

RESOLUTION NO. 2020-092

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF REEDLEY ADOPTING A BALANCED BUDGET POLICY**

WHEREAS, adopting key fiscal policies is an essential factor for effective stewardship of the City's resources, both in the short and long-term; and

WHEREAS, the City of Reedley's Adopted Budget provides the City with a transparent annual spending plan that represents the City Council's priorities, reflects available revenue, and strives to maintain a level of expenditures that support essential services and promote quality-of-life to its citizens; and

WHEREAS, a budget is balanced if it does not spend more on ongoing services than it receives in ongoing revenues plus available unrestricted fund balances. A balanced budget is a necessary component of good financial management and financial discipline and will help sustain the consistent delivery of services to Reedley residents, and

WHEREAS, an unbalanced budget, consistently spending more than is received, undermines the City's ability to deal with financial problems, and may lead to reduced services in the future and inhibit the City's ability to take advantage of opportunities that will periodically occur; and

WHEREAS, the City Council desires to ensure that the City maintain a strong financial foundation for the community for years to come.

NOW, THEREFORE, BE IT RESOLVED THAT the Balanced Budget Policy, attached as Exhibit 'A' is approved and adopted, effective immediately and to remain in effect until modified or rescinded by subsequent resolution of the City Council.

This foregoing resolution is hereby adopted this 10th day of November 2020, by the following vote:

AYES: Soleno, Fast, Beck, Betancourt, Pinon.
NOES: None.
ABSTAIN: None.
ABSENT: None.

APPROVED:


Frank Piñon, Mayor

ATTEST:


Ruthie Greenwood, City Clerk

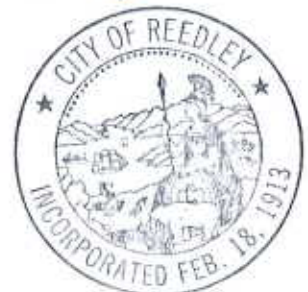
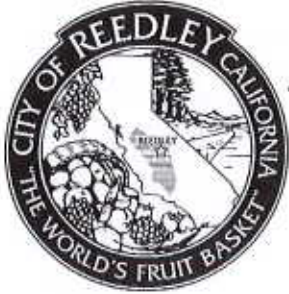


Exhibit 'A'

City of Reedley Balanced Budget Policy

The City will adopt a balanced budget annually by June 30, subject to the following provisions:

- A balanced budget shall be achieved through efficiencies, permanent reductions to the expenditure base, and/or ongoing revenue enhancements, and to the extent possible, not rely on reserves or the use of one-time revenues for ongoing expenditures. However, a budget that utilizes reserves or available unrestricted fund balances as a revenue source shall be considered balanced upon approval and adoption of the City Council.
- For each operating fund, annual expenditures should generally not exceed annual revenues plus available unrestricted fund balances.
- With the exception of the General Fund, any individual operating fund that is not balanced (i.e. working capital deficit) at the time of adoption shall not cause the entire City budget to be considered unbalanced, provided the condition of the fund is disclosed during the budget presentations. Any individual fund with an unbalanced budget shall include an explanation and describe the expected approach and time frame for achieving balance.
- The City will estimate revenues and expenditures using an objective and analytical process; in the case of assumption uncertainty, conservative projections will be used.
- The City will avoid targeting revenues for specific purposes whenever possible, allowing maximum flexibility in funding decisions on an annual basis.
- The General Fund budget represents all of the "discretionary funds" that the City collects. Other funds are known as "restricted" funds and, by law, must be spent on specific services.
- Any budgeted use of fund balance resources should not cause the City to drop below the established reserve targets, unless approved by the City Council.
- This policy excludes non-operating funds like capital and debt funds. While the City ensures that these funds are financially sustainable as well, the specific objectives found in this policy are not always a match to the circumstances of non-operating funds.
- For a variety of reasons, including, but not limited to, unanticipated expenses and negative economic trends, a balanced budget may not be possible for the City at a given time in order to sustain essential services. In such a case, using reserves to balance the budget may be considered but only in the context of a plan to return to balance, replenish fund balance, and ultimately remediate the negative impacts of any other short-term balancing actions that may be taken.



REEDLEY CITY COUNCIL

- Consent
- Regular Item
- Workshop
- Closed Session
- Public Hearing

ITEM NO: 10

DATE: November 10, 2020

TITLE: ADOPT RESOLUTION NO. 2020-092 ESTABLISHING A BALANCED BUDGET POLICY

SUBMITTED: Paul A. Melikian, Assistant City Manager

APPROVED: Nicole R. Zieba, City Manager

RECOMMENDATION

That the City Council consider and adopt Resolution No. 2020-092 establishing a balanced budget policy for the City of Reedley that memorializes existing practices towards building and maintaining a balanced budget as the foundation for effective decision making and protecting the City's fiscal health.

EXECUTIVE SUMMARY

A municipal, or local government, budget provides the City with a transparent spending plan that represents the City Council's priorities and reflects available revenue. The Government Finance Officers Association of the United States and Canada (GFOA) recommends that all public agencies adopt rigorous policies, for all operating funds, aimed at achieving and maintaining a balanced budget. Although the staff and City Council already utilize Best Practices for the building and maintaining a balanced budget, the City does not have a formal policy in place - which is also now a requirement for the City to continue to receive the national *Distinguished Budget Presentation Award* from the GFOA.

The attached policy includes parameters for achieving and maintaining a balance where revenues and available unrestricted fund balances are equal to expenditures in the adopted budget. The City of Reedley has traditionally operated under a balanced budget, and the provisions in the proposed policy memorialize current budget and financial practices, and follow established Best Practices for public agencies.

BACKGROUND

When clearly articulated and followed, budget and fiscal policies provide an essential foundation for effective financial decision-making and in protecting the City's fiscal health, in both the short and long-term. Clearly articulated policies are a city's "north star" in guiding the preparation and implementation of budgets and financial plans. They help make tough decisions easier by stating an organization's values before they are placed under stress by adverse circumstances. Stated simply, articulating and then following prudent fiscal policies is the most effective and proven way for government agencies to ensure their long-term fiscal health.

Fiscal policies are both preventative and curative: clearly articulated policies help prevent problems from arising in the good times; and help respond to bad times when they do occur. They also help provide continuity as elected officials and staff change. Lastly, budget and fiscal policies are most powerful when

put in place before the need for them arrives. In summary, adopting key fiscal policies is an essential factor for effective stewardship of the City's resources, both in the short and long-term.

EXISTING POLICIES

The City has several existing formal fiscal policies impacting the annual budget process and ongoing operations that are monitored for compliance.

- Fund Balance Policy for City Enterprise Funds ~ Adopted on 02/05/2014
The City has established a target amount of working capital in the Water, Wastewater, and Solid Waste enterprise funds that is equivalent to 45 days of operating expenditures for each fund, not including capital outlay, debt service payments, or depreciation expense.
- Fund Balance Policy for the General Fund ~ Adopted on 04/08/2014
The City currently has both a General Fund and a General Fund Reserve. The City Council authorized the creation of a General Fund Reserve Fund that serves as a "savings account" for the General Fund, and can only be spent with the Council's authority. The City's General Fund Reserve Balance Policy establishes a target amount of cash on hand in the General Fund Reserve fund of no less than two months (60 days) of regular general fund operating expenditures.
- Capital Financing & Debt Management Policy ~ Revised on 11/12/2019
The purpose of the Capital Financing and Debt Management Policy is to provide guidance for the issuance of City debt obligations, and to maintain the City's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities and equipment beneficial to the City and necessary for essential services.
- Annual Investment Policy ~ Adopted on 03/24/2020
This policy provides guidelines for the prudent investment of the City's temporary idle cash, and outline the policies for maximizing the efficiency of the City's cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled cash.

ATTACHMENTS

Resolution No. 2020-092

Exhibit 'A' - City of Reedley Balanced Budget Policy