

FINANCIAL POLICIES

General Fund Financial Policies

- Each year, the City Manager's budget shall reflect an ad valorem tax rate that helps sustain existing core service levels. The year-to-year increase of actual revenue from the levy of the ad valorem tax shall generally not exceed 8%the voter approval rate, as defined in State law.

~~excluding taxable value gained through annexation or consolidation;~~

~~excluding the value gained through new construction;~~

~~excluding expenditure increases required for General Obligation Debt Service; and~~

~~not excluding the valuation gained or lost through revaluation or equalization programs.~~

Reserves

- A General Fund Emergency Reserve Fund of 68% of total fund requirements shall be budgeted annually. The Emergency Reserve Fund shall be used to provide for temporary financing for unanticipated or unforeseen extraordinary needs of an emergency nature; for example, costs related to a natural disaster or calamity or an unexpected liability created by Federal or State legislative action.

Funds shall be allocated from the Emergency Reserve Fund only after an analysis has been prepared by the City Manager and presented to City Council. The analysis shall provide sufficient evidence to establish that the remaining balance is adequate to offset potential downturns in revenue sources and provide a sufficient cash balance for daily financial needs. The analysis shall address the nature of the approved expenditure and the revenue requirement in subsequent budget years. Prior to allocating funds from the Emergency Reserve Fund, the City Council shall find that an emergency or extraordinary need exists to justify the use of these funds.

Funds shall be allocated each year in the budget process to replace any use of the Emergency Reserve Fund during the preceding fiscal year to maintain the balance of the Emergency Reserve Fund at the level set above.

- A General Fund Reserve for Budget Stabilization shall be maintained to provide financial stability for the General Fund during economic downturns through the capture at each fiscal year end of any excess revenue and unspent appropriations. ~~During the annual budget process, up to one-third of the total amount of this reserve may be appropriated~~If this reserve exceeds 6% of total fund requirements, then it may also be used to fund capital items or other one-time costs each year. No more that one-third of the total amount of this reserve may be appropriated in any fiscal year.

~~Combined, the Emergency Reserve and Budget Stabilization Reserve should be at least 12% of total fund requirements.~~