

CITY OF MOUNTAIN VIEW  
RESOLUTION NO.  
SERIES 2018

A RESOLUTION OF THE CITY COUNCIL MODIFYING  
CITY COUNCIL POLICY A-11, FINANCIAL AND BUDGETARY POLICY

WHEREAS, City Council Policy A-11, Financial and Budgetary Policy, addresses City debt management policies; and

WHEREAS, Senate Bill (SB) 1029 amended Section 8855 of the Government Code to require that local government issuers of public debt adopt a debt management policy, which includes specified provisions concerning the use of debt and provides a framework for debt issuance, capital planning, and postissuance debt administration; and

WHEREAS, on March 27, 2018, the Council Finance Committee discussed modifications to the debt management policies to satisfy the requirements of Government Code Section 8555 and recommended amending Council Policy A-11 to incorporate the following:

- The purposes for which the debt proceeds may be used;
- The types of debt that may be issued;
- The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable;
- Policy goals related to the issuer's planning goals and objectives;
- The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use;

and other cleanup and minor modifications as identified by underline and strikeout in the attached copy of Policy A-11 (Exhibit A to this resolution); and

WHEREAS, debt management policies should be periodically updated to maintain compliance with new regulations and the proposed modifications will make Policy A-11 compliant with SB 1029; and

WHEREAS, staff is also recommending some minor changes to language and to add to the Reserve policies two new reserves as follows:

- Transportation Reserve
- Sea Level Rise Reserve

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Mountain View that the City Council adopts the modifications to City Council Policy A-11, as shown in Exhibit A, attached to this resolution.

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PJK/2/RESO  
546-06-12-18r-E

Exhibit: A. City Council Policy A-11

**CITY COUNCIL POLICY**

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SUBJECT: FINANCIAL AND BUDGETARY POLICY

NO.: A-11

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PURPOSE:

A comprehensive and consistent set of financial and budgetary policies provides a basis for sound financial planning, identifies appropriate directions for service level development, aids budgetary decision making, and serves as an overall framework to guide financial management and operations of the City of Mountain View (City).

This document incorporates existing adopted and informal policies. The formal adoption of financial policies allows for the consistent management of the City's financial resources and avoids the possibility of inconsistent or conflicting policies. These policies will establish criteria to evaluate the City's financial condition and to create a sound financial base for City operations.

A city's adoption of financial policies also promotes public confidence and increases the city's credibility in the eyes of bond rating agencies and potential investors. Such policies also provide the resources to react to potential financial emergencies in a prudent manner.

While these City Council-adopted policies will be amended periodically, the adoption of these policies will bring increased consistency to the management of the City's financial resources while establishing criteria and fiscal goals.

Policies presented here address the following topics:

1. Budget Policies
2. Revenue Policies
3. Expenditure Policies
4. Reserve Policies
5. Capital Improvement Policies
6. Cash Management and Investment Policies
7. Accounting Policies

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8. Debt Management Policies

9. Risk Management Policies

### POLICY:

#### 1. Budget Policies

- a. The adopted budget shall serve as the annual financial plan for the City. This financial plan shall include the goals and objectives set by the City Council and the level of services determined by the City Council.
- b. A structurally balanced General Operating Fund budget will be adopted annually, whereby recurring operating expenditures shall not exceed recurring operating revenues.
- c. A midyear budget status report will be presented to the City Council annually.
- d. A budget Study Session will be held annually to review the "Narrative Budget" prior to the submittal of the proposed operating budget to the City Council.
- e. The proposed budget shall be prepared by City staff and submitted to the City Council prior to the budget hearing each fiscal year.
- f. The City Council shall adopt an annual operating budget before the first of July of each fiscal year.
- g. The Finance and Administrative Services Director shall have authority to make minor corrections in compiling the adopted budget.
- h. The City Manager or his/her designee shall have discretion for budget adjustments within a fund and within a department's operating budget.

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- i. All budget adjustments between funds or departments shall be submitted to the City Council for approval.
- j. Performance and workload measures which reflect the effectiveness, efficiency, or workload of departmental operations will be included in the annual budget. The budget should include comparisons of actual performance to a target goal.

### 2. Revenue Policies

- a. The development and maintenance of diversified and reliable revenue streams will be the primary revenue policy of the City. The City will focus its efforts to optimize existing revenue sources while periodically reviewing potential new revenue sources.
- b. Revenues for the General Operating Fund will be forecast for the upcoming budget year and the four subsequent fiscal years.
- c. Revenues will be estimated conservatively using information provided by State and other governmental agencies, trending of historical information, and other relevant information.
- d. Sources of revenues will be evaluated periodically to determine their applicability and relevance to City needs.
- e. Fees and charges for services will be evaluated and, if necessary, adjusted annually. The City's objective in setting fees and charges for services is to achieve a reasonable level of cost recovery for services that are not provided to, or do not benefit, the community as a whole.
- f. Periodic reviews or audits of significant revenue sources will be conducted to determine the accuracy of amounts paid and to monitor developments in the City's revenue base.

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### 3. Expenditure Policies

- a. City services and operations will be provided in an efficient manner with the objective of delivering the highest level of service possible at the lowest level of expenditure.
- b. Expenditures for the General Operating Fund will be forecast for the upcoming budget year and the four subsequent fiscal years.
- c. Expenditures will be estimated conservatively using information provided by State and other governmental agencies, trending of historical information, and other relevant information.
- d. A good internal control structure assuring that only properly authorized expenditures are made will be maintained.
- e. Expenditures will be controlled at the fund and department level and will not exceed appropriations without City Council authorization. Appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered.
- f. Obligations of the City will be recognized when incurred. Encumbrances will be used for outstanding commitments. Encumbrances outstanding at year end will be carried over to the next fiscal year and are automatically reappropriated for inclusion in the next fiscal year's budget.

### 4. Reserve Policies

The following is a list of reserves currently in place at the time these policies were adopted. City Council has the authority to add or remove reserves as needed at their discretion. Some reserves are only needed for a short period of time. This list will be updated each time the policies are updated. Reserves that affect the financial stability and credit worthiness of the City, such as the General Fund Reserve, will be maintained to the degree financial stability and credit worthiness are unaffected to the greatest extent possible.

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- a. The General Fund Reserve, to be funded at a level between 20.0 percent to 25.0 percent of General Operating Fund budgeted expenditures, net of budget savings, shall be used: (1) for City Council-approved expenditures not appropriated during the annual budget process; (2) to cover unanticipated revenue shortfalls; (3) in situations of extreme physical or financial emergency (with the approval of the City Council); (4) to generate ongoing investment earnings; and (5) as a funding source for interfund loans and other loans or advances from the General Fund as approved by City Council. Such loans and advances should accrue interest earnings for the General Operating Fund and include principal repayment to the extent possible.
- b. The General Fund Budget Contingency Reserve shall be used to provide one-time financial resources during uncertain economic conditions. This reserve may be used for such things as the transitioning of positions to be eliminated, the phasing out of certain expenditures, smoothing of employee benefit changes, or anticipated or unanticipated revenue declines, as approved by City Council.
- c. The General Fund Earned Lease Revenue Reserve shall be used to accumulate the rent from the ground lease of a portion of the City's Charleston East property to Google Inc. (Google). Google prepaid \$30.0 million as rent for the initial approximately 52-year lease term. The intent is for this reserve to accumulate the rent, as it is earned, so that the \$30.0 million principal balance will be available at the end of the initial lease term.
- d. The General Fund Transportation Reserve shall be used for the purpose of major priority transportation projects to mitigate traffic congestion, improve infrastructure, and meet the needs of the City, as authorized by the City Council.
- e. The General Fund Capital Improvement Reserve, to be funded with a goal of a minimum balance of \$5,000,000, shall be used for the funding of unanticipated priority capital improvement projects authorized by the City Council. To the extent possible, General Operating Fund carryovers remaining from the end of the fiscal year, not designated for other reserve purposes, may be applied to this Reserve.

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- | ef. The General Fund Open Space Acquisition Reserve shall be used for the purpose of acquiring open space to meet the needs of the City and as authorized by the City Council. Proceeds from excess City-owned properties shall fund this Reserve as directed by City Council.
- | fg. The General Fund Strategic Property Acquisition Reserve shall be used for the purpose of setting aside specific funds for the City to use for the acquisition of strategic property(ies).
- | gh. The General Fund Property Management Reserve shall be used to provide a source of funds for obligations which could arise from the City's leasing of property, including legal services, certain responsibilities identified in land leases, environmental testing, or other costs normally incurred by a lessor.
- | hi. The Graham Site Maintenance Reserve shall be used to fund the maintenance obligations, per the agreement with the school district, of the Graham Sports Complex, including the playing field at Graham Middle School beneath which the City has a reservoir.
- | ij. The Compensated Absences Reserve shall fund the disbursements of terminated or retired employees for accrued vacation and sick leave or other accrued leave as applicable. This Reserve shall be funded at a minimum of 80.0 percent of the accrued liabilities of the City for compensated absences such as vacation and vested sick leave.
- | jk. The Equipment Replacement Reserve shall be maintained to fund the replacement of capital equipment. The financial objectives of this fund is to permit the budgeting of level annual amounts for capital equipment replacement while utilizing this fund's reserves to absorb the cash flow variations caused by the timing of asset replacements. Major categories of capital assets (e.g., vehicles, information technology equipment, Police and Fire radios, CAD/RMS system hardware and Communications Center furniture and equipment, etc.) are included in this Reserve. Appropriations for this fund will be requested in the annual budget. It is policy direction that capital assets not be replaced before the end of their useful life unless justified by operating necessity.



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- kl. The Workers' Compensation Self-Insurance Reserve shall be maintained at a level deemed adequate to meet projected liabilities as determined by an actuarial valuation to be conducted at least once every three years. This reserve may also be used for the backfill of public safety positions out on Workers' Compensation up to Two Hundred Thousand Dollars (\$200,000) annually. In addition to projected liabilities, the reserve balance shall include at a minimum the provision for two catastrophic losses at the City's current level of self-insured retention.
- lm. The Liability Self-Insurance Reserve shall be maintained at a minimum level of \$2.0 million plus an amount deemed appropriate to cover expected claim settlements for the current fiscal year.
- mn. The Unemployment Self-Insurance Reserve will be reviewed annually and maintained at a level adequate to meet estimated unemployment liabilities.
- no. The Employee Benefits Plan (Prescription/Vision) Reserve will be reviewed annually and maintained at a level adequate to meet estimated benefit liabilities.
- op. The Retirees' Health Insurance Program Reserve will be accounted for in accordance with Generally Accepted Accounting Principles (GAAP) which includes a periodic actuarial evaluation of the City's liability and for each fund to contribute, to the extent possible, its Annual Required Contribution (ARC). In addition, to the extent possible, payments toward the Unfunded Actuarial Accrued Liability (UAAL) shall be made. This Reserve may be held with a third-party trustee for the benefit of the retirees.

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pq. The Shoreline Regional Park Community shall maintain reserves as follows:

- (1) General Reserve shall be maintained at 25 percent of operating expenditures.
- (2) Sea Level Rise Reserve shall be incrementally increased to accumulate approximately \$30 million in funds for projects identified in the Shoreline Sea Level Rise Study.
- (3) Landfill Reserve shall be incrementally increased to accumulate funds to rebuild the landfill system. The Landfill Master Plan identified a need for a \$12 million reserve to rebuild the landfill system in case of a catastrophic event.

qr. The Water Fund Reserve shall be maintained as follows:

- (1) Minimum 10 percent of operating budget for emergencies.
- (2) Minimum 5 percent of operating budget for contingencies.
- (3) Goal of 10 percent of operating budget for rate stabilization.
- (4) Goal for capital improvements which averages the amount budgeted for annual maintenance capital improvement projects over the prior three to five fiscal years.

The purpose of the rate stabilization funds is to buffer any significant changes in revenues or expenses. Use of the rate stabilization funds is allowed to gradually or incrementally change rates in any fiscal year to lessen the impact of an otherwise significant rate change. The funds are to be adjusted in following fiscal years to meet the 10 percent guideline.

qs. The Wastewater Fund Reserve shall be maintained as follows:

- (1) Minimum 10 percent of operating budget for emergencies.
- (2) Minimum 5 percent of operating budget for contingencies.

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- (3) Goal of 10 percent of operating budget for rate stabilization.
- (4) Goal for capital improvements which averages the amount budgeted for annual maintenance capital improvement projects over the prior three to five fiscal years.

The purpose of the rate stabilization funds is to buffer any significant changes in revenues or expenses. Use of the rate stabilization funds is allowed to gradually or incrementally change rates in any fiscal year to lessen the impact of an otherwise significant rate change. The funds are to be adjusted in following fiscal years to meet the 10 percent guideline.

†. The Solid Waste Fund Reserve shall be maintained as follows:

- (1) Minimum 10 percent of operating budget for emergencies.
- (2) Minimum 5 percent of operating budget for contingencies.
- (3) Goal of 10 percent of operating budget for rate stabilization.
- (4) Required Financial Assurance Mechanisms (FAMs) if applicable.

The purpose of the rate stabilization funds is to buffer any significant changes in revenues or expenses. Use of the rate stabilization funds is allowed to gradually or incrementally change rates in any fiscal year to lessen the impact of an otherwise significant rate change. The funds are to be adjusted in following fiscal years to meet the 10 percent guideline.

### 5. Capital Improvement Policies

- a. A five-year comprehensive Capital Improvement Program (CIP), identifying proposed major construction projects, capital equipment outlays, land acquisition, and other capital improvement expenditures, and providing an analysis of the estimated funding available and necessary to fund these projects, shall be prepared biennially and presented to the City Council for

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- approval. In the years when a five-year CIP is not prepared, capital projects for a single year will be presented to City Council for approval.
- b. The CIP shall identify all proposed projects to be initiated during the five-year period.
  - c. The first year of the CIP and single-year capital projects shall be appropriated with the annual budget. The appropriations for each project are ongoing until project completion, project cancellation, or amendment.
  - d. The first year of the CIP and single-year capital projects shall only include those projects which can reasonably be accomplished or substantially started within the fiscal year.
  - e. Recurring annual projects shall be closed out at the end of the fiscal year or as soon as all related expenditures have been paid.
  - f. Capital projects will be reviewed on an annual basis for amendments or potential closure/cancellation.
  - g. A list of unscheduled projects (projects not included in the five-year period) will be identified in the CIP as an indication of potential future projects.
  - h. Future potential ongoing operating costs associated with a project will be identified with the project in the CIP.
6. Cash Management and Investment Policies
- a. The City will follow modern cash management practices that require active revenue oversight, prompt collection, deposit, and investment of all funds and cash flow management which maximizes the amount of invested cash balanced with the timely payment of obligations.

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- b. The City will invest all funds in accordance with the City Council Investment Policy B-2 (Investment Policy) based on the following criteria:
  - (1) Safety of investment.
  - (2) Maintenance of sufficient liquidity to meet cash flow needs.
  - (3) Attainment of a market rate of return consistent with the requirements of the Investment Policy.
- c. The City shall conduct all of its investment activities in accordance with the California Government Code Section 53600 and the Investment Policy.
- d. The Investment Policy shall be updated as necessary and approved by the City Council.
- e. A complete report on the City's investment portfolio shall be presented to the City Council on a regular basis.
- f. A cash flow analysis shall be prepared on a monthly basis in order to estimate the amount of funds available for investment.

### 7. Accounting Policies

- a. A financial accounting system adequate to provide management information and meet reporting requirements shall be maintained.
- b. A system of effective internal controls will be maintained that assures only properly authorized expenditures, recordings of financial transactions, and accounting entries are executed.
- c. Financial reports shall be prepared and presented to the City Council on a regular basis.
- d. The City's financial records will be audited annually by an independent accounting firm as required by the City Charter.

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- e. A Comprehensive Annual Financial Report (CAFR) shall be prepared each year within six months of the close of the previous fiscal year. The CAFR will be presented to the City Council in a Study Session in accordance with Council Policy B-6.
- f. The CAFR shall be prepared in accordance with generally accepted accounting principles applicable to local governments.
- g. The "Management Letter" presented by the City's independent accounting firm will be presented, with City staff's comments if applicable, to the City Council.

### 8. Debt Management Policies

These Debt Management Policies are the debt management policies for the City of Mountain View, Mountain View Shoreline Regional Park Community, City of Mountain View Capital Improvement Financing Authority, and any other entity for which the City Council acts as legislative body, and the term "City" shall refer to each of such entities.

When used in these Debt Management Policies, "debt" refers to all forms of indebtedness and financing lease obligations.

These Debt Management Policies are intended to comply with California Government Code Section 8855 (i).

- a. Long-term borrowing will be restricted to the funding of capital improvement projects and equipment. The use of long-term borrowing for ongoing operations shall be avoided.
- b. Short-term debt may be issued to provide financing for the City's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the City may undertake lease-purchase financing for equipment.
- c. The City may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public

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- purposes of the City. In such cases, the City shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.
- d. The term of the debt shall not exceed the expected useful life of the capital improvement project or equipment.
- ee. Debt obligations will be met in a timely and efficient manner.
- fe. The City will comply with all debt covenants.
- ge. Good communications with bond rating agencies about its financial condition will be maintained.
- hf. The City will not exceed its legal debt margin limit of 15 percent of assessed value of property within the City limits.
- ig. Refunding techniques will be used where appropriate to allow for the restructuring of its current outstanding debt to remove or change restrictive covenants, and/or to reduce annual debt service in an amount sufficient to justify the costs of the refunding/reissuance.
- j. The City will comply with the postissuance policies and procedures specified in the tax certificate for any tax-exempt debt.
- k. Types of Debt: The following types of debt are allowable under these Debt Management Policies:
- General obligation bonds
  - Bond or grant anticipation notes
  - Lease revenue bonds, certificates of participation, and lease-purchase transactions
  - Other revenue bonds and certificates of participation

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- Tax and revenue anticipation notes
- Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- Tax increment financing to the extent permitted under State law
- Conduit financings, such as financings for affordable rental housing and qualified 501(c)(3) organizations

The City may, from time to time, find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of these Debt Management Policies.

Debt shall be issued as fixed-rate debt unless the City makes a specific determination that a variable rate issue would be beneficial to the City in a specific circumstance.

### I. Relationship of Debt to Capital Improvement Program and Budget

The City is committed to long-term capital planning. The City intends to issue debt for the purposes stated in these Debt Management Policies and to implement policy decisions incorporated in the City's capital budget and the capital improvement plan.

The City shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the City's public purposes.

The City shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its General Fund.



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m. Policy Goals Related to Planning Goals and Objectives

The City intends to issue debt for the purposes stated in these Debt Management Policies, General Plan, Precise Plans, and other planning policy documents and to implement policy decisions incorporated in the City's Capital Improvement Program and annual operating budget.

n. Internal Control Procedures

It is the policy of the City to ensure that proceeds of debt are spent only on lawful and intended uses. Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the Finance and Administrative Services Director. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the Finance and Administrative Services Director shall retain records of all expenditures of proceeds. The Finance and Administrative Services Director shall retain records of expenditures for the period ending on the later of: (a) the final payment of the debt; and (b) the period specified in the tax certificate for tax-exempt debt.

o. Disclosure Policies and Procedures

(1) These Disclosure Policies and Procedures are intended to ensure that the City is in compliance with all applicable Federal and State securities laws.

(2) Review of Official Statements.

(a) The Finance and Administrative Services Director of the City shall review any Official Statement prepared in connection with any debt issuance by the City in order to ensure that there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the City.

(b) In connection with its review of the Official Statement, the Finance and Administrative Services Director shall consult with third

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parties, including outside professionals assisting the City, and all members of City staff, to the extent that the Finance and Administrative Services Director concludes they should be consulted so that the Official Statement will include all “material” information (as defined for purposes of Federal securities law).

(c) As part of the review process, the Finance and Administrative Services Director shall submit all Official Statements to the City Council for approval. The cover letter used by the Finance and Administrative Services Director to submit the Official Statements shall briefly summarize the responsibilities of the City Council under Federal securities laws and identify the key sections of the Official Statement.

(d) The approval of an Official Statement by the City Council shall be placed on the agenda as a new business matter and shall not be approved as a consent item. The City Council shall undertake such review as deemed necessary by the City Council, following consultation with the Finance and Administrative Services Director, to fulfill the City Council’s responsibilities under applicable Federal and State securities laws. In this regard, the Finance and Administrative Services Director shall consult with the City’s Disclosure Counsel to the extent the Finance and Administrative Services Director considers appropriate.

(3) Continuing Disclosure.

(a) Under the continuing disclosure undertakings that the City has entered into in connection with its debt offerings, the City is required each year to file annual reports with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system in accordance with such undertakings. Such annual reports are required to include certain updated financial and operating information, and the City’s audited financial statements.

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- (b) The City is also required under its continuing disclosure undertakings to file notices of certain events with EMMA.
- (c) The Finance and Administrative Services Director is responsible for establishing a system (which may involve the retention or one or more consultants) by which:
- 1.) The City will make the annual filings required by its continuing disclosure undertakings on a complete and timely basis; and
  - 2.) The City will file notices of enumerated events on a timely basis.
- (4) Whenever the City makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets, the City is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.
- (5) Training.
- (a) The Finance and Administrative Services Director shall ensure that the members of the City staff involved in the initial or continuing disclosure process and the City Council are properly trained to understand and perform their responsibilities.
  - (b) The Finance and Administrative Services Director shall arrange for disclosure training sessions conducted by the City's Disclosure Counsel. Such training sessions shall include education on these Disclosure Policies and Procedures, the City's disclosure obligations under applicable Federal and State securities laws, and the disclosure responsibilities and potential liabilities of members of the City's staff and members of the City Council. Such training sessions may be conducted using a recorded presentation.

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### 9. Risk Management Policies

- a. The City will maintain an appropriate level of funding or insurance coverage for exposure to risks of financial loss through self-insurance, partial self-insurance, commercial insurance, or pooled insurance with other agencies, whichever form is the most cost-effective in the long term. If self-insuring, stop loss insurance or pooled insurance should be acquired in order to minimize the amount of self-insured retention, or financial responsibility, at the lowest level that is cost effective. The form of insurance employed for different risks shall be periodically evaluated.
- b. City property shall be appropriately insured or self-insured to cover the City's losses through theft, destruction, fire, and other insurable perils.
- c. All liability-type losses and claims that occur with predictable frequency and which will not have a significant adverse impact on the City's financial position shall be self-insured to an appropriate level.
- d. An annual analysis shall be made of all insurance and self-insurance to monitor and compare costs.
- e. The City shall be self-insured for unemployment benefits.
- f. Workers' Compensation shall be insured or self-insured to an appropriate level and the program carried out according to State laws with the intent to care for the injured and preclude abuse to the extent allowable by law.

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