

Statement of Financial Principles

Section 1: Purposes

The purposes of the Statement of Financial Principles are: to provide a sound basis for budgeting and financial management; to identify practices and procedures that contribute to prudent use of public funds; to serve as a guide to the Administration and City Council in developing and approving the annual budget; and, to be a tool for educating the community regarding the basis of financial decision making.

Section 2: General Financial Goal

To manage the resources of the City in a prudent and conservative manner that supports the economic, social and environmental values of the community.

Section 3: General Principles

- a) The City Council will review its goals and priorities annually before the budget is prepared. The Goals will serve as a guideline for preparation and approval of the budget.
- b) The City will maintain a level of expenditures that will provide for the well-being and safety of the general public and citizens of the community.
- c) The City will manage financial assets in a sound and prudent manner.
- d) The City will maintain and further develop programs to ensure its long-term ability to pay all the necessary costs of City operations. The City will endeavor to provide the highest quality of service possible to the residents of the City of Ojai.
- e) The City will adopt its annual budget by June 30 of each year as required by the statutes of the State of California. The two main objectives are to first balance the budget without the use of General Fund reserves and, second, to increase reserves and accumulate funds for future needs.
- f) The City will maintain its infrastructure at an appropriate level and make needed improvements as resources are available.
- g) The City will provide funding for capital equipment replacement, including vehicles, technology, and other equipment needed to achieve greater efficiency in its operations. The City shall establish a fund to set aside money over time to fund scheduled replacement of equipment and technology.
- h) All City officials and employees shall conduct themselves in an ethical and professional manner at all times and will not act in a way that will expose the City to any liability.
- i) Dishonesty, fraud or misuse of City money and property, in any form, is not tolerated. Employees are expected to discuss instances of suspected fraud with their immediate supervisor or other appropriate executive management personnel immediately. All allegations of fraud or misuse of City money and property will be investigated in an appropriate manner and "whistle blowers" will be protected from

all forms of retaliation.

Section 4: Revenue Policies

- a) The City will use a conservative approach in estimating revenues to maintain financial flexibility to adapt to local and regional economic changes.
- b) The master fee schedule will be updated annually to recover, when possible, the cost of providing services. Under California law, the fees for services may not exceed the cost of providing the basic service. City Council will determine the level of cost recovery and, in some instances, may determine that it is in the City's best interest to not charge any fees or the full cost of providing the service. These charges or fees for services will be identified before or during the budget approval process.
- c) The City will aggressively pursue revenue collection and auditing to ensure that monies due to the City are received and accurately recorded in a timely manner.
- d) One-time revenues will not be used for ongoing expenditures.
- e) Revenues that exceed expenditures at the end of the year shall be first used to satisfy the general reserve requirements before being appropriated for other uses.
- f) The City will continue to explore revenue-raising alternatives as necessary and pursue appropriate grants available for local government. (The City may decline to accept a grant if the grant requires continued City funding after the grant expires or if the City's "match" requirement would be excessive.)
- g) All possible grants shall be discussed with the City Manager and the Director of Finance before acceptance to determine if the grant provisions are financially viable for the City. Specifically, the amount of the City match, the timing of expenditures under the grant, and the timing of reimbursements must be considered to ensure that the future outflow of City resources is acceptable under the extended cash-flow requirements of the City.
- h) Program managers for grant-funded operations or projects shall diligently pursue reimbursements in a timely manner to minimize the negative cash flow to the Fund.
- i) The City Council shall be promptly informed of any significant revenue gain or loss impacting the City.

Section 5: Expenditure/Budget Policies

- a) Each year, the City Manager will provide a budget for City Council approval. All appropriation authority approved in the annual budget expires on the last day of the fiscal year.
- b) Current year operating expenditures shall be funded by current year operating revenues.
- c) The City will continue to explore options to deliver services in the most cost-effective method, including public-private partnerships and partnerships with other governmental agencies.
- d) Programs that are funded through user fees shall be self-supporting. (The City may partially subsidize some of these programs if it is in the City's best interests to do so.)
- e) Requests for additional appropriations beyond the adopted budget must be

approved by the City Council.

- f) Fiscal year expenditures must be within the Fund's approved appropriations. Departmental expenditures should not exceed the department's approved appropriations; however, the appropriation limit is at the Fund level.
- g) Departments with an approved capital outlay budget, that are unable to purchase the capital item by the end of the year, *may* carry over a specified amount to the next fiscal year with the specific approval of the City Manager.
- h) All encumbrances expire on the last day of the fiscal year. Departments with encumbrances at the end of the fiscal year must receive approval from the City Manager to carry over any encumbrances. Each encumbrance will be considered separately.
- i) Salaries and benefits savings from vacancies may be used for temporary or contractual services. Salary savings may not be used to fund maintenance or other operations without explicit approval from the City Manager.
- j) Departments shall adhere to the City's purchasing guidelines when expending funds.
- k) All City officials and employees shall adhere to the City's conference and travel expense policy. The City Manager shall approve all conference and travel for City employees. The City Manager **may** delegate approval to a Department Director for conference and travel expenses of employees within their departments.
- l) When appropriate, projects or programs that have multiple funding sources must first use funds that have the most restrictions before using resources of the General Fund or other Fund, unless otherwise approved by the City Council.

Section 6: Capital Improvement Projects (CIP) Policies

- a) The City will develop and implement a five-year capital improvement plan.
- b) In order to assure that the five year capital improvement plan is adequately funded, the City will maintain a Capital Improvement Fund to accumulate and spend resources. In the annual budget process, the City will include a reasonable and prudent amount of General Fund monies to be provided to the Capital Improvement Fund for capital improvements and repairs to various facilities. The portion contributed shall be adjusted annually until the amount is determined to be sufficient to properly maintain City infrastructure. Currently, the City has dedicated 20% of Transient Occupancy Tax receipts for this purpose.
- c) As provided in Section 3 g) above, the City shall establish a Fund to provide needed resources to fund scheduled replacement of equipment, vehicles, and technology.
- d) The long term operating impact of any capital improvement project must be disclosed and vetted by the City Manager and the Director of Finance before the project is recommended for funding.
- e) The City will select only the most responsible and reputable contractors to work on capital projects.
- f) The City will abide by applicable Federal, State and local laws/regulations on public works contracts.

Section 7: Debt Policies

- a) The City shall avoid, as much as possible, incurring general obligation debt.

- b) The City may participate in the statewide issuance of Tax & Revenue Anticipation Notes (TRANs) in accordance with applicable TRANs guidelines.
- c) For short-term debt requirements, the City shall consider inter-fund loans, when it is more cost effective and feasible, rather than borrowing from sources outside the City.
- d) The City may use lease-purchase financing when it is most cost effective.

Section 8: Investment Policies

- a) The City Treasurer shall abide by the City's adopted investment policy and shall submit a monthly report to the City Council on the investment activities.
- b) The investment policy shall be revised as needed each year and shall comply with the guidelines established by the California Municipal Treasurers' Association. Certification of the investment policy should be obtained at least every five years.
- c) The investment policy shall be reviewed and approved annually by the City Council.

Section 9: Inter-fund Transfer Policies

- a) Transfers to the General Fund from other funds for overhead costs shall be reviewed annually and shall conform to OMB (Office of Management & Budget) A-87 guidelines.
- b) All City funds, including eligible grant funds, shall share the administrative costs borne by the General Fund, unless specifically prohibited by State or Federal law.

Section 10: Special Revenue Fund Policies

- a) The City shall abide by applicable rules and regulations pertaining to the expenditures of special revenue funds as required by the funding source.

Section 11: Accounting, Auditing & Financial Reporting Policies

- a) The City will comply with all generally accepted accounting principles (GAAP) and adhere to the statements issued by the Governmental Accounting Standards Board (GASB) and, where applicable, the Financial Accounting Standards Board (FASB).
- b) Unfunded "other post-employment benefits (OPEB)" shall be reported as required by GASB Statement 45. The City has established an OPEB trust to accumulate funds for future OPEB liabilities. The City shall include budget appropriations each year to pay current OPEB liabilities from current resources and contributing all or a portion of its unfunded OPEB liability to the trust annually.
- c) The City shall retain the services of an independent auditor to perform annual financial audits.
- d) The City shall request bids for annual financial statement audit services at a minimum every five years. Audit contracts shall not exceed three years but may include up to two optional extensions for a total of five years.
- e) The City Council shall be promptly informed of any significant financial reporting issue or any audit findings.

Section 12: Reserve Policies

- a) The City shall maintain a "minimum cash reserve" for contingencies, equivalent to

50% of the General Fund's budgeted expenditures for the current fiscal year. Up to 20% of this reserve should be set aside for emergency use. Maintaining this minimum reserve will also allow the City to maintain sufficient cash flows to meet on-going operations and provide for future needs. The minimum reserve requirement will be reviewed by the City Council as necessary, but not less than annually. For purposes of this requirement, the reserve will include cash from the following sources:

- a. General Fund (010) cash,
- b. Libbey Bowl Maintenance Fund (011) cash,
- c. Capital Projects Fund (031) cash,
- d. Equipment Replacement Fund (033) cash, and
- e. Cash balance in the OPEB Trust

- b) Unassigned fund balances shall be used for one-time expenditures, preferably only on capital improvement items.
- c) The remaining unassigned fund balances, after all "reserve" requirements are met, may be transferred to the capital projects fund or may be used to increase funds set aside for capital equipment replacement, subject to City Council approval. The process will be annually reviewed by the City Council.
- d) The City may alter reserve requirements at any time, as necessary.
- e) The reserves or fund balances designated for claims and judgments shall be maintained at appropriate levels as authorized by the City Council.
- f) The reserves or fund balances designated for compensated absences shall be adjusted annually to equal the computed outstanding compensated absences liability at June 30. Designated Fund balance shall be approved by the City Council annually.
- g) Council approval will be required before expending funds designated for contingencies or any other balance for a designated use.