.g. the purchase or sale of assets, principal payments for debt service etc) each year.

Policy –

Fund Balance / Reserves – a separate policy shall be established and approved by the City Council.

Surplus – any annual surplus will be placed in fund balance until amounts designated within the Fund Balance policy and those set herein (Capital Improvement Project, Equipment Replacement) have been reached.

III STAFFING

1. A listing of current authorized staffing shall be reviewed annually by the City Manager and submitted with the annual budget.
2. Requests for new positions that increase the authorized full-time equivalent budgeted position list must be submitted as supplemental budget requests during the budget preparation process along with a proposed funding source for the new position.
3. To offset workload increases that would otherwise trigger a need for additional staffing, departments are encouraged to:
 - a. Use available technology that provides for self-service without a loss of internal controls or increase to fraud opportunities
 - b. Reduce existing support positions and replace with front line service delivery positions
 - c. Consider outsourcing (See Contracting for Services Policy)
4. At the request of the Department Director and approval of the City Manager a position may remain vacant and unfunded for two years. If a position is vacant and or unfunded for two

years, it shall be deleted from the authorized staffing list with the adoption of the annual budget.

IV EXPENDITURE CONTROL

Management must ensure compliance with the legally adopted budget. In addition, purchases and expenditures must comply with legal requirements.

1. Expenditures will be controlled by an annual budget at the fund level. The City Council shall establish appropriations through the budget process. The Council may increase/decrease these appropriations as necessary through the budget amendment process.
2. The City will maintain a purchasing system that provides needed materials in a timely manner to avoid interruptions in the delivery of services. All purchases shall be made in accordance with the City's purchasing policies and procedures, City of Pomona Code Article VII, and applicable state and federal laws. The City will endeavor to obtain supplies, equipment and services as economically as possible.
3. Expenditures will be controlled through appropriate internal controls and procedures in processing invoices for payment.
4. Department Directors shall bear the responsibility for monitoring and staying within the adopted budget amount for the respective department/fund.

V REVENUES AND COLLECTIONS

All government employees are considered stewards of public funds. In order to provide funding for service delivery, the City must have reliable revenue sources. These diverse revenues must be collected equitably, timely, and efficiently.

1. The City's goal is a General Fund revenue base balanced between taxes, intergovernmental shared revenues, and other revenue sources such as licenses and permits, user fees, and other miscellaneous revenues.
2. The City will maintain a diversified and stable revenue base to shelter it from economic changes or short-term fluctuations in any one revenue source by doing the following:
 - a) Establishing new charges and fees as needed and as permitted by law
 - b) Pursuing legislative change, when necessary, to permit changes or establishment of user charges and fees
 - c) Aggressively collecting all revenues, late penalties and related interest as authorized by the California Statutes.
 - d) Setting and maintaining fees with a goal of full cost recovery. (See Section VII – User Fee and Service Charge Cost Recovery).
3. The City will monitor all taxes to insure they are equitably administered and collections are timely and accurate.

4. Department Directors are responsible for the administration of departmental revenue sources including collection, regular monitoring, and fee updates. It is the responsibility of Department Directors to immediately notify the Finance Director and the City Manager of any exceptional circumstances that could cause a departmental revenue to fall 10% or more below the budgeted amount. Revenue should be monitored no less than monthly.
5. The City should pursue intergovernmental aid for those programs and activities that address a recognized need and are consistent with the City's long-range objectives. Any decision to pursue intergovernmental aid should include the consideration of the following:
 - a) Present and future funding requirements
 - b) Cost of administering the funds
 - c) Costs associated with special conditions or regulations attached to the grant award
 - d) Cash flow of the aid
6. The City will attempt to recover all allowable costs--direct and indirect--associated with the administration and implementation of programs funded through intergovernmental aid. In the case of state and federally mandated programs, the City will attempt to obtain full funding for the service from the governmental entity requiring the service be provided.

VI SELF-FINANCED PROGRAMS (SEE ALSO ENTERPRISE FUNDS)

The City has several self-financed programs such as Water, Sewer, and Refuse. The costs for self-financed programs should be fully funded by user fees.

The City's self-financed programs are to be fully funded by user fees including overhead, equipment replacement, debt financing, transfers to reserves and capital expenditures.

VII NEW SERVICES AND MAJOR ENHANCEMENTS TO EXISTING SERVICES

New services or enhancements to existing services will be funded by one or a combination of the following:

- a) A reduction in the cost of existing services. This may include a reallocation of resources from one area to another
- b) An increase in ongoing revenues once defined Fund Balance levels and contributions to Capital Improvement efforts and equipment replacement have been met.

VIII USER FEE AND SERVICE CHARGE COST RECOVERY

User fees and charges are payments for purchased, publicly provided services that benefit specific individuals. The City relies on user fees and charges to supplement other revenue sources in order to provide public services.

1. All user fees will be established in compliance with Propositions 218 (1996), Proposition 26 (2011), and any succeeding laws that governs the establishment of fees for services.
2. The City may establish user fees and charges for certain services provided to users receiving a specific benefit.

3. User fees and charges will be established to recover all direct and indirect costs of service, unless the percentage of full cost recovery has been reduced by specific action of the City Council. It is recognized that occasionally competing policy objectives may result in reduced user fees and charges that recover only a portion of service costs.
4. The City will attempt to recalculate the full costs of activities supported by user fees to identify the impact of inflation and other attendant costs on a yearly basis in conjunction with the budget process.

IX CAPITAL IMPROVEMENT PROGRAM AND ASSET REPLACEMENT

The purpose of the Capital Improvement Program is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance to established policies and goals. Capital projects and programs are funded from a variety of sources including grants and reserves. Once the project or program is completed, its ongoing maintenance costs need to be included in the operating budget and future upgrade and/or replacement costs need to be included in the capital plan. These ongoing and future costs must be clearly understood before a capital project is approved. The Asset Replacement Program is designed to plan for the replacement of certain capital assets.

1. The City Manager will annually submit a five-year Capital Improvement Program for review by the City Council pursuant to the timeline established within the City Charter and annual budget preparation schedule.
2. Each capital project or program submitted for consideration must clearly state:
 - a. The full initial cost as well as future costs, including operating and upgrade/replacement costs
 - b. The source of sustainable funding for such costs
3. The Capital Improvement Program shall provide:
 - a. For the systematic improvement and maintenance of the City's capital infrastructure;
 - b. An implementation program for each of the capital investments;
 - c. An annual updated estimate of each project's costs, anticipated sources of revenue for financing the project, and an estimate of the impact of each project on City revenues and operating budgets.
4. The City will match programs and activities identified in the Capital Improvement Program with associated funding sources.
5. The City's objective will be to dedicate to the Capital Improvement Program for citywide improvements without an alternative funding source at least 0.25% of the annual General Fund revenues allocated to the City's operating budget beginning with fiscal year 2013-14. This percentage will increase by 0.10% each year until reaching 1.0%.
6. Capital Improvement projects will not be budgeted, authorized or awarded until the funding sources have been identified to finance the project and to pay for future operating costs. Projects may be partially funded if the City is seeking to secure outside funding for the project. If outside funding is not awarded within three years, staff will seek City Council approval to unappropriate the project.

7. The Capital Improvement Program will monitor projects in progress to insure their timely completion or the substitution of alternative projects. A prior year capital project status report shall be presented to the City Council for information purposes when the Capital Improvement Program budget is considered.
8. Within 90 days of the completion of a capital project, any remaining appropriated funds for the project will be unappropriated.
9. The Public Works Director shall submit to the City Council quarterly reporting on, at a minimum, all projects in excess of \$2.0 million
10. The City will maintain a listing of capital infrastructure. This list will be used to analyze City infrastructure to provide for maintenance and replacement through the City's Capital Improvement Program and annual operating budget. Only projects equal to or greater than \$250,000 shall be capitalized.
11. An effective fixed asset accounting system is important in managing the City's fixed asset investment. As such, the City will maintain a schedule of fixed assets with values in excess of \$5,000. All items less than \$5,000 will be recorded as operating expenditures.
12. The City will provide replacement funding for fleet vehicles and major equipment using a Replacement Fund sinking account beginning fiscal year 2013-14. Vehicles that are replaced on a short-term routine basis such as patrol units may be leased purchased rather than part of the replacement fund. A replacement and available funding schedule will be updated as part of the annual budget process.
13. The Finance Director will establish a separate Fixed Asset / Infrastructure Capitalization policy which shall include a comprehensive depreciation schedule for capitalized assets.

X ENTERPRISE FUNDS

Government enterprises generate revenue to offset the cost of providing certain services including water, wastewater (sewer), and refuse. User charges are established to offset the cost of providing these services.

1. Separate funds will be established and maintained to properly account for each enterprise operation. Enterprise funds will not be used to subsidize the operations of other funds. Interfund charges will be assessed for the administrative support of the enterprise activity.
2. The City will establish rates and fees at levels that fully cover the total direct and indirect costs, including operations, capital outlay, debt service and bonded debt coverage requirements for water, wastewater (sewer), and refuse services.
3. All existing water, sewer and refuse rates and charges will be reviewed annually to recommend changes in order to maintain a minimum bonded debt coverage as identified within each bond document.

Economic Development

Economic development in its simplest form is the creation of economic wealth for all citizens so that all people have access to potential increased quality of life. It is an important tool to sustain an increase in living standards that implies increased per capita income, better education and health as well as environmental protection for the community.

1. The City will expand and diversify its economic base by attracting industrial, office and commercial firms to the City. Special emphasis will be given to industrial, office and commercial enterprises that will create employment opportunities in professional, technical and skilled labor positions. Such business and industry will be sited and developed in accordance with the plans and ordinances of the City.
2. The purpose of this Policy is to establish guidelines for focusing a special emphasis on economic development efforts and incentives that encourage value-added development and accrue public benefits to the City of Pomona. A public benefit may include:
 - a. A benefit that materially enhances the financial position of the City by increasing the employment base, assessed valuation or general and special use tax revenues
 - b. A general benefit received from the provision of a capital improvement or contribution to the basic infrastructure of the City that is greater than that benefit which would be required of the development alone
 - c. A benefit that increases access to other public services
3. The City's goal is to create employment opportunities for its residents by attracting companies that provide sustainable wage jobs.
4. Development incentives for commercial projects shall generally be provided for developments with a positive commercial impact to the local economy. These projects must demonstrate that either additional revenue or preserving existing revenue will be generated to the City, rather than a redistribution of existing revenue.
5. Office, business park and industrial projects within the City shall be considered for special emphasis when the project demonstrates at least three of the following:
 - a. Provides quality direct employment opportunities for the City of Pomona citizens
 - b. Provides additional indirect employment opportunities through primary and secondary employment generation to the City of Pomona residents
 - c. Significant increase in property tax revenues accruing to the City
 - d. Goods and/or services are purchased within the City of Pomona
 - e. Expands the labor base with jobs that meet specific criteria
 - f. Provides needed public infrastructure
 - g. Offers unique recreational opportunities or cultural enhancements for the residents of the City of Pomona
6. The City may consider a variety of development incentives to encourage development, which is clearly a benefit to the City. Incentives may include, but are not limited to, one or more of the following:
 - a. Formation of improvement districts

- b. Formation of Community Facilities Districts (CFDs)
 - c. Intergovernmental Agreements (IGAs) with other agencies for projects which will provide benefit to multiple jurisdictions
 - d. Use of Industrial Development Authority Bonds
 - e. Use of development mechanisms available to the City in redevelopment districts, including funding opportunities where appropriate
 - f. Use of State of California Enterprise Zone Tax Credits
 - g. Provision for allowing credits for off-site public infrastructure development costs
 - h. Use of discount lease rates on City-owned property coupled with reversion clauses for improvements constructed on the property
7. The City will, when possible, provide expedited plan review, development agreement processing, and permit processing on a cost recovery basis.
8. The proposed development project shall typically be “performance based” so that the developer only receives the incentive if its performance meets selected criteria set forth in the development agreement. Other guidelines may apply to a project, which contributes to the overall benefit of the City in other ways, (e.g. downtown revitalization or development in specific target areas).
9. The City may require a developer requesting development incentives to fund an impartial fiscal impact analysis of the proposed project. Preparer of the fiscal impact shall be chosen by mutual agreement of the City and developer. The City will evaluate the economic costs, economic benefits, intrinsic benefits and levels of each type of risk that are associated with the project requesting an economic development incentive, as well as the financial impact of all such incentives on the City’s operating and capital budgets.
10. The fiscal impact evaluation shall be presented to the City Council by the City Manager, along with any recommended economic development incentive. The City Council shall make the final decision concerning proposed economic development incentives, including the terms and conditions contained within any proposed memorandum of understanding or development agreement.
11. Certain exclusions, limitations, disclosures, and collateral requirements apply to these incentives.
- a. Failure to operate facilities developed under a development incentive plan will require the developer to repay the City for certain amounts that may have been advanced, and/or costs that the City has incurred.
 - b. Residential development normally will not be provided any incentive package unless a clear net benefit to the City can be demonstrated or other public purpose served (e.g., affordable housing projects).
12. The City shall utilize the powers and tools of its Redevelopment Agency to promote economic growth of the City.

Risk Management

Risk management has become increasingly important in guarding against economic loss and in ensuring public safety in a time of increasing public liability and litigation. Risk management is involved in the identification, evaluation, and treatment of the City's risk.

1. The City shall make diligent efforts to prevent or mitigate the loss of City assets and to reduce the City's exposure to liability through training, safety, risk financing and the transfer of risk when cost effective.
2. The City shall manage its exposure to risk through cost effective methods such as self-insurance and/or the purchase of traditional third-party insurance in the following areas: general liability, automobile liability, public officials' errors and omissions, police professional liability, property loss and workers' compensation.
3. The City will further control its exposure to risk through the use of "hold harmless" agreements in City contracts and by requiring contractors to carry liability insurance which shall name the City, its elected officials and employees as additional insured's.
4. Insurance reserves shall be maintained at a level which, together with any purchased insurance, will adequately protect the City's assets and its elected officials, officers and directors against loss. A regular study will be conducted for potential liability areas and shall be used as a basis for determining self-insurance reserves based on historical loss data.
5. An internal litigation committee consisting of the City Manager, City Attorney, Human Resources / Risk Management Director, Risk Manager, and Finance Director will meet no less than quarterly to review outstanding claims and related costs. Department Directors may be asked to attend the Litigation Committee meeting when a claim related to his/her Department is being reviewed.
6. A debrief of all traffic fatalities shall be conducted by Risk Management with all internal parties present to assess and address the issues.
7. Department Directors shall be notified by Risk Management of current claims and in order to ensure that loss of City assets and exposure to litigation are mitigated, Directors will be responsible for implementing operational changes in their department as a result of those claims/cases that are filed.
8. The City will disclose material contingent liabilities in the City's Comprehensive Annual Financial Report (CAFR).

Accounting, Auditing and Financial Reporting

Accounting, auditing and financial reporting form the informational infrastructure for public finance. Internal and external financial reports provide important information to the City's legislative body, management, citizens, investors and creditors.

1. The City will comply with generally accepted accounting principles (GAAP) in its accounting and financial reporting, as contained in the following publications:
 - a. Codification of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standard Board (GASB)
 - b. Pronouncements of the Financial Accounting Standards Board, (FASB)
 - c. Governmental Accounting, Auditing, and Financial Reporting (GAAFR), issued by the Government Finance Officers Association (GFOA) of the United States and Canada
 - d. Audits of State and Local Governmental Units, an industry audit guide published by the American Institute of Certified Public Accounts (AICPA)
 - e. Government Accounting Standards (GAS), issued by the Controller General of the United States
 - f. U.S. Office of Management and Budget (OMB) Circular A-133, issued by the U.S. Office of Management and Budget
2. A system of internal accounting controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets and proper recording of financial transactions of the City and compliance with applicable laws and regulations.
3. In accordance with State law, a comprehensive financial audit, including an audit of federal grants according to the Single Audit Act of 1984 and the OMB Circular A-133, will be performed annually by an independent public accounting firm, with the objective of expressing an opinion on the City's financial statements. The City will prepare its financial statements in accordance with applicable standards and will account for its operations in a manner consistent with the goal of obtaining an unqualified opinion from its auditors.
4. The City will prepare a Comprehensive Annual Financial Report (CAFR) in accordance with the principles and guidelines established by the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program.
5. Annually, the Finance Director will solicit updates from the various departments to provide notice of all significant events and financial and related matters for the City's annual disclosures, as required by the SEC Regulation 15-C-2-12, to the municipal markets, financial statements and bond representations. The Finance Director will notify the auditors and agencies as appropriate.
6. The City's Comprehensive Annual Financial Report will include the bond related on-going disclosure requirements and will fully disclose all significant events and financial and related issues as provided by the departments to the Finance Director. The City will provide the CAFR to the rating agencies, municipal bond insurers and national bond disclosure repositories and post on City's website.

Cash Management and Investment

Cash management includes the activities undertaken to ensure maximum cash availability and maximum investment yield on a government's idle cash.

1. The City Treasurer shall invest all funds of the City according to four criteria, in order of their importance: (1) legality, (2) safety, (3) liquidity, and (4) yield.
2. The City shall maintain and comply with a written Investment Policy which is intended to provide guidelines for the prudent investment of the City's and Agency's temporary idle cash and that has been approved (annually) by the City Council.
3. The City will collect, deposit and disburse all funds on a schedule that ensures optimum cash availability for investment.
4. In order to maximize yields from its overall portfolio, the City will consolidate cash balances from various funds for investment purposes, and will allocate investment earnings to each participating fund.
5. The City will conduct its treasury activities with financial institution(s) based upon written contracts.
6. Ownership of the City's investment securities will be protected through third party custodial safekeeping.
7. All City bank accounts shall be reconciled and reviewed on a monthly basis.
8. The City Treasurer shall provide the City Council with a comprehensive quarterly investment report within 30 days of the end of each quarter.
9. No department shall open a bank or escrow account without the approval of the Finance Director. All monthly, quarterly, and/or annual bank and/or escrow statements must be directed to the attention of the Finance Director.

Debt Management

The purpose of this debt management policy is to provide for the preservation and eventual enhancement of the City's bond ratings, the maintenance of adequate debt service reserves, compliance with debt instrument covenants and provisions and required disclosures to investors, underwriters and rating agencies. These policy guidelines will also be used when evaluating the purpose, necessity and condition under which debt will be issued. These policies are meant to supplement the legal framework of public debt laws provided by the California Constitution, California Statutes, federal tax laws and the City's current bond resolutions and covenants.

1. The overall debt management policy of the City is to ensure that financial resources of the City are adequate in any general economic situation to allow the City to pay its debts when due.
2. The City will maintain debt ratios within the California Constitution limits and City Charter.
3. The City will not use long-term debt to fund current operations or projects that can be financed from current revenues or resources. The City will first attempt "pay as you go" capital financing for projects.
4. The City shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness.
5. The City shall comply with all legal requirements regarding the issuance of bonds and certificates of the City or its debt issuing authorities.
6. Restructuring, refinancing, and advance bond refunding may be used to limit the City's debt service costs and to provide maximum future borrowing flexibility and must be financially beneficial.
7. The City shall comply with all continuing disclosure requirements including the reporting of significant events. If knowledge of the occurrence of a listed event would be material to the City, the City shall promptly file a "Notice of Material Event" with the Municipal Securities Rulemaking Board and with each depository. The following events are defined as significant events with respect to municipal securities.
 - a. Principal and interest payment delinquencies
 - b. Non-payment related defaults
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties
 - e. Substitution of credit or liquidity providers or their failure to perform
 - f. Adverse tax opinions or events affecting the tax-exempt status of the securities
 - g. Modifications to rights of holders (i.e. owners)
 - h. Bond calls (which are other than mandatory or scheduled redemptions, not otherwise contingent upon the occurrence of an event are optional or unscheduled)
 - i. Defeasances
 - j. Release, substitutions or sale of property securing repayment of the securities (including property leased, mortgaged or pledged as such security)
 - k. Bond rating changes