

NOTICE OF SPECIAL MEETING

Pursuant to Section 54956 of the Government Code of the State of California, a Special meeting of the **Tracy City Council** is hereby called for:

Date/Time: **Monday, May 9, 2016, 4:00 p.m.**
(or as soon thereafter as possible)

Location: **Council Chambers, City Hall**
333 Civic Center Plaza, Tracy

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Tracy City Council on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

1. Call to Order
2. Roll Call
3. Items from the Audience - *In accordance with Procedures for Preparation, Posting and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052 any item not on the agenda brought up by the public at a meeting, shall be automatically referred to staff. If staff is not able to resolve the matter satisfactorily, the member of the public may request a Council Member to sponsor the item for discussion at a future meeting.*
4. ACCEPTANCE OF THE CITY OF TRACY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDING JUNE 30, 2015
5. DISCUSSION AND DIRECTION ON UPDATE OF FISCAL YEAR 2016/2017 AND 2017/2018 BUDGET PREPARATION
6. Adjournment



Mayor

Posted: May 6, 2016

The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6105), at least 24 hours prior to the meeting.

Any materials distributed to the majority of the Tracy City Council regarding any item on this agenda will be made available for public inspection in the City Clerk's office located at 333 Civic Center Plaza, Tracy, during normal business hours.

AGENDA ITEM 4

REQUEST

ACCEPTANCE OF THE CITY OF TRACY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDING JUNE 30, 2015

EXECUTIVE SUMMARY

The attached FY 2014/15 Comprehensive Annual Financial Report (CAFR) represents the City's financial, operational and current economic condition for the fiscal year ending June 30, 2015. The City's financial statements for the year ending June 30, 2015 have been audited by Maze and Associates, the City's independent auditing firm and have been incorporated in the CAFR document.

DISCUSSION

The City of Tracy Fiscal Year 2014/15 Comprehensive Annual Financial Report (CAFR) was prepared by the Finance Division of the Administrative Services Department and examined by Maze and Associates, the City's external auditing firm.

The CAFR received an unmodified opinion from Maze and Associates. An unmodified opinion indicates that the financial data of the City is fairly presented in accordance with accounting principles generally accepted in the United States of America. New auditing standards require that any "significant deficiency" or "material weakness" discovered in the audit will be communicated in writing to management. Any deficiencies or weaknesses will be disseminated in a separate report on internal control. This report will be provided to Council when completed.

Maze and Associates conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States. These standards require that they plan and perform the audits to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

The City implemented new accounting standards relating to reporting of pension liabilities in FY14-15: GASB 68 & 71, which establish standards for measuring and recognizing pension liabilities and expenditures. These new standards were designed to improve and provide transparency to the accounting and financial reporting for state and local government defined benefit pension plans and to bring governmental employer accounting and reporting standards closer in line with private sector requirements. The City implemented GASB Statement No. 68 and GASB Statement No. 71 this fiscal year. In prior years, information on the pension liabilities was disclosed in the note disclosure and required supplementary information sections of the CAFR. With the implementation of GASB 68, the net pension liability is reported on the face of the Statement of Net Position, effectively reducing the City's overall net position.

Delayed CAFR

The City is required to present audited financial statements on an annual basis. These audited financial statements are included in, and are an integral part of the CAFR document. The Government Finance Officers association (GFOA) recommends that a CAFR be prepared and presented by December 31st; however, this date is a recommendation and the GFOA understands that extenuating circumstances can delay a CAFR.

This year, due to a number of different circumstances, the City's CAFR was significantly delayed. This delay is due to a number of reasons, some expected and some not. First, the City implemented the finance/accounting portion of its new ERP system on July 1, 2015. As the department geared up for the go-line date, resources that would normally be preparing to close the fiscal year's books were involved with the go-line process. This was both expected and unavoidable.

Second, the City changed auditors after 11 years with our prior auditors. This change in auditors drastically increased the work required by both City staff and the audit firm. The first year of a new audit requires the auditors become familiar with our unique operations and also to build their "permanent files" which document the City's extensive agreements, loans, advances, bonds, etc. This part of the process is labor intensive as it often requires research deep into the archives of City Hall.

New auditors also delve deep into internal controls to ascertain the level of sampling necessary. The City had a few outstanding internal control findings from prior audits that had not been fully addressed. This necessitated broadening the scope of the audit and applying expanded procedures to obtain audit evidence in order to form the basis of an opinion. In addition to the auditor required expanded procedures, the City also requested expanded procedures in certain areas to insure the integrity of the financial information. For example, at the City's request, the auditors performed extensive testing of cash receipts in the new financial system to ensure the integrity of the system conversion.

With these lessons learned in mind, Finance Division staff is taking a proactive approach to the next audit cycle by identifying issues early and addressing these issues in a timely manner. Through the expanded procedures performed, the auditors identified weaknesses in internal controls that are all being addressed. However, the audit did not uncover any evidence of fraud or of material error

City Net Position

One of the key elements of the City's financial statements is Net Position. The Statement of Net Position is a City-wide look at all funds, including capital assets and long-term debt funds, rolled into one statement. Similar in some ways to a private sector balance sheet, this "view" of all city funds reports how much City assets exceed liabilities and also accounts for pension liabilities.

The June 30, 2015 CAFR reports that the City's entity-wide assets exceeded its liabilities by \$160.9 million. \$902.9 million or 89% of the City's net position is invested in capital assets and infrastructure, including land, buildings, roads, machinery, and equipment to provide services to the community. However, not all of these assets are available for

spending; approximately \$152.7 million of the city's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position in the City of \$19.6 million or 0.2% may be used to meet its ongoing obligations to residents and creditors.

As discussed briefly above, the City implemented GASB 68 during FY14-15. The inclusion of the City's pension liability decreased the City's net position by \$56.5 million. Overall, net position decreased by \$33.4M; however, without the inclusion of the pension liability for the first time, the net position would have increased by \$23M. An increasing net position is a very positive sign.

General Fund Budgetary Highlights

For FY 2014-15, the City adopted a balanced General Fund budget that included a budget savings of \$1.9 million before transfers. The final budget was amended at mid-year to reflect updated projections for intergovernmental revenue, charges for services, and other changes to revenues and expenditures. The amended budget reflects excess revenues over expenditures in the amount of \$1 million before transfers and debt service and (\$11) million after transfers.

At mid-year, the City Council approved \$2 million in additional appropriations for operating expenditures and \$8.7 million for capital projects, including Legacy Fields (\$5M), police communications equipment (\$2.5M), and the PG&E LED streetlamp program (\$1.2M). An additional \$1 million in revenue was also recognized.

As part of the CAFR, a year-end financial analysis of all City funds is completed, including the General Fund. Actual revenues were more than estimated by \$1.4 million. Actual expenditures reported a favorable variance; expenses were lower than projected by \$5.9 million. This variance can primarily be attributable to salary savings in public safety and contracted services savings in development and engineering. Savings in development and engineering are primarily the result of projects moving slower than expected. This results in delays in utilizing outside services. Savings such as these result in a delay in the expenditure from one year to another but not a true savings. Lower energy and fuel costs also contributed to city-wide savings.

The net excess of revenues over expenditures for the fiscal year ending June 30, 2015 was \$8.2 million before debt service and other transfers. After transfers for debt service of \$1.2 million and \$10.3 million for capital projects, actual General Fund expenditures exceeded revenues by \$3.2 million resulting in a General Fund deficit. A deficit was included in both the Adopted Budget (\$.9M) and the Amended Budget (\$10.6M); however the final deficit was better than expected.

The table on the next page summarizes the change in General Fund revenues and expenses from the FY 2014/15 adopted, amended, and actual budgets.

General Fund	FY 2014/15 Adopted Budget	FY 2014/15 Amended Budget	FY 2014/15 Actual
Total Revenues	\$ 59,429,670	\$ 60,453,747	\$ 61,853,831
Total Operating Expenditures	57,501,720	59,503,060	53,625,922
Debt Service, Transfers, use of Reserves	2,818,000	11,518,000	11,518,000
Net Change in Fund Balance	(\$ 890,050)	(\$ 10,567,313)	(\$ 3,290,091)

Revenues. Key sources of higher revenues for FY 14-15 included sales tax (including Measure E), property tax and charges for services. Despite increasing revenue projections at mid-year, sales tax revenue continued to exceed projections.

As with prior years, investment income was below budget due to an unusually low interest rate environment. Fines and Penalties were also substantially lower and collection activity is returning to pre-recession levels.

Expenditures. Actual expenditures were lower than budget by \$7.3 million. A majority of the savings came from Public Safety and Development and engineering. Savings in Public Safety were related to salary and benefit savings and lower fuel costs. Development and Engineering savings were mostly related to savings in contracted services with some salary savings. Savings in contracted services tend to appear when there are delays in starting projects that use significant outside services.

General Fund Reserves

As reflected in the CAFR, total actual General Fund reserves as of June 30, 2015 are approximately \$37.7 million. Of that amount, approximately \$29.9 million was designated as unassigned, which according to the Governmental Accounting Standards Board (GASB), is the least constrained category of fund balance. The remaining \$7.8 million is reserved or restricted by law for other uses. Of the \$29.9 million in unassigned reserves, approximately \$24.4 million is allocated to three Stabilization Reserves adopted by the City Council in October 2014. The Stabilization Reserves include \$11.6 million in the Contingency/Emergency Reserve, \$5.8 million in the Budget Stabilization Reserve and \$7.0 million in the Measure E Mitigation Reserve. The remaining \$5.5 million in unassigned reserves is not allocated to any other reserve category, and is considered unallocated fund balance.

The General Fund Reserve policy as of June 30, 2015 requires the City to maintain a minimum of 20% of General Fund operating expenditures. The unassigned fund balance of \$29.9 million represents 56% of total General Fund expenditures for FY 2014/15.

As discussed above, in October 2014, the City Council adopted a new General Fund Reserve Policy in accordance with the Government Finance Officers Association (GFOA) recommendations for reserves to mitigate unanticipated situations including natural disasters and severe unforeseen events. This established three new General

Fund special reserves: Contingency Reserve, Economic/Budget Stability Reserve, and Measure "E" Mitigation Reserve. Under this new policy, reserves and uses of reserves will be evaluated during the budget adoption process.

The City has applied for and received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the last 27 years. The FY 14-15 CAFR has been submitted to the GFOA for consideration of this Certificate.

Finally, a more detailed discussion of the City's financial position can be found in the Management Discussion and Analysis section of the CAFR.

STRATEGIC PLAN

This agenda item addresses Goal 2 of the Governance Strategy to ensure continued fiscal sustainability through financial and budgetary stewardship and meets Objective 3, which is to enhance fiscal transparency.

FISCAL IMPACT

No Fiscal Impact

RECOMMENDATION

It is recommended the City Council accept the June 30, 2015 Comprehensive Annual Financial Report as audited by Maze and Associates.

Prepared by: Robert Harmon, Senior Accountant

Reviewed by: V. Rachelle McQuiston, Administrative Services Director
Stephanie Garrabrant-Sierra, Assistant City Manager

Approved by: Troy Brown, City Manager

ATTACHMENTS

Attachment A – Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 (Oversized: Available at the City Clerk's Office in City Hall and on the City of Tracy Website at:

[http://www.ci.tracy.ca.us/documents/Comprehensive Annual Financial Report Year Ended June 30 2015.pdf](http://www.ci.tracy.ca.us/documents/Comprehensive%20Annual%20Financial%20Report%20Year%20Ended%20June%2030%202015.pdf))

RESOLUTION _____

ACCEPTANCE OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015

WHEREAS, The financial statements of the City of Tracy for the fiscal year ended June 30, 2015, have been prepared by the City's Administrative Services Department; and

WHEREAS, The annual financial statements were examined by the independent public accounting firm of Maze and Associates; and

WHEREAS, The City prepared the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015 and the auditor's opinion is included therein; and

WHEREAS, It is the opinion of the auditors that the financial statements present fairly the financial position of the City as of June 30, 2015, and that the statements were prepared in accordance with accounting principles generally accepted in the United States of America.

NOW, THEREFORE, BE IT RESOLVED, That the City Council does hereby accept the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

* * * * *

The foregoing Resolution _____ was passed and adopted by the Tracy City Council on the 9th day of May, 2016 by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

Mayor

ATTEST:

City Clerk

AGENDA ITEM 5

REQUEST

**DISCUSSION AND DIRECTION ON UPDATE OF FISCAL YEAR 2016/2017
AND 2017/2018 BUDGET PREPARATION**

EXECUTIVE SUMMARY

In June, 2016, the FY16/17 and 17/18 budget will be presented to Council for approval. In order to facilitate a strategic discussion with Council, the fiscal environment for FY15/16, the forecast for FY16/17 & FY17/18, existing financial policies and strategies, budget calendar, and new considerations and activities that are being included in the preparation of the FY16/17 & FY17/18 budget will be reviewed. A special budget workshop will be presented to Council on May 24, 2016.

DISCUSSION

Preparation of the FY16/17 & FY17/18 budget has commenced per the attached schedule (Attachment "A"). As the City prepares its budget it is important to understand where the City has been and where it is going from a fiscal perspective. As presented to Council on February 16, 2016, projected revenues for FY15/16 (Property, Sales and Special Sales Taxes, Current Charges, Licenses and Permits, "Other Revenue,"¹) are generally anticipated to be on target with that which was budgeted through the remainder of the year. Likewise, expenses are averaging as anticipated. This is the first forecast that incorporates our approved labor contracts.

General Fund

In the past few years, Tracy was buoyed by substantial cuts in expenses along with revenue from Measure E which helped the City maintain a balanced budget in years where expenses would have otherwise outpaced revenues as a result of the economic recession.

Substantial expenditure savings were realized with a 20% reduction in staffing, increased employee pension contributions, and various expenditure reductions, saving \$5M annually. Additionally, Measure E has provided approximately \$6M-\$7M in revenue to the City each year since 2011 which helped in bridging an annual shortfall and allowing public safety departments to be maintained. The elimination of that funding this year will create a structural deficit. In this constrained fiscal environment staff will not be recommending programs and services that add costs but will, instead, "hold the line" from a programmatic perspective while endeavoring to provide the high level of municipal services residents demand. Additionally, the use of reserves will be necessary as discussed later in this report.

Similar to other cities, the City has seen a slow, but steady recovery from the last economic recession. Development is increasing and with development one can expect

¹ This is the miscellaneous category for revenues. It includes fines & forfeitures, use of monies & property, the sale of property, contributions, refunds, and other income not classified elsewhere.

an increase in sales and property tax revenues, which contribute 37% each of Tracy's General Fund revenue. With the loss of Measure E and increased expenditures, current revenues alone are insufficient to sustain existing service levels and thus the City is anticipating new funding mechanisms to provide services to new developments; but may experience a challenge in providing continued existing services without a corresponding, timely revenue stream.

Fortunately, the City has been able to establish reserves to help bridge funding gaps. In FY 14/15, Council authorized the designation of three reserve funds which reallocated the unrestricted funds into three reserve designations with the remaining going into the General Fund's ending fund balance:

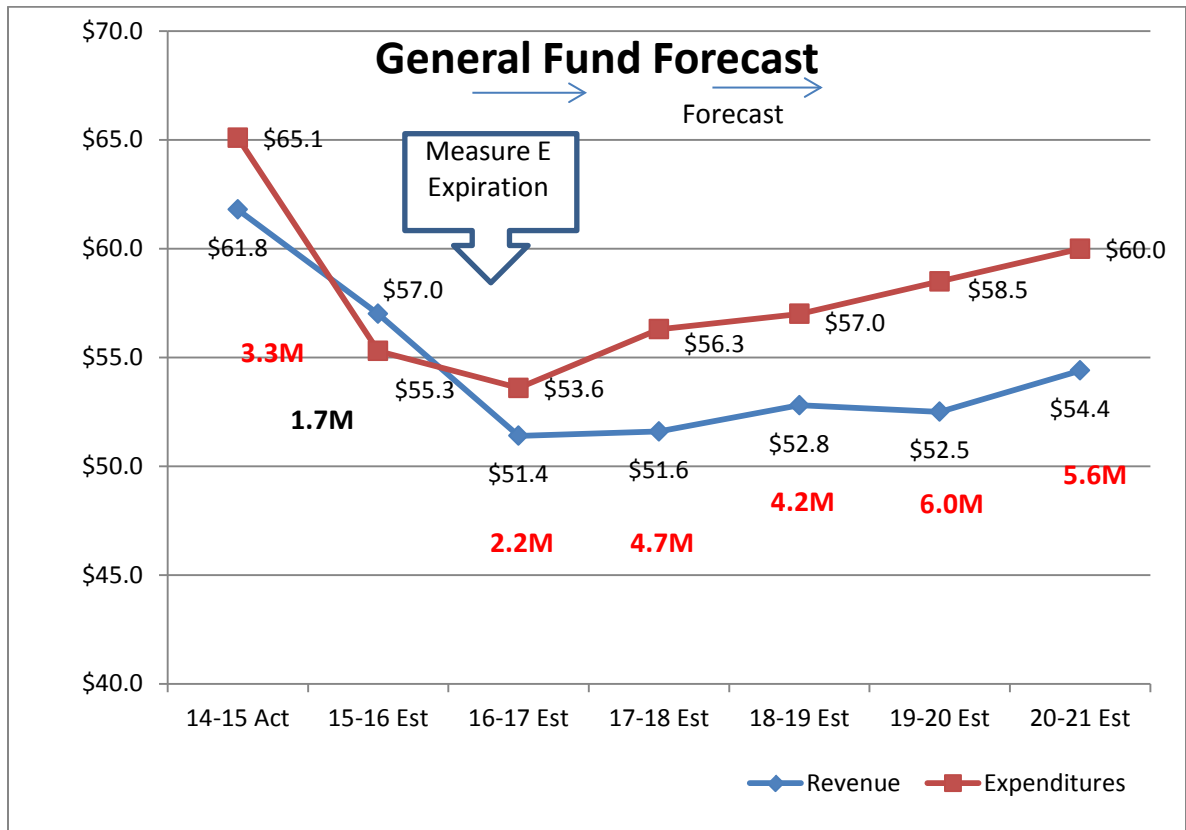
1. Contingency Reserve – Mitigates the effects of unanticipated extreme situations – Targeted Goal of 20%
2. Economic/Budget Stability Reserve – Intended to offset economic cycles - Targeted Goal of 10%.
3. Measure E Mitigation Reserve – Serves as bridge funding when Measure E sunsets
4. General Fund Balance – Generic Reserve

Estimated Fiscal Year 2015/16 Unassigned Fund Balance distribution (\$31.5M):

1. Contingency Reserve	\$11.6M – 21%
Special Revenue Fund (20% threshold is lower)	
2. Economic/Budget Stability	\$ 1.2M – 2%
3. Measure E	\$ 7.0M – 13%
4. General Fund Balance	\$11.7M – 21%

General Fund Forecast

Moving forward, the City is expected to experience a structural deficit, which will increase as costs continue to rise for employee costs and as uncontrollable costs such as PERS and healthcare continue to increase.



Continuing to challenge the City is a reduced workforce grappling with increased demand and the need for maintenance and replacement of aging infrastructure. Thus the City is continuing to explore revenue-generating strategies and funding mechanisms in recognition of the challenges facing the City now and in the future as new development occurs whose infrastructure will eventually age and need maintenance and replacement

Staff recently presented a five-year staffing plan to address increased demand for public safety services and enhanced community infrastructure investments. This budget will include implementation of only the most critical positions.

FY 2016/17 Council Strategic Priorities

On March 1, 2016, the City Council adopted the following Strategic Priorities to serve as a guide in allocating resources.

1. **Public Safety** - To enhance community safety by promoting a responsive public safety system that includes civic engagement and partnerships, community involvement, public education and offering prevention, intervention and suppression services that meet the needs of Tracy residents.
2. **Quality of Life** – To provide an outstanding quality of life by enhancing the City’s amenities, business mix and services and cultivating connections to promote positive change and progress in our community.
3. **Governance** – To retain and attract new talent, enhance fiscal stability, improve the use of technology, and enhance transparency for the betterment of the Tracy community.
4. **Economic Development Strategy** – To enhance the competitiveness of the City while further developing a strong and diverse economic base.

Budget Principles

During the May 24th Budget Workshop, staff will discuss the applicability of the 2011 Budget Principles (Exhibit B) in the current economic environment and request direction from Council.

Budget Preparation Mechanics

The FY16/17 budget preparation process contains two “firsts” for the City of Tracy:

Public Outreach – Penny for Your Thoughts

Stewardship of taxpayer dollars, provision of basic services, and investment in neighborhoods are some of the most important financial responsibilities of city government. When communities come together to decide how their money will be spent it creates new bonds and new lines of communication that can bring people together. It also creates new relationships with city employees and elected officials that can lead to productive partnerships in the future. This was the goal of City staff when it reached out to the community on January 28, 2016 with “Penny for Your Thoughts,” a game that provided an opportunity for community input regarding the City’s budget as well as providing the community with a glimpse into the difficult decision making process involved in preparing a balanced budget.

The game did not involve discussions regarding internal City departmental structure or internal support services that are necessary to carry out the standard functions of a municipality. Instead, the game’s goal was to provide an exercise that allowed participants to prioritize *direct* public services and community improvements as well as express the reasons for their funding decisions--this exercise was a way that the City Council could gain feedback on community priorities.

Participants engaged in a process where they identified priorities in service delivery. Through this process, we learned that in times of prosperity public safety was ranked as the highest priority for the reason that it impacts quality of life; and “backbone” infrastructure is a high priority because it correlates to how the community looks. In

times of fiscal constraint, we learned the majority of participants focused on essential services, such as public safety, maintenance and infrastructure.

Two Year Budget

Another “first” is that City will be preparing a two-year budget. This will focus our efforts on the future and better position us for our financial future. The purpose is to focus the organization to provide greater consideration and contemplation *now* of its future operations and programming so that the City is better prepared to make timely decisions in light of whatever economic forecast is on the horizon. Although the City has not yet adopted a two-year cycle, a two-year budget is common amongst other public agencies.

STRATEGIC PLAN

Although this proposed action supports Goal 2 of the Strategic Plan: “Ensure continued fiscal sustainability through financial and budgetary stewardship” the Finance Division’s work is guided by all of the Council’s Strategic Priorities (*Governance, Quality of Life, Public Safety, and Economic Development Strategy*). These priorities reflect the community’s desire to have a fiscally responsible City organization that is committed to maintaining its fiscal health. With these four strategic priorities in mind, new financing and budgeting strategies are being undertaken.

For instance, an objective for the aforementioned Goal 2 under the “Governance” Strategic Priority (ensure continued fiscal sustainability through financial and budgetary stewardship) includes presenting fiscal updates to Council. The presentation of this report represents just one of five reports² that will be presented to Council over the course of a Fiscal Year to keep the Council and community informed.

Another objective of the “Governance” Priority is to identify new revenue opportunities. Staff has been exploring policies and funding mechanisms to address Council’s fiscal sustainability Strategic objective.

Additionally, this year’s budgeting process included outreach to the community, through “Penny for Your Thoughts.” Not only was valuable information received from those whom this agency serves, but it demonstrates the City’s commitment to Council’s Priority “Quality of Life” by cultivating community engagement.

Council’s Strategic Priorities will be further discussed and presented to Council at the Budget workshop on May 24th.

FISCAL IMPACT

No fiscal impact will occur by Council acceptance of this report.

² Other reporting opportunities include the annual Budget Workshop and Budget approval which compliment other reporting requests from Council.

RECOMMENDATION

Discuss and provide staff with direction for preparation of the 2016/2017 and 2017/2018 budget.

Prepared by: V. Rachele McQuiston, Administrative Services Department Director

Reviewed by: Stephanie Garrabrant, Assistant City Manager

Approved by: Troy Brown, City Manager

ATTACHMENTS

Attachment "A": City of Tracy Budget Preparation Schedule for Fiscal Year 2016/2017

Attachment "B": Budget Principles

ATTACHMENT "A"

Budget Development Schedule

January 28, 2016	Penny for your thoughts outreach to community.
February 2, 2016	Internal Budget Kick-Off Meeting; Distribution of budget instructions
March 15, 2016	FY 15/16 Mid-Year Updated
May 9, 2016	FY 14/15 CAFR Presentation, FY 16/17 and 17/18 Budget Kick Off
May 10, 2016	FY 2016/17 – FY 2020/21 Capital Improvement Workshop
May 17, 2016	FY 2016/17 Master Fee Schedule Update
May 18, 2016	Planning Commission Review of Capital Improvement Plan
June 7, 2016	1st Council Opportunity for Approval
June 21, 2016	2nd City Council Budget Approval (if necessary)
July 1, 2016	New fiscal year starts, adopted budget goes into effect.

ATTACHMENT "B"

CITY OF TRACY BUDGET PRINCIPLES

1. **General Fund Reserves:** Through FY 2015/2016, the City shall maintain a General Fund reserve of at least 20% of the City's General Fund Operating Budget.
2. **Budget:** Reserves may be used to balance the General Fund Operating Budget through FY 13/14. The General Fund Operating Budget to be adopted by City Council for FY 14/15 must be balanced without the use of reserves.
3. **Economic Uncertainty Fund:** When conditions permit begin building up the Economic Uncertainty Fund.
4. **Structurally Balanced Budget:** The annual budgets for all City funds shall be structurally balanced throughout the budget process. Ongoing revenues shall equal or exceed ongoing expenditures in both the proposed and adopted budgets. If a structural imbalance occurs, a plan shall be developed and implemented to bring the budget back into structural balance.
5. **Proposed Budget Revisions:** The annual General Fund proposed budget balancing plan shall be presented and discussed in context of the updated five-year forecast. Any revisions to the proposed budget shall include an analysis of the impact on the forecasted years. If a revision creates a negative impact on the forecast, a funding plan shall be developed and approved to offset the impact.
6. **Use of One-Time Resources:** Once the General Fund budget is brought into structural balance, one-time resources (e.g., revenue spikes, budget savings, sale of property, or similar nonrecurring revenue) shall not be used for current or new ongoing operating expenses. Examples of appropriate uses of one-time resources include rebuilding the Economic Uncertainty Reserve, early retirement of debt, capital expenditures without significant operating and maintenance costs, and other nonrecurring expenditures.
7. **Reserves:** All City funds shall maintain an adequate reserve level and/or ending fund balance, as determined annually and as appropriate for each fund. For the General Fund, a contingency reserve amount which is a minimum of 20% of the operating budget shall be maintained.
8. **Prudent Use of Debt:** The City shall not issue long-term (over one year) General Fund debt to support ongoing operating costs. All General Fund debt issuance shall identify the method of repayment or have a dedicated revenue source. General obligation debt shall be limited to 8% of the operating budget.
9. **Capital Improvement Projects:** Capital Improvement Projects shall not proceed for projects with annual operating and maintenance costs exceeding \$25,000 without City Council certification that funding will be made available in the applicable year of the cost impact.

10. **Fees and Charges:** Fee increases shall be utilized, where appropriate, to assure that the program operating costs are fully covered by fee revenue and explore opportunities to establish new fees for services where appropriate.
11. **Grants:** City staff shall seek out, apply for and effectively administer federal, state and other grants that address the City's priorities and policy objectives and provide a positive benefit to the City. Before the grant is pursued, staff shall provide a detailed pro-forma that addresses the immediate and long-term costs and benefits to the City. One-time operating grant revenues shall not be used to begin or support the costs of ongoing programs.
12. **Personnel Services Costs:** Total General Fund personnel services costs shall not exceed 75% of the General Fund operating budget.
13. **Performance Measures:** All requests for departmental funding shall include performance measurement data so that funding requests can be evaluated and approved based on effective accomplishment of community desired outcomes and priorities.
14. **Budget Offsets:** City Council approval of a General Fund supplemental appropriation (additional monies after the adoption of the budget for the fiscal year), shall be accompanied by a corresponding action to reduce the General Fund budget in another area.