

**SUMMARY  
BUDGETARY AND FINANCIAL POLICIES  
CITY OF LONG BEACH, CALIFORNIA**

This is a condensed version of the budgetary and financial policies of the City of Long Beach, California.

**1. Structural Balance**

The budget for the General Fund will be structurally balanced.

**2. Multi-Year Financial Projections**

The proposed annual budget should include a three-year General Fund projection.

**3. Budget Process is an Annual Cycle**

The annual budget process is used to develop annual service priorities and the level and type of resources to fund those services. Proposed changes to the budget and to service levels during the fiscal year will be minimized. Proposed mid-year changes will be evaluated programmatically and fiscally prior to adoption, and, if adopted, will have a lower priority compared to preexisting programs and projects unless otherwise specified. A list of any adopted non-routine mid-year budget changes will be provided to the Budget Oversight Committee annually for review.

**4. User Fees to be Set at the Cost of Service**

Fees will be set to fully recover costs, except where there is a greater public benefit through use of a lower fee. There will be a process for in-depth review of all fees over time.

**5. One-Time Resources are for One-Time Uses**

One-time resources will not be used to fund ongoing operations and are to be used for one-time purposes. Five percent of new General Fund funds available will be set aside for unfunded liabilities.

**6. Capital Projects Budgeted for Both One-Times and Ongoing Costs**

Before approving any capital expenditure, the City Council will consider the capital (one-time) costs, the operating (ongoing) components of costs and the replacement costs and the expected approach to funding replacement.

## **7. Fund Balance Policy**

Establishes categories of fund balances - non-spendable, restricted, committed, assigned and unassigned, and creates specific reserves - an emergency reserve, operating reserves, a reserve for subsequent year appropriates, an infrastructure reserve, and provides for the creation of other reserves.

## **8. Adequate Emergency and Operating Reserves will be Maintained**

Emergency reserves will be maintained at 8% minimum (of General Fund ongoing expenditures, including transfers) and 10% target, operating reserves will be maintained at 2% minimum and 7% maximum, and the City will seek to maintain overall reserves at no less than 16.7% (two months)

## **9. Adequate Reserves for all Funds**

Financial Management will develop and recommend reserve policies for each City fund which will be adopted, as modified, by the City Council.

## **10. Revenue Projections will be Conservative**

Revenue projections are to be objectively prepared using a reasonably conservative approach.

## **11. Stable Revenue Sources will be Used to Fund Operations**

Any revenue that has highly variable component may have only a portion of it, or none of it, budgeted for operations.

Oil revenue will be budgeted at a per barrel price likely to be lower than the average price, based on historical variability.

## **12. Fiscal Impact Statements Required**

For any proposed City Council action, an analysis is to be provided (fiscal impact statement) of the projected or potential fiscal impact on current and future revenues, expenditures, or resources, including staff resources, and on how the action may impact the City's financial or economic position.

## **13. Current Year Costs will be Funded or an Explanation Provided**

The budget will include funding for all costs of operation for the current year or will identify, provide general information on, and discuss any costs not fully funded, including unfunded liabilities, unfunded lifecycle replacement costs, and deferred maintenance.

#### **14. Financial Reporting will use Generally Accepted Standards**

The City will prepare annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP), will use a consistent approach to budgetary reporting. Both the basis of accounting and the basis of budgeting will be described in the appropriate documents.

The annual financial report will include a reconciliation of budgetary funds available to the GAAP fund balance or net position.

#### **15. Financial Status will be Reported**

The City's CAFR will be made available after completion of the annual audit.

There will be periodic reporting on the budgetary status of the City, particularly the General Fund and other funds that have unusual or problematic status. Any major or critical issue will be reported as soon as it is practical.

#### **16. Financial Status of Major Funds will be Reviewed**

The City Manager will annually present a brief report discussing the high-level financial status of each major fund of the City. The report may be incorporated into the proposed budget as a component of each fund's *Fund Summary*.

#### **17. Appropriate Grants will be Sought**

The City will seek grants that address City priorities and are believed to provide a substantial net benefit after considering the City's cost to secure and administer the grant and the risk associated with unintentional non-compliance.

The City shall maintain administrative support to ensure compliance with grant terms and requirements.

Prior to grant award, the City Council should be aware of post-grant expectations for funding and continuing or discontinuing of programs; City Council should be informed if the actual situation changes from the original expectations.

#### **18. Debt Maintained at Appropriate Levels**

Debt limits will be adopted by the City Council.

The term of debt will generally not exceed the life of the asset being acquired, capital leases for vehicles will be part of a comprehensive strategy, and debt will not be used to fund operations.

A separate policy on debt and debt management will be adopted.

#### **19. Investments will be Conservatively Managed**

Investments shall be managed with the priorities of: safety of principal, liquidity (availability of cash), and yield (investment income).

A separate policy on investments and investment management will be adopted.

#### **20. A Long-Term General Financial Plan will be Maintained**

A plan will be adopted that outlines general approaches to maintaining and increasing revenues, growing the City's economy for the purpose of revenue generation, and controlling and managing the cost of services and the method of delivery of services.

#### **21. Financial Policies will be Reviewed**

Financial policies will be reviewed every three years. The City Manager will report potential non-compliance on any proposed Council action and will report annually on overall compliance and non-compliance with all the financial policies

#### **22. Administrative Procedures to be Consistent with Policy**

Administrative procedures shall be consistent with the adopted City Council budgetary and financial policies.