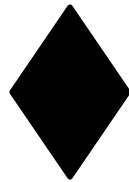


CITY OF CHICO

FY2020-21



BUDGET POLICIES

CITY OF CHICO
FY2020-21 ANNUAL BUDGET
BUDGET POLICIES

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CITY OF CHICO FY2020-21 ANNUAL BUDGET - BUDGET POLICIES

A. INTRODUCTION

In its adoption of the Budget, the City Council recognizes that the appropriations approved for the operating and capital budgets are based upon estimates of municipal needs for the fiscal year. Therefore, in order to establish appropriate control in the administration of the Budget, the following policies are adopted to provide necessary authority for the City Manager to administer the Budget during the course of the fiscal year in the light of varying conditions which may occur.

These policies are in addition and supplemental to any provisions contained in the Charter of the City of Chico (the Charter), the Chico Municipal Code (Code), including the Personnel and Employee Representation Rules (PERRs), the Final Budget Resolution, all Memoranda of Understanding (MOU) with recognized employee organizations, all Pay and Benefit Resolutions regarding pay, benefits and other terms and conditions of employment relating to other officers and employees, the City of Chico Administrative Procedure and Policy (AP&P) Manual, and other documents relating to the Budget, as such provisions may apply to the administration of the Budget.

All references to the Administrative Services Director and/or Finance Director shall refer to that individual empowered as the Finance Director, as defined in the Chico City Charter.

B. DEFINITIONS

B.1. Appropriations (Operating and Capital Budgets)

The term "**Appropriations**" means the amounts approved for expenditure by the City Council in its adoption of the Budget, together with subsequent "**Supplemental Appropriations**."

B.2. Budget Modification

The term "**Budget Modification**" means an adjustment to operating and capital project funding sources, pay schedules, job title allocations, changes in these Budget Policies, and other non-appropriation matters.

B.3. Supplemental Appropriation

The term "**Supplemental Appropriation**" means an increase and/or decrease in an existing appropriation(s) in the City Council Adopted Budget or a new appropriation(s).

B.4. Rebudget

The term "**Rebudget**" means the process of carrying over unspent appropriations or unrealized revenue from one fiscal year into a subsequent fiscal year. Pursuant to Budget Policy No. E.3., Rebudgets shall be documented in a Budget Modification.

C. FISCAL CONTROL POLICIES

C.1. **Off-Cycle Funding Requests**

Off-cycle funding requests represent items not contemplated during the normal budget production and approval process which may result in exceeding a department and/or category appropriation. In order to ensure that all budget requests are considered in the context of the entire budget, consideration of funding requests submitted outside the normal budget production process shall be subject to staff analysis to assist the City Council in evaluating the proposal. The formal analysis shall include, where applicable, the short- and long-term budget impact and the impacts on other Council approved priorities; identified source of funding and impact on fund balance; and any other pertinent financial implication relevant for City Council decision-making.

C.2. **Ongoing Non-Personnel Expenditures**

Approval of all expenditures which would result in an ongoing fiscal commitment shall be funded only with increased revenues or other identified funding sources. One-time revenues, including fund balance and reserves, shall be used only for one-time costs, such as capital improvements.

C.3. **Statement of Fiscal Impact**

All memoranda to the City Council which relate to issues expected to have a fiscal impact on the City shall include a statement of fiscal impact.

C.4. **Guiding Principles for Budget Development**¹

The following principles shall guide budget development:

- C.4.a. A balance between public safety, infrastructure maintenance, and quality of life services is required to ensure a livable community.
- C.4.b. A budget must be sustainable into the future, not balanced with one-time fixes, such as transfers of reserves or set-asides, and must reasonably reflect expenditures that match available revenues.
- C.4.c. Reducing funding for capital projects, or eliminating projects from the Capital Improvement Program, in order to support operating activities sacrifices the community's long-term interests.

¹Adapted from: (1) "Budget Strategies for Challenging Fiscal Times" presented by Robert Leland, Director of Finance, City of Fairfield; (2) *Recommended Budget Practices* published by the National Advisory Council on State and Local Budgeting; (3) *A Budgeting Guide for Local Government* published by the International City/County Management Association; (4) *Model Practices for Municipal Governments* published by the Connecticut Town and City Management Association; (5) *Strategic Recruitment for Government, Ten Innovative Practices for Designing, Implementing, and Measuring Recruitment Initiatives in Government* published by the Performance Institute; and (6) City Council Resolution No. 135-07, "Resolution of the City Council of the City of Chico Supporting the City's Strategy in Strengthening the Economic Base of Chico," adopted December 4, 2007.

- C.4.d. Continuous investment in technology, systems and equipment is needed to improve organizational efficiency, especially when staffing levels are reduced.
- C.4.e. Reasonable compensation levels in line with the labor market for similar governmental agencies are desired in order to minimize staff turnover and maintain City productivity; however, compensation levels must stay within a range that the City can sustainably afford while still providing the full range of city services that citizens expect from their city government.
- C.4.f. Additional revenue sources, such as grants and development related income, should be sought to augment City resources after due consideration of the cost associated with accepting a grant or approving development.
- C.4.g. Program cost recovery should be maximized, including reasonable General Fund indirect costs allocated to other funds, to reduce the need for program reductions.
- C.4.h. Quality economic development and strengthening the City's economic base through implementation of the economic development strategy should be promoted to expand the City's revenue base and provide a net resource gain.
- C.4.i. Services and programs that serve a limited number of participants should be the focus of reductions, reformation, elimination, or reorganization, or should be considered for implementation by a private vendor or non-profit organization.
- C.4.j. Reductions should be avoided that could exacerbate liability issues for the City, or have long-term consequences that would be costly to reverse.
- C.4.k. The budget must ensure administrative accountability, internal controls and long-term financial stability.
- C.4.l. A balance of long-term liabilities and current operations is necessary to ensure the City avoids the growth in unrecognized or sudden significant liabilities.

D. FINANCIAL PLANNING AND IMPLEMENTATION POLICIES

D.1. Balanced Budget and Deficit Reduction Plan

The City shall establish a plan to structurally balance the City's budget.

Revenue Control

- D.1.a. The City will dedicate new ongoing revenue sources in the following manner and priority:
 - Priority 1: Fixed cost increases, such as built-in contract escalators, benefit increases outside City control including CalPERS pension contributions, etc.;

- Priority 2: Funding significant long-term liabilities, and replenishing General Fund and Emergency Reserve, Workers Compensation, General Liability, and Compensated Absences funds to established targets;
- Priority 3: Replenishing internal service funds, such as Vehicle Replacement, Building Maintenance, etc.;
- Priority 4: Discretionary expenditures and negotiable items.

D.1.b. The City will designate and assess fees for service and other fees in the following manner and in compliance with law. Fees will comply with all applicable laws.

- Category I – Fees that are determined to have a 100 percent cost recovery goal and shall be updated annually based on the total costs of providing the service.
- Category II – Fees that are below the 100 percent cost recovery goal. Fees are generally subsidized where collection of fees is not cost-effective; collection of fees would not comply with regulatory requirements; purpose of the fee is not to offset cost but to provide benefits to the recipients and the community. If fee is proposed to be Category II, the proposer will describe the reasoning and purpose why the fee is less than full cost recovery.
- Category III – Fees adjusted annually by a standardized escalator, such as the Consumer Price Index, etc.
- Category IV – Penalty and fine fees to the public. Fees in category IV should be reviewed annually relative to the reasonableness for the fee and the fiscal effect as it relates to deterrence.

D.1.c. One-time revenues and budgetary costs savings not anticipated during the fiscal year will be primarily dedicated to funding significant long-term liabilities and replenishing reserve and internal service funds to established targets.

D.1.d. All revenue receipts shall be processed through the Finance Division. In the case revenue receipts are offset by any non-cash transaction or discounts, Administrative Services Director's review and approval will be required.

D.1.e. Any commitment by the City to perform or pay for services which will be reimbursed by another entity will be documented in either a written agreement prior to proceeding with the services or provided for in an approved fee schedule and approved by the City Manager, and if over \$50,000, the City Council. Subsequent to approval, the City Manager may appropriate funds reimbursing City operations up to \$50,000 per each individual service (e.g., Revenue reimbursed by the State Office of Emergency Services (OES) may be appropriated to Department 410 – Fire Reimbursable Response up to the amount reimbursed without previous Council action). All amounts appropriated under this provision will be reported to Council via budget modification reports.

Expenditure Control

D.1.f. Expenditure controls safeguard limited government assets and ensure resources are maintained where they were originally approved during the budget process. To this end, while Budget Policy E.1 provides City Manager control over fund-level expenditures, tighter controls and authorizations are required to maximize safeguards over the use of

funds. Operating and Capital expenditures will require the following approvals and processes:

- D.1.f.(1) **Changes between Personnel and Non-Personnel Expenditures** – Transfers of appropriations between personnel and non-personnel categories requires approval of the Administrative Services Director, City Manager, and City Council.
- D.1.f.(2) **Changes between Departments** – Expenditures will be appropriated at the Department level. Appropriation transfers between departments requires approval of the Administrative Services Director, City Manager, and/or City Council based the following authorization amounts:
- Under \$10,000 – Administrative Services Director;
 - \$10,000 to \$50,000 – Administrative Services Director and City Manager;
 - Over \$50,000 – Administrative Services Director, City Manager, and City Council.
 - Exceptions: In the case of emergency, to prevent the loss of capital/grant funds, and/or other circumstance where delay would have a material negative impact to the City, the Administrative Services Director and City Manager can approve appropriation transfers.
- D.1.f.(3) **Changes between Expenditure Categories** – Expenditures will be appropriated at the Category level. Within each category exist object code line items. Departments can expend within the category as necessary without requiring further action. Appropriation transfers between categories requires approval of the Department Director, Administrative Services Director, and/or City Manager based the following authorization amounts:
- Under \$25,000 – Administrative Services Director;
 - \$25,000 to \$50,000 – Administrative Services Director and City Manager;
 - Over \$50,000 – Administrative Services Director, City Manager, and City Council.
 - Exceptions: In the case of emergency, to prevent the loss of capital/grant funds, and/or other circumstance where delay would have a material negative impact to the City. Administrative Services Director and City Manager approval is required.
 - Not Applicable: Non-discretionary items such as allocations, technology, fuel and utilities are not available for transfer.
- D.1.f.(4) **Fiscal Year-End Adjustments** – In order to expedite closing the accounting records at June 30th of each year, the City Manager is authorized to transfer an amount not to exceed \$1,000 between Departments within a single Fund in order to appropriate amounts to cover insignificant overages. A subsequent report will be made to Council listing total appropriations made within a Fund at fiscal year-end. This provision is only applicable to fiscal year-end adjustments and shall not be used at any other time.
- D.1.f.(5) **Prepaid Expenses** – In limited instances, some City costs are required to be paid prior to receiving the service or product. Examples include annual licensing fees, annual memberships, insurance policies and software maintenance agreements. Many of the

terms of these agreements require payment prior to July 1, which begins the new fiscal year. In addition, some prepayments offer a discount.

The City Manager is authorized to approve prepaid expenditures when the payment relates to an ongoing service provided to the City and when failing to make payment would either cause an interruption in ongoing City operations or cause the City to operate illegally (e.g., failing to renew software licensing). However, the payment classified as a prepaid expense shall not include more than a 10% increase over the prior year's payment for the same product or service. No later than the 1st meeting in September, Council will be provided a list of prepaid expenditures that occurred under this authority.

- D.1.g. The City will refrain from allowing funds to fall into deficit positions or continuing growth in existing fund balance deficits. Annual fund deficits should be eliminated by transferring funds into the deficit fund to maintain the previous year's fund balance. The only exceptions to this are funds in which future revenues are estimated to be sufficient to cover current deficits (e.g., Development Impact Fee Funds and Capital Grant Funds).
- D.1.h. The Finance Division will establish an appropriate purchasing process with adequate controls to ensure expenditures are properly approved and do not exceed City Council appropriations.
- D.1.i. The City will evaluate and consider personnel compensation and benefit expenditures from a total compensation perspective which will include both employee and employer items as well as any reasonably certain and reasonably anticipated future pension cost increase.
- D.1.j. Any revenue or expenditure item may be submitted to the City Council for review and/or approval at the recommendation of the City Manager. Exceptions to revenue and expenditure controls require City Council notification.
- D.1.k. All Council action that appropriates funding shall constitute formal appropriation authority and not be required to be resubmitted to Council for approval during the formal budget supplemental request process.

D.2. **Capital Improvement Program**

The Ten-Year Capital Improvement Program (CIP) is developed and presented with the overall City budget.

- D.2.a. **Transfers Between Council Approved Capital Projects (Same Year – Reallocation of Funding Between Projects)** – Projects are approved over a ten-year period by Council. Each budgeted project has been appropriated an amount that may include funding from multiple City Funds. Appropriation transfers between capital projects scheduled in the same year requires approval of the City Manager and City Council based the following authorization amounts:
 - Under \$100,000 – City Manager;
 - Over \$100,000 – City Manager and City Council

D.2.b. **Transfers Between Council Approved Capital Projects (Different Years – Rescheduling Projects)** – Projects are approved over a ten-year period by Council. Each budgeted project has been appropriated an amount that may include funding from multiple City Funds. Appropriation transfers between capital projects scheduled in different years requires approval of the City Manager and City Council based the following authorization amounts:

- Up to \$100,000 – City Manager;
- Over \$100,000 – City Manager and City Council

Additional funding requirements for capital projects in excess of the total amount appropriated requires Council approval.

Projects approved but deferred until a future year will not require further Council approval as long as the originally approved funding source still remains.

D.3. **Cost Allocation Plan (CAP) & Fee Studies**

The City Manager will ensure the timely completion of appropriate cost allocation plans and user fee studies. Generally, cost allocation plans should be completed every 2-3 years and reported to the City Council for review. Cost allocation charges (administrative overhead) will be assessed to each fund based on the results of the Plan. However, the General Fund will be required to make transfers to specific funds that do not have sufficient funding to pay for its share of the CAP (each fund’s share of administrative overhead). Fee studies should be completed and reviewed every 4-5 years or as directed by the City Manager.

D.4. **Emergency Reserve Fund Contributions**

The City will contribute to the Emergency Reserve Fund to the target amounts in Budget Policy E.4.a. The attached table outlines the projected contributions to the General Fund reserve.

Fiscal Year	Annual Contribution	General Fund Reserves
Beginning Balance		\$ 5,160,749
2020-21	\$ 1,400,000	\$ 6,560,749
2021-22	\$ 1,500,000	\$ 8,060,749
2022-23	\$ 1,500,000	\$ 9,560,749
2023-24	\$ 1,500,000	\$ 11,060,749
2024-25	\$ 1,500,000	\$ 12,560,749
2025-26	\$ 1,500,000	\$ 14,060,749

D.5. **Funds 201 (CDBG), 204 (HOME - State) and 206 (HOME – Federal) Budgetary Control**

Budgets for these funds will be monitored and controlled at the fund level as the budgets are developed by project (cost center). Total budgeted expenditures as listed in each Fund Summary will not be exceeded without Council approval. D.1 Expenditure restrictions on department and category transfers limits do not apply for these funds.

D.6. **Fund Administration and Appropriation – Fund 900 (General Liability Insurance Reserve), Fund 901 (Workers Compensation Insurance Reserve), and Fund 006 (Compensated Absences Reserve)**

Certain internal funds support activity which occur during the year whose nature cannot be readily anticipated. While the City reasonably budgets to meet anticipated need and established budget targets, it is recognized that towards the end of the fiscal year, the annual level of activity may exceed the annual appropriation with little time to pre-approve allocations out to departments to cover the activity. This policy authorizes the City Manager to execute the appropriate transfers into Fund 006, 900, and 901 while exempting the transfers from expenditure controls D.1.f.2 and f.3. Any transfer will be presented in a subsequent Supplemental to ensure transparency.

D.7. **Interfund Loans**

The City's Interfund Loan Policy documents the methods and requirements used by the City to demonstrate prudent financial management over interfund loans. The Policy requires City Council approval of Interfund Loans, except for short-term loans required for fiscal year-end Generally Accepted Accounting Principle (GAAP) presentation of the City's financial statements. Types 1) and 4) below always require City Council approval. Types 2) and 3) below will be approved by the City Manager and reported to the City Council after each year's annual audit. There are four primary types of interfund transfers/loans:

1) **Interfund transfers – (CITY COUNCIL APPROVAL REQUIRED)** are a permanent transfer of cash from one City Fund to another City Fund. An example of an interfund transfer is a transfer of cash from the City's General Fund to the City's Fleet Replacement Fund. Interfund transfers always require City Council approval regardless of amount.

2) **Due To/From (CITY MANAGER APPROVAL REQUIRED)** are the most common interfund loans and involve temporary loans on the City's Financial Statements. These interfund loans are used for Funds that have a negative cash balance due to a delay in receiving revenue. For example, the City's General Fund does not receive all sales tax revenue until two months after the end of the fiscal year. If this delay causes a negative cash position in the General Fund, GAAP requires a temporary influx of cash to eliminate the General Fund's negative cash position. The City Manager shall authorize these temporary loans and the Administrative Services Director shall provide the City Council a summary of these temporary loans after completion of the City's audited financial statements. This is a non-appropriation item as the City's Budget is not impacted. All Due To/From balances will be scheduled for repayment in the next fiscal year.

3) **Advance To/From (CITY MANAGER APPROVAL REQUIRED)** are interfund loans used when a cash loan is required for more than one year. These interfund loans are required for Funds that have a negative cash position and which current revenue is not expected to be sufficient to remove the negative cash position. The City Manager shall authorize these temporary loans and the Administrative Services Director shall provide the City Council a summary of these temporary loans after completion of the City’s audited financial statements. This report to City Council will provide history of each advance and an estimated date for repayment. This is a non-appropriation item as the City’s Budget is not impacted. Funds advancing cash to other City Funds will be credited with a rate of interest equal to the rate of return experienced by the City’s Treasury Pool. Conversely, Funds receiving cash from other City Funds will pay interest at a rate equal to the rate of return experienced by the City’s Treasury Pool.

4) **Interfund Loans Payable/Receivable (CITY COUNCIL APPROVAL REQUIRED)** may be required in situations where the City has the ability to internally finance a project that will be paid back over multiple years. For example, the City may decide to internally finance a capital project that has a repayment plan over multiple years. Terms of an interfund loan payable/receivable (e.g., interest rate, term of the loan, identification of lending Fund) would be approved by City Council via Resolution.

The following are applicable for Interfund Loan Types 2) and 3). All Interfund Loans requiring an eligible lending Fund not listed below must be approved by City Council:

<u>Eligible Lending Fund</u>	<u>Eligible Borrowing Fund</u>	<u>Interfund Loans Allowed</u>
General Fund	All Funds	Due To/From and Advance To/From
Self-Insurance Fund	All Funds	Due To/From and Advance To/From
Fleet Replacement and Facility Maintenance Fund	All Funds	Due To/From and Advance To/From
Capital Improvements Fund	General Fund and Capital Projects Funds	Due To/From
Development Impact Fee Funds	Development Impact Fee Funds	Due To/From and Advance To/From
CDBG & HOME Housing Fund	Low and Moderate Income Housing Fund	Due To/From
Low and Moderate Income Housing Fund	CDBG & HOME Housing Fund	Due To/From

Prohibited Uses

Interfund Loans will not be used to solve ongoing structural budget issues nor will they hinder the accomplishment of any function or project for which the lending Fund was established.

D.8. Fund 051 – Arts and Culture Fund

Per City Council decision on May 15, 2018, 1% of gross transient occupancy taxes (TOT) received in the General Fund will be transferred to Fund 051 to fund art and cultural activities. The transfer will be calculated at 1% of TOT received from the most recently audited fiscal year. For instance, transfers for the 2018/19 fiscal year will be based up actual TOT receipts for the fiscal year ending June 30, 2017.

E. BUDGET ADMINISTRATION POLICIES

E.1. Appropriations - Operating and Capital Budgets

Appropriations approved for the Operating Budget Activities and Capital Budget Expenditure Accounts of the City's offices/departments are based upon estimates of needs for the fiscal year for projected service level requirements under normal conditions and circumstances.

However, as a result of changing conditions, unanticipated needs, emergencies, the availability of unforeseen State/Federal and/or other funding sources and like circumstances, it may be necessary during the course of the year to increase, reduce, eliminate, or provide new funding for Operating Budget Activities (including Job Title Allocations) or Capital Budget Expenditure Accounts.

Therefore, in administering the Budget, the City Manager is authorized to provide each office/department with sufficient funding to meet its needs in such circumstances, so long as a decision to vary from approved appropriations (or Job Title Allocations) does not exceed, except in the case of emergencies, the total appropriated expenditures of the affected municipal fund at the time of the decision. This policy includes, but is not limited to, the authority to supplement budgeted capital projects by transferring funds reflected in a Council-approved Capital Improvement Program from a future year to the current fiscal year if the City Manager determines that the action is necessary to prevent a disruption to the construction schedule of the project, and that there is sufficient fund balance available to cover the expenditures.

In the event of an emergency, the City Manager is authorized to provide the resources necessary to meet the needs of the emergency subject to the limitations of available fund balance.

In all such instances, the City Manager shall report budgetary decisions to the City Council by means of an appropriate Supplemental Appropriation/Budget Modification.

E.2. Supplemental Appropriation/Budget Modification Requirements

Whenever the City Manager determines that a proposed budgetary adjustment does not fall within the above policies, or that it would add new or substitute substantially different projects, equipment, or programs to those approved for Operating Budget Activity or Capital Budget Expenditure Accounts, the City Manager shall submit to the City Council a Supplemental Appropriation or Budget Modification.

E.3. Rebudget Authority

Upon closing the financial books each fiscal year, the Administrative Services Director will review department requests to rebudget unexpended funds and unrealized revenues to the ensuing fiscal year's budget. For those items approved by the City Manager and already encumbered, the Administrative Services Director shall rebudget unexpended funds and

unrealized revenues to the ensuing fiscal year's budget. The items rebudgeted shall be documented in a Budget Modification. Unencumbered funds will either be released and available as one-time resources in the ensuing year's budget or in the case of un-encumbered capital, considered for rebudget based on a previously identified project need.

Grant and Donation funds may be rebudgeted when the grantor allows use of such funds into the following fiscal year, when there are funds remaining, and when the purpose of the grant or donation (i.e., specific project) has not changed. The items shall be documented in a Budget Modification.

E.4. **Fund Reserves**

E.4.a. **General Fund Reserve**

E.4.a.(1). **Operating Reserve Fund (001)**

The City Manager shall endeavor to achieve a minimum balance in the General Fund to serve as an operating reserve in the amount of seven and one-half (7.5) percent of the General and Park Fund's operating expenditures. Any additional revenue or expenditure savings realized at the year-end close of books shall be incorporated into the fund balance and considered with the overall budget proposed the following June for the new fiscal year. In accordance with GASB 54, this fund balance is unassigned.

E.4.a.(2). **Emergency Reserve Fund (003)**

The Emergency Reserve Fund has been established to help buffer the City from issues such as fluctuation in sales tax, changes in State laws as to how the sales tax is allocated, changes in motor vehicle in lieu reimbursement from the State, a sudden draw through employee attrition on vacation payment obligations, or other catastrophic events. The desired level of this fund is established at twenty (20) percent of the General and Park Funds operating expenditures. The Administrative Services Director, at the direction of the City Manager, is authorized to transfer monies to the Emergency Reserve Fund based on approved City Council budgets. In accordance with GASB 54, this fund balance is committed.

E.4.b. **Compensated Absences Reserve (006)**

Fund 006 has been established to accumulate funds for the City's liability for compensated absences. Compensated absences are defined as paid time off, such as vacation, sick leave, and compensatory time off, which becomes a City liability when the employee earns their right to the paid time off. The fund is intended to accumulate funds to cover the City's liability with the intended target of reaching and maintaining a funding level of 50 percent of citywide liability. The City Manager via budget modification may appropriate these funds to cover salary and benefit costs which exceed the budget due to employee compensated absence payouts. All budget modifications will be reported to the City Council as consistent with the policy. In accordance with GASB 54, this fund balance is committed.

E.4.c. **Assessment District Administration Fund (220)**

Special Assessment District administrative fees paid to the City from the proceeds of issuance of Special Assessment District Bonds (for both original and/or refunding issues) shall be deposited in Fund 220. Penalties assessed and collected on delinquent assessments shall also be deposited into this fund. Provided, however, that the portion of the penalty which covers interest lost to an individual assessment district shall be deposited back into the assessment district in order to make it whole. Expenditures may be made from it to pay debt service, costs incurred by the City in connection with the issuance and administration of such bonds, including costs relative to litigation and/or foreclosure proceedings which may occur relative to their issuance, and to replenish the reserve. The desired reserve for this fund shall be \$150,000 per outstanding bond issue. Following close of the books each year, the Administrative Services Director, at the direction of the City Manager, is authorized to transfer fund balance in excess of the desired reserve to the General Fund. In accordance with GASB 54, this fund balance is committed.

E.4.d. **Building and Facility Improvement Fund (301)**

Fund 301 has been established to accumulate funds for site acquisition, construction, improvement, and equipping of municipal buildings and facilities. Expenditures from this fund shall be restricted to the General Fund share of major capital facilities' needs approved by the City Council, including fire stations, police facilities, and other municipal buildings. Although no reserve has been established, the fund balance shall continue to accrue until such time as funds are required for the facilities set forth in this section. In accordance with GASB 54, this fund balance is committed.

E.4.e. **Capital Projects Clearing Fund (400)**

The Capital Projects Clearing Fund is used to accumulate and distribute costs to capital projects, which are funded in other source funds (e.g., Capital Grants Fund 300, Gas Tax Fund 307, etc.). Direct costs are those connected to a specific project (e.g., payment to contractor) and are allocated to projects based on the funding source(s).

Direct costs are budgeted, monitored and controlled at the project (cost center) level (i.e., not in Fund 400). Indirect costs (capital overhead) are costs incurred for the benefit of the capital improvement program, but cannot be tied to a specific project. Indirect costs are paid for by charging each project based on each project's overhead rate and actual direct project costs. These charges are recorded as revenue in Fund 400 and as a project cost for each project/fund.

Indirect costs are budgeted, monitored and controlled in Fund 400. All direct costs and indirect costs shall be charged to eligible capital projects with a goal to \$0 out the Fund each year. However, due to the fact that 1) some project overhead may be incurred prior to direct project charges and 2) some projects may not allow an overhead charge, this Fund may have an excess reserve or shortage due to the timing of projects and application of overhead. Following the close of books each year, the Administrative Services Director, at the discretion of the City Manager, is authorized to transfer funds in excess of

the desired reserve to eligible funding sources or transfer funding from Gas Tax Fund 307 in order to replenish funds needed to ensure that the Fund does not create a deficit fund balance. In accordance with GASB 54, this fund balance is committed.

E.4.f. **Sewer Fund and Capital Reserves (850 and 851)**

Within the Sewer Fund and Capital Reserves (850 and 851), the following capital equipment replacement set asides have been established:

- Collection System Capital Replacement
- Water Pollution Control Plant Capital Replacement - The annual contributions to the capital replacement set asides shall be in accordance with terms and conditions of all agreements for State Revolving Fund loans to finance sewer facilities.

E.4.g. **Parking Revenue Fund and Capital Reserve (853 and 854)**

Fund 853 has been established to accumulate funds for parking facilities' operations and improvements. As parking facilities age, the facilities require significant rehabilitation and potential reconstruction where annual revenues would not be sufficient to cover the costs and/or where costs would require multiple years' worth of revenue. In order to fund these future costs, the City will annually set aside \$150,000 or 15 percent of revenue, whichever is larger, as a reserve for such expenses. The City may use the parking facilities' capital reserve and any other associated revenue to finance bonds for rehabilitation and potential reconstruction. The use of the parking facilities' reserve will require the City Council to take action with a 2/3rd majority of members for allocating reserve funds. In accordance with GASB 54, this fund balance is committed.

E.4.h. **Private Development Funds - Building, Planning, Engineering and Fire (871, 872, 873 and 874)**

Funds 871, 872, 873 and 874 (Formerly Fund 862) have been established to account for revenues and expenditures related to private development planning, engineering, fire and building inspection services. A reserve for the Building Division (Fund 871) to provide resources for the committed services is being established within this fund. The desired reserve for this fund shall be equal to 50 percent of the Building Division's operating budget. Such reserve shall be created by annually setting aside an amount equal to five percent of the Building Division's operating budget until the desired reserve is met. Provided, however, in any fiscal year in which the fund balance in Fund 871 is in a negative position, funds shall not be set aside into the reserve. Due to implementation of the building and development fee study at less than full cost recovery, a subsidy may be required from the General Fund if revenue is insufficient to cover Fund expenses.

E.4.i. **General Liability Insurance Reserve Fund (900)**

Fund 900 has been established to fund the costs of liability and property damage insurance, and bond and risk management programs. The City is self-insured and is a member of the California Joint Powers Risk Management Authority. The desired

minimum reserve for this fund shall be \$2,000,000 at July 1 with a target desired reserve of \$4,000,000. These represent an amount equal to four and eight times, respectively, the self-insured retention amount of \$500,000. Following the close of the books each year, the Administrative Services Director, at the discretion of the City Manager, is authorized to transfer fund balance in excess of the desired reserve to the General Fund.

Beginning 2017-18, the General Liability Insurance Reserve Fund shall include an established appropriate amount for expenditures incurred by the City Attorney's Office for special litigation and activity related to claims and risk liability matters. Expenditure controls outlined in D.1.f and D.1.g shall apply to the established City Attorney appropriation.

E.4.j. **Workers Compensation Insurance Reserve Fund (901)**

Fund 901 has been established to fund the costs of operating the City's Self-Insured Workers Compensation Insurance Program. The desired reserve for this fund shall be equal to the estimated outstanding losses as set forth in the Actuarial Study of the Self-Insured Workers Compensation and Liability Programs. Following the close of the books each year, the Administrative Services Director, at the discretion of the City Manager, is authorized to transfer fund balance in excess of the desired reserve to the Workers Compensation Insurance Reserve Fund.

Employees on the City's Personnel Allocation List whose salaries and benefits are being paid as a result of a Workers Compensation (temporary disability and light duty) claim shall have their salaries and benefits charged to their home Department in which the appropriation exists. If these same Workers Compensation expenditures cause the Department's salary and benefit category to exceed the appropriation, the Administrative Services Director, with approval from the City Manager, shall make transfers up to but not exceeding these additional costs borne on the Department's operating budget. These transfers should only occur in the event that impacted positions (employees with a Workers Compensation claim) are backfilled by other City staff thus causing budget overages. All transfers from Fund 901 will be reported to Council via Budget Modification.

E.4.k. **CalPERS Unfunded Liability Reserve Fund (903)**

Fund 903 has been established to accumulate funds for the annual payment of the CalPERS unfunded liability payment for the City. The targeted reserve amount is equal to the estimated unfunded liability payment for the subsequent year due to CalPERS. In accordance with GASB 54, this fund balance is committed.

E.4.l. **Technology Replacement Fund (931)**

Fund 931 has been established to accumulate funds for the replacement of technological equipment. Annual contributions are made from the funds owning such equipment, based on the estimated cost to replace the equipment at the end of its useful life. The desired reserve for this fund shall be adjusted annually to reflect the amount calculated in the

Technology Replacement Schedule. In accordance with GASB 54, this fund balance is committed.

E.4.m. **Fleet Replacement Fund (932)**

Fund 932 has been established to accumulate funds for the replacement of the City's fleet. Annual contributions are made from the funds owning such equipment, based on the estimated cost to replace the equipment at the end of its useful life. The desired reserve for this fund shall be adjusted annually to reflect the amount calculated in the Fleet Replacement Schedule. In accordance with GASB 54, this fund balance is committed.

E.4.n. **Facility Maintenance Fund (933)**

Fund 933 has been established to accumulate funds for major building and facility maintenance needs. Annual contributions are made from the funds which own the facilities, based on the estimated cost of the major repairs and maintenance. The desired reserve for this fund shall be adjusted annually to reflect the amount calculated in the Facility Maintenance Schedule. In accordance with GASB 54, this fund balance is committed.

E.4.o. **Prefunding Equipment Liability Reserve - Police (934)**

Fund 934 has been established to account for significant future Police equipment liabilities that require replacement in a specific timeframe which appears date certain and is not funded through annual department operating budgets. The City would make annual contributions in order to prefund the purchase and reduce the operational impact of the significant purchase in the year the equipment is needed. The equipment may include, but is not limited to, Police Department fingerprint reader machines. In accordance with GASB 54, this fund balance is committed.

E.4.p **Prefunding Equipment Liability Reserve – Fire (938)**

Annually the Fire Department provides wildfire response in conjunction with memorandums of understanding with the State of California. The City is reimbursed actual costs including an administrative overhead and an equipment overhead fee. Assuming the General Fund is not in a deficit fund position, a transfer of the administrative and equipment overhead fee may be collected in the General Fund and transferred to Fund 938. The annual transfer will be calculated on the actual administrative and equipment overhead fee received during the most recently audited fiscal year; only amounts over cost recovery (break-even) will be transferred. For instance, transfers for the 2019/20 fiscal year will be based upon the actual wildfire administrative and equipment overhead fee receipts, for the fiscal year ending June 30, 2018. Funds accumulated in Fund 938 will be used to help offset funding for Fire Department apparatus, equipment, or station renovation, replacement, or new construction. In accordance with GASB 54, this fund balance is committed.

E.4.q. **Public Infrastructure Replacement (943)**

Fund 943 has been established to account for road projects funded by a portion of annual waste hauler franchise fees received. Waste hauler franchise fees are collected in the General Fund (001). Annually the General Fund shall retain 24% of waste hauler franchise fees and shall transfer the remaining 76% of waste hauler franchise fees less \$350,000 for the police street crimes unit to Fund 943 through the 2021-22 fiscal year. In accordance with GASB 54, this fund balance is committed.

E.5. **Incorporation of Fee Schedule Adjustments**

Recommendations for changes in fees will be brought forward to the City Council for approval. While fee schedule adjustments should be incorporated into the overall budget approval process, the City Manager may recommend adjustments as necessary. Each fee will be classified in accordance with the definitions shown in D.1.b.

The City Manager is authorized to annually adjust fee schedules of any real time or other staff time-based fee which is impacted by an increase in personnel compensation adjustments previously authorized and approved by the City Council without further City Council action. Provided, however, any new fee or change in fee which is not the direct result of previously authorized adjustments in compensation will require City Council approval. Provided, further authorization to incorporate annual changes in fees, such as annual increases in the Engineering New Record Construction Cost Index or the Consumer Price Index, which previously were approved by the City Council shall remain in effect.

Departments may pass through the transactional costs of credit card processing to a customer. The City Manager may approve adjustments to credit card fees as necessary to ensure that the credit card fees charged to the customer are fully cost recoverable.

E.6. **Annual Street Maintenance Program Pre-Budget Authority**

Because the Final Budget is not adopted until around June, it is not possible to take full advantage of the weather-related construction season in implementing the City's Annual Street Maintenance Program. Therefore, with the submission of the Proposed Budget to the City Council, the City Manager is authorized to request funds for the annual overlay and slurry seal program for the subsequent fiscal year. In the event the City Council has elected to adopt a biennial budget, the City Manager is authorized to request funds for the annual overlay and slurry seal program for the next two fiscal years.

E.7. **Maintenance District Budget and Fund Establishment Authority**

Upon recordation of a City Council resolution ordering the formation of a maintenance district, the City Manager is authorized to establish a fund for such maintenance district, and to budget the annual assessments, levy fees, and estimated expenditures in amounts not to exceed those contained in the Engineer's Report adopted by the City Council through the resolution. Such actions shall be formalized through a confirming Supplemental Appropriation.

E.8. **GASB 54 – Fund Balance Definitions**

In accordance with GASB 54, the Administrative Services Director will classify each fund balance into one of the following five categories and list the appropriate fund category within each fund summary. GASB 54 applies to all governmental fund types (General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds), but does not apply to proprietary fund types (Enterprise Funds and Internal Service Funds).

E.8.a. **Non-Spendable Fund Balance**

Amounts that cannot be spent because they are a) not in a spendable form or b) legally or contractually required to be maintained intact. Examples include inventories, prepaid items, and advances to other funds.

E.8.b. **Restricted Fund Balance**

Amounts that are restricted by external parties, such as creditors, grantors, contributors or laws/regulations of other governments, or restricted by law through constitutional provisions or enabling legislation. Examples include grants, bond proceeds, impact fees, and park dedication fees.

E.8.c. **Committed Fund Balance**

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Examples include Emergency Reserve, Compensated Absences Reserve Fund, and capital asset acquisition/replacement funds.

E.8.d. **Assigned Fund Balance**

Amounts constrained by the City's intent to be used for specific purposes that are neither restricted nor committed. The intent can be expressed by a) the City Council through budgetary action or b) another body or official to which the City Council has delegated the authority. Examples include an approved General Fund appropriation for a multi-year capital expenditure.

E.8.e. **Unassigned Fund Balance**

Amount available in the General Fund that has not been appropriated for another purpose and is available for future expenditures.

F. COMMUNITY ORGANIZATION AND ECONOMIC DEVELOPMENT SERVICES

F.1. **Community Organization Funding**

F.1.a. **Community Development Block Grant Program Funding Set-Aside**

A portion of the Community Development Block Grant (CDBG) Program entitlement from the Federal Department of Housing and Urban Development (HUD) will be set aside annually for the purpose of providing funding assistance to community organizations eligible for funding under the HUD-designated Public Services activity. Specific appropriations for assistance to such organizations will be subject to the review and approval of the City Council and will not exceed fifteen percent of the total entitlement.

F.1.b. **General and Arts Funding Set-Asides**

For the purposes of budget development, the City Manager will recommend the total funds available for providing funding assistance to community organizations in the General and Arts Categories. The resulting amount of total available funds for community organizations will be presented with City departmental budget requests to the City Manager, who has authority to recommend adjustments if determined the funding is needed for basic municipal services. Specific appropriations for assistance to such organizations will be subject to the review and approval of the City Council.

For the purposes of grants for providing what would otherwise be a municipal service (i.e. warming/cooling center, etc.), the City Manager is authorized to continue such grant program annually if 1) the City Council had previously approved the establishment of said grant, and 2) the City Council appropriates funds for such grant in any given year. For the purpose of operational necessity, conflict, or other circumstances impairing a grantee from providing what would otherwise be a municipal service, the City Manager is authorized to change the grantee so long as the cost associated remains at or below the approved annual budget amount.

F.1.c. **Program Administration**

F.1.c.(1). **Funding Adjustment Authority**

Upon request of an organization, the City Manager is authorized to approve requested budget line item or programmatic changes without further Council action if the changes are determined by the City Manager to be consistent with the general elements of the program, service levels, or outcomes previously approved by the Council. In the event a requested adjustment would substantially change the program, service levels, or outcomes, the request shall be forwarded for Council consideration.

F.1.c.(2). **Term Extension Authority**

The City Manager is authorized to extend the term of an agreement with a community organization for a reasonable period of time if all funds have not been expended prior to the end of the term, provided that expenditures during the extended term are consistent with the agreement. The City Manager will notify the City Council of the extension.

F.1.c.(3). **Funding Rescission Authority**

The City Manager is authorized to rescind approved funding to an organization after November 1 if such organization has not submitted all acceptable documentation as set forth in the checklist forwarded with the funding agreement. The City Manager is further authorized to extend the November 1 deadline in the event of unique or unforeseen circumstances.

F.2. **Economic Development Services Set-Aside**

For the purposes of budget development, the City Manager will recommend the total funds available for providing Economic Development Services. The resulting amount of total available funds for economic development/tourism service providers will be presented with City departmental budget requests to the City Manager, who has authority to recommend adjustments if determined the funding is needed for basic municipal services. Specific appropriations for assistance will be subject to the review and approval of the City Council.

G. FINANCIAL ADMINISTRATION POLICIES

G.1. **Claims Settlement Authority - Liability, Property Damage, and Workers Compensation Claims**

G.1.a. **General Settlement Authority**

The following staff is authorized, without the prior approval of the City Council, and with the concurrence of the City Attorney, to settle liability, property damage, and workers compensation claims against the City for bodily injury, personal injury, property damage, and industrial injuries in amounts not to exceed the following:

G.1.a.(1). City Manager \$50,000 per occurrence

G.1.a.(2). Director of Human Resources and Risk Management \$25,000 per occurrence

Such general settlement authority may be exercised when, in the opinion of the City Manager and the City Attorney, such settlement would meet any of the following criteria:

G.1.a.(3). Be in the best interests of the City;

G.1.a.(4). Result in less cost to the City for legal and adjusting expenses than if the normal adjustment process was utilized in connection with claims covered by the City's applicable insurance coverages; or

G.1.a.(5). Not be covered under the liability or workers compensation insurance coverages available to the City.

G.1.b. **Exceptions to Settlement Authority Limitation**

- G.1.b.(1). When claim settlement authority for a workers compensation claim has been approved by the City Council, and a workers compensation judge or the Workers Compensation Appeals Board orders a settlement amount exceeding such authority, the City Manager may approve the ordered settlement amount without further Council review.
- G.1.b.(2). The City Manager may approve, without review by the City Council, workers compensation settlement amounts in excess of \$50,000 which are based solely upon the permanent disability evaluation and rating of the State of California Disability Evaluation Bureau.
- G.1.b.(3). Claim settlements for clean-up costs, property damage, and related expenses for damage to private property resulting from a City sewer line backup, when liability for the backup rests with the City, may be approved by the City Manager without City Council review. Any such settlements not covered by liability insurance shall be funded from the Sewer Fund (Fund 850) and budgeted in the Department 670, Water Pollution Control Plant, operating budget.
- G.1.b.(4) The City Manager will report to the City Council any exceptions to the settlement authority limitation.

G.1.c. **Water Pollution Control Plant Waste Discharge Requirements - Authority to Execute Waiver**

The City Manager is authorized to execute a waiver of the City's right to hearing in connection with fines for certain violations of waste discharge requirements where the City Manager determines that the fine is justified and that it would not be in the best interest of the City to appeal such fine. The City Manager shall report such violation and fine to the City Council as soon as practicable thereafter. Provided, however, the City Council shall be notified in advance of all fines which exceed \$10,000.

G.2. **Real Property Acquisition**

G.2.a. **Incidental Costs**

The City Manager is authorized to approve the expenditure of funds necessary to cover the cost of appraisals, environmental assessments, environmental review, and preliminary engineering for property the City proposes to acquire. In addition, the City Manager is authorized to approve Supplemental Appropriations to provide funds for legal costs, administrative costs, and title and escrow costs in connection with acquisition of real property if the City Council has approved a resolution or minute order authorizing the acquisition and allocation of funds for the purchase price.

G.2.b. **Acquisition of Creekside Greenway Along Waterways Located Within the Chico Sphere of Influence**

- G.2.b.(1). The City Manager will consider acquisition of properties offered for sale when such properties are vacant or contain structures which are unoccupied and have minimal or no value. After obtaining necessary information regarding the property, the City Manager will make a recommendation to the City Council regarding whether to proceed with an acquisition.

G.3. **Development Fees**

G.3.a. **Transportation Facility Fees, Storm Drainage Facility Fees, and Building and Equipment Fees - Funds Established; Authorized Uses**

Pursuant to Chapter 3.85 of the Chico Municipal Code, various funds have been established for the deposit of Transportation Facility Fees, Storm Drainage Facility Fees, and Building and Equipment Fees collected by the City.

The City Manager may authorize the expenditure of monies from these funds for the purposes of securing appraisals for right-of-way acquisition, for costs related to environmental assessment and environmental review, and for preparation of preliminary design engineering and cost estimates for various improvement projects without securing the prior approval of the City Council. In each such instance, the Administrative Services Director shall establish an appropriate Capital Budget Expenditure Account against which such expenditures shall be charged.

Prior to proceeding with right-of-way land acquisition, preparation of final design, engineering plans, and cost estimates or the construction of improvements, the City Manager shall prepare a Supplemental Appropriation for City Council consideration for such work.

In some cases, Development Fee Impact Funds incur expenses prior to collection of fees. This can cause negative cash balances to occur within the Fund. As a result, City Council shall authorize the City Manager to approve cash advances between Development Impact Fee Funds. In accordance with State Government Code 66006(G), these advances (interfund loans) will be disclosed in the annual report of Development Fee activity that is provided to Council within 180 days after the end of the fiscal year. All advances will cause the borrowing fund to pay interest to the lending fund at the rate of return from the City's treasury investment pool.

G.3.b. **Park Facility Improvement Fees - Funds Established; Authorized Uses**

Community Park Fund (330), Linear Parks/Greenways Fund (333), Neighborhood Park Fund (340) and Bidwell Park Land Acquisition Fund (332) have been established. Park Facility Fees paid to the City pursuant to the provisions of Chapter 3.85 of the Chico Municipal Code shall be segregated and deposited by the Administrative Services Director in the appropriate foregoing funds.

The City Manager may authorize the expenditure of monies from these funds for the purposes of securing appraisals for park land and creekside greenway acquisitions, costs related to environmental assessment and environmental review, and preparation of

preliminary design engineering and cost estimates for various park improvement projects without securing the prior approval of the City Council. In each such instance, the Administrative Services Director shall establish an appropriate Capital Budget Expenditure Account against which such expenditures shall be charged.

Prior to proceeding with land acquisition, preparation of final design engineering plans and cost estimates, or the construction of improvements, the City Manager shall prepare a Supplemental Appropriation for City Council consideration for such work.

The City Manager is authorized to enter into agreements to acquire property for community parks, linear parks and greenways, and neighborhood parks when such property has been reserved pursuant to Chapter 18.34 of the Chico Municipal Code. The City Manager shall enter into such agreements and acquire the reserved property only if the balance in the Community or Neighborhood Park Funds, after deducting all expenditures approved in the Budget and any Supplemental Appropriations, is adequate to fund the acquisition. In the event adequate funding is not available in the fund, execution of the agreement will require City Council authorization.

In some cases, Development Fee Impact Funds incur expenses prior to collection of fees. This can cause negative cash balances to occur within the Fund. As a result, City Council shall authorize the City Manager to approve cash advances between Development Impact Fee Funds. In accordance with State Government Code 66006 (G), these advances (interfund loans) will be disclosed in the annual report of Development Fee activity that is provided to Council within 180 days after the end of the fiscal year. All advances will cause the borrowing fund to pay interest to the lending fund at the rate of return from the City's treasury investment pool.

G.3.c. **Nexus Study Update**

The City Manager is authorized to expend monies from the appropriate Development Impact Fee Funds set forth in Sections 3 (a) and (b) above for the purpose of conducting a regular nexus study update required by State law to establish the nexus between the amount of development impact fees collected and the cost of the public improvements which are necessary as a result of new development.

G.4. **Donations, Legacies or Bequests**

The City Manager may accept donations, legacies, or bequests which have a value of up to \$20,000 for the acquisition, improvement, or preservation of various City facilities or activities, subject to the terms and conditions imposed by the donor. For donations with values greater than \$20,000, the City Manager shall secure the approval of the City Council prior to acceptance of the donation, legacy, or bequest.

The City Manager shall transmit any monies received to the Administrative Services Director for deposit to the credit of the appropriate municipal fund and may also request the Administrative Services Director to establish an appropriate Operating or Capital Budget Expenditure Account. In the case of receipt of real property (except property acquired

pursuant to Section 2R.04.030 of the Chico Municipal Code) or personal property, the City Manager shall direct the Administrative Services Director to record it upon the appropriate inventory records of the City.

The City Manager shall have authority to expend any monies received in accordance with the donor's intent, and charge the appropriate budgetary account for expenditures, so long as no expenditure of City monies is required. If an expenditure of City monies is required, the City Manager shall first secure from the City Council approval for an appropriate Supplemental Appropriation.

The above provisions shall also apply to donations, legacies, and bequests to the Bidwell Park and Playground Commission, pursuant to Section 1006.2 of the Charter.

G.5. **Financial Assistance**

G.5.a. **Loans and Other Financial Assistance for Manufacturing and Industrial Facilities**

The City Manager may authorize the expenditure of funds from the amounts budgeted for loans and other financial assistance for manufacturing and industrial facilities for the purpose of securing a financial analysis of a proposal for a loan. In addition, the City Manager is authorized to approve Supplemental Appropriations to provide funds for legal costs, administrative costs, and title and escrow costs in connection with making a loan if the City Council has adopted a resolution or minute order authorizing the execution of agreements to provide the loan and allocating loan funds.

G.5.b. **Emergency Relocation Assistance**

From time to time during the course of a fiscal year, City actions (such as abatement of dangerous buildings) may occur which result in the loss of housing accommodations for affected low income City residents. In such circumstances, the City Manager is authorized to provide short-term relocation assistance to such persons to fulfill their housing needs. In each such instance, the City Manager shall report such action to the City Council at the earliest practicable date following such approval and shall secure from the Council approval of an appropriate Supplemental Appropriation. Funds for such assistance may be drawn from the Program Contingency or Program Administration Reserves of the Community Development Block Grant (CDBG) Fund, or the Operating Reserves of the General Fund, or such other municipal fund as may be appropriate and lawful for such use.

G.5.c. **Low and Moderate Income Housing Loans - Revolving Loan Accounts**

G.5.c.(1). **Rehabilitation Loans (CDBG and HOME)**

Principal on all loan repayments from City rehabilitation loans to low and moderate income households shall be deposited in a revolving loan fund to be used for future projects or programs. Such revolving loan fund shall be established by the Administrative Services Director within each fund from which rehabilitation loans are

made (i.e., Community Development Block Grant Fund or Home Investment Partnership Program Fund).

G.5.c.(2). **Mortgage Subsidy Program Loans (HOME)**

Principal on all loan repayments from City mortgage subsidy loans to low and moderate income households shall be deposited in a revolving loan fund to be used for future eligible projects or programs. Such revolving loan fund shall be established by the Administrative Services Director within the HOME Fund.

G.5.d. **Reduction of Interest on Delinquent Assessments**

The City Manager is authorized to reduce the interest rate on delinquent assessments to a rate not less than the City's rate of return based on the annualized rate of the City's investment pool for the period of the delinquencies, plus two percent, upon receipt of documentation satisfactory to the City Manager that: (1) the property owner had no knowledge of the delinquent assessments; (2) the property owner had no control over the payment of the delinquent assessments; or (3) the property owner attempted but was not allowed to pay the delinquent assessments because the Butte County Tax Collector would not accept a partial payment.

G.6. **Contractual Authority**

G.6.a. **Participation in Federal, State, or Other Funding Assistance Programs**

From time to time the City becomes eligible, pursuant to appropriate statutes and/or regulations of the State and/or Federal Governments, or through programs of private non-profit and for-profit agencies, to apply for and/or receive funding assistance for various activities, programs, or projects (such as employment programs, traffic safety programs, and capital funding assistance for public right-of-way, park, or airport facilities and the like). The City Manager is authorized to file applications and develop or negotiate provisions for such funding assistance on behalf of the City as the City Manager may deem appropriate and in the best interests of the City in connection with the activities, programs, or projects proposed to be funded. If funds have been appropriated for such assistance or if no City funding will be required in connection with it, no action by the City Council shall be required. If funds for such assistance have not been appropriated, the City Manager shall report upon each such application to the City Council. If the Council does not request the City Manager to withdraw the application or not finalize the arrangements, then the City Manager is authorized to take all further actions necessary to secure the assistance and implement the program, activity, or project.

In the event the assistance is received, one of the following courses of action, as applicable, shall be taken:

- G.6.a.(1). If the assistance for the contemplated activity, program, or project fully funds it and no City matching funds are required, no further budgetary action shall be required and

the Administrative Services Director is authorized to establish such municipal funds and accounts as appropriate.

- G.6.a.(2). If the assistance and previously appropriated City matching funds fully fund the contemplated activity, program, or project, no further budgetary action shall be required.
- G.6.a.(3). If the assistance and previously appropriated City matching funds are insufficient, or no matching funds have been previously appropriated, they shall be appropriated by Supplemental Appropriation of the Council either in connection with any required Council action regarding acceptance of the assistance, or at such later time as the amount can be reasonably determined.

Should such funding assistance involve the employment of persons in the City service, it is recognized that such employment and the retention of such employees are wholly contingent upon the continued allocation of such assistance to the City and that the City has no obligation for continuing the employment of such persons in the event the funding assistance is terminated or otherwise withdrawn. Accordingly, the City Manager is granted full authority to terminate any persons so employed under these circumstances, unless, with the approval of the City Council, City funding is appropriated to continue their employment.

Should a program, activity, or project funded (in whole or in part) with assistance generate income required to be used for the program, activity, or project funded (e.g., rental income, property sales, housing assistance loan repayments, and the like), such program income shall be used to fund such activities, programs, or projects prior to utilization of any funding assistance monies. It is understood that such program income will increase the scope of the approved programs, projects, or activities. Accordingly, the City Manager is authorized to make such Budget Modifications as may be required from time to time, to reflect the use of such income.

Further, the City Manager, as the Chief Executive Officer of the City, pursuant to the provisions of Section 701 of the Charter, is hereby authorized to sign any and all documents required in connection with State and/or Federal funding assistance for and on behalf of the City, unless specific State and/or Federal requirements necessitate an approving resolution(s) of the City Council.

G.6.b. **Participation in Fully Reimbursed Contracts and Agreements**

- G.6.b.(1). From time to time, the City may participate in a contract or agreement for City services which are fully reimbursed by another person, firm, or public agency. The City Manager is authorized to enter into such contracts or agreements as are appropriate and in the best interests of the City. Examples of services to be provided pursuant to such contracts or agreements include environmental impact reports and City employee overtime when requested by private parties to perform work for the benefit of the private parties.

G.6.b.(2). The Planning Services and Building and Development Services Divisions are authorized to over expend funds budgeted for Contractual Services and Professional Services Activities of the Private Development (862) and Subdivisions (863) Funds to secure professional services for the preparation of environmental and other special studies related to a specific development project, when such over expenditures are offset by revenues deposited by the applicant(s) for those projects. Purchase orders for consultant services under these circumstances shall include a copy of the official receipt verifying deposit of the funding as an attachment.

G.6.c. **Participation in Agreements with Butte County, the State of California, Public Utilities, Railroad Companies, or Other Similar Agencies**

The City Manager is authorized to enter into agreements with Butte County, the State of California, public utilities, railroad companies, or other similar agencies in conjunction with projects for which funds have been budgeted. In the event a condition of the agreement will have a fiscal impact on the City beyond the funds budgeted, the City Manager shall secure City Council approval prior to execution of the agreement.

G.6.d. **Submittal of Annual Transportation/Transit Claim**

Pursuant to the Transportation Development Act (TDA), the City is required to submit an Annual Transportation/Transit Claim to the Butte County Association of Governments (BCAG) in order to receive TDA funds. The City Manager is authorized to submit the Annual Claim to BCAG to request funding for programs and projects which have been approved by the City Council in the Budget.

G.6.e. **Residual Funding Assistance Revenue - Expenditure Authority**

In the event residual funds remain once funding assistance revenues have been expended for the purposes appropriated by the City Council, the City Manager is authorized to approve minor expenditures of up to \$5,000 provided such expenditures are consistent with the terms, conditions, and eligibility requirements of the funding assistance as originally granted.

G.7. **Solicitation of Grants**

City departments pursue a variety of grant opportunities to fund operational, capital, and strategic needs. It is important for the City to fully evaluate the purpose of the grant, how the grant fits within City priorities, grant requirements, and the secondary effects of the grant. Grants differ from Donations (G.4) where grants involved initiation and application by the City and a donation generally involves an external party or entity who desires to make a donation to the City. For any grant solicitation, City departments must comply with the following requirements:

G.7.a. Departments require written City Manager approval before soliciting a grant which exceeds \$10,000 and/or contains any matching requirements. For grants exceeding

\$100,000, the City Council must be informed of the solicitation, its purpose, and projected fiscal and operational impacts to the City.

- G.7.b. Departments soliciting a grant must work with the Administrative Services Department to conduct a detailed analysis of the financial and performance requirements, matching requirements, compliance issues, other administrative or City costs, and any secondary effects for the grant. A written report must be submitted to the City Manager and must contain the detail required by the City Manager regarding the areas above, as well as any other pertinent information. City Manager will sign as to either approve or deny the solicitation.
- G.7.c. After soliciting the grant, the soliciting department will forward the approved, signed City Manager report to other departments who will be impacted in any material way by accepting the grant. Those other departments will document the impacts, estimate the costs, and provide their written analysis to the soliciting department.
- G.7.d. The soliciting department will compile all the required documents and prepare a City Council agenda item with sufficient information to allow for a well-informed decision on grant acceptance. The department shall submit the item for City Council review and approval with sufficient time to allow for a full review of the cost and impact of the grant. While multiple departments may be involved in preparing a solicitation or grant acceptance, it is the soliciting department's responsibility to ensure financial estimates and other material information is accurate and in line with the requirements and conditions of the grant.
- G.7.e. Exceptions: Airport Improvement Grant applications through the Federal Aviation Administration for matching funds only require City Manager approval. Multi-year grants only require initial approval for solicitation.

G.8. **Leases of City Property**

All new leases of City property with a cumulative term in excess of five years shall require Council approval. All Airport leases must be reviewed and approved by the Airport Commission. All park facility leases greater than 15 years must be reviewed and approved by the Bidwell Parks and Playground Commission.

G.9. **Pension Stabilization Trust**

The City Council established a Pension Stabilization Trust under Internal Revenue Code Section 115 on June 19, 2018. The irrevocable trust is restricted for use to pay future CalPERS retirement contributions. The investment model strategy for the Trust is conservative. A conservative investment model is defined as a strategy that does not exceed an investment allocation over 20% in equity securities with the remainder investment allocation in fixed income securities. The model strategy may only be modified by the City Manager with City Council approval.

Fund 904 – Pension Stabilization Trust shall account for the financial activity of the Trust. Trust accounting will be provided at least quarterly as part of the monthly monitoring reports provided to City Council.

H. DESIGNATED EXPENDITURE AUTHORITY

H.1. Reimbursements/Refunds

H.1.a. Deposit Refunds

From time to time, monies are deposited with the City by others for various purposes (e.g., security deposits in connection with the rental of City-owned property, funds to finance the construction or undertaking of projects, programs, or activities and the like). Upon completion of such project, program, or activity, or termination of the rental, the Administrative Services Director is authorized to refund the unexpended portion of any such deposits, upon being informed by the appropriate City officer/employee that all conditions relating to the deposit have been met by the depositor.

H.1.b. In-Lieu Offsite Reimbursements

The City Manager is authorized to expend In-Lieu Offsite funds to reimburse a property owner for construction of specific off-site public improvements if an In-Lieu Offsite Fee for the improvements was previously paid for the property. Such reimbursement shall not exceed the total amount of fees paid by the property owner. In addition, the City Manager is authorized to approve Supplemental Appropriations to establish capital projects from which to expend the reimbursement funds.

H.1.c. Street Facility Improvement Fees, Storm Drainage Facility Fees, Sewer Lift Station Capacity Fees, and Sewer Main Installation Fees - Reimbursement Authority

The City enters into agreements authorized by Chapters 3.84, and 3.85, and Sections 15.36.178 and 15.36.220 of the Chico Municipal Code to reimburse developers for the cost of constructing oversized street facility improvements, oversized storm drainage facilities, excess capacity in a sewer lift station, and/or sewer main extensions. In addition, the City Manager may enter into agreements authorized by the City Council to reimburse developers for the cost of constructing sewer trunklines with sufficient capacity to serve future development on other properties. The City Manager is authorized to expend funds from the Street Facility Improvement Fees Fund, the Storm Drainage Facility Fees Fund, the Sewer Lift Station Capacity Fees Fund, and the Sewer Main Installation Fees Fund when the City has an obligation to reimburse a developer pursuant to such a reimbursement agreement.

H.2. Police - Special Investigation Account Administration

Section 2R.28.010 of the Code establishes the Police Special Investigation Account and authorizes expenditures therefrom. A revolving account has been established in the amount

of \$5,000 for authorized Police Special Investigation purposes. During the course of any fiscal year, if funds in excess of this appropriation are requested by the Chief of Police and approved by the City Manager, the Administrative Services Director is authorized and directed to provide such additional monies as may be deemed necessary.

Exception: In addition to the above authority, the City Manager may authorize expenditures for Police Special Investigation purposes in excess of an annual appropriation therefore upon determining that the amount of any such excess expenditures will be reimbursed to the City from a State and/or Federal funding source for such purpose.

H.3. **Interpreter Services**

From time to time, hearing impaired persons and non-English speaking persons desiring to participate in meetings of the City Council and its Boards and Commissions require the services of an interpreter. If locally available, interpreter services shall be arranged by the City Clerk provided that such services are requested no later than seven days prior to the date of the meeting. Following approval by the City Clerk, the Administrative Services Director is authorized to expend the necessary monies for the interpreter services after services are rendered.

H.4. **Minor Expenditures**

The City Manager, upon notice to the City Council, is authorized to approve minor expenditures of up to \$5,000. These expenditures may include, but are not limited to, hiring consultants, hourly staff, or for minor purchases.

H.5. **Community Receptions and Dedications**

From time to time, the City is requested to participate in the cost of community receptions, dedications, and similar events. The City Manager is authorized to incur expenses for such events which are expected to be attended by members of the City Council and other City officials, are expected to further goodwill between the City and various segments of the community, and where such funds are budgeted or have been approved by the City Council in a separate action.

H.6. **Public Notices - Over Expenditure Authority**

From time to time, the City Council directs staff to mail or publish public notices on certain issues beyond the legal public notice requirements. In the event postage, other mailing expenses, or advertising expenses resulting from such an expanded notice exceed the funds budgeted, the City Manager is authorized to approve over expenditure of the budgeted funds.

H.7. **City Council Special Request Purchases**

From time to time, the need arises for the City Clerk's office to purchase incidental items on behalf of the City Council, at the request of a Councilmember, such as flowers or donations for ill employees, community members, memorials, or other small purchases outside the

scope of already budgeted expenditures. The City Council is authorized to spend up to \$50 per purchase for such expenditures, not to exceed \$500 per year.

H.8. **Reward Offers - Authority to Expend**

H.8.a. The City Manager is authorized to offer rewards for information leading to the arrest and conviction of any person responsible for assaulting a City employee or a City volunteer acting on behalf of the City, or for causing significant damage to City property or facilities. Such rewards shall not exceed \$10,000 per occurrence without the prior approval of the City Council. In the event a reward is offered, the City Manager is also authorized to process a Supplemental Appropriation to allocate the funds.

H.8.b. After consultation with the Chief of Police to determine whether such action is warranted, the City Manager is authorized to offer rewards for information leading to the arrest and conviction of any person responsible for the commission of a felony crime within the City of Chico. Such rewards shall not exceed \$10,000 per occurrence without the prior approval of the City Council. In the event a reward is offered, the City Manager is also authorized to process a Supplemental Appropriation to allocate the funds.

I. HUMAN RESOURCES POLICIES

The Human Resources Policies are an overarching framework of parameters that address the City of Chico's workforce. Please refer to specific Memorandum of Understanding, Employment Contracts, Pay and Benefit Resolutions, Administrative Policies and Procedures, as well as Personnel and Employee Representation Rules for details governing the City's various employee groups.

I.1. **City Council**

I.1.a. **City Council Technology Lending Authority**

Upon request to the City Manager, a Councilmember may borrow City-owned technology, such as laptop or tablet, during his or her term of office for City business use.

I.1.b. **City Council Health Insurance**

Councilmembers shall be covered by the City's employee health insurance plans. Councilmembers shall contribute two percent (2%) of their Council pay for the City's EPO benefit plan and four percent (4%) of their Council pay for the City's PPO benefit plans. Councilmembers shall make no contribution of their Council pay for the City's HDHP benefit plan. The City contribution shall be the difference between the Councilmember contribution and the total premium. Consistent with employee health insurance coverage, dental and vision insurance shall be included in the health insurance coverage with no additional payment by Councilmembers. Councilmembers who wish to cover eligible dependents on vision insurance shall pay the difference between the single member contribution and the total premium.

I.1.c. **City Council Remuneration**

If, at the regular City Council meeting held the first Tuesday in December of each even-numbered year, there are more than seven Councilmembers required to be in attendance (Councilmembers-elect and outgoing-Councilmembers), each out-going Councilmember shall receive: (1) one-fourth the maximum monthly salary allowed for Councilmembers pursuant to Charter Section 601; and (2) one-fourth of the cellular telephone allowance per Budget Policy I.5.d.(5). Councilmembers-elect shall receive the maximum monthly salary allowed for Councilmembers in general law cities on the salary schedule set forth in California Government Code section 36516(a) (Charter Section 601).

I.2. **Human Resources Administration**

Subject to the applicable provisions of the Charter, the Chico Municipal Code, the Budget Resolution, the PERRs, any applicable AP&P, the City of Chico Classification Plan, and these Budget Policies, the City Manager may take the following actions in the areas noted below:

I.2.a. **Allocation Modifications**

Modify the "Schedule of Job Title Allocations to Departments" and "Employee Pay Schedules" to the extent that the results of an appropriate job analysis(es) or reorganization demonstrates that a position or position's minimum qualifications should be substantially modified, or should be reassigned from one department to another department. However, should the results of an appropriate job analysis(es) or reorganization result in the modification of an existing Pay Schedule or the reassignment of a position to a different Pay Schedule, such reclassifications, including an updated Budget Appendix B-1, shall be approved by City Council at a City Council meeting.

I.2.b. **Appointments and Assignments**

I.2.b.(1). **Lower Job Titles in Class Series; Promotion**

Appoint candidates for employment who do not meet minimum qualifications for an allocated job title to a lower job title in the same class series, so long as they do meet the minimum qualifications for the lower job title. Subsequent to employment and upon fulfilling the minimum qualifications, these employees may then be promoted to higher job titles within their particular job class series.

I.2.b.(2). **Advanced Step Appointments**

Appoint a candidate at an advanced pay level within a certain pay range after considering the candidate's qualifications, experience, and the needs of the City when it appears, by virtue of competitive factors in the job market for a particular job title, or a candidate's specific experience and qualifications, that it will not be possible to employ a qualified candidate for appointment at the beginning pay step in the pay

range to which the job title is assigned. This section shall not apply to promotional appointments.

Salary Adjustments shall be authorized by a Department Director, with City Manager approval, to advance an employee on their applicable salary schedule two (2) steps on their anniversary date. Such advancement shall be made only to address a retention issue and must be provided within the constraints of the existing departmental fiscal year budget. Such advancement shall only apply to those employees currently on Step A through Step F of the 14-step salary schedule.

A retention issue shall be defined as a finding of a recruitment and retention issue by the Department Director, as affirmed by the Human Resources Department, and confirmed by the City Manager.

I.2.b.(3). **Interim (Out of Classification) Appointments**

Make interim (out of classification) appointments, in the absence of appropriate employment lists, whether for promotional or non-promotional positions, and also make appointments to fulfill the requirements of offices/departments when an employee regularly filling a position is unavailable for duty for extended periods by reason of illness or other justified absence. If the appointed incumbent is not a regular employee, such appointments may be on a contractual basis or as an hourly exempt appointment. All Out of Classification appointments shall be made in accordance with applicable MOUs, PBRs, and policies and procedures.

I.2.b.(4). **Overhire Appointments**

Authorize appointment of permanent employees in excess of the number of allocated positions in a particular classification in situations where a vacancy is anticipated within a short period of time, or in situations where a current employee is not actively at work and is not expected to return for a significant period of time or at all, provided there is no substantial overall financial impact resulting from such action.

I.2.b.(5). **Hourly Exempt and Classified Appointments**

Appoint persons to classified and exempt service job titles on an hourly exempt pay basis, not to exceed 2,000 hours, unless otherwise approved, normally at the beginning pay step in the pay range to which the job titles are assigned. All appointments shall be paid in quarter dollar increments.

Further, the City Manager may employ a person as an hourly exempt employee at other than the beginning pay step if his/her qualifications or experience warrant. Persons employed on an hourly exempt pay basis intermittently over a period of years may be advanced from the initial pay at which they were appointed, from time to time, in recognition of their increased value to the City by virtue of their length of service, experience, productivity, and like work-related factors. The City Manager may authorize benefits in addition to wage payments for hourly exempt employees who are

hired into management or non-represented job titles with the expectation that they will work for an extended period of time. A separate employment agreement which specifies the wages and benefits payable for the assignment will be prepared for each position and may be updated periodically.

I.2.b.(6). **Training and Intern Appointments**

Execute agreements with Federal, State, or local agencies, or non-profit or private rehabilitation firms for the placement of trainees, observers, or volunteers at City work sites when the City is requested to participate in employment and/or job training programs which are funded by such agencies or firms. Such placement would be made to provide experience and training to program participants and may include City assumption of certain incidental costs, including workers compensation or liability obligations, provided adequate funding is available in the operating budget of the department where the placement is made.

I.2.b.(7). **Supervisory Assignments**

Assign responsibility to supervise and direct the work of several other employees appointed to like job titles in offices and departments of the City from time to time, as the needs of the City may require. This responsibility should be outside the normal course and scope, and not typically expected of the position in question. Such assignments shall be designated "Supervisory Assignments" and shall be made upon recommendation of a Department Director and approval of Human Resources and Risk Management. Employees so assigned shall be selected on the basis of their extended knowledge and demonstrated ability to perform the duties and responsibilities of their jobs, together with their initiative and willingness to accept such an assignment. An employee's continuation in a supervisory assignment shall be conditioned solely upon his or her performance, the continuing needs of the City, and like factors. No employee so assigned shall hold any rights or entitlements to such assignment, and supervisory assignments may be rotated among other employees from time to time if the best interests of the City so dictate. Employees holding supervisory assignments shall be entitled to receive an additional five percent (5%) compensation during their assignment tenure in excess of the compensation they would otherwise receive for their regular job title assignment.

I.2.b.(8). **Permanent Appointments**

Upon recommendation of the City Manager, the City Council may authorize the creation and/or addition of any new, permanent City position, including the job description, and must take action to allocate the appropriate funding for the position. For the purposes of this section, a new, permanent City position is considered a position which would increase the funded staffing level within any department and specific job title. The City Manager will include the current and ongoing cost impacts of the position as well as an identified funding source sufficient to cover the estimated, fully-loaded cost of the position.

I.2.c. **Salary Adjustments**

Aside from the provisions listed within Section I, all salary amendments and applications shall be made in accordance with City Council approved memorandums of understandings, pay and benefit resolutions, employment contracts, and applicable policies and procedures. Any other salary amendment shall be made upon approval of City Council.

I.2.c.(1). **Hourly Exempt Pay Rate Increases**

Increase the pay rates for hourly exempt employees when the pay rates for permanent employees holding the same job titles are increased. Such increases shall be effective upon City Council approval of the pay and benefit resolution or resolution approving a memorandum of understanding, or other scheduled date pursuant to a Council approved action, but shall not be retroactive, even if the pay increase is retroactive for permanent employees.

I.2.c.(2). **Supervisory Management Positions - Salary Adjustment**

May consider, in addition to approved salary schedule step increases, salary adjustments of up to five percent (5%) for employees in supervisory management positions who, on a regular basis, earn a lower salary (regular pay and benefits) than employees supervised. Employees shall be eligible to continue to receive salary increases authorized under this section only so long as they continue to supervise the classification of employee whose salary created the salary compaction issue. Any compaction issues shall be reviewed in the Human Resources & Risk Management division, with a recommendation being forwarded to the City Manager as required.

I.2.d. **Management Leave Rates Authority**

The City Manager may establish vacation or management leave accrual rates or initial balances which are greater than those provided through the Management Team and the Public Safety Management Team Pay and Benefits Resolutions, based on the past experience of such new employee if such accrual rates or initial balances are specified in a written agreement with the management employee.

I.2.e. **Severance Authority**

The City Manager may develop, at his or her sole discretion, an individual severance benefit for an at-will management employee who was appointed to a permanent position in the event a determination is made to terminate the employee. Such severance benefit shall not be the right of such terminated employee, but rather is an additional benefit that may be established based on the particular situation of the employee, through negotiation with the City Manager. Such benefit may include compensation for wages, extension of health or other insurance coverage, or other benefits and/or payments as meet the individual need of the terminated employee and the City. The City Manager will advise the City Council when a severance exceeds three (3) months.

I.2.f. **Paid Administrative Leave Authority**

The City Manager may authorize, upon Department Director recommendation, paid administrative leave for the purpose of temporarily removing an employee from the workplace to address a particular situation. While on paid administrative leave, the employee maintains full pay and benefits and shall only be authorized when an employee should not remain in the workplace.

I.3. **Conference Attendance**

I.3.a. **Officers, Boards, and Commissioners - Council Appointed**

I.3.a.(1). The City Manager and the City Attorney are authorized to attend such professional conferences each fiscal year as they may deem pertinent and appropriate, within the limits of the funds appropriated in the Budget.

I.3.a.(2). Board and commission members are authorized to attend professionally related conferences which are sponsored by the League of California Cities or an appropriate professional organization(s), within the limits of the funds appropriated in the Budget. Provided, however, the annual individual expenditure may not exceed \$1,500 per board or commission member without prior approval of the Council.

I.3.b. **Officers and Employees - City Manager Appointed**

Officers and employees are authorized to attend professionally related conference(s) which are sponsored by the League of California Cities or other appropriate professional organization(s), within the limits of the funds appropriated in the Budget, subject to the following conditions:

I.3.b.(1). Approval for conference attendance shall be secured in advance from the City Manager or the appropriate Department Director. The approval request should provide an estimated total cost and total working days away from the City.

I.3.b.(2). Approval Requests should include the name of the organization, location of the conference, and a copy of the conference brochure.

I.3.b.(3). The City will not reimburse expenses for any conferences occurring outside the contiguous United States or Canada.

I.3.c. **Conference Expense Reimbursement**

Reimbursement for conference expenses shall be in accordance with the applicable provisions of the "Schedule of Authorized Reimbursements - Incurred Expenses" as set forth below in Section 5., within the limits of the funds appropriated in the Budget.

I.4. **Business Expense**

I.4.a. **General Provisions**

From time to time, during the course of their official duties, City officers and employees incur expenses for transportation, lodging, meals, training, and related items for other than conference or local civic function purposes. Such instances include, but are not limited to, meeting with business guests at meals; paying the transportation, meal, lodging, and/or related expenses of candidates for employment; paying the transportation, lodging, meal, and/or related expenses of individuals requested by the City to participate in personnel interview/assessment panels; and the like. All such expenses shall be charged to the appropriate Business Expense or Employee Training Expense of the particular officer/employee's Operating Activity Budget, or the appropriate capital project, and each such expense item shall be subject to the allowance rates set forth in the "Schedule of Authorized Reimbursements - Incurred Expenses" appearing in Section 5. below, unless exceeding such rates has been approved as set forth below. An officer or employee shall secure the prior approval of the City Manager to incur Business Expenses in the following instances:

- I.4.a.(1). When the proposed expenditures are to be charged to an account other than the officer/employee's Business Expense or Employee Training Expense, or a specific capital project managed by the officer/employee.
- I.4.a.(2). When expenditures will be made for individuals other than City officers, employees, or business guests.
- I.4.a.(3). At the City Manager's discretion, the City Manager may establish limits and parameters in the amount and means of reimbursement for business expenses when documented in a written agreement.

I.4.b. **Meals and Other Local Civic Functions**

From time to time in the course of their duties, City Councilmembers and Department Directors are expected to attend meals or other local civic functions to which they are invited to include a guest. Funds budgeted for business expenses may be expended for the cost of meals for guests of Councilmembers and Department Directors.

I.4.c. **Biennial Board and Commission Appreciation Dinner**

Funds budgeted for the Biennial Board and Commission Appreciation Dinner, held in even fiscal years, may be expended to cover the dinner cost for individual guests of Councilmembers, Board and Commission members, and City staff.

I.4.d. **Biennial Volunteer Recognition**

The City Manager is authorized to expend funds, in an amount not to exceed \$10,000, for a dinner or other appropriate activity in odd fiscal years to recognize the services of City

volunteers. In the event such activity is planned, the City Manager is also authorized to process a Supplemental Appropriation to allocate the funds.

I.4.e. **Civic Organization Membership Dues**

The City Manager may approve reimbursement of local nonprofit civic organization membership dues for Directors and Managers. Costs of meals and donations for participation in the civic organization will not be reimbursed by the City.

I.5. **Schedule of Authorized Reimbursements - Incurred Expenses**

I.5.a. **Expense Reimbursement Rules - General Provisions**

I.5.a.(1). Officers and employees of the City, members of City boards and commissions for which a budget for such expense has been established, and such other persons as may be designated by the City Council, shall be entitled to reimbursement for expenses incurred during the performance of their official duties at the reimbursement rates set forth in Item d. below, subject to the provisions of subsections (a) and (b) of this section, relating to eligibility for expenses incurred inside and outside the Chico Urban Area. The term "official duties" includes, but is not limited to, attendance at authorized conferences, meetings, training sessions, meals, and like civic functions attended by an officer/employee in his/her official capacity, and similar activities; assigned travel in the City service; and expenses incurred in connection with other similar duties. Officers and employees of the City also shall be entitled to reimbursement for expenses incurred for business expense, so long as such expenses are incurred in compliance with the provisions of Section 4. "Business Expense." Under no circumstances shall officers and employees be reimbursed for alcoholic beverages, political activities, fund-raising events, or entertainment.

I.5.a.(1).(a). **Reimbursement Eligibility - Expenses Incurred in Chico Urban Area**

Reimbursement may be obtained for expenses incurred for activities occurring within the Chico Urban Area only for meals or per diem.

Exception: Automotive mileage allowance reimbursement also may be obtained by an officer/employee using a personal vehicle in connection with his/her normal job assignment(s), with the prior approval of the City Manager.

I.5.a.(1).(b). **Reimbursement Eligibility - Expenses Incurred Outside Chico Urban Area**

Reimbursement may be obtained for expenses incurred for activities occurring outside the Chico Urban Area for transportation, lodging, meals, and per diem.

I.5.a.(2). Except as otherwise provided herein, expense reimbursement is not authorized for expenses incurred by guests of officers or employees who may from time to time accompany them while performing their defined official duties.

I.5.a.(3). Requests for expense reimbursement shall be submitted to the Administrative Services Director for payment in accordance with the provisions of City of Chico AP&P No. 15-1, "Travel Authorization and Reimbursement Policy."

I.5.b. **Expense Reimbursement Rules - City Council (Council Business Expense - Conferences, Seminars, Meetings, Etc.)**

Councilmembers are authorized to expend funds, within the limit of the funds appropriated in the Budget for Council Business Expense to attend conferences, seminars, meetings, and similar events or programs of interest to Councilmembers (such as those sponsored by the League of California Cities and similar organizations) and miscellaneous expenses. All funds so appropriated shall be subject to the following provisions:

I.5.b.(1). Councilmember expense for such attendance is subject to the provisions of this Schedule;

I.5.b.(2). Notwithstanding anything above to the contrary, the Mayor or Councilmembers may exceed their individual allocation if the Mayor or one or more Councilmembers approve the transfer of a portion of their allocation to another member of the Council. In the event of such transfer, the Councilmember shall notify the City Clerk in order that the transfer can be noted on applicable expense reimbursement forms.

I.5.c. **Expense Reimbursement Rules - Non-Officer/Employee Business Expense**

I.5.c.(1). **City Council Workshops and Forums**

The Council is authorized to sponsor up to four forums or workshops for Councilmembers, staff, and the public (if appropriate) on matters and issues of general interest to the City within the limits of the funds appropriated in the Budget. The funds appropriated will be used to pay the expenses (transportation, lodging, meals, etc.) of presenters at such events. Presenters shall submit claims for expense reimbursement regarding their attendance to the City Clerk for payment processing on forms provided to them by the City Clerk. Event topics and presenters will require the prior approval of the Council.

I.5.c.(2). **Travel Expenses for Candidates for City Positions**

Candidates for Department Director and other City positions may be reimbursed for the actual cost of travel, meals, and lodging to participate in interview and selection processes. Such reimbursement must be approved by the City Manager in advance, and shall be subject to the same limitations and rules established for Officers and employees of the City, provided, however, that such costs may be incurred within the Chico Urban Area. Expense reimbursement is not authorized for expenses incurred by guests of candidates who may accompany them.

I.5.d. **Approved Reimbursement Rates**

I.5.d.(1). **Transportation Allowance**

Reimbursement for transportation expenses incurred shall be made in accordance with either Item (a) or (b) below.

I.5.d.(1).(a). Automotive Mileage Allowance - As established by the Federal Travel Regulations (FTR) (41 C.F.R., Part 301-10.303). The Administrative Services Director shall provide the current FTR rates to each department for use in preparing the appropriate Report of Officer and Employee Incurred Expenses.

I.5.d.(1).(b). Alternate Transportation Allowance - actual cost of air carrier, rail, bus and taxi fares, tolls, parking, and similar transportation-related expenses.

I.5.d.(2). **Lodging Allowance**

Actual cost; provided, however, that if a hotel or motel levies separate rates for "one person" and "two persons," an officer or employee will not be entitled to be reimbursed for the additional cost incurred by the guest of officers or employees.

I.5.d.(3). **Maximum Meal and Per Diem Allowances**

Rates set forth in the FTR (41 C.F.R., Part 301-11), set forth below are the maximum single meal and per diem allowances which may be paid to an officer or employee for meal costs incurred while engaged in official duties:

I.5.d.(3).(a). Single Meal Allowances (total allowance for day may not exceed per diem maximum set forth in the code):

Within Butte County - (Meal receipts must be attached to the Report of Officer and Employee Incurred Expenses.)

Employees shall not be entitled to reimbursement for lunches for classes or seminars held within the Chico Urban Area unless the lunch is included in the cost of the class or seminar. However, the City may provide lunch for employees participating in department seminars or training if adequate funding is available in the departmental business expense and/or the cost of the lunch is subject to reimbursement from a funding agency, such as Peace Officers Standards and Training (POST).

Outside Butte County - Single meal allowance is based on the daily per diem amount, as established by the U.S. General Services Administration (GSA). (Meal receipts are not required to be attached to the Report of Officer and Employee Incurred Expenses.)

I.5.d.(3).(b). Per Diem Allowance - The per diem allowance shall be as established by the U.S. General Services Administration (GSA) and is dependent on destination of travel.

The Administrative Services Director shall provide the current GSA rates to each department for use in preparing the appropriate Report of Officer and Employee Incurred Expenses.

I.5.d.(4). **Exception - Meal and Per Diem Allowances**

The "Single Meal Allowances" and the "Per Diem Allowance" as specified in the code may be exceeded to the extent that the actual cost of scheduled conference, civic function, and business meeting meals exceed the amounts shown, subject to the approval of the Department Director, and evidenced by receipts.

I.5.d.(5). **Cellular Telephone Allowance**

City Councilmembers, Department Directors, senior managers and information systems department staff who are required to carry a cellular telephone for City business, and who elect to use their personal cellular telephone instead of carrying a City-provided telephone to be used only for City business, are eligible for an allowance under one of the following options:

- I.5.d.(5).(a). A monthly stipend in the amount of \$75 which is taxable income and subject to payroll taxes.
- I.5.d.(5).(b). A monthly reimbursement not to exceed \$75 which is not taxable income and not subject to payroll taxes. Expense reimbursement claims shall be processed in accordance with procedures established by the Administrative Services Director and approved by the City Manager.
- I.5.d.(5).(c). In either case, individuals receiving a stipend or reimbursement must provide their cellular telephone number to Human Resources staff and maintain updated information.

I.6. **Employee Crisis Counseling**

Funding has been appropriated in the Human Resources Department Operating Budget (Account No. 001-130-6703) to fund an Employee Crisis Counseling Program for City officers/employees in need of such assistance. Program procedures shall be as set forth in an appropriate AP&P. The City Manager is authorized to exceed this appropriation during the course of a fiscal year upon finding that circumstances and conditions relating to one or several employees requiring counseling assistance so warrant.

I.7. **Grant-Funded Positions Annual Report**

A status report of all grant-funded positions is reflected in Appendix B. Such report specifically lists each position, the term of the grant funding, the City's share of employment costs, if any, and any other information which would assist the City Council in determining whether the position should be re-authorized upon termination of the grant.

J. CONTINUING AND LONG-RANGE COUNCIL POLICY DECISIONS

Set forth below are a series of continuing and long-range Policy Decisions which have been approved by the Council. These Policies are incorporated within these Budget Policies in connection with the Council's review of this Budget.

J.1. CDBG Program Eligible Neighborhood Improvement Program

Continue to utilize Community Development Block Grant Program (CDBG) funds for public improvements in neighborhoods that meet the income eligibility requirements as defined by the Department of Housing and Urban Development. Projects will be selected by Council on an annual basis as part of the Annual Plan process for CDBG based on project priorities established through the Capital Improvement Program.

J.2. Contracting for Services

Where feasible and cost effective, contract with private enterprise for City materials, supplies, and services requirements. Pursuant to the provisions of Section 3.08.060 C. of the Chico Municipal Code, utilize public and/or private nonprofit California corporations operating workshops serving the handicapped for the foregoing whenever possible. Prior to awarding a bid for a service proposed to be contracted, notify the City Council of the proposed award.

J.3. Development Fees

Establish appropriate development fees to fund new or expanded public facilities improvements which are required because of new development.

J.4. Fair Trade Products

Support fair trade and commit to serving certified fair trade products when purchasing food and beverages whenever such products are available and comparably priced to non-certified products.

J.5. Fees and Charges

Utilize fees and charges to support operating services and programs of special benefit to users which are not of a general benefit to residents and taxpayers.

J.6. Fines

In consultation with the Court of appropriate jurisdiction, review the various fines imposed for violations of Chico Municipal Code provisions to assure that they provide an effective enforcement tool, as well as generate sufficient revenue to cover present and projected citation processing and enforcement costs.

J.7. **Sustainability**

J.7.a. **City Facilities**

Green building standards and techniques shall be incorporated into the construction of any new or substantially renovated or remodeled City facility if determined to be feasible following an analysis which considers such factors as energy efficiency and the rate of return on the investment over the life and operation of the facility.

J.7.b. **Vehicles**

When appropriate, purchase hybrid or other alternative fueled vehicles as new vehicles are required and retrofit existing vehicles to alternative fueled vehicles as feasible.

J.7.c. **Single Serving Water Bottles**

Except in cases where potable water is not easily available, where there are no reasonable alternatives to access safe drinking water, and where a lack of potable water poses health or safety concerns for City employees, the use of City funds to purchase single serving plastic water bottles is prohibited. Such prohibition shall apply to City-funded or sponsored events.

K. RESPONDING TO A FINANCIAL EMERGENCY

K.1. **Introduction**

Due to economic downturns, unexpected changes in governing laws, or other reasons, the City may face a sharp decline in its revenues or material increase in expenditures, resulting in significant challenges in balancing the budget. Regardless of the cause, the City can be better prepared to respond to a financial emergency by establishing guidelines on how to respond via this policy document. This policy provides a framework for the City Council to define and declare a Financial Emergency.

K.2. **Definition of a Financial Emergency**

This section defines a “financial emergency” in order to provide clarity as to when this policy should be invoked. A financial emergency occurs when:

- Revenues are less than budgeted such that the City’s budget is no longer structurally balanced or the City is no longer able to pay for its recurring expenditures with its recurring revenues;
- Revenues in the current year are expected to decrease significantly from the current year City Council approved budget;
- Annual Emergency Reserve Fund contributions are not able to be made due to the financial emergency;

- The City has limited ability to reduce expenditures in the amount required to structurally balance the budget;
- An unanticipated major expense, including repair costs, remediation costs or litigation expenses are incurred that were not previously budgeted;
- Inability to meet scheduled debt payments;
- Cash flow has been impaired;
- Any other circumstances the City Manager may deem to be considered a financial emergency.

K.3. **Steps to Take in Response to a Financial Emergency**

- A. **Recognize that a financial emergency exists.** A financial emergency may be declared by approval of the City Council based upon recommendation by the City Manager.
- B. **Designate responsibility for managing the emergency.** The City Manager shall appoint a Financial Emergency Management Team (FEMT) of City staff to help manage the emergency, consisting of subject matter experts in the areas of finance, human resources, and operations/programs.
- C. **Financial emergency management plan.** The City Manager and the FEMT shall develop a financial emergency management plan. The plan should diagnose the cause(s) of the City's financial distress and identify strategies to get through the current emergency, while also preserving the long-term capabilities of the City. The City Manager will provide information regarding the plan to City Council.
- D. **New Revenue Sources.** This policy authorizes the City Manager to investigate and report to City Council proposed new or enhanced revenue sources including, but not limited to: fee increases, tax increase proposals, grant revenues and other revenues from private, state and federal funding sources.
- E. **Asset liquidations.** Review of City owned assets and possible liquidation of those assets to provide resources to fund City operations.
- F. **Authorize retrenchment tactics.** This policy authorizes the City Manager to place an immediate freeze on employment hiring and non-critical operational purchases and to employ other retrenchment tactics once a financial emergency has been declared. These tactics include, but are not limited to, the following:
 1. Analyze current budget for operating cost reductions at departmental levels;
 2. Freeze "pay as you go" construction projects;
 3. Analyze current contracts for services, supplies and construction and consider renegotiation with vendors for reduced contract amounts and discounts or extended payment terms;
 4. Limit overtime for employees;
 5. Analyze and consider the financial ramifications of alternate work schedule(s) for full-time employees (i.e. four ten-hour per day work weeks);

6. Analyze and consider the financial ramifications of an employee furlough program;
 7. Analyze and consider the financial ramifications of employee compensation reductions and/or employee layoffs;
 8. Analyze and consider opportunities to out-source City services to outside contractors;
 9. Analyze any and all options for mitigating the financial emergency.
- G. **Short term financing.** Although financing of any type should be minimized during a financial emergency, cash flow issues may require short term financing like a line of credit. All financing options may be considered and must be in compliance with the Debt Policy of the City and should not place an undue burden for repayment upon the City in future periods.
- H. **Direct monitoring of spending and revenues.** The City Manager and the FEMT shall develop tools to closely monitor and report on revenues and expenditures monthly. The City Manager and the FEMT shall also develop systems of accountability for staff that manage budgets and for achieving service objectives.
- I. **End of the financial emergency.** Once the financial emergency is over (the criteria described in Section K.2 of this policy are no longer met), the City Council upon recommendation by the City Manager may declare an end to the financial emergency and the directives described in this policy will no longer apply.