

ATTACHMENT 9

EXHIBIT A

To Resolutions:

**Resolution No. 2017-022, CDC 2017-06, HHA 2017-05,
HFPD 2017-05 and HWD 2017-09**

City of Hesperia

FINANCIAL POLICIES

FISCAL YEAR 2017/18



CITY OF HESPERIA
Fiscal Year 2017/18 Adopted Budget
Financial Policies

I. BUDGETING POLICY

- The City will adopt an annual budget for the fiscal year beginning July 1st no later than June 30th of the same calendar year.
- The adopted budget will be balanced with current year operating expenditures fully funded by current year revenues.
- Fund balance reserves for the General Fund, Water District, and Fire District will be used only for non-recurring expenditures such as capital projects, studies, etc. and not for on-going operations. In the event that fund balance reserves are used for recurring (operational) expenditures, the City Council will be notified prior to adoption of the annual budget.
- The City Manager is authorized to implement programs as approved in the adopted budget.
- A First Quarter and Mid-Year budget review will be conducted for the City Council to determine the status of projected revenues, expenditures, and other financial situations, along with consideration of needed budget amendments. A Third Quarter review is included in the presentation of the upcoming fiscal year's proposed budget. An internal Fourth Quarter appropriation review is conducted and budget amendments are presented to the City Council as needed.

II. CAPITAL IMPROVEMENT POLICY

- The City will identify the estimated costs and potential funding sources for each capital project prior to its submittal to the City Council for approval.
- Capital projects involve the purchase or construction of major capital assets such as land; equipment; infrastructure; building or permanent improvements including additions, replacements, and major alterations; having a long life expectancy; and costing \$5,000 or more.
- Capital projects are funded by a variety of funding sources, which are often restricted for a specific purpose. Prior to a capital project being included in the annual budget, a determination must be made that the project is an appropriate use of the funds and that there is sufficient funding available.

III. REVENUE POLICY

Recurring expenditures will be funded by recurring revenue. Recurring expenditure increases that exceed recurring revenue growth should not be approved. Any new or expanded programs should be required to identify new funding sources and/or offsetting reductions in expenditures. In addition:

- The City shall use a conservative approach in projecting revenues.
- One-time revenues may be used for one-time expenditures or enhancement of reserves.
- The City shall update its user fees and charges periodically to recover costs of providing that service for which a fee is charged.

III. REVENUE POLICY (Continued)

- All potential grants shall be carefully reviewed for matching requirements, maintenance of effort requirements, and on-going future expenditures requirements.
- Intergovernmental grants will be evaluated to determine the long term operating and maintenance costs associated with the grant.
- The City will maintain water and sewer rate structures which are adequate to ensure that these enterprise funds remain firmly and separately self-supporting, including the costs of operation, capital replacement, cost allocation plan, and debt service.

IV. RESERVE POLICY

Adequate reserve levels are a necessary component of the City's overall financial management strategy. It is the responsibility of the City Council to maintain a sufficient level of reserve funds to provide for the orderly provision of services to the citizens of the City of Hesperia. The City Council has the authority to decide the circumstances under which the reserves can be used. The City Manager and the Assistant City Manager-Management Services may, from time to time, make recommendations as to the level of reserve funds necessary for prudent fiscal management. Reserve levels shall be reviewed at least annually during the budget process to ensure that they are consistent with the conditions faced by the City. All uses of reserves require a resolution of the City Council or will be incorporated in the annual adopted budget.

The reserve policies for the General Fund, Hesperia Water District (Enterprise Fund), and Hesperia Fire Protection District (Special Revenue Fund) require that a minimum of ten percent (10%) of current fiscal year operations budget (expenditures) be reserved. Cash reserves is a calculation of the ratio of cash and cash equivalents to the total individual fund balance, as reported in the most recently completed Comprehensive Annual Financial Report (CAFR). The specific purpose of the reserves is to provide funding to meet operational appropriation requirements in the event that either the City, Water District, or Fire District experiences shortfalls in the level of anticipated revenues or unanticipated expenses.

V. TRANSFER AUTHORITY

The following criteria establish the transfer authority for appropriations as set forth in the fiscal year budget.

- Division Managers can make transfers between line items in the same program.
- Department Directors can make transfers between divisions within the same fund.
- Transfers between departments, within the same fund, will require the City Manager approval.
- Transfers between the capital expenditure classification and the operating expenditure classifications will require the City Manager approval.
- Transfers between different funds can only be made with an approved City Council resolution.
- The Finance Division will review all budget transfers and make recommendations to the City Manager.

VI. FISCAL MANAGEMENT

- An independent firm of certified public accountants will perform an annual financial and compliance audit according to General Accepted Auditing Standards (GAAS) that will be incorporated into the Comprehensive Annual Financial Report (CAFR).
- Annually, the City will seek the Governmental Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting and the Certificate of Achievement for Distinguished Budget Presentation Awards.

VII. INVESTMENTS

- The City will continue to have a written investment policy approved by City Council resolution annually. The policy for investments in priority order is safety, liquidity, and yield.
- The City Council will receive reports on the cash position and performance of City investments on a monthly basis.

VIII. CAPITAL ASSETS

- Assets exceeding the value of \$5,000 are considered capital assets.
- All assets will be maintained at a level that protects capital investment and minimizes future maintenance costs.

IX. DEBT MANAGEMENT

- The City will not issue long-term debt to finance current operations. Debt financing should only be used for long-term capital improvement projects or purchases of capital assets, such as water rights, that have a useful life exceeding the term of the financing. In addition, identified revenue sources shall be identified to allow for the principal, interest, and other related payments (debt service) of the long-term debt.
- The City will seek to maintain a high credit rating through sound financial practices as a basis for minimizing borrowing costs.
- The City will monitor all forms of debt. Annually, the status of all long-term debt will be reported to the City Council in the annual budget.
- The City will diligently monitor its compliance with bond covenants and continuing disclosures.

PASSED, APPROVED and ADOPTED THIS 20th day of June 2017.

Paul Russ, Mayor

I, Melinda Sayre, City Clerk of the City of Hesperia, California, do hereby certify that the foregoing Resolutions was duly passed, approved and adopted by the City Council of the City of Hesperia, California, at an adjourned meeting of said City Council held on the 20th day of June 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Melinda Sayre, City Clerk