

# RESERVE AND FUND BALANCE POLICY

## GENERAL FUND

# CHAPTER 5.01

<b>SUBJECT:</b> RESERVE POLICY, GENERAL FUND	<b>NUMBER:</b> TITLE 5, CHAPTER 5.01
<b>ADOPTED DATE:</b> 1/7/2006	<b>RESOLUTION NUMBER:</b> 06-0299
<b>LAST AMENDED:</b> 3/29/16	<b>RESOLUTION NUMBER:</b> 2016-03-29-1501
<b>COUNCIL POLICY CONTACT:</b> City Manager	<b>CITY DEPARTMENT CONTACT:</b> CFO, Administrative Services Department, City Treasurer

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## POLICY

### BACKGROUND

Section 1903 of the City Charter and Chapter 19.03 of the Stockton Municipal Code require that the City Council adopt a reserve policy that is intended to prudently protect the fiscal solvency of the City. The former City Council Policy was adopted in 2006 and had not been updated since the City entered the severe fiscal crisis. During the Bankruptcy, the City Council adopted Annual Budgets with reserves that were consistent with the Court approved Plan of Adjustment, which were based upon the Long-Range Financial Plan ("L-RFP"). In March 2016, an updated policy was adopted reflecting best practices, consistent with Council goals and the L-RFP.

While appropriate at the time, the City emerged from bankruptcy and the previous current 10% reserve, as measured by the need to file bankruptcy, was inadequate and needs to be increased based upon the risks to ensure fiscal solvency. Additionally, the policy has been developed to comply with the direction set forth in Government Accounting Standards Board ("GASB") Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions which establishes a hierarchy of fund balance classifications.

### PURPOSE

It is the purpose of this policy to establish reserve targets and minimum levels of unassigned and committed fund balances to be maintained in the General Fund based upon various contingencies and risks faced by the City as determined by a review of the Government Finance Officers Association ("GFOA") best practices,

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case studies and other cities' policies to ensure that the City is able to respond to the challenges presented by changing economic conditions.

## POLICY

There are almost always important limitations on the purpose for which all or a portion of the resources of a governmental fund can be used. The forces of these limitations can vary significantly, depending upon their source. Therefore, the various components of fund balance are designed to indicate "the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the fund can be spent." Fund balance is categorized in five classifications, depicting the relative strength of the spending constraints placed on the purposes for which the resources can be used. In accordance with GASB Statement No. 54 the following fund balance classifications will be used in reporting activity in governmental funds.

- **Non-spendable**, amounts that are inherently non-spendable either because they are not in spendable form (inventory, prepaid items, endowment) or the portion of resources that cannot be spent because they must remain intact (long term advances, notes and loans) or are legally or contractually required to remain intact.
- **Restricted**, portions of fund balance represents amounts that can only be used for specific purposes because of limitations imposed by creditors, grantors, laws or regulations.
- **Committed**, amounts that are set-aside for specific contingencies by the governing board of an agency and requires formal action of the governing board to remove.
- **Assigned**, amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing board or an official of the agency authorized by the governing board. In funds other than the General Fund this classification represents the amount that is not restricted or committed.
- **Unassigned**, (formerly called "unrestricted" or "unreserved") is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned fund balance is technically available for any purpose.

The following reserves will be maintained by the City. The reserves will be categorized in two priorities. Priority 1 reserves will include Working Capital and

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Known Contingencies. Priority 2 reserves will include risk based reserves. The reserves are described below.

**Working Capital.** Two months or 16.67% of operating expenditures and transfers-out of the unassigned fund balance shall remain unspent and shall serve the working capital “reserve” in order to accommodate normal fluctuations in the timing of revenues and unforeseen operational costs. The two (2) month or 16.67% level is the GFOA recommended minimum benchmark for working capital.

**Committed (or Assigned) Fund Balance Priority I - Known Contingencies.**

Priority I are Known Contingencies for which fund balance must be set aside to address these contingencies. Initial Known Contingencies are funding for the City Hall after the eight (8) year lease expires, funding the increased obligations resulting from the proposed change in CalPERS assumptions which would reduce the earnings rate resulting in a one-time increase in the actuarial liability, and a program to address market conditions that result in the inability to Recruit and Retain staff.

**Committed Fund Balance Priority II - Risk Based Reserves.** Additional fund balance will be set-aside for four additional risk based contingencies.

- **Contingent Liabilities.** The Contingent Liabilities set-aside is to mitigate the impact of litigation expenses and other unforeseen liabilities which are infrequent and non-routine in nature and are of such magnitude that they would have a major impact upon the City’s budget. The calculation of the cost of mitigating the Contingent Liabilities will be determined annually during the budget process.
  - **Revenue Volatility.** The Revenue Liability set-aside is to mitigate the impact of large swings in revenue resulting from declines in the Property Tax, Sales Tax, and Utility User Taxes. The calculation of the amount needed will be based upon the revenue volatility in past recessions and will be determined annually during the budget process.
  - **Infrastructure Failure.** The Infrastructure Failure set-aside is to mitigate the risk of major losses in Building and Improvements, Machinery and Equipment, Infrastructure Government and Construction in Progress. The calculation of the cost of mitigating each of these categories will be determined annually during the budget process.
  - **Extreme Events.** The Extreme Events set-aside is to mitigate the risk of catastrophic losses due to earthquakes, floods, and fires, etc. which would
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require immediate funding to address and without which the City would be unable to carry out its mission.

## PROCEDURES

1. Available resources as determined annually through the closing of the financial records and development of the next year's budget, will be used as a basis for funding reserve targets. These available resources or available fund balance are generally one-time in nature as derived from one-time revenues or one-time expenditure savings. Reserve targets will be set annually based upon financial elements of the Annual Budget and in consideration of the Long-Range Financial Plan. The amounts to be allocated to each reserve will be based upon the prior year financial statements from the most recent audit and will be adjusted as needed based upon the most current financial information.
  2. An amount equal to two months or 16.67% of operating expenditures and transfers-out based upon the Annual Budget and evaluated annually shall remain in the unassigned fund balance for the Working Capital reserve.
  3. The target amount to be allocated to Committed (or Assigned) Fund Balance for Known Contingencies shall be evaluated annually. Initial Known Contingencies are funding for the City Hall after the eight (8) year lease expires, funding the increased obligations resulting from the proposed change in CalPERS assumptions which would reduce the earnings rate resulting in a one-time increase in the actuarial liability, and a program to address market conditions that result in the inability to Recruit and Retain staff.
  4. The target amount for Priority II reserves to be allocated to Committed Fund Balance is equal to 95% of the available fund balance after subtracting the amounts needed for the Working Capital and Known Contingencies reserves. This portion of the Priority II reserves to establish reserves for Risk-Based areas are;
    - The Revenue Volatility reserve target will be 19 percent of the projected property, sales, utility and other taxes
    - The Infrastructure Failure reserve target will be two percent of the identified capital improvements to address deferred maintenance needs
    - The Extreme Events reserve target will be two percent of physical asset values including buildings, machinery, infrastructure and construction in process
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- Other Contingent liabilities such as unforeseen events or claims against the City will be calculated annually during the Annual Budget process
5. The remaining 5% of available fund balance not allocated to Priority I or Priority II reserves may be allocated for one-time City Council priorities.
  6. City Council approval by a majority will be required before appropriating funds designated from Priority I reserves.
  7. City Council approval by a super majority (6 out of 7) will be required before appropriating funds from Priority II reserves.

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## **RESPONSIBILITIES**

Responsibilities are held with the Chief Financial Officer

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## **RELEVANT AUTHORITY**

Section 1903 of the City Charter

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## **RELATED ADMINISTRATIVE DIRECTIVE, CITY POLICY, CITY PROCEDURE**

Not applicable

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## **RELATED FORMS, DOCUMENTS, OR LINKS**

Not applicable

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## **FREQUENTLY ASKED QUESTIONS**

Not applicable

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## **UPDATE HISTORY**

07-01-2006 – Adopted by City Council Resolution 06-0299

03-29-2016 – Adopted by City Council Resolution 2016-03-29-1501

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**INTERFUND LOAN****CHAPTER 5.02**

<b>SUBJECT:</b> INTERFUND LOAN	<b>NUMBER:</b> TITLE 5, CHAPTER 5.02
<b>ADOPTED DATE:</b>	<b>RESOLUTION NUMBER:</b>
<b>LAST AMENDED:</b>	<b>RESOLUTION NUMBER:</b>
<b>COUNCIL POLICY CONTACT:</b> City Manager	<b>CITY DEPARTMENT CONTACT:</b> CFO, Administrative Services Department, City Treasurer

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**POLICY**

The Governmental Accounting Standards (GASB) provides guidance regarding classifying and reporting interfund transactions/loans in its Statement 34, ¶112(a).1.

An interfund loan is a temporary allocation of resources between individual government funds. These temporary loans are provided with a requirement for repayment. Most interfund loans are generated from normal cash activities and repaid within 12 months. Some interfund loans are anticipated to be more long term and require certain authorizations and treatment on the City's Financial Statements.

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**RESPONSIBILITIES**

The Chief Financial Officer is responsible for implementation of financial policies related to the subject matter of City Council Policy Title – 5 Financial Management.

GASB 34

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**RELEVANT AUTHORITY**

Stockton Charter Section 1900

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**RELATED ADMINISTRATIVE DIRECTIVE, CITY POLICY, CITY PROCEDURE**

Chapter 17.01 – Citywide Directive – Financial Management

Chapter 17.01 – Citywide Policies 17.01.020

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**RELATED FORMS, DOCUMENTS, OR LINKS**

Not applicable

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**FREQUENTLY ASKED QUESTIONS**

Not applicable

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**UPDATE HISTORY**

Not applicable

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# INVESTMENT

## CHAPTER 5.03

<b>SUBJECT:</b> INVESTMENT	<b>NUMBER:</b> TITLE 5, CHAPTER 5.03
<b>ADOPTED DATE:</b>	<b>RESOLUTION NUMBER:</b>
<b>LAST AMENDED:</b>	<b>RESOLUTION NUMBER:</b>
<b>COUNCIL POLICY CONTACT:</b> City Manager	<b>CITY DEPARTMENT CONTACT:</b> CFO, Administrative Services Department, City Treasurer

### POLICY

The City of Stockton will invest funds in a manner that provides foremost for the safety of principal while meeting the short and long term cash flow demands of the City and conforming to all statutes governing the investment of City funds.

The City Council authorizes the City Manager to delegate the authority to the Chief Financial Officer (CFO) to be responsible for the implementation and management of the City of Stockton's financial investments related to all cash, operating, and surplus funds included within the City's audited financial statements and held directly by the City.

Investments shall be made with judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investments shall be made in accordance with the "Prudent Investor" standard, as described in California Government Code Section 53600.3, which states: "Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. 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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

Within the overriding requirement of compliance with all Federal, State and local laws governing the investment of monies under the control of the Treasurer, and as specified in the California Government Code section 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective,
2. Liquidity. The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
3. Return on Investment. The City’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City’s investment risk constraints and cash flow requirements.

## DELEGATION OF AUTHORITY

California Government Code section 53607 allows for the delegation of investment activities to the Treasurer of the City for periods of one year. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the Treasurer. The delegation, subject to review, is renewable on an annual basis and is to be included as part of the adoption of the annual budget to have the authority in place at July 1 of each year.

The Treasurer may delegate the day-to-day execution of investments to a SEC-registered investment advisor, via written agreement approved by City Council. The Advisor, in coordination with the Treasurer, will manage the City’s investment portfolio in accordance with this Investment Policy, the stated investment objectives of the City, and any such other written instructions provided by the Treasurer. The Advisor will also assist in security settlement.

### I. Ethics and Conflicts of Interest

The Treasurer and any designated employees are prohibited from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment

decisions, or which could give the appearance thereof. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business to the Treasurer. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Furthermore, these same individuals are prohibited from undertaking personal investment transactions with any individual with whom business is conducted on behalf of the City. The State of California Fair Political Practices Commission Statement of Economic Interests, Form 700, shall be completed on an annual basis by the Treasurer and any designee of the Treasurer.

## **II. Internal Controls**

The Treasurer is responsible for establishing and maintaining a control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Internal controls shall separate transaction authority from accounting and record keeping, safekeeping assets, and maintain written records for all investments and wire transfers.

### **A. Objectives of Internal Control**

Internal control is the plan of organization and all the related systems established by management's objective of ensuring, as far as practicable:

- Orderly and efficient conduct of its business, including adherence to management policies.
- Safeguarding of assets.
- Prevention and detection of errors and fraud.
- Accuracy and completeness of the accounting records; and
- Timely preparation of reliable financial information.

An internal control system, however elaborate, can provide only reasonable assurance that the objectives are met. Internal controls are reviewed periodically to ensure effectiveness.

## **III. Reporting**

- A. Monthly: As described in California Government Code section 53607, a report of investment transactions will be made to the City Council monthly.
- B. A report shall be rendered to the City Manager, City Council, and City Auditor at least four times per fiscal year and shall include:

- A complete description of the portfolio, the type of investments, the issuers, maturity dates, par and dollar amounts invested in all securities, the current market values of each component of the portfolio, the source of the portfolio valuation, investments and monies held by the City.
  - A description of any of the City's funds, investments, or programs that are under the management of contracted parties, including lending programs.
  - The following certifications:
    - All investment actions executed since the last report have been made in full compliance with the Investment Policy.
    - The City of Stockton will meet its expenditure obligations for the next six months as described in California Government Code section 53646(b)(3).
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## RESPONSIBILITIES

The Chief Financial Officer is responsible for implementation of financial policies related to the subject matter of City Council Policy Title – 5 Financial Management.

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## RELEVANT AUTHORITY

California Government Code section 53607 allows for the delegation of investment activities to the Treasurer of the City for periods of one year. That delegation, subject to review, is renewable on an annual basis and is to be included as part of the adoption of the annual budget to have the authority in place at July 1 of each year.

Chapter 2.20.050 of the City of Stockton Municipal Code (SMC) defines "Treasurer" as the Director of Administrative Services. Chapter 2.20.060 of the SMC provides that management responsibility for the investment program is delegated to the Administrative Services Director. Under the provision of California Government Code section 53600.3, the Treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard outlined in the section below.

The City may engage the services of an external investment manager to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such an external manager may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

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## **RELATED ADMINISTRATIVE DIRECTIVE, CITY POLICY, CITY PROCEDURE**

Chapter 17.01 – Citywide Directive – Financial Management  
Chapter 17.01 – Citywide Policy 17.01.030

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## **RELATED FORMS, DOCUMENTS, OR LINKS**

Not applicable

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## **FREQUENTLY ASKED QUESTIONS**

Not applicable

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## **UPDATE HISTORY**

Not applicable

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**DEBT MANAGEMENT****CHAPTER 5.04**

<b>SUBJECT:</b> DEBT MANAGEMENT, LAND SECURED	<b>NUMBER:</b> TITLE 5, CHAPTER 5.04
<b>ADOPTED DATE:</b>	<b>RESOLUTION NUMBER:</b>
<b>LAST AMENDED:</b>	<b>RESOLUTION NUMBER:</b>
<b>COUNCIL POLICY CONTACT:</b> City Manager	<b>CITY DEPARTMENT CONTACT:</b> CFO, Administrative Services Department, City Treasurer

**POLICY****1) INTRODUCTION**

Public agencies develop and apply debt management policies to ensure that debt is issued and managed prudently. This practice is advocated by the Government Finance Officers Association (GFOA) which published and subsequently updated best practice guidelines for debt management policies in 1995, 2003, and 2012. These guidelines along with other GFOA publications recommend that a formal debt management policy, guiding debt issuance, should be a part of a public agency's debt administration. The GFOA endorsed the use of a debt management policy to improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance and demonstrate a commitment to long-term capital and financial planning.

To maintain the highest quality capital financing and debt management program, the City of Stockton prepared the policies outlined in this document, referred to hereafter as the "Debt Management Policy." The Debt Management Policy and related Departmental Policies are intended to guide decisions related to debt supported by the City's General Fund, Enterprise Funds, Land Secured Districts (Mello Roos, 1915 Act), and any other related funding entities including the Successor Agency to the former Redevelopment Agency.

To the extent that items have not been contemplated for inclusion in the Debt Management Policy, additions and revisions can be made by approval of the City

Council. Any policy stated herein may be supplemented or amended or deviated from upon determination by the City Council that such supplement, amendment or deviation is necessary or desirable and in the best interests of the City, and any policy or procedure stated herein shall be deemed amended or supplemented in the event, and as of the date, if ever, that such amendment, supplement, or deviation is required to ensure compliance with the laws of the State of California or federal laws of the United States of America.

Note: All references to Director of Administrative Services/ City Treasurer/CFO (the "CFO"), refer to the Chief Financial Officer, or their designee responsible for managing and overseeing these separate debt functions of the City.

## 2) GOALS AND OBJECTIVES

The Debt Management Policy formally establishes parameters for issuing debt and managing a debt portfolio which encompasses the City's specific capital improvement needs and its ability to repay financial obligations utilizing a long range financial planning approach. Specifically, the policies outlined in this document and related Administrative Directives/Policies/Procedures, are intended to guide the City in the following:

- Evaluating critical debt issuance options.
- Promoting sound financial management that utilizes long-range financial planning.
- Providing accurate and timely information on financial conditions.
- Maintaining appropriate capital assets for present and future needs.
- Protecting and enhancing the City's credit rating.
- Ensuring the legal and prudent use of the City's bonding authority through an effective system of financial security and internal controls.
- Promoting cooperation and coordination with other public entities and the private sector in the financing and delivery of services.
- Use debt financing where appropriate to match projected revenue streams with facility needs.

## 3) APPROACH TO FINANCING LONG-TERM DEBT

A sound debt management program integrates pay-as-you-go project financing with projects financed through the issuance of long-term debt. The City's Capital Improvement Program utilizes this combined approach to fund the City's capital projects. Therefore, it is important to integrate the City's Debt Management Policy with both the City's long-range financial plan and the capital improvement program. Debt issuance for capital projects should not be considered unless such issuance has been incorporated into the capital improvement program.

The City's Debt Management Policy promotes the use of debt only in those cases where public policy, equity, and economic efficiency favor debt over cash (i.e., pay-as-you-go) financing. When considering how to fund capital improvements, the City will use the following criteria to evaluate whether to fund the improvement project on a pay-as-you-go basis versus the use of long-term debt financing:

Factors Favoring Pay-As-You-Go Financing

- Current revenues and adequate fund balances are available such that project phasing can be accomplished.
- The useful life of the capital asset is ten years or less.
- Existing debt levels might have an adverse impact on the City's credit rating.
- Market conditions are unstable or present difficulties in marketing the improvement project.

Factors Favoring Long-term Financing

- Revenues available for debt service are sufficient and reliable such that long-term financings can be marketed with an investment grade credit rating.
- The project securing the financing is of the type which will support an investment grade credit rating.
- Market conditions present favorable interest rates.
- The project is required to meet or relieve capacity needs, and current resources are insufficient or unavailable.
- The life of the project or capital asset to be financed is ten years or longer.

Notwithstanding the above considerations, the City may consider the use of long-term debt in special circumstances for projects other than capital projects to better manage its assets and liabilities over time, including Tax and Revenue Anticipation Notes.

#### 4) DEBT MANAGEMENT AND CAPACITY

The City's General Fund **will not be used** to provide back-up liquidity to improve the credit rating of a self-supported debt issue (i.e., an obligation that is expected to be paid through specific revenues).

The City will not use General Fund financial support for assessment, Mello-Roos or Successor Agency obligations.

A. General Purpose Debt Capacity

The City will carefully monitor its levels of general-purpose debt. In evaluating debt capacity, general purpose supported debt service will not exceed seven percent (7%) of total General Fund budgeted expenditures and transfers out.

B. Enterprise Fund Debt Capacity

The City will set enterprise fund rates at levels needed to fully cover debt service and coverage requirements, operations and maintenance, administration and capital improvement costs. The ability to afford new debt for enterprise operations will be evaluated as an integral part of the City's rate review and setting process.

C. Inter-fund Loans Among City Funds

Inter-fund loans among City funds will be considered to finance high priority needs on a case-by-case basis, only when the fund making the loan would not be negatively impacted. Inter-fund borrowing may also be used when it would reduce costs of interest, avoid debt issuance, and/or reduce administrative burdens. Inter-fund loans require a written and signed loan agreement between the two City funds that includes a repayment schedule with a minimum of interest paid at the pooled cash investment rate for the term of the loan. The repayment term of inter-fund loans is limited to five years.

D. Land Secured Debt

The City will consider developer or property owner initiated applications requesting the formation of community facilities districts ("CFDs") and assessment districts (local improvement districts) ("LIDs") and the issuance of bonds to finance eligible public facilities necessary to serve developing commercial, industrial, residential, and/or mixed use developments of a regional nature, as described in the following eligible capital project facilities section.

E. Eligible Public Facilities

Facilities to be financed must be public facilities for which the City, or an agency as determined appropriate by the City, will be the owner or will have normal operating and maintenance responsibility. Priority will be given to those public facilities to be owned and operated by the City that are regional in nature. The City may finance public facilities, except for school facilities, which are to be owned and operated by other public agencies. The priority for the financing of infrastructure and public facilities will be determined at the sole discretion of the City. The highest priority will be placed on infrastructure that is for the health and safety of the public. The types of facilities generally eligible to be financed are:

- Streets and roads (thoroughfares, arterials, major streets, highways and freeway improvements and major collector



streets), highways and bridges, street lighting, traffic signals and safety lighting;

- Public utilities, including but not limited to, water, sewer and drainage related facilities;
- Recreation facilities, including but not limited to, parks, community centers, and golf courses;
- Biological mitigation measures, including but not limited to, land acquisition, dedication, and revegetation.

The City has final determination as to any facility's eligibility for financing and the prioritization of facilities to be included within a district financing. The City will give priority for the use of land-secured financing capacity for City services and those facilities that are regional in nature and for operations and maintenance. The City shall review financing "in-tract" facilities on a case-by-case basis, and the City may require information in addition to that contained in the normal application. The City shall determine what "in-tract" public facilities will be financed and which financing mechanism shall be used.

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## **RESPONSIBILITIES**

The Chief Financial Officer is responsible for implementation of financial policies related to the subject matter of City Council Policy Title – 5 Financial Management.

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## **RELEVANT AUTHORITY**

Charter of the City of Stockton Article XXII

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## **RELATED ADMINISTRATIVE DIRECTIVE, CITY POLICY, CITY PROCEDURE**

Chapter 17.01 – Citywide Policies 17.01.030

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## **RELATED FORMS, DOCUMENTS, OR LINKS**

Chapter 17.01 – Citywide Directive – Financial Management

Chapter 17.01 – Chapter 17.01.050.010 – Citywide Procedure – District Formation and Financing

Chapter 17.01 – Chapter 17.01.040 – Citywide Policy – Capital Financing and Debt Management

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## **FREQUENTLY ASKED QUESTIONS**

Not applicable

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## **UPDATE HISTORY**

Not applicable

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## DISTRICT FORMATION AND FINANCING

## CHAPTER 5.05

<b>SUBJECT:</b> DISTRICT FORMATION, DISTRICT FINANCING	<b>NUMBER:</b> TITLE 5, CHAPTER 5.05
<b>ADOPTED DATE:</b>	<b>RESOLUTION NUMBER:</b>
<b>LAST AMENDED:</b>	<b>RESOLUTION NUMBER:</b>
<b>COUNCIL POLICY CONTACT:</b> City Manager	<b>CITY DEPARTMENT CONTACT:</b> CFO, Administrative Services Department, City Treasurer

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### POLICY

The City of Stockton developed a process for individuals seeking to use a land-secured financing program. Individuals can schedule a meeting with the City's Chief Financial Officer (CFO) to apply for consideration, and discuss the elements of the proposed financing, discuss the City's financing program policies and procedures.

Note: All references to Director of Administrative Services/ City Treasurer/CFO (the "CFO"), refer to the Chief Financial Officer, or their designee responsible for managing and overseeing these separate debt functions of the City.

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### RESPONSIBILITIES

The Chief Financial Officer is responsible for implementation of financial policies related to the subject matter of City Council Policy Title – 5 Financial Management.

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### RELEVANT AUTHORITY

Stockton Municipal Code Title 3 Chapter 3.76 Article X

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## **RELATED ADMINISTRATIVE DIRECTIVE, CITY POLICY, CITY PROCEDURE**

Chapter 17.01 – Citywide Directive – Financial Management

Chapter 17.01 – Chapter 17.01.050.010 - Citywide Procedure - District Formation and Financing

Chapter 17.01 - Chapter 17.01.040 – Citywide Policy - Capital Financing and Debt Management

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## **RELATED FORMS, DOCUMENTS, OR LINKS**

Not applicable.

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## **FREQUENTLY ASKED QUESTIONS**

Not applicable

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## **UPDATE HISTORY**

Not applicable

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**DEBT FORGIVENESS****CHAPTER 5.06**

<b>SUBJECT:</b> DEBT FORGIVENESS, LIEN FORGIVENESS, UNCOLLECTIBLE ACCOUNTS	<b>NUMBER:</b> TITLE 5, CHAPTER 5.06
<b>ADOPTED DATE:</b>	<b>RESOLUTION NUMBER:</b>
<b>LAST AMENDED:</b>	<b>RESOLUTION NUMBER:</b>
<b>COUNCIL POLICY CONTACT:</b> City Manager	<b>CITY DEPARTMENT CONTACT:</b> CFO, Administrative Services Department, City Treasurer

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**POLICY**

The City of Stockton shall protect its financial interests related to loans, fines, assessments, debts, etc. However, at times it is in the interest of the public and the advancement of other strategic priorities to forgive debts owed to the City. In addition, for purposes of efficiency and accurate financial accounting, it is appropriate to write-off debts owed to the City.

The City Council authorizes the City Manager to write off debts owed to the City related to uncollectible accounts.

The City Council authorizes the City Manager to forgive liens owed to the City for blighted properties to promote investment in blighted properties and authorizes the City Manager to implement the Lien Forgiveness Program and Residential Neighborhood Reinvestment Program.

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**RESPONSIBILITIES**

The Chief Financial Officer is responsible for implementation of financial policies related to the subject matter of City Council Policy Title – 5 Financial Management.

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## RELEVANT AUTHORITY

Stockton Municipal Code Title 2 Chapter 2.20

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## RELATED ADMINISTRATIVE DIRECTIVE, CITY POLICY, CITY PROCEDURE

Administrative Directive - Financial Management 17.01

Citywide Policy – Uncollectible Accounts 17.01.090

Administrative Directive - Blighted Property 20.04

Citywide Policy - Lien Forgiveness 20.04.010

City Wide Policy - Residential Neighborhood Reinvestment Program 20.04.020

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## RELATED FORMS, DOCUMENTS, OR LINKS

Not applicable

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## FREQUENTLY ASKED QUESTIONS

Not applicable

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## UPDATE HISTORY

Not applicable

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## MAYOR &amp; COUNCIL DISCRETIONARY FUNDING

## CHAPTER 5.10

<b>SUBJECT:</b> DISCRETIONARY, FUNDING, SPENDING, BUDGET	<b>NUMBER:</b> TITLE 5, CHAPTER 5.10
<b>ADOPTED DATE:</b> 09/27/2016	<b>RESOLUTION NUMBER:</b> 2016-09-27-1204
<b>LAST AMENDED:</b> 9/27/2016	<b>RESOLUTION NUMBER:</b> 2016-09-27-1204
<b>COUNCIL POLICY CONTACT:</b> City Council	<b>CITY DEPARTMENT CONTACT:</b> City Manager

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**POLICY**
**1) SCOPE**

This policy only applies to discretionary funding allocated by the Mayor and Council to be expended by the Mayor and Council in fiscal years when discretionary funding is explicitly adopted in the annual operating budget.

- i) This policy shall apply when City Councilmembers act in their official capacity as members of the Council.
- ii) This policy shall apply when City Councilmembers are requesting funds from their discretionary spending allocations.

**2) PURPOSE**

- i) The City hereby expressly acknowledges its responsibility to wisely administer limited public resources and to expend them only when there will be a substantial benefit to the City and its residents. To conserve City resources and keep expenses within community standards for public officials, expenditures shall adhere to the rules and guidelines set forth in this policy and shall govern reimbursement to City Councilmembers for actual and necessary expenses incurred in the performance of official duties.

- ii) **AUTHORIZED EXPENSES**

- iii) Expenses incurred by Councilmembers in connection with sponsorship for activities or events constitute authorized and reimbursable expenses under the following conditions:
    - (1) Has a community benefit.
    - (2) Cannot be religious or political in nature.
    - (3) Cannot be a personal benefit.
  - iv) Reimbursement for mileage
    - (1) Communication or meeting with constituents.
    - (2) Attend local events that have a community benefit
    - (3) Attend City-sponsored events.
    - (4) Events and meetings shall not be political or religious in nature.
  - v) Membership reimbursement
    - (1) Has a community benefit.
    - (2) Cannot be personal benefit.
- 3) COMPLIANCE WITH LAWS
- i) Councilmembers should be aware that some expenditures may be subject to reporting under the Political Reform Act and other laws. In addition, all agency expenditures are public records subject to disclosure under the Public Records Act.
- 4) POLICY VIOLATIONS
- i) Violations of this policy, including falsifying expense reports, may result in any or all of the following:
    - (1) Loss of reimbursement privileges;
    - (2) A demand for restitution to the City;
    - (3) Reporting the expense to state and federal tax authorities as income to the Councilmember;
    - (4) Civil penalties of up to \$1,000.00 per day and three times the value of the resources used;
    - (5) Criminal prosecution of misuse of public resources.
  - ii) Violations of this policy are to be addressed by majority vote of the Mayor and Council in public session.

## PROCESS

### 1) COMPLIANCE WITH CITY PROCESSES



- i) Requests to expend funds through this policy will be subject to the guidelines and limitations established through the City's internal financial policies and processes.
  - ii) Requests to expend funds through this policy will be processed administratively in accordance with the City's internal financial policies and processes.
  - iii) Requests to expend funds will be reviewed by the City Attorney's Office and City Manager's Office for compliance with the City's internal financial policies and practices.
- 2) **TIMELINE FOR REQUEST FOR PAYMENT/REIMBURSEMENT**
- i) Councilmembers must submit their request for payment 30 days prior to the expense being incurred. The request should be accompanied with letter or invoice documenting the event.
  - ii) Councilmember must submit their request for reimbursement for expenses within 30 days incurring the expense. The request must be accompanied by an expense report, receipts, and documentation.
  - iii) The 30-day timelines referenced above are based upon when complete documentation is provided.
  - iv) Staff will communicate with the requesting Mayor or Councilmember if there are anticipated delays in the 30-day timeline due to unusual volume or technical challenges for City staff to complete the request within the standard timeframe.

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## **RESPONSIBILITIES**

### Mayor & Councilmembers

Compliance with policy; compliance with requirements of internal policies and processes; provide requests and backup documentation to the City Manager's Office

### City Attorney's Office

Review requests for compliance with City policies and processes

### City Manager's Office

Review requests for compliance with City policies and processes; prepare and forward requests for expenditures to the Administrative Services Department

Administrative Services Department

Process requests for expenditures forwarded from the City Manager's Office

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**RELEVANT AUTHORITY**

*Approved by Motion*

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**RELATED ADMINISTRATIVE DIRECTIVE, CITY POLICY, CITY PROCEDURE**

*Administrative Directive – Purchasing – Contracts-25, FIN-30  
Council Policy – City Council Travel and Expenses – Title 2, Chapter 2.04;  
Administrative Directive – Travel and Expense Policy – Title 17, Chapter 17.11  
Administrative Directive – Vehicles-Privately Owned on City Business – FIN-10*

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**RELATED FORMS, DOCUMENTS, OR LINKS**

*Owner's Operator's Mileage Report*  
[http://cosintranet/Intranet/forms/files/Monthly\\_Mileage.pdf](http://cosintranet/Intranet/forms/files/Monthly_Mileage.pdf)  
*Owner's Operator's Mileage Report*  
<http://cosintranet.ci.stockton.ca.us/Intranet/DailyMileageReimb>

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**FREQUENTLY ASKED QUESTIONS**

None applicable

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**UPDATE HISTORY**

09/27/2016 – Adopted

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