



City Financial Policies – Part I

Chief Financial Officer | 4/10/2026

General Topics



- **Accounting Basis** (modified accrual and full accrual, fund dependent)
- Conformance to **Generally Accepted Accounting Principles (GAAP)**
- Requirement for independent **annual financial audit**
- Requirement for annual update to **5-year financial forecast**
- Establishes a **Capital Rehabilitation Fund** for non-enterprise facilities
 - *Not funded in FY27 planned budget*
- Policies establishing required reserve levels for the **Liability Reserve Fund, Workers' Compensation Fund, and Employee Benefits Fund**
- Policies governing debt refinancing, investment pool management, unbudgeted funds, and letters of credit

General Fund Policies

- Current revenue will be sufficient to support current expenditures (a.k.a. **balanced budget**)
- Establishes requirements for **budget amendments** and **fiscal notes**
- Policies related to **property appraisals** (at least every two years), **property tax rate** (generally less than voter approval rate and not exceed maximum tax rate), and **property tax collections** (minimum collection rate of 98%)
- Review **charges for services** at least every five years
- Maintain General Fund **Emergency Reserve** of 10%
- Use of **Budget Stabilization Reserve** (balances above 7% can be used for 1-time costs)

Tax Rate Elections (TRE)



- Requires the City Manager to propose an operating budget at a property tax rate less than or equal to the **voter-approval rate**
- Elections should occur no more than once **every four years** (last TRE election 2025)
- **Clearly identify services** to be funded with additional revenue
- Funding from TRE must be **structurally sound** (mix of ongoing and one-time expenditures)

Tax Increment Financing (TIF)



- Aggregate of all TIF zones will **not exceed 10%** of the City's tax base
- Requirements for establishing a TIF zone including detailed analysis demonstrating that development within the zone will not occur **but-for** public investment
- Any housing development that is part of the TIF project plan must provide at least **20% of the units affordable**
- Standards for TIF bond issuances (debt service coverage, reserves, bond maturity)
- **Five-year fiscal note** for project service costs
- Combined Public Improvement District (PID) and TIF debt should not exceed 20% of total general obligation debt
- Any revenue remaining at the **closure of a TIF zone** shall be prioritized for homelessness services

General Debt Management



- Debt **issuance methods** (competitive sale, negotiated sale, or private placement)
- Requirement to use competitive process for selecting **financial advisors and bond counsel**
- Financial advisor must be **independent** of banking, underwriting, or other interests

General Obligation Debt – Part 1



No Proposed Changes

- A **fund balance** for the General Obligation **Debt Service Fund** of at least **10%** of total general obligation debt service requirements shall be maintained to ensure the City's ability to meet debt service payments in spite of tax revenue shortfalls or fluctuations in interest rates.
- The **term of long-term debt** generally shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed 20 years.
- Bond sales shall be structured to achieve **level debt service** payments.
- **Interest earnings** from bond proceeds for general government projects (excluding projects for enterprise funds) shall be deposited in and retained by the debt service fund (preferred practice) unless otherwise required by bond ordinance or used to fund future CIP projects.
- The use of **reimbursement resolutions** shall be encouraged as a cash management tool for general obligation debt funded projects.



General Obligation Debt – Part 2

No Proposed Changes

- It is the City's priority to fund expenditures for capital assets with cash or voter-approved debt. However, **nonvoter-approved debt** may be issued, to the extent allowable by State law, if the expenditure is:
 - **Urgent**; Unanticipated;
 - Necessary to **prevent an economic loss** to the City;
 - Expected to **result in an economic gain** to the City within a reasonable time;
 - Most effectively financed through non-voter approved debt; or
 - Required to address **life and health safety issues** at City facilities, to **extend the useful life** of City facilities, or to refurbish existing City facilities to **meet changing City space needs**.
- The **average maturity of non-voter approved debt** shall not exceed the average life of the capital items financed.
- Capital items financed with non-voter approved debt shall have a **value of at least \$10,000** and a **life of at least four years**.

General Obligation Debt – Part 3

Proposed Changes (Financial Metrics)



Current:

- The ratio of net debt (total outstanding tax supported general obligation debt less G.O. Debt Service Fund balance) to Total Assessed Valuation shall not exceed 2%. This excludes debt of overlapping jurisdictions. The City shall structure its bond issuance to achieve and maintain a debt-to-assessed value of 2% or less.
- The ratio of Debt Service to Total Expenditures (operating expenditures and debt service combined) shall not exceed approximately 20%.

Proposed:

- The City shall structure its bond issuances and manage its long-term bond sale schedule in a manner not likely to result in a downgrade of the City's credit rating.

General Obligation Debt – Part 4

Proposed Changes (Frequency of Bond Programs)

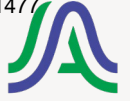


Current:

- Timing of general obligation bond elections shall be determined by the inventory of current authorized unissued bonds remaining to be sold. An estimated two years of authorized unissued bonds shall remain before an election will be held.

Proposed:

- It is the City' priority to not hold a new bond election until prior bond programs have reached substantial completion, which is generally considered to occur when approximately 90% of bond program expenditures have been incurred. However, more frequent bond elections may be held in response to an emergency or other exigent circumstance.



General Obligation Debt – Part 5

Proposed Changes (Size of Bond Programs)

Current:

- The total dollar amount of bond election propositions recommended to the voters shall not exceed the City's estimated ability to issue said bonds within a normal six-year period.

Proposed:

- It is the City's priority to size bond election propositions in a manner consistent with a six-year bond program implementation cycle. However, smaller or larger proposition sizes may be used in response to an emergency or other exigent circumstance.

General Obligation Debt – Part 6

Proposed New Policy (Flexibility of Bond Programs)



- Bond programs shall be designed in a manner that allows flexibility in project delivery such that CIP spending plans can be adapted to meet changing market conditions and project delivery priorities.

General Obligation Debt – Part 4 (Alternate)

Proposed Changes (Frequency of Bond Programs)



Current:

- Timing of general obligation bond elections shall be determined by the inventory of current authorized unissued bonds remaining to be sold. An estimated two years of authorized unissued bonds shall remain before an election will be held.

Proposed:

- It is the City' priority to not hold a new election for a bond proposition category until that category has reached substantial completion, which is generally considered to occur when approximately 90% of bond program expenditures have been incurred. However, more frequent bond elections may be held in response to an emergency or other exigent circumstance.

General Obligation Debt – Part 5 (Alternate)

Proposed Changes (Size of Bond Programs)



Current:

- The total dollar amount of bond election propositions recommended to the voters shall not exceed the City's estimated ability to issue said bonds within a normal six-year period.

Proposed:

- It is the City's priority to size bond election propositions in a manner consistent with a six-year bond program implementation cycle. However, smaller or larger proposition sizes may be used in response to an emergency or other exigent circumstance.