TITLE
Fiscal Policy Update Work Plan

RECOMMENDATION
Review and discuss recommendations for updates to the fiscal policy

BACKGROUND & ANALYSIS

Finance Committee – Fiscal and Budgetary Policy Monitoring
One of the core responsibilities of the Finance Committee is to review the City's Fiscal and Budgetary Policies, monitor compliance, and provide recommendations to the City Council as updates or clarifications are needed.

The City's Fiscal and Budgetary Policy framework is intended to establish high level guiding principles for sound financial management, transparency, and long-term fiscal sustainability.

Current Fiscal and Budgetary Policies
The City's Fiscal and Budgetary Policies are organized into 14 sections, each addressing a key component of financial governance. Below is a summary of each section along with the most recent update information, where available:

1. Basis of Accounting
2. Operating Budget
3. Reserves and Unallocated Funds

This topic was discussed at the most recent Finance Committee meeting, with recommended changes anticipated to be scheduled for City Council consideration prior to the end of the fiscal year.

4. Revenue Management
5. Expenditure Control

Last updated in 2023

6. Capital Improvement Program and Capital Budget
7. Accounting, Auditing, and Financial Reporting
8. Investment and Cash Management

California Government Code Sections 53601 and 53635 require that the City's Investment Policy be submitted to the City Council annually for adoption. The most recent City Council approval occurred in August 2025.

9. Asset Management

10. Debt Management
11. Internal Controls
12. Risk Management
13. New City Development Projects
14. Role of the Finance Committee of the City Council

Policy vs. Procedure

Fiscal policies establish the City's overarching financial principles and expectations, while procedures provide the detailed guidance necessary to manage day to day financial operations in alignment with those policies.

When the need for clarification or operational detail arises, the Finance Director maintains written procedures that govern daily processes and ensure consistency with the intent and spirit of the City's adopted Fiscal and Budgetary Policies.

While these procedures are not incorporated directly into the Fiscal and Budgetary Policy document, they are presented to and approved by the City Council, as needed, to support transparent and effective financial administration. A recent example is the City's travel and training policy, which included a section pertaining to Council member travel.

Examples of Financial Procedures:
• CalCard Policy – Governs the use of City purchase cards
• Accounts Payable Procedures – Establishes guidelines for payment of City invoices
• Utility Billing Policies and Procedures – Provides operational guidance for utility billing activities

Procedures Proposed for Update

For this review cycle, staff has identified the following procedures for update or clarification:
1. Cash Handling Policy
Addressing operational impacts related to the ongoing penny shortage.
2. Grants and Grant Management Policy
Establishing or clarifying standards for grant administration, compliance, and reporting. Single Audit threshold increases from $750,000 to $1,000,000.
3. Asset Management Policy
Proposed increase of the capitalization threshold from $5,000 to $10,000.
4. Utility Billing Policies and Procedures
Clarification regarding back billing practices and procedures for billing errors.
5. Refund Policy
Establishing guidance on when and how refunds are processed.

Next Steps

The Finance Committee's review and feedback will help determine which policy updates or procedural changes should move forward for City Council consideration. Updates will continue to be

brought forward as needed to ensure alignment with best practices, regulatory requirements, and the City's operational needs.

ATTACHMENTS:

Fiscal and Budgetary Policies
Fiscal and Budgetary Policies Redline