



# City of Benicia

## Chapter 7-

### Miscellaneous

# FY 2015-2017



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**MISCELLANEOUS**

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**CITY FACTS, STATISTICS, & MAPS**

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# CITY FACTS, STATISTICS, & MAPS

## FY 2015-2017 Adopted Budget

### CITY FACTS, STATISTICS and MAPS

#### E-4 Population Estimates for Cities, Counties, and State 2011-2015 with 2010 Benchmark

COUNTY/CITY	4/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015
Solano/Benicia	26,997	26,904	27,165	27,325	27,495	27,689

Source:

State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2015, with 2010 Census Benchmark. Sacramento, California, May 2015

<b>Statistical Profile</b>	
Date of Incorporation as a City	3/27/1850
Form of Government	Council/ City Manager
Number of Employees (excluding elected officials and part-time employees, per FY 2014-2015 Budget)	209
Elected Officials	7
Area in Square Miles	15.7 square miles: 12.9 square miles are land and 2.8 square miles are water
Population (based on 2010 census)	26,997
<b>City of Benicia facilities and services</b>	
Miles of streets	97
Miles of storm drains	78
Street lights	2,232
Traffic signals	11
Landscape and lighting districts	5
Library branches (not provided through Solano County)	1
Parks	36
City Open Space Acreage	214



# CITY FACTS, STATISTICS, & MAPS

## FY 2015-2017 Adopted Budget

Regional Open Space Acreage	577
Recreation centers	2
Recreation classes: annual ten-year average	~900
Swimming Pools	1
Senior Center	1
City owned cemetery	1
<b>Fire Protection - Benicia Fire Department</b>	
Number of Stations	2
<b>Police Protection - Benicia Police Department</b>	
Number of Stations and Substations	1
<b>Sewage System</b>	
Miles of sanitary sewers	150
Number of treatment plants	1
Maximum daily capacity (millions of gallons)	~4.5
Sewer service connections (2014)	9,185
Average daily treatment (2014: thousands of gallons)	2,110
<b>Water System</b>	
Miles of water mains	160
Fire hydrants	1449
Maximum daily capacity (millions of gallons)	~12
Water service connections (2014)	9,682
Average daily consumption (2014: thousands of gallons)	4,014
<b>Education - Benicia Unified School District</b> 350 K Street, Benicia, California 94510 - Phone: (707) 747-8300 Email: <a href="mailto:beniciaunified.org">beniciaunified.org</a>	



# CITY FACTS, STATISTICS, & MAPS

## FY 2015-2017 Adopted Budget

Council/Commission/Board	Date	Time	Location
Arts and Culture Commission	2nd Thursday	6:30 pm	Library
Benicia Zoning Administrator Hearing	Meet as necessary		Commission Room
City Council	1st, 3rd & 4th Tuesdays	7:00 p.m.	Council Chambers
City Council/School Board Liaison Committee	Quarterly	8:30 a.m.	Commission Room
Civil Service Commission	3rd Tuesday of October, January, April, and July	6:30 p.m.	Commission Room
Community Sustainability Commission	3rd Monday	6:00 p.m.	Commission Room
Design Review	see Historic Preservation Review		
Economic Development Board	3rd Wednesday	5:30 p.m.	Commission Room
Finance Committee	4th Thursday	9:00 a.m.	Commission Room
Historic Preservation	see Historic	Preservation	Review Commission
Historic Preservation Review Commission	4th Thursday	6:30 p.m.	Commission Room
Housing Authority Board	4th Wednesday	6:00 p.m.	Housing Authority
Human Services Board	2nd Monday	7:15 p.m.	Commission Room
Board of Library Trustees	2nd Tuesday	6:30 p.m.	Library
Open Government Commission	Quarterly	5:00 p.m.	Commission Room
Parks, Recreation & Cemetery Commission	2nd Wednesday	6:30 p.m.	Community Center
Planning Commission	2nd Thursday	7:00 p.m.	Council Chambers
Traffic, Pedestrian and Bicycle Safety Committee	Quarterly	7:00 p.m.	Commission Room
Youth Action Coalition	4th Wednesday	3:30 p.m.	Commission Room
Youth Commission	Bi Weekly Wednesday	5:00 p.m.	Commission Room

### Community Events

Each year, local organizations and the City sponsor a variety of fun events that bring thousands of visitors to Benicia. Many have become well-known regional traditions. Widely attended events include the Farmers Market, Peddlers Fair, Fine Art and Craft Fair, Arts Benicia Open Studios, and the Downtown Holiday Open House.

**Farmers Market:** There is a Farmers Market downtown on Thursday evenings from late April through October, a tradition that began in 1992. The Market offers fresh fruits and vegetables, baked goods, gourmet food, delicious hot foods, arts and crafts, live musical entertainment, pony rides and face painting.

**Benicia Artists Open Studios:** Artists in Benicia open their studios to the public the weekend before Mother's Day in May and the first weekend in December, along with other selected times of the year.

**Torchlight Parade:** Traditionally held on July 3, Benicia's 4th of July parade stretches all the way down First Street and includes music, dancing, floats, horses, clowns and live entertainment.



# CITY FACTS, STATISTICS, & MAPS

## FY 2015-2017 Adopted Budget

**Picnic in the Park & Fireworks:** On July 4, a large community picnic is held at Benicia's City Park, traditionally starting at noon. Shortly after dark, a fireworks display originates at the foot of First Street.

**Benicia Peddlers Fair:** This outdoor event began downtown in 1963 with a few collectible and antique stores displaying their items on tables outside St. Paul's Church. Today, more than 300 antique and collectible dealers display their wares in booths that span the length of First Street.

**Yacht Races and Opening Day on the Strait:** Benicia is an active sailing community. During the summer months, there is a yacht racing competition on Thursday evenings sponsored by the Benicia Yacht Club. Opening Day on the Strait, held the third Saturday in April, features a decorated boat parade and blessing of the fleet, arts and crafts vendors, live music in front of the Benicia Yacht Club, food, games for the kids, and dinner and dancing in the evening.

**The Holy Ghost Parade:** Every fourth Sunday in July, the Portuguese community in Benicia celebrates the feast of the Holy Ghost, commemorating the Queen Saint Isabel of Portugal, with a parade to Saint Dominic's Church, a Mass, an auction and a dance.

**Downtown Holiday Open House and Tree Lighting:** Held the first Friday in December, this ever-popular holiday event features beverages and treats, costumed carolers, wagon rides and wine tasting. The City of Benicia caps off the evening with a holiday tree lighting.

### City Maps



# FACILITIES

(N) Designates Neighborhood Park

	Name of Facility	Location															
			Picnic Area	Playground	Restroom	Turf Areas	Ball Field	Basketball	Scenic View	Fishing	Reserve Facility	Tennis Courts	Bar-B-Que	Bocce Ball	X-Park		
1	Alvarez 9th St. Park/Boat Launch	Foot of West 9th Street	X	X	X	X				X	X				X		
2	Benicia Community Center	370 East L Street	X		X	X		X			X						
3	Benicia Comm Park/Phoenix Dog Park	Dempsey Drive	X	X	X	X	X					X			X		X
4	Benicia High School	1101 Military West				X	X	X					X				
5	Benicia Marina Green/Pavillion	Benicia Marina			X	X					X						
6	Benicia Middle School	1100 Southampton Road			X	X	X	X	X				X				
7	Benicia Point Pier	End of First Street			X				X	X							
8	Bridgeview Park (N)	Shirley Drive	X	X		X		X	X								
9	Channing Circle Park (N)	800 Channing Circle		X		X			X								
10	City Cemetary	100 Riverhill Drive							X								
11	City Gym	190 East L Street			X			X				X					
12	City Park	First Street at Military West	X	X	X	X						X			X		
13	Civic Center Park	Across from 150 East K Street	X		X							X	X	X	X		
14	Clock Tower	1189 Washington Street			X				X		X						
15	D Street Square	D Street			X				X		X						
16	Duncan Graham Park (N)	Hillcrest Avenue at Vista Grande		X		X		X									
17	Ethelree Saraiva Park (N)	East 6th Street at East L Street	X	X		X		X									
18	First Street Green	First & B Streets				X			X								
19	Fitzgerald Field	2nd Street at East H Street			X		X					X					
20	Francesca Terrace Park	Foot of Hillcrest Avenue	X	X	X	X		X							X		
21	Frank Skillman Park (N)	Rose Drive at Gallager	X	X		X		X	X						X		
22	Gateway Park (N)	Barton Way		X		X											
23	Jack London Park	Rose Drive at Hastings	X	X	X	X	X	X				X			X		
24	James Lemos Swim Center	181 East J Street			X	X						X					
25	Joe Henderson Elementary	650 Hastings Drive		X		X	X	X									
26	Lake Herman	Lake Herman Road	X	X	X	X			X	X					X		
27	Liberty High School	350 East K Street		X		X	X	X									
28	Little League Fields	East 3rd at East H Street			X		X					X					
29	Matthew Turner Park	Foot of West 12th Street	X			X			X	X							
30	Mary Farmar Elementary	901 Military West		X		X	X	X									
31	Overlook Park (N)	Seaview Drive	X	X		X			X						X		
32	Park Solano (N)	Hastings & Solano Drives	X	X		X									X		
33	Robert Semple Elementary	2015 East 3rd Street		X		X	X	X									
34	Senior Center	1201 East 2nd Street			X							X					
35	Southampton Park (N)	Chelsea Hills at Panorama	X	X		X		X							X		
36	Turnbull Park	Benicia Marina	X		X	X			X								
37	Waters End (N)	500 McCallister	X	X	X	X		X									
38	Willow Glen Park	West K Street at West 7th Street		X	X	X											
39	Youth Center	150 East K Street			X							X					



# FACILITIES MAP



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## RESOLUTIONS

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**RESOLUTION NO. 15-52**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA ADOPTING THE MUNICIPAL BUDGETS FOR FISCAL YEAR 2015-16 and 2016-17**

**WHEREAS**, the City Manager of the City of Benicia is required to prepare a proposed budget for the City Council; and

**WHEREAS**, the City Manager presented a Budget Implementation Plan for the two-year budget for fiscal years 2015-16 and 2016-17 to the City Council on May 5, 2015 for all Municipal Funds; and

**WHEREAS**, the City Manager presented a proposed two-year budget for fiscal years 2015-16 and 2016-17 to the City Council on June 2, 2015 for all Municipal Funds; and

**WHEREAS**, on June 2, 2015, the City Manager proposed the adoption of the Municipal Budgets along with specific adjustments directed by the City Council and listed in the attached Budget Summaries attached to this resolution and hereby included herein; and

**WHEREAS**, the City Council has reviewed the employee positions listed in the budget document and has considered authorizing the City Manager to fill those positions not specifically exempted, provided said positions have sufficient appropriations; and

**WHEREAS**, the City Council has reviewed the level of budgeting control needed by the City Manager to ensure efficiency in managing the operations of the City, including the authorization of budget transfers within a single fund and within given appropriations of said fund; and

**WHEREAS**, the City's General Fund will have an anticipated 19.5% reserve level during FY 2015-16 that is lower than the City Council's reserve policy and requires a four-fifth vote for approval; and

**WHEREAS**, the City's General Fund will have an anticipated 22.4% reserve level during FY 2016-17 that is returns the fund reserves above the City Council's reserve policy; and

**WHEREAS**, the City's Water Fund will have an anticipated 16.4% reserve level during FY 2016-17 that is lower than the City Council's reserve policy and requires a four-fifth vote for approval; and

**WHEREAS**, the City Manager has directed staff to complete a new rate analysis for consideration in Water Fund that would restore the reserve levels; and

On motion of Council Member **Schwartzman**, seconded by Council Member **Hughes**, the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 2<sup>nd</sup> day of June, 2015 and adopted by the following vote:

Ayes: **Council Members Campbell, Hughes, Schwartzman, Strawbridge, and Mayor Patterson**

Noes: **None**

Absent: **None**



Elizabeth Patterson, Mayor

Attest:



Lisa Wolfe, City Clerk

6-11-15  
Date

**RESOLUTION NO. 15-53**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA APPROVING THE JOB SPECIFICATION AND SALARY RANGE FOR ECONOMIC DEVELOPMENT SPECIALIST, AND ALLOCATING THE POSITION IN THE 2015-17 BUDGET**

**WHEREAS**, there is a need in the City's organizational structure for a position that provides higher level administrative and professional support to the Economic Development Division, as well as varying levels of programmatic coordination and oversight, as well as assistance to the City Manager's Office; and

**WHEREAS** the approval of this position will replace the position of Administrative Secretary in that division; and

**WHEREAS**, the job description for this position was recommended for approval, and approved by, the Civil Service Commission at their May 26, 2015 meeting; and

**WHEREAS**, the salary range will be set via an internal relationship at 5% below the Management Analyst I position

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
\$4,529	\$4,755	\$4,993	\$5,243	\$5,504

**NOW, THEREFORE, BE IT RESOLVED THAT** the City Council of the City of Benicia approves the job specification and salary range for Economic Development Specialist, and allocates the position in the 2015-17 Budget.

\* \* \* \* \*

On motion of Council Member **Schwartzman**, seconded by Council Member **Strawbridge**, the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 2<sup>nd</sup> day of June, 2015 and adopted by the following vote:

Ayes: **Council Members Campbell, Hughes, Schwartzman, Strawbridge, and Mayor Patterson**

Noes: **None**

Absent: **None**



Elizabeth Patterson, Mayor

Attest:



Lisa Wolfe, City Clerk

6-11-15  
Date

**RESOLUTION NO. 15- 54**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA  
APPROVING THE CITY OF BENICIA INVESTMENT POLICY**

**WHEREAS**, the City Council has determined that it is in the City's best interest to adopt and periodically review the City's Investment Policy in accordance with California State Government code Section 53600 et seq; and

**WHEREAS**, the Finance Committee and Finance Director have reviewed the City Investment Policy and recommend approval of the Investment Policy with recommended changes; and

**WHEREAS**, the City Council last reviewed and amended the Investment Policy on July 15, 2014, recognizing the City's investment reporting practices are in accordance with California State Government Code Section 53600 et seq.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Benicia hereby approves the City's Investment Policy as presented.

\*\*\*\*\*

On motion of Council Member **Schwartzman**, seconded by Council Member **Strawbridge**, the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 2<sup>nd</sup> day of June, 2015 and adopted by the following vote:

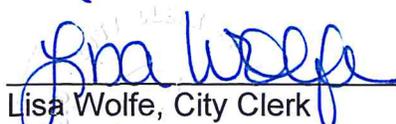
Ayes: **Council Members Campbell, Hughes, Schwartzman, Strawbridge, and Mayor Patterson**

Noes: **None**

Absent: **None**

  
Elizabeth Patterson, Mayor

Attest:

  
Lisa Wolfe, City Clerk

6-11-15  
Date

## RESOLUTION NO. 15- 55

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA AUTHORIZING THE AMENDMENT OF THE MASTER FEE SCHEDULE TO INCREASE FIRE DEPARTMENT SERVICE FEES

**WHEREAS**, the City of Benicia has conducted an analysis of its services, the costs reasonably borne of providing those services, the beneficiaries of those services, and the revenues produced by those paying fees and charges for special services; and

**WHEREAS**, the City Council has determined the fees, rates and charges should cover the actual costs or a substantial portion of the actual costs of the goods and services provided by the city; and

**WHEREAS**, the City Manager is not recommending any changes to the Master Fee schedule for July 1, 2015; and

**WHEREAS**, notice of public hearing has been provided per Government Code Section 66016, oral and written presentations made and received, and the required public hearing held; and

**WHEREAS**, the Finance Director has indicated that the proposed fees are in accordance with Article XIII-B of the Constitution of the State of California.

**NOW, THEREFORE, BE IT RESOLVED THAT** the City Council of the City of Benicia approves amending

SECTION 1: Fee Schedule Adopted. The accompanying schedule of fees and charges is hereby adopted and incorporated into the City of Benicia's Master Fee schedule by this resolution. That such fees and charges are to be applied to the various special services provided by the City or its designated contractors. The City's fees do not exceed the reasonable cost of providing the services.

SECTION 2: Separate Fees for Each Process. All fees set by this Resolution are for each identified process; additional fees shall be required for each additional process or service that is requested or required. Where fees are indicated on a per-unit of measurement basis the fee is for each identified unit or portion thereof within the indicated ranges of such units.

SECTION 3: Intentions. It is the intention of the City Council to review the fees and charges as determined, and set out herein, based on the City's annual budget and all the City's costs reasonably borne as established at that time and, as and if warranted, to revise such fees and charges. Should there be a conflict between two fees, then the lower in dollar amount of the two shall be applied

SECTION 4: Constitutionality. If any portion of this Resolution is declared invalid or unconstitutional then it is the intention of the City Council to have passed the entire Resolution and all its component parts, and all other sections of this Resolution shall remain in full force and effect.

SECTION 5: Repealer. All Resolutions and other actions of the City Council in conflict with the contents of this Resolution are hereby repealed.

SECTION 6: Effective Date. This Resolution shall modify the existing Master Fee schedule and shall go into full force and effect July 1, 2015.

SECTION 7: Certification. The City Clerk shall certify to the adoption of this Resolution.

\*\*\*\*\*

On motion of Council Member **Schwartzman**, seconded by Council Member **Strawbridge**, the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 2<sup>nd</sup> day of June, 2015 and adopted by the following vote:

Ayes: **Council Members Campbell, Hughes, Schwartzman, Strawbridge, and Mayor Patterson**

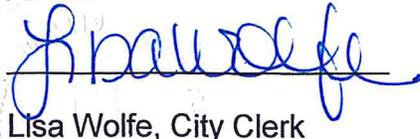
Noes: **None**

Absent: **None**



Elizabeth Patterson, Mayor

Attest:



Lisa Wolfe, City Clerk

6-11-15

Date

**RESOLUTION NO. 15-**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA  
ESTABLISHING AN APPROPRIATIONS LIMIT PURSUANT TO ARTICLE XIII B OF  
THE CALIFORNIA STATE CONSTITUTION FOR FISCAL YEAR 2015-16**

**WHEREAS**, Article XIII B of the Constitution of the State of California provides that the total annual appropriations subject to limitation of the State and of each local government shall not exceed the appropriations limit of such entity of government for the prior year adjusted for changes in the cost of living and population except as otherwise provided in said Article XIII B; and

**WHEREAS**, pursuant to said Article XIII B of the Constitution of the State of California, the City Council of the City of Benicia deems it to be in the best interests of the City of Benicia to establish an appropriations limit for the fiscal year 2015-16; and

**WHEREAS**, the Finance Director of the City of Benicia has determined that the said appropriations limit for the fiscal year 2015-16 be established in the amount of \$83,326,161; and

**WHEREAS**, the Finance Director of the City of Benicia has determined that the percentage change in per capita income and the county population is the preferred method of calculation in the cost of living adjustment.

**NOW, THEREFORE, BE IT RESOLVED THAT** the City Council of the City of Benicia hereby establishes an appropriations limit for fiscal year 2015-16 pursuant to Article XIII B of the Constitution of the State of California be established in the amount of \$83,326,161, as evidenced by Exhibit 1, attached to this Resolution and hereby incorporated herein.

\*\*\*\*\*

On motion of Council Member \_\_\_\_\_, and seconded by Council Member \_\_\_\_\_, the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 2<sup>nd</sup> day of June 2015, and adopted by the following vote.

Ayes:

Noes:

Absent:

\_\_\_\_\_  
Elizabeth Patterson, Mayor

Attest:

\_\_\_\_\_  
Lisa Wolfe, City Clerk

\_\_\_\_\_  
Date

Exhibit I

**CITY OF BENICIA  
2015-16 Appropriations Limit Calculation**

<u>Description</u>	<u>Amount</u>
2014-15 Appropriations Limit	\$ 79,332,036
2014-15. County population	1.0117
2014-15. Decrease in per capita income	1.0382
<b>2015-16 Appropriations Limit</b>	<b>\$ 83,326,161</b>

**2015-16 Projected Tax Revenues**

<u>Description</u>	<u>Amount</u>
Property Taxes	\$ 16,418,410
Sales & Use Tax	10,442,600
Transient Occupancy Tax	345,000
Utility Users Tax	4,308,850
Business License Tax	460,000
Real Property Transfer Tax	100,000
Interest Earnings	35,910
<b>Appropriations Subject to Limitation</b>	<b>\$ 32,110,770</b>
<b>Margin</b>	<b>\$ 51,215,391</b>

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## INVESTMENT POLICY

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**City of Benicia**  
**Investment Policy**  
(Revised July 15, 2014)

The City Council of the City of Benicia (the "City") has adopted this Investment Policy (the "Investment Policy") in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City. All City funds will be invested in accordance with this Investment Policy and with applicable sections of the California Government Code.

This Investment Policy was endorsed and adopted by the City Council of the City of Benicia on July 15, 2014 pursuant to City Council Resolution No. 14-76. It replaces any previous investment policy of the City.

**I. SCOPE**

The provisions of this Investment Policy shall apply to all financial assets as accounted for in the City's Comprehensive Annual Financial Report.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance in the City's investment portfolio. Interest earnings shall be distributed to the individual funds not less than annually.

**II. OBJECTIVES**

The City's funds shall be invested in accordance with all applicable City Municipal Codes and resolutions, California statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.

**III. DELEGATION OF AUTHORITY**

Management responsibility for the City's investment program is delegated by the City Council to the Finance Director and the Assistant Finance Director. The Finance Director has primary responsibility for daily management of the City's investment portfolio. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

The Finance Director shall develop written administrative procedures and internal controls,

consistent with this Investment Policy, for the operation of the City's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees of the City.

The City may engage the support services of outside investment advisors in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources.

The Finance Director and the Assistant Finance Director, acting as an investment committee will meet monthly to review the day to day management of the City's investment portfolio. They will meet quarterly to discuss overall portfolio performance.

#### **IV. PRUDENCE**

The standard of prudence to be used for managing the City's investments shall be California Government Code Section 53600.3, the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally without risk and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the City.

The Finance Director and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the City Council and appropriate action is taken to control adverse developments.

#### **V. ETHICS AND CONFLICTS OF INTEREST**

City employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees shall disclose to the City Council any business interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City. In addition, the Finance Director, the Assistant Finance Director and others with delegated investment authority shall file a Statement of Economic Interests each year in

accordance with California Government Code Section 87203 and regulations of the Fair Political Practices Commission and the City's Open Government Ordinance.

## **VI. AUTHORIZED SECURITIES AND TRANSACTIONS**

All investments and deposits of the City shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686, except that in accordance with California Government Code Section 5903(e), proceeds of bonds and any moneys set aside or pledged to secure payment of the bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement, or other instrument providing for the issuance of the bonds. Any revisions or extensions of these code sections will be assumed to be part of this Investment Policy immediately upon being enacted. However, in the event that amendments to these sections conflict with this Investment Policy and past City investment practices, the City may delay adherence to the new requirements when it is deemed in the best interest of the City to do so. In such instances, after consultation with the City Attorney, the Finance Director will present a recommended course of action to the City Council for approval.

The City will limit investments in any one non-government issuer, except investment pools, to no more than 5% regardless of security type.

The City has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes, bonds, and Certificates of Indebtedness, or those for which the full faith and credit of the United States are pledged for payment of principal and interest with a final maturity not exceeding five years from the date of trade settlement.
2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises with a final maturity not exceeding five years from the date of trade settlement.
3. Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or any local agency.
4. Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state, or by a department, board, agency, or authority of any of these states.
5. Repurchase Agreements with a final termination date not exceeding 30 days collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities listed in items 1 and 2 above with the maturity of the collateral not exceeding 10 years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City's approved Master Repurchase Agreement. The purchased

securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the City's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily. Repurchase agreements with any one counterparty shall be limited to \$1 million.

Repurchase Agreements shall be entered into only with broker/dealers recognized as a primary dealer by the Federal Reserve Bank of New York, or with broker/dealers that have a primary dealer within their holding company structure. Approved Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent by a NRSRO. Repurchase agreement counterparties shall execute a City approved Master Repurchase Agreement with the City. The Finance Director shall maintain a copy of the City's approved Master Repurchase Agreement along with a list of broker/dealers who have executed same.

6. Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:
  - A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated A, or higher, or the equivalent, by a NRSRO.
  - B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated A-1 or higher, or the equivalent, by a NRSRO.

The aggregate investment in commercial paper shall not exceed 25% of the City's total portfolio. The City may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

7. Negotiable Certificates of Deposit (NCDs) issued by a nationally or state chartered bank or a state or federal savings and loan association or by a federally-licensed or state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated in one of the three highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO. No more than 30% of the portfolio may be invested in NCDs.
8. Eligible Bankers Acceptances rated at least A-1 or the equivalent by each NRSRO that rates them at the time of purchase, with maturities not exceeding 180 days from the date of trade settlement; issued by a FDIC insured commercial bank whose senior long-term debt is rated at the time of purchase A or the equivalent by a NRSRO. The aggregate investment in

bankers' acceptances shall not exceed 20% of the City's total portfolio.

9. Non-negotiable Certificates of Deposit with a maturity not exceeding five years, that are collateralized in accordance with the California Government Code, in those banks and savings and loans associations which meet the requirement for investment in negotiable certificate of deposit. The issuer firm should have been in existence for at least five years. The City may waive the first \$250,000 of collateral security for such deposits if the institution is insured pursuant to federal law. The aggregate amount invested in Certificates of Deposit shall not exceed 25% of the City's total portfolio.
10. Medium-term Notes. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. The City may invest in medium term corporate notes rated "A" or higher, or the equivalent, by a nationally recognized statistical rating organization. A maximum of 30% of the City's portfolio may be invested in this category.
11. State of California's Local Agency Investment Fund (LAIF), created by California Government Code Section 16429.1.
12. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). that (1) are "no-load" (no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in the securities and obligations authorized in the applicable California statutes. Additionally, to be eligible for investment pursuant to this subdivision these companies shall either: (A.) have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations or (B.) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds and with assets under management in excess of \$500,000,000.

The total investment in money market funds of any one issuer shall be limited to the lesser of 10% of the City's total portfolio or \$5 million, and the aggregate investment in money market funds shall not exceed 20% of the City's total portfolio.

Credit criteria and maximum percentages listed in this section refer to the credit of the issuing organization and/or maturity at the time the security is purchased. The City may from time to time be invested in a security whose rating is downgraded. In the event a rating drops below the minimum allowed rating category for that given investment type, the investment advisor shall notify the Finance Director and/or Designee and recommend a plan of action.

It is the intent of the City that the foregoing list of authorized securities and transactions is strictly interpreted. Any deviation from this list must be pre-approved by resolution of the City Council.

## **VII. PORTFOLIO MATURITIES, DIVERSIFICATION, and REALIGNMENTS**

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The City will not invest in securities maturing more than five years from the date of trade settlement, unless the City Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

The City shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the City's anticipated cash flow needs.

The City recognizes that occasional measured losses may occur in a diversified portfolio when securities are traded for other similar securities to improve yield, maturity, or credit risk. These losses shall be considered within the context of the long-term interest of the portfolio and may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security:

- Yield has been increased,
- Maturity has been adjusted to anticipate interest rate changes, or
- Credit quality of the investment has been improved.

Prior to purchasing securities for the City's portfolio, the credit rating of the security and the credit rating of the senior debt of the issuer, if applicable, shall be verified to assure compliance with investment policy guidelines. Securities that have been downgraded to below the minimum ratings will be sold or held at the Finance Director's discretion. The Finance Director is responsible for bringing the portfolio back into compliance as soon as practicable.

## **VIII. INVESTMENT POOLS/MONEY MARKET FUNDS**

A thorough investigation of investment pools and money market funds is required prior to investing, and on a continual basis.

## **IX. SELECTION OF BROKER/DEALERS**

The Finance Director shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the City to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the

California Commissioner of Corporations as required by Section 25210 of the California Corporations Code. The firms they represent must:

1. be recognized as primary dealers by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure, or
2. report voluntarily to the Federal Reserve Bank of New York, or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

Broker/dealers will be selected by the Finance Director on the basis of their expertise in public cash management and their ability to provide services for the City's account.

Annually, each authorized broker/dealer shall submit a City approved Broker/Dealer Information Request form and the firm's most recent financial statements.

The City may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as the purchase meets the criteria outlined in Item 5 of the Authorized Securities and Transactions section of this Investment Policy.

If the City has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the City. The Advisor shall make available its list of authorized broker/dealers to the City upon request.

## **X. COMPETITIVE TRANSACTIONS**

Each investment transaction shall be competitively transacted with approved broker/dealers. At least three broker/dealers shall be contacted for each transaction, when practical, and their bid or offering prices shall be recorded.

If the City is offered a security for which there is no other readily available competitive offering, then the Finance Director will document quotations for comparable or alternative securities.

## **XI. SELECTION OF BANKS**

The Finance Director shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the City. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC coverage in accordance with California Government Code Section 53652.

## **XII. SAFEKEEPING AND CUSTODY**

The Finance Director shall select one or more banks to provide safekeeping and custodial services for the City, in accordance with the provisions of Section 53608 of the California Government Code. A Safekeeping Agreement approved by the City shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by a City approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

The City's custodian shall be required to furnish the City a list of holdings on at least a monthly basis and safekeeping receipts or customer confirmations shall be issued for each transaction.

### **XIII. PORTFOLIO PERFORMANCE**

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the investment portfolio shall be compared to a benchmark with a duration similar to the City's portfolio duration target.

### **XIV. INTERNAL CONTROL**

The Finance Director will establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

### **XV. REPORTING**

Quarterly, the Finance Director and the Finance Committee shall submit to the City Manager and the City Council a report of the investment earnings and performance results of the City's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the City;
2. The weighted average maturity of the investment portfolio;
3. A description of investments that are under the management of contracted parties;
4. A market value as of the date of the report and the source of the valuation;
5. A statement of compliance with this Investment Policy or an explanation of non-compliance; and
6. A statement of the City's ability to meet expenditure requirements for the following six months or an explanation of why sufficient funds may not be available.

### **XVI. POLICY REVIEW**

This Investment Policy shall be adopted by resolution of the City Council. It shall be reviewed at

least annually by the Finance Director and the Finance Committee to ensure it remains consistent with the City's investment objectives, current law and economic trends. Any revisions to this Investment Policy must be approved by the City Council.

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## **GLOSSARY OF CALIFORNIA GOVERNMENT CODE**

The glossary below briefly defines each section of the California Government Code that is referenced in the City's policy and in the order in which they are cited. The City Council, on October 18, 2011, adopted Ordinance No. 11-09 transferring all statutory duties and responsibilities of the City Treasurer (with the exception of countersigning warrants and serving on the Finance Committee) which had not been previously transferred to the County, the City Manager or the Finance Director, to the City Clerk. The Investment Policy delegates responsibility for the daily management of the investment portfolio to the Finance Director and Assistant Finance Director.

### **Sections 53600- 53609 are collectively referred to as Article 1: Investment of Surplus**

**53600:** Defines the term "local agency".

**53600.3:** Describes the standard of prudence in California for authorized persons.

**53600.5:** Defines the prudent investor standard.

**53600.6:** Declares that the deposit and investment of public funds by local officials and agencies is an issue of statewide concern.

**53601:** Provides details for types of permitted securities for the investment of public funds.

**53601.1:** Gives authority for investing in financial futures or financial option contracts.

**53601.2:** Defines "corporation" to include a limited liability company.

**53601.5:** Restricts investment purchases to be from authorized issuers and institutions.

**53601.6:** Restricts agencies from purchasing inverse floaters, range notes, or mortgage-derived, interest-only strips.

**53601.8:** Outlines the parameters under which a local agency may invest surplus funds in certificates of deposit.

**53602:** Lists the various types of indebtedness in which a legislative body is permitted to invest.

**53603:** Dictates how a legislative body may make a direct issue investment.

**53604:** Allows the legislative body authority to sell or exchange and then reinvest the proceeds of securities that have been purchased.

**53605:** Gives the legislative body to sell securities so that proceeds may be applied to

the purposes for which the original purchase money was placed.

**53606:** Allows purchased bonds which were issued by the purchaser to be cancelled.

**53607:** Delegates authority to invest or reinvest funds of a local agency to the Treasurer for a one-year period.

**53608:** Defines the terms of safekeeping with a federal or state association.

**53609:** Outlines the ways in which deferred portions of an employee's compensation may be invested.

**Sections 53630- 53686 are collectively referred to as Article 2: Deposit of Funds**

**53630:** Defines the following terms: local agency, Treasurer, depositor, agent of depository, security, pooled securities, administrator, savings association or federal association, federally insured industrial loan company, and corporation.

**53630.1:** Declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

**53630.5:** Defines depositories.

**53631:** Describes conditions established by the legislative body under which the Treasurer of a local agency may establish accounts at banks and deposit money in those accounts.

**53632:** Outlines the three classes of deposits.

**53632.5:** Outlines the three classes of security for deposits.

**53633:** States that the Treasurer shall determine the amount of money to be deposited as inactive, active, and interest-bearing active deposits.

**53634:** Defines the circumstances under which the Treasurer may place money in active deposits.

**53635:** Recognizes the distinct characteristics of investment pools.

**53635.2:** States that all money belonging to or in the custody of a local agency shall be deposited for safekeeping in state or national banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in California and selected by the Treasurer.

**53635.7:** Mandates that the legislative body shall discuss, consider, and deliberate each attempt to borrow \$100,000 or more.

- 53636:** States that money so deposited is deemed to be in the treasury of the local agency.
- 53637:** Requires that the money be deposited in the institutions approved in 53635.2 with the objective of realizing maximum return.
- 53638:** States that the deposit shall not exceed the shareholder's equity of any depository bank.
- 53639:** Expresses that the depository shall bear the expenses of transportation of money to and from the depository.
- 53640:** States that the depository shall handle, collect, and pay all checks, drafts, and other exchange without cost to the local agency.
- 53641:** Requires the Treasurer to take and preserve a receipt, certificate of deposit, or other evidence of depository when money is deposited in a depository.
- 53642:** Enables the money deposited to be drawn out by check or order of the Treasurer.
- 53643:** Allows the Treasurer to deposit any part of the money as agreed upon between the Treasurer and the depository.
- 53644:** Outlines the options allowed if an agreement is not made as provided for in 53643.
- 53646:** Discusses requirements of a local agencies investment policy and investment reports.
- 53647:** States how interest on deposited money shall be paid.
- 53647.5:** Provides that interest earned on bail money deposited in a bank account shall be allocated for the support of the courts in that county.
- 53648:** Regards the payment of interest of public moneys.
- 53648.5:** Provides for the conditions under which a depository may be terminated.
- 53469:** Allows the Treasurer to be responsible for the safekeeping of money.
- 53651:** Defines eligible securities.
- 53651.2:** Defines the provision with which a promissory note shall comply.
- 53651.4:** Outlines the requirements of reports that depositories using eligible securities shall file.
- 53651.6:** Lists the requirements of letters of credit for eligible securities.
- 53652:** Outlines the collateral required to secure active and inactive deposits.

- 53653:** Provides the conditions under which the Treasurer may waive security for a portion of deposits.
- 53654:** Delineates the circumstances under which the depository may add or substitute securities in a pool.
- 53655:** Defines the effect that the placement of securities by a depository with an agent of depository shall have.
- 53656:** Defines how the Treasurer shall enter into a contract with a depository.
- 53657:** Defines who shall act as an agent of depositories.
- 53658:** Outlines how an agent of a depository shall hold and pool securities.
- 53659:** Allows for an agent of depository that accepts securities to place such securities for safekeeping.
- 53660:** Outlines the information that the Treasurer shall provide when deposits of a local agency are secured by pooled securities.
- 53661:** Defines the responsibilities of the Commissioner of Financial Institutions.
- 53663:** Defines the information that an agent of depository shall report in writing to the administrator after a withdrawal, substitution, or addition or pooled securities.
- 53664:** States that the individual reports specified in Sections 53654, 53660, 53661, and 53663 are not public documents.
- 53666:** Stipulates that the only liability that shall attach to the administrator as the result of the operation of this article is that which would attach as a result of other laws of this state.
- 53667:** Discusses the expenses incurred by the administrator in conjunction with carrying out the duties and responsibilities assigned to the administrator.
- 53669:** States that the Treasurer or other authorized official is not responsible for money while it is deposited pursuant to this article.
- 53676:** States that the Treasurer is not responsible for securities delivered to and receipted for by any bank, savings and loan association, credit union, federally insured industrial loan company, or trust company.
- 53678:** Calls for the charges for the handling and safekeeping of any such securities not to be charged against the Treasurer but to be paid for by the depository owning the

securities.

- 53679:** States how money belonging to a local agency under control of any of its officers shall be deposited.
- 53680:** Mandates that any tax collector of a local agency shall immediately deposit with the Treasurer all money under his control, unless otherwise states.
- 53681:** Stipulates that an officer of a local agency who deposits money belonging to a local agency in a manner other than prescribed in this article is subject to forfeiture of his office.
- 53682:** Specifies contract requirements for monies being deposited.
- 53683:** States how the consideration payable by the agency shall be paid by the Treasurer.
- 53684:** Outlines how the Treasurer may deposit excess funds in investment pools.
- 53686:** Discusses audits and reports related to the investment of local agency funds.
- 5903(e):** States how the proceeds of bonds may be invested.
- 16429.1:** Pertains to general requirements on how and where public money may be invested.
- 25210:** Outlines the requirements of approved broker/dealers.

## GFOA's GLOSSARY OF CASH MANAGEMENT TERMS

**Accrued Interest** - The accumulated interest due on a bond as of the last interest payment made by the issuer.

**Agency** - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

**Amortization** - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**Average Life** - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**Basis Point** - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

**Bid** - The indicated price at which a buyer is willing to purchase a security or commodity.

**Book Value** - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

**Callable Bond** - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**Call Price** - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**Call Risk** - The risk to a bondholder that a bond may be redeemed prior to maturity.

**Cash Sale/Purchase** - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

**Collateralization** - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

**Commercial Paper** - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

**Convexity** - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

**Coupon Rate** - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

**Credit Quality**- The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

**Credit Risk**- The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**Current Yield (Current Return)** -A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

**Delivery Versus Payment (DVP)** - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

**Derivative Security** - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**Discount** - The amount by which the par value of a security exceeds the price paid for the security.

**Diversification** -A process of investing assets among a range of security types by sector, maturity, and quality **rating**.

**Duration** - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**Fair Value** - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Federal Funds (Fed Funds)**- Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**Federal Funds Rate** - Interest rate charged by one institution lending federal funds to the other.

**Government Securities**- An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

**Interest Rate** - See "Coupon Rate."

**Interest Rate Risk** -The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

**Internal Controls** - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** – By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities**- Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** -Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

**Inverted Yield Curve** - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

**Investment Company Act of 1940**- Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**Investment Policy** - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

**Investment-grade Obligations** -An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

**Liquidity** -An asset that can be converted easily and quickly into cash.

**Local Government Investment Pool (LGIP)** - An investment by local governments in which their money is pooled as a method for managing local funds.

**Mark-to-market** - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

**Market Risk**- The risk that the value of a security will rise or decline as a result of changes in market conditions.

**Market Value**- Current market price of a security.

**Maturity** - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

**Money Market Mutual Fund** - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

**Mutual Fund** - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

**Mutual Fund Statistical Services** - Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

**National Association of Securities Dealers (NASD)** -A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

**Net Asset Value-** The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)  $[(\text{Total assets}) - (\text{Liabilities})] / (\text{Number of shares outstanding})$

**No Load Fund** - A mutual fund which does not levy a sales charge on the purchase of its shares.

**Nominal Yield** -The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

**Offer** - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

**Par-** Face value or principal value of a bond, typically \$1,000 per bond.

**Positive Yield Curve** - A chart formation that illustrates short-term securities having lower yields than long-term securities.

**Premium** - The amount by which the price paid for a security exceeds the security's par value.

**Prime Rate** - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**Principal** - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

**Prospectus** - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

**Prudent Investor Standard** - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

**Regular Way Delivery-** Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on aT+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

**Reinvestment Risk-** The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

**Repurchase Agreement (repo or RP)** -An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

**Reverse Repurchase Agreement (Reverse Repo)** - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

**Rule 2a-7 of the Investment Company Act-** Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

**Safekeeping** - Holding of assets (e.g., securities) by a financial institution.

**Serial Bond** - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

**Sinking Fund** - Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

**Swap** - Trading one asset for another.

**Term Bond** - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

**Total Return-** The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.  $(\text{Price Appreciation}) + (\text{Dividends paid}) + (\text{Capital gains}) = \text{Total Return}$

**Treasury Bills** - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

**Treasury Notes-** Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

**Treasury Bonds-** Long-term U.S. government debt securities with maturities often years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

**Uniform Net Capital Rule** - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

**Volatility** - A degree of fluctuation in the price and valuation of securities.

**"Volatility Risk" Rating**- A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("aaa" by S&P; "V-I" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("ccc-" by S&P, "V-10" by Fitch).

**Weighted Average Maturity (WAM)** - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

**When Issued (WI)** - A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

**Yield** - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

**Yield-to-call (YTC)** - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date. **Yield Curve** - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

**Yield-to-maturity** - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

**Zero-coupon Securities** - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

*This glossary has been adapted from an article, entitled "Investment terms for everyday use," that appeared in the April 5, 1996, issue of Public Investor, GFOA's subscription investment newsletter.*

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## CITY BUDGET POLICIES

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# CITY BUDGET POLICIES

## FY 2015-2017 Adopted Budget

### Council-Manager Form of Government

Under the council-manager form of government, the elected governing body, City Council, is responsible for establishing policy, passing local ordinances, voting appropriations, and developing an overall vision for the City of Benicia. Under such a government, the Mayor performs primarily ceremonial duties and is the presiding officer of the City Council. Selection of the Mayor and Mayor Pro-Tem (or Vice Mayor) is done in November when there is a City Council election. The Council member receiving the highest number of votes typically also serves as the Vice Mayor until the next City Council election.

The City Council then appoints a City Manager to oversee the daily operations of the government and implement the policies established by the governing body. The City Manager serves the governing body, often with an employment agreement or contract that specifies his or her duties and responsibilities.

### Budget Process and Budget Calendar

The City Council is required to adopt an annual budget by June 30, prior to the beginning of the biennial budget cycle. The budgets are adopted on a basis that does not differ materially from Generally Accepted Accounting Principles (GAAP). An appropriated annual budget is legally adopted for all Governmental Funds, except for the Developer Deposits Special Revenue Fund.

The FY 2015-2017 budget process was formally initiated with the General Fund Ten-Year forecast Update presented at a joint City Council and Finance Committee meeting on February 3, 2015. At this Special Meeting, staff provided a general overview of the City's General Fund current revenues and expenditures and the expected future budget impacts if these current trends carried forward into the forecast.

The 10-year forecast was followed by City Council budget meetings on May 5, 2015 and May 19, 2015 where staff provided an overview of the proposed Budget Implementation Plan and Citywide funds' total budgets and debt schedules. Both of these reports were also presented at the May 28, 2015 Finance Committee meeting. The City Council had an opportunity to review department budgets and position control in more detail at their regular meeting June 2, 2015. City Council considered and adopted the FY 2015-2017 biennial budget and accompanying resolutions at this meeting.

Capital Projects Funds do not have annual appropriated budgets. Instead, control over the projects are maintained by means of a project-length capital improvement budget. This project-length budget authorizes total expenditures over the duration of a construction project, rather than year by year. Additionally, planned expenditures for the capital projects and purchases for the current budget cycle are reflected within the operating budgets of the appropriate fund whose resources are used to fund the project. Staff is currently developing a five and ten-year capital improvement budgets. It is expected to be presented to the City Council in the interim years of the budget cycles.

### Mandated Balanced Operating Budgets.

1. The preliminary, adopted, and amended operating budgets for the General Fund and all Enterprise Funds shall be balanced budgets when the following conditions exist:
  - a. A balanced budget shall be defined as a condition where the current year's operating



# CITY BUDGET POLICIES

## FY 2015-2017 Adopted Budget

- expenses do not exceed the current year's operating revenues and Surplus Reserves, as defined by the Fund Balance Reserve Policy.
- b. An "interim" balanced budget shall be defined as a condition where the current year's operating expenses do not exceed the current year's operating revenues and Contingency Reserves, as defined by the Fund Balance Reserve Policy, in accordance with Section 3. below.
  - c. Non-recurring revenues and expenditures are accounted for separately.
2. Operating Budgets. Operating budgets shall be defined as regular recurring revenues and expenses required to maintain City Council adopted levels of service to citizens and the community.
- a. Operating revenues shall include the following: Receipts of property and other taxes; fines, forfeitures and penalties; licenses and permits; revenue from other agencies; investment earnings; rents and concessions; charges for recurring services; and Surplus Reserves, as defined by the Fund Balance Reserve Policy. .
  - b. Operational expenses shall include the following: Payment of wages and benefits; consumable supplies and utilities; materials and commodities; contracts for services; internal service charges for the replacement and maintenance of vehicles, equipment and facilities; internal service charges for the stabilization of retirement or workers' compensation benefits; and capital outlays for additional tools, equipment, or facilities valued less than \$25,000.
3. Deficit Operating Budgets and Use of Contingency Reserves. In the event that the current year's operating expenditures exceed the current year's operating revenues and surplus reserves yielding deficit budgets, the City Council may authorize the transfer and appropriation of Contingency Reserves, as defined in the Fund Balance Reserve Policy, in order to achieve an interim balanced budget, provided the following conditions exist:
- a. The appropriation must be authorized in accordance with the Fund Balance Reserve Policy established by the City Council.
  - b. The use of Contingency Reserves shall require a list of findings articulating the need for the use of the reserves and a plan for the replenishment of the reserves within a reasonable period of time.
4. Non-recurring Revenues and Expenditures. Non-recurring revenues and expenditures shall be defined as those of a one-time or short-term nature, generally associated with Interfund or External Advances and Loans, grant-funded services, subdivision development or capital improvement projects.
- a. Non-recurring revenues shall include the following: net permit revenue from subdivisions in excess of 10 lots; grant awards; Interfund or external advances and loan repayments; rebates and reimbursements of a non-recurring nature; and capital improvement project contributions.
  - b. Non-recurring expenditures shall include the following: grant sponsored programs and projects; equipment and facilities with a life generally in excess of one year or \$25,000; and program organization and planning projects in excess of \$25,000.



# CITY BUDGET POLICIES

## FY 2015-2017 Adopted Budget

- c. Deficit Non-recurring Budget appropriations must be authorized in accordance with the Fund Balance Reserve Policy established by the City Council.
5. Council Action Required. Any variance from the stipulations established within this policy shall require approval of the City Council with a minimum of four (4) votes.

### Budget Control Procedures

The City Manager maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the department level and within a single fund. The City Manager may authorize transfers of appropriations within a department so long as it is within a single fund. A department head may move funds within a single fund between divisions and categories (personnel and non-personnel) without City Manager approval. For budgeting purposes, the General Fund is composed of several departments. Supplemental appropriations during the year must be approved by the City Council. These appropriations, representing amendments to the budget during the year, could be significant in relationship to the original budget as adopted (see Budget Amendment Procedures).

The City uses an "encumbrance system". Under this procedure, commitments such as purchase orders and contracts at year-end are recorded as assigned fund balance. In order to be an encumbered appropriation, there must be either an approved purchase order or contract in force as of June 30. All unencumbered appropriations lapse at fiscal year-end.

### Budget Amendment Procedures

The City's operating budget may be amended by three methods:

1. Purchase order carryovers
2. Administrative carryovers approved by the City Manager
3. City Council action.

Under all instances where appropriations are increased, funds must be available to match the request.

1. Purchase Order Carryovers

At the end of each fiscal year, the Finance Department reviews outstanding (open) purchase orders with the departments and determines whether the purchase orders should be carried forward into the next fiscal year. When a purchase order is "carried forward", a department's budget appropriation increases in the new fiscal year by the amount of the purchase order. This carry forward represents unspent budget from the previous fiscal year.

2. Administrative Carryovers

At the end of each fiscal year, the Finance Department requests that each department review its budget for items or programs for which any planned expenditure is pending. This may include a project, which has been initiated, or an item ordered but not completed or received. Administrative carryover requests are reviewed by the Finance Director to determine the merit of the request and to ensure funding is available. A recommendation is made to the City Manager on the carryover request; the City Manager then determines which requests are appropriate and authorizes the administrative carryover request.



# CITY BUDGET POLICIES

## FY 2015-2017 Adopted Budget

The approved carryover request increases the department's budget appropriation in the new fiscal year.

### 3. City Council Action

Throughout the year, the City Council considers departmental requests for additional appropriations to fund activities not included in the adopted budget.

#### Fund Balance Policy (GASB 54)

The City Council has adopted Fund Balance Policy which establishes the procedures for reporting fund balance in the City of Benicia financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the City against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This policy took effect for financial reports for fiscal year ending June 30, 2011.

#### Financial Structure and Operations

The City's accounting system is organized and operated on a "fund basis" with each fund distinct and self-balancing. A fund is "an independent fiscal and accounting entity used to record all financial transactions related to the specific purpose for which the fund was created". Funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, legal restrictions or limitations. The City's annual operating budget is prepared in conformity with Generally Accepted Accounting Principles (GAAP).



# CITY BUDGET POLICIES

## FY 2015-2017 Adopted Budget

The City provides a full range of services to its citizens. These include: police, fire, library, parks and recreation, public works, planning and zoning, water and wastewater utilities, economic development, and general administrative services.

Services are categorized into a departmental structure to afford similarity in service provided. Departments may receive funding from one or more funds. Through the budget process and ongoing activity, the City Council oversees the operation of the City and sets forth community priorities and policies to be implemented by the City Manager. The City Manager directs the departments in the administration of City programs and service delivery. The City Manager establishes administrative policy in areas under his/her purview.

To monitor and evaluate departmental effectiveness, a project performance measurement program has been initiated. Under this program, each department sets forth the projects and programs to be undertaken during the fiscal year. Projects and programs may be short-term, (with a specific completion date), or be ongoing programs. Each department's performance measurement directly ties city services and personnel to meeting one or more of the City Council's Strategic Goals.

### Measurement Focus and Basis of Accounting

The City of Benicia's accounting records are maintained in full accordance with Generally Accepted Accounting Principles (GAAP), as established by the Government Accounting Standards Board (GASB). Governmental (General, Special Revenue, Debt Service and Capital Projects) Fund Types and Expendable Trust Funds are accounted for on a "current financial resources" measurement focus.

The modified accrual basis of accounting is followed by the Governmental and Expendable Trusts. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accordingly, only current assets and current liabilities are included on their balance sheets. The reported fund balance provides an indication of available, spendable resources. Operating statements for Governmental Fund Types and Expendable Trust Funds report increases (revenues) and decreases (expenditures) in available spendable resources. Expenditures, other than interest on long-term debt, are recorded when a current liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with expendable available financial resources.

The Proprietary (Enterprise and Internal Service) Funds are accounted for on an "economic resources" measurement focus. The Proprietary, Nonexpendable Trust, and Pension Trust Funds are accounted for using the accrual basis of accounting. Revenues or contributions are recognized when they are earned or due and expenses or benefits paid are recorded when the related liability is incurred. Accordingly, all assets and liabilities



# **CITY BUDGET POLICIES**

## **FY 2015-2017 Adopted Budget**

are included on the balance sheet, and the reported fund equity provides an indication of the economic net worth of the fund. Operating statements for Proprietary Funds report increases (revenues) and decreases (expenses) in total economic net worth.

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, as long as they do not conflict with GASB pronouncements. The City applies FASB Statement No. 71 to its enterprise activity. Under FASB Statement No. 71, certain revenues and costs are deferred (under the regulation of City Council) as necessary to match revenues with related expenses.

### Recognition

The Finance Department would like to acknowledge the enormous amount of work that city management staff put into this budget book. We appreciate and recognize their dedication and experience; and thank them for their unyielding support and assistance.

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## GLOSSARY

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# GLOSSARY

## FY 2015-2017 Adopted Budget

**Adopted Budget:** The budget is the City's expenditure authority approved by Council Resolution and signed into law for a related fiscal period. The budget includes estimated reserves, allocations, and estimated revenues.

**Appropriation:** The allocation of an expense budget for a particular project or program usually for a specific period of time.

**Appropriated Fund Balance:** The portion of fund balance incorporated in the budget to "balance" expected expenditures in excess of expected revenues.

**Balanced Budget:** A budget is balanced when total revenues are equal to, or greater than, total expenses.

**Capital Assets:** Represent operating expenditures determined to have a useful purpose beyond the current reporting period. Capital assets typically include land, buildings, infrastructure, leasehold improvements, vehicles and equipment, historical treasures, etc.

**Capital Budget:** A plan of proposed capital outlays and the means of financing them for the current fiscal period. For a two-year budget, the second year of the Capital Improvement Program is adopted-in-concept.

**Capital Projects Fund:** A fund created to account for major capital acquisition, construction activities, and major renovation or replacement of general government assets.

**Cost-Reimbursement Basis:** A method of accounting whereby charges are set so that costs are recovered over time.

**Debt Service Fund:** A fund created to account for the accumulation of resources for the payment of general governmental long-term debt principal, interest, and related costs.

**Deferred Inflow of Resources:** Deferred inflows represent transactions whereby there is an increase in net position that is applicable to a future fiscal period.

**Deferred Outflow of Resources:** Deferred outflows represent transactions whereby there is consumption (use) of net position that is applicable to a future fiscal period.

**Enterprise Fund:** A fund created to account for operations financed and operated in a manner similar to a private business enterprise. Government-run enterprises often charge service fees to support the service or product provided.

**Fiduciary Fund:** A fund used to account for assets held by the City acting in a fiduciary capacity for other individuals or entities. These funds are operated to carry out the specific actions required by the trust agreements, ordinances and other governing regulations.

**Fiscal Year:** A 12-month period of time at the end of which an entity will determine its financial position and the results of operations. The City's fiscal year begins on July 1st and ends on June 30th.

**Fund Balance:** This term represents the net position of a governmental fund (difference between assets plus deferred outflows and liabilities plus deferred inflows).

# GLOSSARY

## FY 2015-2017 Adopted Budget

**General Fund:** A fund created for the primary operations of the City. The fund accounts for all revenues, expenditures, transfers, and other activity not accounted for in other City funds.

**Governmental Funds:** A classification used to refer to all funds other than proprietary and fiduciary funds. Such funds are generally used to account for tax-supported activities.

**Inter-fund Advances/Loans:** Amounts provided between funds with a requirement for repayment, typically extending beyond one year.

**Internal Service Fund:** A fund utilized to account for financing goods, services, and costs within the City organization. These funds typically operate on a cost-reimbursement basis and such funds have an integral role in accumulating and managing City resources for fund-related activity.

**Legal Level of Budgetary Control:** A pre-determined level whereby City management may not reallocate resources without legislative approval. The City's budgetary control is at the fund level.

**Modified Accrual Basis of Accounting:** An accounting basis applied differently from both the cash and accrual basis of accounting whereby revenues are not recognized until measurable and available and expenditures are recognized in the period in which the liability would normally be liquidated. The City generally develops all fund budgets based upon the modified accrual basis of accounting.

**Operating Transfer:** Flows of assets (typically cash) between funds without equivalent flows of assets in return and without a requirement for repayment.

**Proprietary Funds:** A classification used to refer to all funds other than governmental funds or fiduciary funds. Proprietary funds include internal service funds and enterprise funds.

**Reserve:** Represents the portion of fund balance set aside for future financing needs and addressing one-time emergency or unanticipated events.

**Working Capital:** Represents current assets (expected to be liquidated in one year) minus current liabilities (expected to be liquidated in one year). The budget reflects estimated working capital balances in the proprietary fund-types.