Fundamentals of Municipal Finance & Financial Management

Training to Comply with SB827(2025)

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New edition!

THE MUNICIPAL REVENUE SOURCES HANDBOOK

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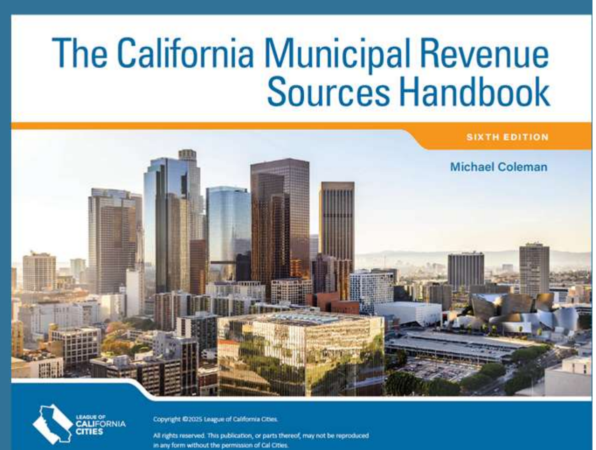

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Overview

- Municipal Finance: Your Role & Responsibilities
- Taxes & Other Revenues
- Budgets & Financial Planning
- Financial Reporting & Auditing
- Pensions & OPEBs
- Capital Financing & Debt
- Investing & Cash Management
- Financial Policies
- Procurement & Contracting
- Ethics of Financial Administration

Municipal Financial Management Roles & Responsibilities

✓ Mayors & Councilmembers

✓ Key Staff

The "Fiduciary" Role of Mayors & Councilmembers

Oversight
- ✓Budget Review/Approval
- ✓Public Contracts
- ✓Labor Relations

Financial Policies
- ✓Set parameters
- ✓Ensure long- & short-term financial awareness

Fiscal & Service Impacts of Decisions
- ✓Precedents & unintended consequences

Financial Management: Your Role & Responsibilities

Roles of Staff

City Manager
- ✓Budget Preparation & Recommendations
- ✓Fiscal Policy Recommendations
- ✓Administration

Finance Staff
- ✓Systems Administration
- ✓Internal Controls
- ✓Auditing & Financial reporting
- ✓Annual Comprehensive Financial Report (ACFR)

Department Heads & Staff
- ✓Budget development
- ✓Budget compliance
- ✓Track & report
- ✓Follow financial policies

LEAGUE OF CALIFORNIA CITIES

Taxes & Other City Revenues

- ✓ Taxes, Fees
  & the rest
- ✓ Property Taxes
- ✓ Sales Taxes

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Cities Vary

… and so do their finances

- ✓ Geography: proximity, climate, terrain, access
- ✓ Community Character / Vision: Land use
  Bedroom? Industrial? Tourist? Rural? etc.
- ✓ Size – urban / rural
- ✓ Governance / service responsibilities
  full service city - vs.- not full service

- ❖ Be careful about comparisons
- ❖ Statewide generalizations often mask trends among sub-groups

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City Taxes & Other Revenues

Taxes

- ✓ Charges which pay for public services & facilities that provide general benefits. No need for a direct relationship between a taxpayer's benefit & the tax paid.
- ✓ Cities may impose any tax not otherwise prohibited by state law. (Gov Code § 37100.5). Counties, districts need explicit authorization.
- ✓ The state has reserved a number of taxes for its own purposes including: cigarette taxes, alcohol taxes, personal income taxes.
- ✓ General & Special
  - General Tax - revenues may be used for any purpose.
    - Majority voter approval required for new or increased local tax
  - Special Taxes - revenues must be used for a specific purpose.
    - 2/3 voter approval required for new or increased local tax
    - Parcel tax - requires 2/3 vote

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City Taxes & Other Revenues

Fees & the Rest

California Constitution per Prop218(1996), Prop26(2010), etc.

Any levy, charge or exaction of any kind imposed by a California government, is a **tax** except:

- ✓ **User Fees & Assessments: for a privilege/benefit, service/product** *
  Water fees, sewer fees, development fees, user fees, copying fees, recreation classes, etc.
- ✓ **Regulatory Fees: regulation, permits, inspections** *
  Permits for regulated commercial activities (e.g., bingo, card room, check cashing, taxicab, peddlers, catering trucks, massage parlor, firearm dealers, etc.); fire, health & safety permits; background checks; pet licenses; bicycle licenses.
- ✓ **Rents: charge for entrance, use or rental of government property**
  Facility/room rental fees, room rental fees, equipment rental fees, on & off-street parking, tolls, franchise, park entrance, museum admission, zoo admission, tipping fees, golf green fees, etc.
- ✓ **Penalties for illegal activity, etc.**
  Parking fines, late payment fees, interest charges & other charges for violation of the law.
- ✓ **A payment that is not "imposed by a local government"**
  Includes payments made pursuant to a voluntary contract or other agreement that are not otherwise "imposed" by a government's power to coerce.

*Fee may not exceed reasonable costs.
-Service/product/benefit may not be provided to those not charged.

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Taxes & Fees/etc. Approval Requirements
(California Constitution)

	TAX- General	TAX- Parcel or Special (earmarked)	G.O.BOND (w/tax)	Fee / fine / rent
City / County	Majority voter approval	Two-thirds voter approval	Two-thirds voter approval	Majority of the governing board.*
Special District	n/a	Two-thirds voter approval	Two-thirds voter approval	Majority of the governing board.*
K-14 School	n/a	Two-thirds voter approval (parcel tax)	55% voter approval*	Majority of the governing board.*

* Special procedural rules apply for "property related fees" per CalConst XIIID

* Special Procedures for Adoption

- ✓ Property Related Fees
  including water, sewer, refuse
  (Cal Const Art XIIID §1)
- ✓ Benefit Assessments
  (Cal Const Art XIIID §4)

City Taxes & Other Revenues

Recent New Law: Citizen Initiative Special Taxes

- ✓ California Supreme Court ruled in 2017 & 2018 that citizen initiatives are separate from the actions of local governments & not subject to the tax approval rules that apply to local governments.

  California Cannabis Coalition v. City of Upland (2017) 3 Cal.5th 924. City & County of San Francisco v. All Persons Interested in Matter of Proposition C (2020) 51 Cal.App.5th 703.

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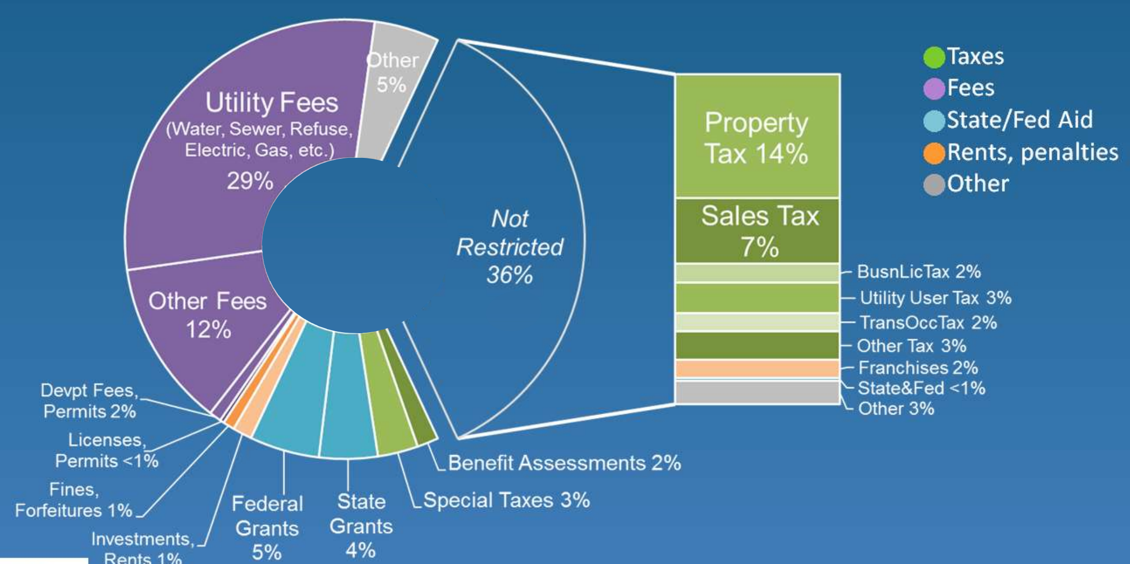
California City Revenues



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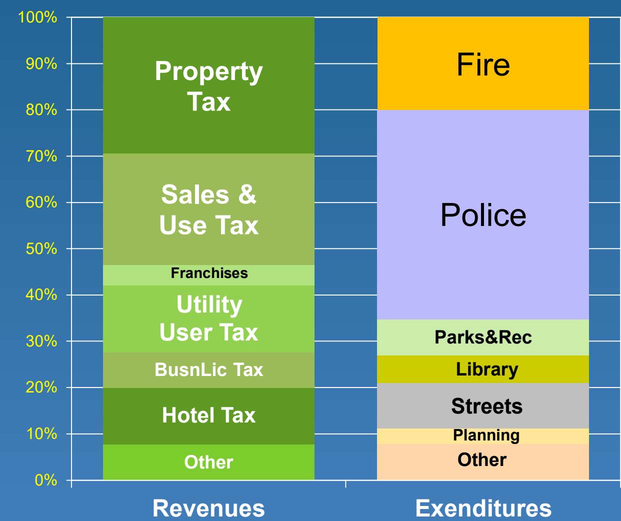
Source: Author's computations from California State Controller data. Does not include the City/County of San Francisco.

City Taxes & Other Revenues

Discretionary Revenues & Spending

Typical Full Service City



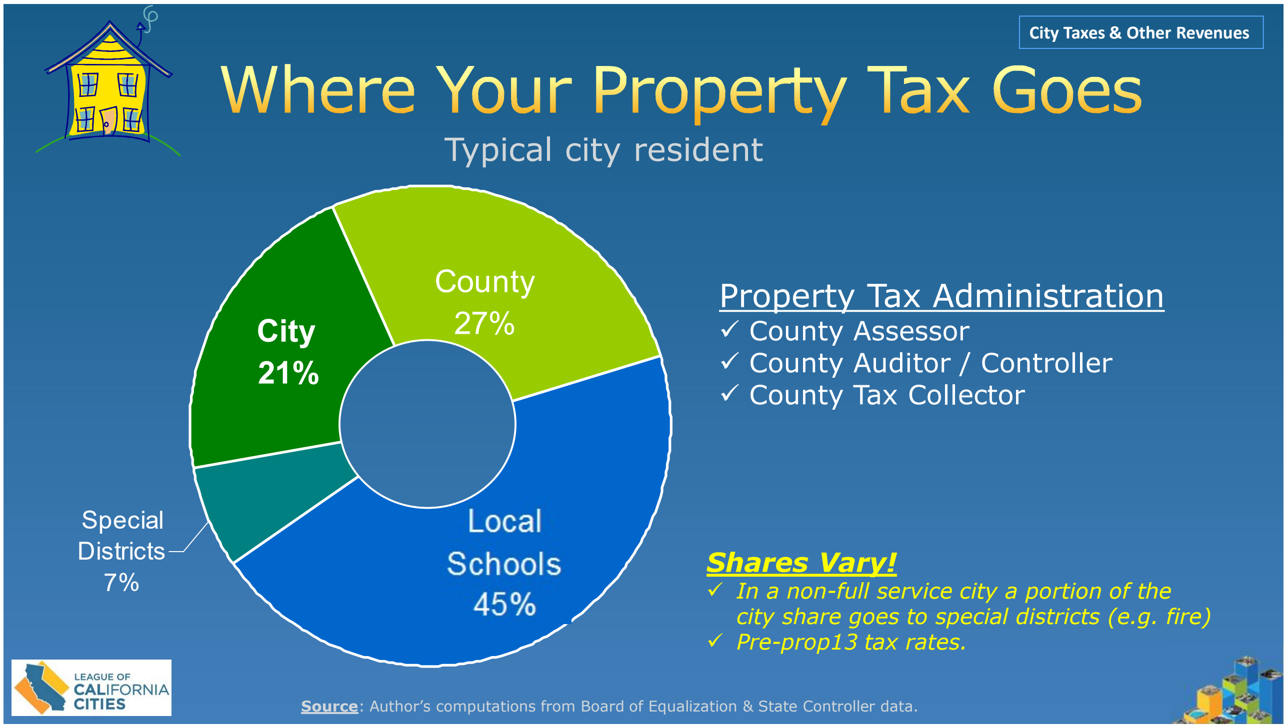
Source: Author's computations from State Controller reports

See Chapter 2.01 of the Municipal Revenue Sources Handbook

City Taxes & Other Revenues

Property Tax

- ✓ An *ad valorem* tax imposed on real property & tangible personal property
- ✓ Maximum 1% rate (Article XIIIA) of assessed value, plus voter approved rates to fund debt
- ✓ Assessed value capped at 1975-76 base year plus CPI or 2%/year, whichever is less
- ✓ Reassessed to current full value upon change in ownership (with certain exemptions)
- ✓ Property that declines in value is reassessed to the lower market value
- ✓ Allocation: shared among cities, counties & school districts according to state law.


City Taxes & Other Revenues
Where Your Property Tax Goes
Typical city resident
County 27%
City 21%
Special Districts 7%
Local Schools 45%
Property Tax Administration
✓ County Assessor
✓ County Auditor / Controller
✓ County Tax Collector
Shares Vary!
✓ In a non-full service city a portion of the city share goes to special districts (e.g. fire)
✓ Pre-prop13 tax rates.
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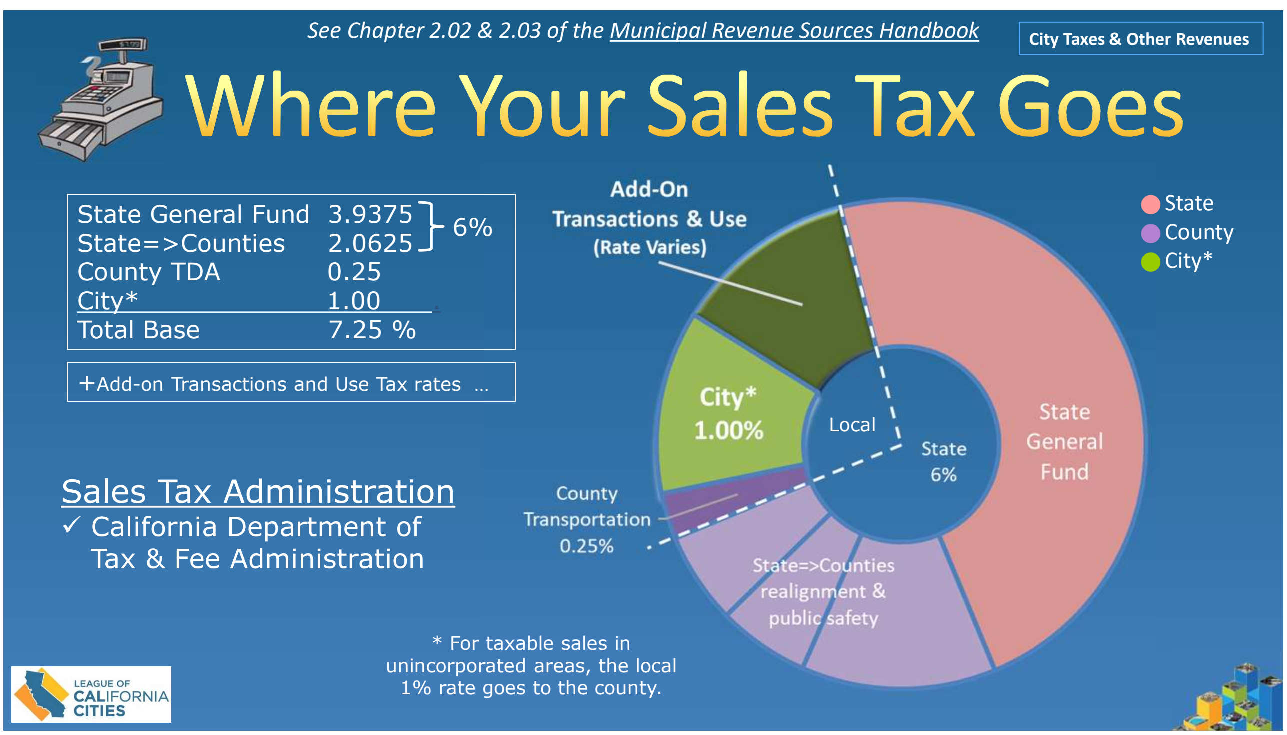
Source: Author's computations from Board of Equalization & State Controller data.


See Chapter 2.02 & 2.03 of the Municipal Revenue Sources Handbook
City Taxes & Other Revenues
Where Your Sales Tax Goes
State General Fund 3.9375
State=>Counties 2.0625
6%
County TDA 0.25
City* 1.00
Total Base 7.25 %
+Add-on Transactions and Use Tax rates …
Sales Tax Administration
✓ California Department of Tax & Fee Administration
Add-On Transactions & Use (Rate Varies)
State
County
City*
City* 1.00%
Local
State 6%
State General Fund
County Transportation 0.25%
State=>Counties realignment & public safety
* For taxable sales in unincorporated areas, the local 1% rate goes to the county.
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See Chapter Two of the Municipal Revenue Sources Handbook

City Taxes & Other Revenues

Other Locally Adopted Taxes

- ✓ Business Operations Tax (BLT)
- ✓ Utility User Tax
- ✓ Lodging Occupancy Tax (TOT)
- ✓ Documentary Transfer Tax
- ✓ Parcel Tax
- ✓ Others: Admissions Tax, Parking Tax, Development Tax, Community Facilities District Tax

Administration

- ➢ Locally adopted & administered by each agency.
- ➢ Rates vary.

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See Chapter Six & Seven of the Municipal Revenue Sources Handbook

City Taxes & Other Revenues

Intergovernmental Revenues

- Revenues subvened (transferred) to city by state, county or federal government
- Nearly all are restricted for specific purposes
- Some by formula, some competitive
- Subject to audit

Major Examples

- State Local Streets & Roads funds (HUTA, RMRA) - from state fuel and vehicle registration taxes
- State Homeowners Property Tax Exemption reimbursement
- Federal Community Development Block Grants (CDBG)
- Federal Community Oriented Policing (COP) grants
- Other grants: CARES, ARPA, parks, libraries

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Budgets & Budget Processes

- ✓ What is a budget?
- ✓ What is in a budget?
- ✓ What is a “fund?”
- ✓ Capital Improvement Program (CIP)
- ✓ Budget process

What *is* a Budget?

- ✓ Financial Plan *projecting* revenues & *authorizing* spending (usually 1-2 years)
- ✓ Reflects policies & priorities
- ✓ *How* services are to be provided
- ✓ How services are to be paid for
  - On-going vs one-time revenues & expenses
  - Set-aside revenues when costs obligated
- ✓ Provides legal authority from city council to spend

Financial reports & audits:
- what happened
- financial condition

What is *in* a Budget?

- **Summary discussion** of revenues, expenses & economic conditions
- Reflects the community's **priorities**
- Good estimates of **revenues by type/ source**
- Good estimates of **expenses by department & fund**
- **History of actual** revenue/expense by function
- Anchored to long term **forecasts** (~5 years)
- **Capital Improvement Budget** - tied to Capital Improvement Plan (multi-year)

What is a "Fund"?

A "fund" is a self-balancing set of accounts for all financial transactions of specific activities.

General Fund
- Primary operating fund
- Revenues not required to be accounted for in another fund

Enterprise Funds
- Operations similar to business funded mostly by fees.

e.g., water, sewer, stormwater, refuse, golf, marina, utilities, etc.

Special Revenue Funds
- Revenues legally restricted to specific purposes: grants, special taxes, assessments.

e.g., state transportation tax allocations

Internal Service Funds
- Services provided to other departments on a cost-basis

e.g., risk management, fleet, information tech., etc.

Trust Funds
- Assets held for others – not for general city operations

e.g., pension fund, fiduciary funds, etc.

Budgets & Budget Processes

Budget Alternatives

Terms:

- One fiscal year, July 1 – June 30 (typical)
- Biennial Budget (two fiscal years)

Types:

- Operating
- Capital Improvement

Formats & Styles:

- Line item
- Performance based
- Program
- Zero Based

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Budgets & Budget Processes

Capital Improvement Plan (CIP)

- For infrastructure or capital investment
- Revenues come from a variety of sources:
  Restricted taxes, grants, enterprise funds, impact fees, general fund
- Capital Improvement Plan should look forward five years, preferably ten
- Capital Improvement Budget for the year included with operating budget adoption

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Budgets & Budget Processes

Budget Process

- A budget takes months to prepare
- Performance standards or measures help ensure investment meets desired outcomes
- Your budget calendar & review process should be meaningful
- Your process should allow for needed input at the appropriate times
- Each agency does it differently!

Budgets & Budget Processes

A Typical Annual Budget Process

Source: City of Roseville, CA

Long-Term Financial Planning

Combines **financial forecasting** with **financial strategizing** to identify **future challenges** & **opportunities**, fiscal imbalances, & strategies to secure **financial sustainability.**

Why?

- Respond to a financial crisis
- Bring financial perspective to planning
- Stimulate long-term thinking
- Stimulate "big picture" thinking
- Address a particular issue or proposal
- Impose discipline
- Demonstrate good fiscal management to all stakeholders

Financial Reporting & Auditing

- ✓ Fund Accounting
- ✓ Components of an ACFR
- ✓ Other Reporting & Audits

Financial Reporting & Auditing

The Annual Comprehensive Financial Report (ACFR)

- Letter of Transmittal
- Independent Auditor’s Report
- Management Discussion & Analysis
- Basic Financial Statements & Note Disclosures
- Supplementary Information & Statistical Section

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Financial Reporting & Auditing

Management’s Discussion & Analysis (MD&A)

- Narrative overview of Basic Financial Statements
  - Explains components
  - Highlights year-over-year changes
  - Analysis of individual funds
- What to look for:
  - Changes in net position
    - Capital assets vs. unrestricted net position
    - Underlying reasons...One-time occurrences or a trend?
  - Changes in fund balance

    The change itself is less important than the explanation
  - Analysis of the General Fund

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Types of Financial Statements

1. Income Statement: Summarizes a government's revenues, expenses, and changes in net assets for the fiscal year.

2. Balance Sheet: Summarizes a government's assets, liabilities, and net assets at the end of the fiscal period.

3. Cash Flow Statement: Shows how the government receives and uses cash to carry out its mission.

Basic Financial Statements

Government-wide
This is the agency-wide roll-up

Governmental Funds
- General Fund
- Special revenue funds
  e.g., special taxes, grants

Proprietary Funds
- Enterprise funds
  e.g., utilities, etc.
- Internal Service funds

Note: Fiduciary Funds (trust funds, redevelopment dissolution funds, etc.) are a separate component & do not roll-up into the government-wide financial statements.

Pensions & OPEBs
(Other Post-Employment Benefits)

- ✓ Pension Funding
- ✓ Employer Contribution Rates
- ✓ Other Post Employment Benefits (OPEB)

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Retirement Plans

Defined Contribution
401k, 457b, 403b

Employees (&/or employers) contribute a fixed amount or a percentage of pay in an account that is intended to fund retirement.

Defined Benefit
"Pension"

Employee benefits are computed using a formula that considers several factors, such as length of employment & salary history.

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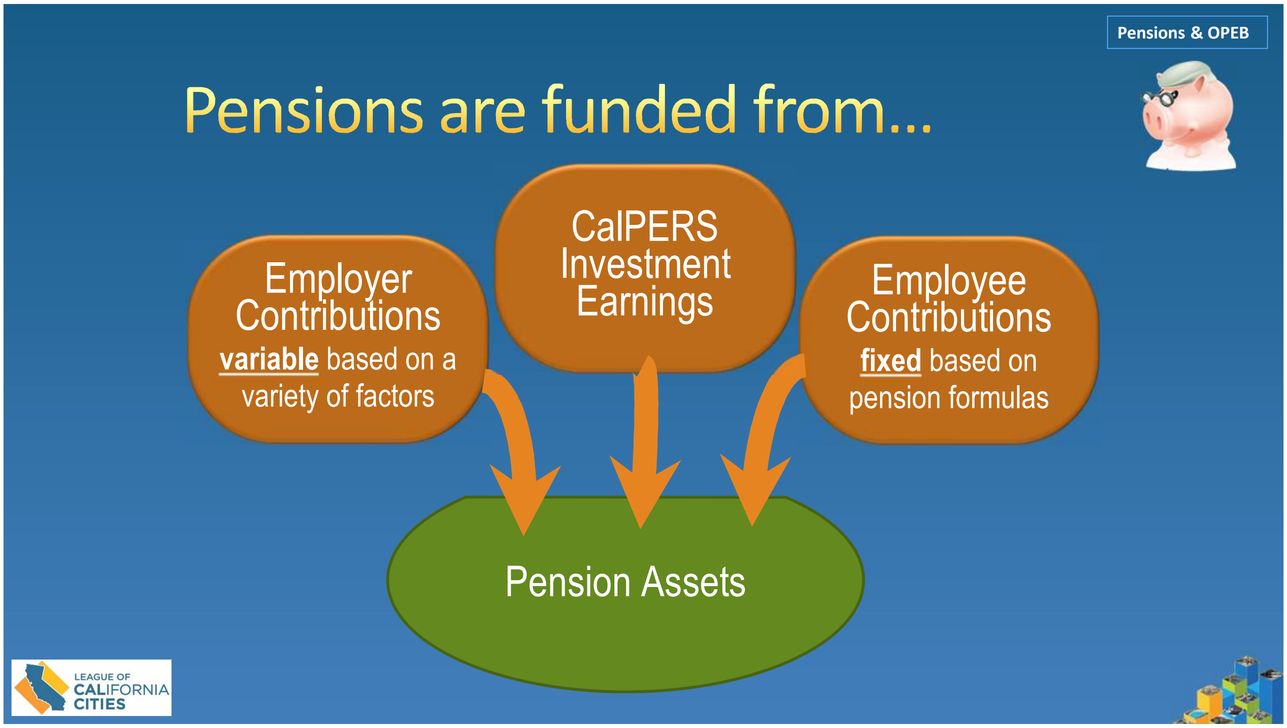
Pensions & OPEB
Pensions are funded from…
Employer Contributions
variable based on a variety of factors
CalPERS Investment Earnings
Employee Contributions
fixed based on pension formulas
Pension Assets
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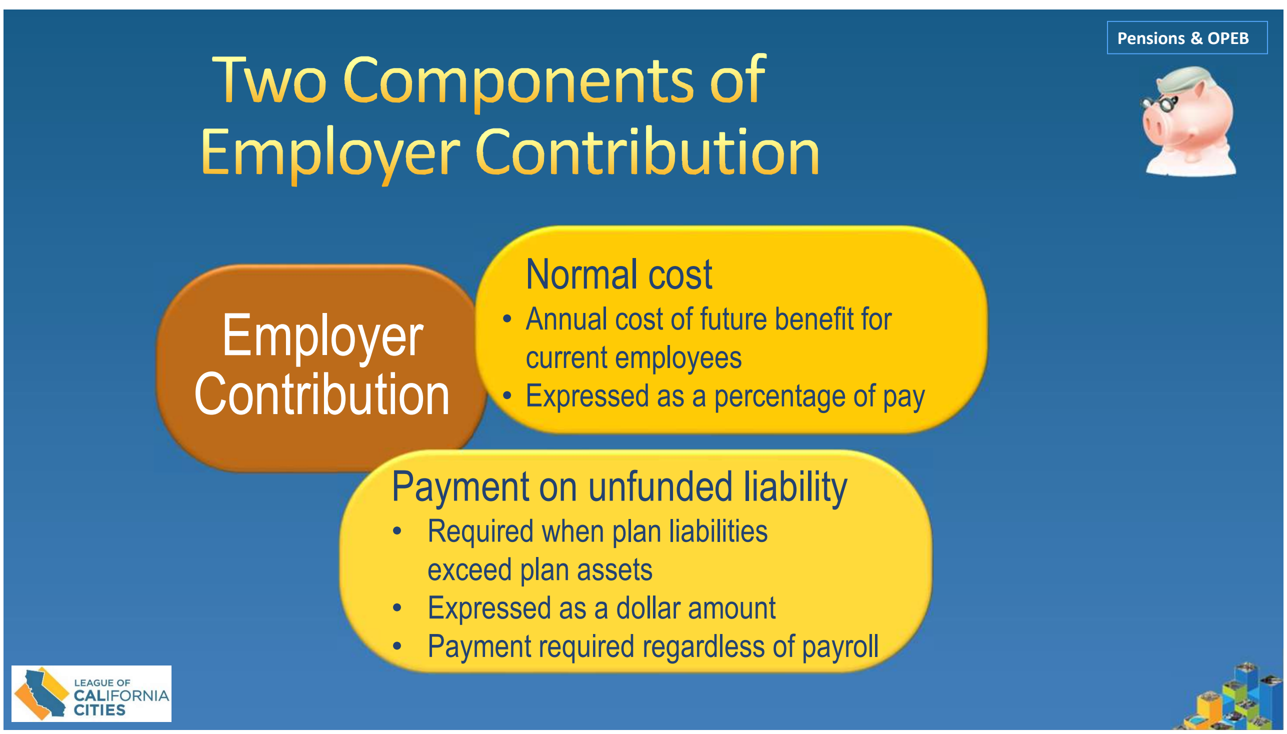
Pensions & OPEB
Two Components of Employer Contribution
Employer Contribution
Normal cost
• Annual cost of future benefit for current employees
• Expressed as a percentage of pay
Payment on unfunded liability
• Required when plan liabilities exceed plan assets
• Expressed as a dollar amount
• Payment required regardless of payroll
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Pensions & OPEB

Employer Contribution

Factors cause the employer rate to change including:

- Retirement Fund (e.g. CalPERS) investment earnings
- Benefit changes
  - Formula changes applied retroactively
- Changes in actuarial assumptions
  - Economic, such as the rate of investment return
  - Demographic, such as mortality rates
  - Other experience
    - Pay increases exceeding assumptions

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Pensions & OPEB

Employer Contribution

Actuarial Valuation Reports

- Take into account participant data (active, transferred, terminated, retired & beneficiaries) & changes in assumptions
- Provide a snapshot in time of the plan's assets, liabilities & funded status (usually as of June 30th)
- Determine the required contributions for upcoming fiscal year
- Highlight changes from previous year's valuations
- Provide risk analysis

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Pensions & OPEB

Employer Contribution

Example City Misc. Plan (does not include cost share)

	2023-24	2024-25
Normal Cost Contribution as a Percentage of Payroll		
Total Normal Cost	20.15%	19.58%
Employee Contribution[1]	7.84%	7.80%
Employer Normal Cost[2]	12.31%	11.78%
Projected Annual Payroll for Contribution Year	$16,386,705	$18,455,872
Estimated Employer Contributions Based On Projected Payroll		
Total Normal Cost	$3,301,921	$3,613,660
Offset Due to Employee Contributions	1,284,718	1,439,558
Employer Normal Cost	2,017,203	2,174,102
Unfunded Liability Contribution	3,073,625	3,828,005
% of Projected Payroll (illustrative only)	18.76%	20.74%
Estimated Total Employer Contribution	$5,090,828	$6,002,107
% of Projected Payroll (illustrative only)	31.07%	32.52%

Funded Status

	June 30, 2021	June 30, 2022
1. Present Value of Benefits	$158,704,184	$172,312,773
2. Entry Age Accrued Liability	133,868,077	144,537,370
3. Market Value of Assets (MVA)	110,117,841	102,050,429
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$23,750,236	$42,486,941
5. Funded Ratio [(3) / (2)]	82.3%	70.6%

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Pensions & OPEB

Responding to Escalating Costs

- ✓ Some cities implemented new tiers (different retirement formulas)
- ✓ Public Employees' Pension Reform Act (PEPRA)
  - 2013 California law established new tiers for new employees
- ✓ Pension obligation bonds- not recommended
- ✓ Section 115 Trusts
  - Once paid into the trust, can only be used to pay pension costs
- ✓ Cost Sharing: Employee sharing in employer contribution rate

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Pensions & OPEB

Other Post-Employment Benefits (OPEB)

- Retiree benefits other than pension; can include life insurance, medical insurance, etc.
  - Largest component: retiree healthcare
- Significant & increasing liability for many cities
  - More retirees
  - Retirees living longer
  - Increasing healthcare costs

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Capital Financing & Debt

✓ Methods of Financing
✓ Types of Bonds

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Capital Financing & Debt

Examples of Capital Assets

- Facilities
- Vehicles & Equipment
- Land & improvements
- Infrastructure (water, sewer, streets)

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Capital Financing & Debt

Pay as You Go (Pay-Go) *versus* Pay as You Use (Debt)

Methods	Pros	Cons
Pay-as-you-go (savings/replacement funds)	• Future funds are not tied up in servicing debt payments • Interest savings put to other projects • Greater budget transparency • Avoid risk of default	• Long wait time for new infrastructure • Large projects may exhaust agency's entire budget • Inflation risk
Pay-as-you-use Debt Financing (Bonds)	• Infrastructure is delivered when needed • Spreads cost over useful life of asset • Increases capacity to invest • Beneficiaries pay for projects	• Potentially high borrowing rate • Debt payments limit future budget flexibility • Generations forced to service debt requirements
Public Private Partnerships (P3)	• Risk transfer • External funding • Lower operating costs, & higher revenues • Improved user experience • Accelerated project delivery	• Loss of operational control • Changes in scope or performance standards • Non-transferable risks (changes in laws, third party governmental agencies etc.)

CALIFORNIA CITIES

Capital Financing & Debt

Types of Municipal Bonds

General obligation bonds

- IOU issued by governmental entity to finance large projects
- Backed by property tax revenue, to repay bonds over 20–30-year period
- Can increase property tax to repay but requires 2/3rd voter approval
- Generally done to acquire or improve real property

    Example: parks, roads, school facilities etc.

Revenue bonds

- Issued to acquire, construct or expand public projects
- Backed by fees or charges & paid from income generated by the facility or related service

    Example: Water/Wastewater infrastructure financing

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Investing & Cash Management

- ✓ SLY: Safety, Liquidity, Yield
- ✓ The Prudent Investor Standard
- ✓ Allowable Investments
- ✓ A good Investment Program

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The S.L.Y. Principles

Yield	Earn reasonable return relative to risk
Liquidity	Able to meet cash outflow needs
Safety	Invest to preserve capital

"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds,

- *the **primary objective of a trustee shall be to safeguard the principal** of the funds under its control.*
- *The **secondary objective shall be to meet the liquidity needs** of the depositor.*
- *The **third objective shall be to achieve a return** on the funds under its control."*

~ Calif Gov Code Section 53600.5 (emphasis added)

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."*

~ Calif Gov Code Section 53600.3 (emphasis added)

Investing & Cash Management

Allowable Investments

Cal Gov Code Sec 53601

Allowable Investments. Cal Gov Code Sec 53601

Investment Type	Maximum Maturity	Maximum % of Portfolio	Minimum Quality
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper - Non-Pooled Funds (under $100m of investments)	397 days	25%	Highest rating
Commercial Paper - Non-Pooled Funds ($100m+ of investments)	397 days	40%	Highest rating
Commercial Paper - Pooled Funds	270 days	40%	Highest rating
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	50%	None
Placement Service Certificates of Deposit	5 years	50%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	"A" rating
Mutual Funds & Money Market Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through & Agency-Backed Securities	5 years	20%	"AA" rating
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	"AA" rating
Public Bank Obligations	5 years	None	None

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Investing & Cash Management

Habits of a Successful Investment Program

1. Rigorous cash flow modeling (asset/liability matching)
2. Adheres to a well designed Investment Policy
3. Responsible amount of interest rate risk & credit risk
4. Doesn’t try to time the market
5. Loves losses & hate gains (the unrealized kind)
6. Follows Generally Accepted Accounting Principles (GAAP)
7. Program & portfolio benchmarked in multiple ways
8. Provides quality, timely, transparent reporting

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Financial Policies: The Foundation of Fiscal Health

- ✓ Plans versus Policies
- ✓ Topics for Financial Policies
- ✓ Policy versus Practice: Make ‘em Work
- ✓ The Importance of Evaluating Long Term Financial Health

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Financial Policies

Financial Policies

- ✓ Act as your “north star,” guiding your actions
- ✓ Make tough decisions easier by formalizing values & procedures before a crisis hits
- ✓ You could decide to do something else
- ✓ Bottom line… good policies always give you a starting point

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Financial Policies

Formal Policies

Put financial policies in writing so that they:

- ✓ Can outlive the crisis … or prepare you for one
- ✓ Promote stability & continuity
- ✓ Create efficiency through standardization
- ✓ Don’t rely on an individual to interpret best practices

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Financial Policies

Important Financial Policies

- ❑ Balanced Budget
- ❑ User Fees & Cost Recovery
- ❑ Enterprise Funds:
  Subsidize or not?
- ❑ Reserves & Fund Balance
- ❑ Budget Amendments
- ❑ Budget Carryover
- ❑ Revenue Earmarking
- ❑ Capital Financing & Debt Management
- ❑ Financial Reporting
- ❑ Investments
- ❑ Purchasing, bidding, contracting
- ❑ Travel guidelines
- ❑ Credit Card Use

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Financial Policies

Crucial Point:
Policy versus Practice

- ✓ Policy should include specific objective but not detailed steps in meeting that objective
- ✓ Make policy brief & concise
  - Example: "User fees should be reviewed & adjusted at least annually to avoid sharp changes."
- ✓ For "how to" steps, use "Administrative Procedures."

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Procurement & Contracting

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Procurement & Contracts

Public Procurement

- Not designed to achieve speed, rather provide a fair & competitive process
- Locally adopted ordinances or policies for supplies & services
- State law provides public works project requirements

Avoid:

- ✗ Personal bias for business
- ✗ Receipt of gifts from possible vendors

Do:

- ✓ Follow established purchasing policies
- ✓ Consult with city manager, finance, city attorney

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Procurement & Contracts

Purchasing Policy

Under California Public Contract Code 20162, public bidding is required for contracts over $5,000, unless a City opts into the California Uniform Public Construction Cost Accounting Act (“UPCCAA”).*

Amount	Method	Authority
Up To $75,000	Force Account (inhouse), Negotiated Contract, or Purchase Order	City Manager
Over $75,001 & Up To $220,000	Informal Bidding	City Council or City Manager upon Designation
Over $220,000	Formal Bidding	City Council

* *Public Contract Code Sections 22000-22045*

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Procurement & Contracts

Typical City Bid Levels:
What is Your City's Policy?

Amount	Method	Authority
$10,000 or less	Informal Bid	City Manager → Department Heads
$10,000 to $25,000	Informal Bid	City Manager → Purchasing Officer (Finance Director)
$25,000 to $75,000	Competitive Bid	City Manager
$75,000 or more	Competitive Bid	City Council

Quarterly report to City Council on all contracts approved within City Manager authority, with amount, purpose, & contractor.

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Ethics & Financial Administration

✓ The GFOA Code of Ethics

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Ethics

Ethics in Public Financial Management

Integrity & Honesty
- ✓ Manage public finances honestly & transparently.
- ✓ Stand for my values. Speak out to what is right & wrong.
- ✓ Be open to new ideas. Have humility.

Produce Results for the Community
- ✓ Do high-quality work.
- ✓ Hone my knowledge & expertise.
- ✓ Exercise good judgement.

Treat People Fairly
- ✓ Respect the rights of others.
- ✓ Develop processes & procedures that are fair.

Diversity & Inclusion
- ✓ Provide people with opportunities to be part of decisions that impact them.
- ✓ Support equity in service provision.

Reliability & Consistency
- ✓ Develop & follow strong financial policies.
- ✓ Produce reliable, truthful information
- ✓ Provide timely information.

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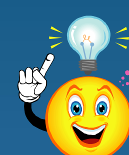
Source: Government Finance Officers of America Code of Ethics

Top Tips for Financial Management



1. Obtain **key documents**:
   - Annual Operating Budget
   - Capital Improvement Program
   - Annual Comprehensive Financial Report (ACFR)
   - Long Range Financial Plan
   - Interim Financial Reports
   - Investment Reports

2. Get familiar with & use **Financial Policies**.

3. Know the difference between a "one-time" solution versus a "defer" solution versus a "sustainable" solution
   - ✓ One-time solutions fix a current problem, but not an on-going one.
   - ✓ Deferrals "put-off" a problem by fixing a one time problem but create as much or more added costs in future years.
   - ✓ A sustainable solution fixes an on-going budget problem now & into the future.

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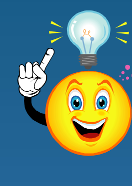
Top Tips for Financial Management



4. Be prepared for **hard questions** about programs:
   1) What is the purpose of this program? Why is it needed?
   2) What are the specific intended outcomes of this program?
   3) What are the measurable objectives?
   4) What are the cost components: personnel, contracts, supplies, equipment, etc.?
   5) How will the costs of this program change in the future?
   6) What are the alternative service delivery approaches?
   7) What sources of money pay for this?
   8) What are the consequences of not doing this program?
5. Avoid unsustainable budget practices including:
   - Exhaust the reserves
   - Freeze vacant positions
   - Make across the board cuts
   - Defer equipment purchases
   - Defer essential maintenance
   - Long-term formula driven spending
   - Defer pension or capital funding contributions
   - Eliminate training
   - Borrow from other funds
   - Ignore the small cuts

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Resources for Further Study

1. The California Municipal Revenue Sources Handbook Sixth Edition. https://www.calcities.org/resource/municipal-revenue-sources-handbook
2. Governing Guide to Financial Literacy V 1 & 2: http://www.governing.com/papers/A-Public-Official-s-Guide-to-Financial-Literacy.html
3. "Six Things to Know When Issuing Municipal Bonds", Municipal Securities Rulemaking Standards Board. https://www.msrb.org/sites/default/files/MSRBSixThingstoKnow.pdf
4. Public Engagement in Budgeting, ILG http://www.ca-ilg.org/sites/main/files/file-attachments/community_budget_5.5.14.pdf
5. California Legislative Analyst's Office, "CalFacts" https://lao.ca.gov/reports/2024/4942/CalFacts-2024-120224.pdf
6. Multari, Coleman, Hampian and Statler: Guide to Local Government Finance in California, Solano Press 2019
7. The California Local Government Finance Almanac http://californiacityfinance.com/
8. Government Finance Officers Association (GFOA) http://www.gfoa.org/

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