

# CITY MANAGER'S BUDGET MESSAGE

## CITY OF PETALUMA, CALIFORNIA

July 1, 2005

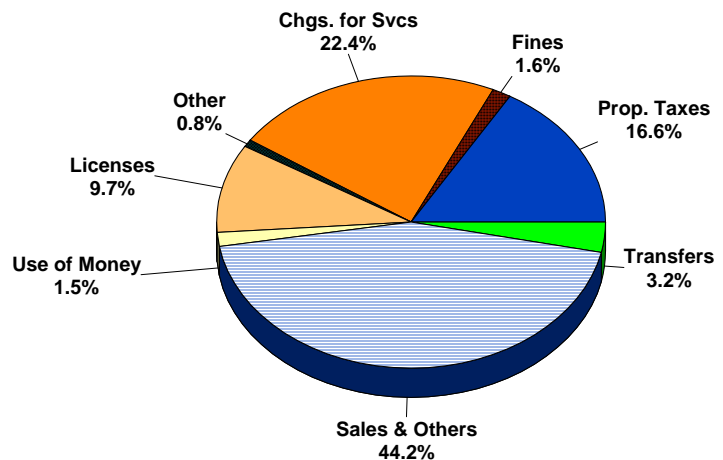
It is my pleasure to present the FY 2005-2006 Adopted City Budget. All component units of the City are combined into one budget document, including the Capital Improvement Program (CIP), and the Petaluma Community Development Commission (PCDC). The budget is balanced and reserves continue to be maintained and held at a reasonable level in spite of the State of California's budget woes and impacts on Petaluma's intergovernmental revenues. General Fund Reserves-unrestricted now total \$400,650 which is 1% of General Fund Expenditures. An additional \$6,371,782 is set-aside in restricted and contingent reserves to meet City's future obligations and commitments.

The City has continued the practice of setting aside additional funds in the City's Vehicle Replacement Fund. For Fiscal Year 2005-06 the City is transferring \$200,000 from its General Fund; \$100,000 from its Waste Water Utility Enterprise Fund; and \$100,000 from its Water Utility Enterprise Fund. The City generally has an older vehicle fleet in all departments. It is the goal of the City over the next few years to replace all older stock with new vehicles, and then continue to build on the vehicle replacement reserves so that replacements can be timed with each vehicle's useful life. The estimated beginning fund balance as of July 1, 2005 is \$3,770,000.

This year's budget continues to be a "bare bones" budget. Revenues have been adjusted modestly along with a fee structure that offsets the cost of providing related city services. Personnel salaries are the greatest costs in the City's general fund. One significant change to this year's salary and benefit budget is the addition of 4 new police officers.

The approach to the General Fund budget process was consistent with last year's budget. The budget is formulated and based on the "Revenue Approach", whereby an estimate of General Fund Revenues is first determined. Fixed Costs, based on existing staffing levels, including salaries, benefits and intergovernmental charges are then determined. Each department is then requested to submit a budget based on its allocation of General Fund Revenues. The total General Fund Resources were determined to be \$36,180,800. This approach forces each department to maintain its budgets within a determined revenue structure, thus establishing a direct nexus between department expenditures and available resources (revenues).

### GENERAL FUND REVENUES



Initial allocations for departments were based on the net General Fund resources that would be available. The net resources were determined, as follows:

Total General Fund Resources	\$ 35,016,800
Plus:	
Transfers In	<u>1,164,000</u>
Net General Fund Resources	<u>\$ 36,180,800</u>

The allocations were based on the net General Fund resources of \$36,180,800 and were allocated to each General Fund Department. Following is a comparison between the department allocations from Fiscal Year 2004-05 and Fiscal Year 2005-06 (Excluding Transfers):

	<b>2004-05 Adopted</b>	<b>2005-06 Adopted</b>	<b>Change (Under) Over</b>
City Council	\$ 236,750	\$ 282,350	\$ 45,600
City Clerk	338,200	338,700	500
City Attorney	353,450	357,250	3,800
City Manager	309,350	334,800	25,450
Administrative Services	1,708,000	1,835,050	127,050
General Plan	298,000	330,450	32,450
Police	12,347,500	13,815,400	1,467,900
Fire	6,593,000	7,264,950	671,950
Community Development	2,248,150	2,183,900	(64,250)
Public Facilities and Services	3,140,050	4,439,350	1,299,300
Animal Control	621,000	674,850	53,850
Parks and Recreation	<u>3,494,250</u>	<u>3,903,550</u>	<u>409,300</u>
	<u>\$ 31,687,700</u>	<u>\$ 35,760,600</u>	<u>\$ 4,072,900</u>

The above includes \$400,000 for the 4 new Police Officers and \$100,000 for additional park maintenance crews. All department's intradepartmental budgets increased due to full costing out of the various Internal Service Funds.

Transfers out are proposed as follows:

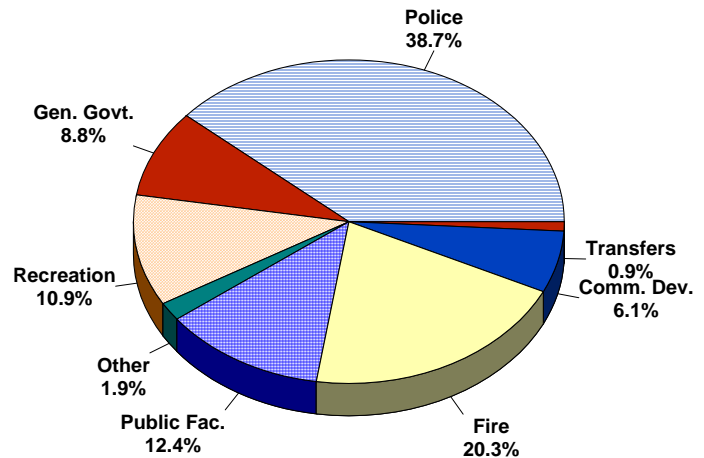
Transfers Out:

Landscape Assessment District Contribution	\$ 13,000
Allowance for Retirements	100,000
Vehicle and Equipment Replacement	<u>200,000</u>
Totals	<u>\$ 313,000</u>

The total General Fund appropriations were \$36,073,600. This spending plan provides for a slight increase of revenues over expenditures by \$107,200.

**GENERAL FUND EXPENDITURES**

Although this budget includes all funds, emphasis is focused on the General Fund. This fund provides the basic services, which are expected of a local government. These include Police and Fire General Government, Recreational activities, Community Development and Public Works. As can be seen from above, the Adopted General Fund budget is \$4,072,900 more than the adopted FY 2004-05 budget. This large increase is due to additional personnel, increases in retirement costs both in the public safety and non-public safety venues and full accounting of the Internal Service Funds. Public safety retirement employer costs rose from 31.296% to 34.910%, a 3.61% increase. This is in addition to the increase effective last year of 10.54%. Therefore, over the past two years, the public safety retirement costs have increased by 14.15%. For miscellaneous member employees, the City's retirement costs for miscellaneous members rose from 8.559% in FY 2004-05 to 12.537%, a 3.98% increase.



Other increases include workers' compensation payments and health care increases. Overall costs in salaries and benefits are expected to rise. All bargaining groups which include Police (Unit 6), Fire (Unit 7), Public Safety Management (Unit 10), AFSCME Units Confidential (Unit 1), Maintenance (Unit 2), and Clerical/Technical (Unit 3), the non-represented groups Professional (Unit 4), Department Heads (Unit 8), and Mid-Management (Unit 9), are all in negotiations at this time.

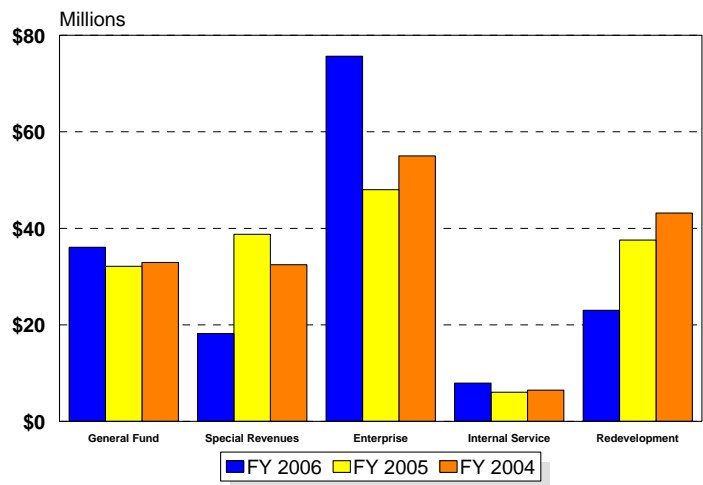
The area of risk and its attendant costs have become a focus of management during the past few years. In the areas of workers' compensation and liability, the costs have far exceeded what the City has been budgeting in recent years. To provide more accountability, the former "Risk Fund" was split into two funds at the beginning of FY 2003. The Risk Management Fund was created to track the "liability" costs of the City and is primarily concerned with "tort" issues. The Workers' Compensation Fund was created to track that component of costs. Based on

the initial split, both funds have significant negative retained earnings due to past activity and under-funding. Therefore each fund will continue to require increased funding levels so that they can become solvent. The workers' compensation program is slowly becoming healthy. The total funding for workers' compensation in FY 2006 is \$1,986,400 or 33% more than in FY 2005. However, staff feels that if costs are contained, it is anticipated that this fund will significantly reduce its' negative position by the end of FY 2006.

Liability costs, however continue to rise and significant exposure is still present in several outstanding cases. The City continues to place emphasis on not only reducing our exposure but also having relevant information available to make informed decisions on litigation issues.

### BUDGET BY FUND

Overall, the total FY 2006 budget is presented at \$168,440,984 (all funds-CIP, Enterprise Funds, and PCDC). The budget continues to be based on a sound financial base, although the City continues to rely on sources that will become problematic in the future. These include the heavy reliance on CIP overhead fees (\$2,000,000) or 6% of the budget); overhead charges to the Ambulance Fund (\$551,850 or 2% of the budget); and the Vehicle In-Lieu fees (\$2,500,000) or 7% of the budget.



The Motor Vehicle In-Lieu Fees have been the prime target for exactions by the State to assist in its budget crisis. In Fiscal Year 2004-05, the City expected revenue of \$2,420,000. In Fiscal Year 2005-06, there is a slight increase of 3% to \$2,500,000. Governor Arnold Schwarzenegger's plan approved by the Legislature, is to reduce MVLFF for a two-year period and then re-instate the losses (payback) in FY 2006-07. If the State economy gets stronger over the next two years, then the Cities can rely on the payback. However, if the recession continues, then uncertainty is a major factor. Because of these factors, the City needs to pay particular attention to services provided other funds and charge those funds for personnel costs and other services that are provided in order to support various operations to maintain existing levels of service.

Combining this reliance with the significant reliance on sales tax (\$10,600,000 or 29%) of which over 40% is generated from the transportation sector (auto sales) significantly exposes this City's ability to deliver services if a downturn in the economy is prolonged. Additionally, future use of the Ambulance Fund to provide funding for General Fund activities is difficult, as this fund cannot support all of the expenses that should be attributed to it. While it acts like an enterprise fund, it does not generate sufficient revenues to be totally self-sufficient. In future fiscal years, this service is projected to require General Fund support to remain operational.

Although these are uncertain times, this budget continues to build a strong financial base. The Vehicle and Equipment Replacement Fund continues to be financed with contributions from the General Fund (\$200,000), Water (\$100,000) and Waste Water (\$100,000). This program will be fully implemented (although not fully funded) by FY 2006 with charges being applied to each department based on their vehicle inventory and replacement costs.

## FINANCIAL AND OPERATIONAL POLICIES

During the preparation of the budget, cost reductions or revenue increases needed to be identified in the face of an economy in recession:

- ❑ Limited growth in revenue sources including development fees, sales taxes and state subventions.
- ❑ Increase in retirement costs for public safety and resumption of employer contributions to the non-public safety employees.
- ❑ Increase in Workers Compensation and Health Care Costs
- ❑ Anticipated funding of retirements that are being addressed with regular contributions to the Employee Benefits Fund from the affected funds.
- ❑ Increase demand for services and repairs to the existing infrastructure without the attendant increase in resources to pay for them.
- ❑ Increased demand on Public Services and Facilities

Since the vast majority of the costs in any government entity are people, this budget will see no staff reductions. For FY 2006, 323.5 positions are in the budget, which includes personnel associated with the Petaluma Community Development Commission.

Major new programs or initiatives are contained in this Adopted Budget. They include:

- ❑ Street Rehabilitation Program, with total funding of \$5.643M in FY 05-06: This program will use \$4M of Street Rehabilitation funds, with an additional \$1.443M Federal funds and \$210,000 Gas Tax.
- ❑ Street Maintenance Program, with total funding of \$2.1M: This program will be financed with \$250,000 of solid waste surcharge fees, \$350,000 Measure M funds and \$1.5M Street Maintenance funds.
- ❑ Capital Transportation Improvement Program and Projects remain very aggressive (\$16.087M, which includes design only for two interchange projects, which will have a combined total estimated project cost of \$62M) and include these important projects:

### Public Transportation Projects

- Street rehabilitation on major arterials
- "D" St. Bridge improvements
- Cross-town connector design and engineering
- Old Redwood Hwy. interchange design and engineering
- Airport hangar construction
- Soundwall design and construction along Caulfield and East Washington

### Community Facilities Projects

- Miscellaneous facility improvements

### Petaluma Community Development Commission

- Caulfield Lane Extension and Soundwall
- Theatre District improvements
- D Street underground improvements
- Poultry Street extension
- Petaluma Blvd. Street improvements
- Brownfield's EPA studies on vacant gas station sites
- Lakeville Street-Washington Street improvements to Caulfield Lane.

### Parks and Recreation

- Gatti Park Development and Construction
- Petaluma Senior Center project
- River plan @ McNear Peninsula
- Shollenberger Park improvements
- Playground Replacements
- Turtle Creek Park
- Boys and Girls Club Pool Project
- Aquatic Center Study & Development
- Carter Field relocation
- Skate Park relocation

### Flood and Surface Water Projects

- Railroad Industry Track relocation
- Lakeville channel improvements
- River Habitat Restorations
- River Plan phase 1 & 2 at Deman Flat
- Flood Drainage improvements

### Water Utility Improvements

- Water Main improvements
- Field Office Site improvements
- Paula Lane Reservoir #2 Construction

### Waste Water Projects

- Phase 2 Recycle Water Project
- Sewer Main-Line repairs
- Wilmington Pump Station improvements
- Integrated Collection System improvements
- Demolition of Hopper Street Waste Water plant
- Oxidation Pond Dike repair
- Water Recycling Facility
- Biosolids Management Program
- River Access improvements
- C Street Pump Station improvements/upgrade
- Petaluma Marsh Soil remediation

### SUMMARY

The Fiscal Year 2005-06 Budget is balanced. To achieve this balance, we had to take into account not only expenditures reductions from Fiscal year 2004-05, but also adjust for approximately \$1 Million increase in additional PERS retirement costs.

The budget balancing process for this fiscal year included these major factors:

- No Salary or wage increases with the exception of step increases
- Department reduction in overtime, services and supplies
- Fee increases and intergovernmental charges to help offset cost of providing services

This has not been an easy year for the operation departments. However, overall service levels will remain adequate and I am happy to report that layoffs have been eliminated.

While this budget is balanced, it does not address all the needs and challenges of the community. As you are aware, a major effort is underway to improve the conditions of our streets and transportation arterials. Progress has been made and will continue with over \$5.6 Million identified for Street Reconstruction and \$1.6 Million for Street Maintenance in this fiscal year alone.

In addition, a major effort is currently underway focusing on economic development and targeting of new sales tax generators. Increased development and improvements in the down town and surrounding areas will generate increased revenues to help support current and improved levels of service for our community. The future of Petaluma is clearly focused on change and doing more with less. We need to accept this change as an opportunity to enhance our financial base that helps support basic needs and services. Maintaining a superior quality of life for Petaluma residents is paramount. With hard work, patience, understanding and teamwork, we will succeed. Petaluma will remain the place to live, work and play in Sonoma County. We can all be proud of that.

## **ACKNOWLEDGEMENTS**

The Fiscal Year 2005-06 Budget was delivered on time to the City Council in accordance with the City Charter. This effort and accomplishment is mainly credited to the hard working, dedicated staff of the Administrative Services Department including:

Steven Carmichael, Administrative Services Director  
Joseph Netter, Interim Administrative Services Director  
Cinde Rubaloff, Accounting Manager  
Sue Simmons, Commercial Services Manager  
Chris Jones, Administrative Secretary

I would also like to acknowledge and thank the Department Directors and their management teams for their insights and challenges overcome in the preparation of this year's budget. Extra time and effort was necessary and truly appreciated.

Finally, I would like to acknowledge and thank the City Council, all City Commissions, City Committees, the many volunteers, and all City employees who have worked so diligently to make Petaluma a great place to work, live and raise a family. To all...A Job Well Done!

Respectfully Submitted,

Michael A. Bierman  
City Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Petaluma  
California**

For the Fiscal Year Beginning

**July 1, 2004**

*Nancy L. Ziehl*  
President

*Jeffrey R. Egan*  
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Petaluma, California for its annual budget for the fiscal year beginning July 1, 2004.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for another award.

Org chart

# PETALUMA COMMUNITY PROFILE

## Location

Set in the hills between Sonoma's County famous wine country and the coast, Petaluma is located in southern Sonoma County. As the map shows, Petaluma is located approximately 40 miles from downtown San Francisco, and is located on the Highway 101 corridor. It is also the home of Vallejo's Old Adobe ranch and well-preserved 1800's commercial district and homes. Petaluma is located near beaches, redwoods, wineries and many historic sites. It's population is 56,632.

## History

The City was founded in 1858, becoming a thriving shipping and manufacturing center. For 98 years, the Petaluma River, as a major waterway, contributed to Petaluma's commercial success. From the 1880's through the 1940's, Petaluma became famous as a chicken town and was known as the "World's Egg Basket". By the late 1940's high costs forced thousands of chicken farms into the hands of a few large producers. In the 1950's dairy farming and the charm of country living made Petaluma what it is today. Today the dairy industry and the associated dairies are still a principal industry.

Added to that mix in recent years is the influx of telecommunications and other high-tech industries which have chosen to make Petaluma their home. In addition, with our location in the Sonoma wine country, tourism continues to provide additional visitors to our community adding to the overall economic vitality of the community.

Filmmakers for its "Anytown USA" look have chosen Petaluma. Major commitments have been made to support the growth of a strong retail and industrial community, while preserving the small town feeling that is Petaluma. The City has gone from being one of California's largest cities (1860's) to the World's Egg Basket (early 1900's) to the center of Telecom Valley today.



## **Economic Conditions**

Sonoma County has experienced recessionary conditions for several years. Employment has taken a turn downward during that time with major lay-offs in the high-tech manufacturing industries. Wineries and vineyards also contributed to the weakness due to expanded global supply and downward pressure on prices.

For 2006, better news is ahead. Sonoma County business confidence continues to rise for the fifth consecutive quarter, hitting 6.7 on a 10 point scale (with 10 = excellent). Overall, Sonoma County businesses report that the current economic conditions in Sonoma County are strong. The future of Sonoma County businesses looks promising. It is estimated that business confidence will increase by 3% to 6.9 by winter of 2005.

The economy is continuing to improve with estimates of increased salary and wages as well as an increase in business profits. Interest rates will continue to rise in 2005 with a constant to slight increase in the stock market. It is also believed that the national unemployment rate will decline. The housing market remains strong with increased appreciation along with healthy household balance sheets indicated by low and stable rate of personal bankruptcy filings.

Despite recent concerns, rising gas prices have not affected most businesses in Sonoma County. 98% of local executives reported no loss in business due to rising gas prices. Recent automobile rebates have resulted in record sales during the last quarter. In general, Sonoma County businesses appear resilient to the economic effects of higher gas prices.

Recoveries are noted in health services, hospitality, real estate and construction industries. Health care is on the rise due to the aging population and increased availability of medical facilities in the County. The hospitality industry has been depressed since the tragic 9-11 incident but continues to build confidence with greater consumer discretionary income being spent on travel plans. Real estate and construction industries have shown reasonable gains due to the lower mortgage interest rates and increased housing starts in the County.

Employment growth has seen a major upturn in the past twelve months. It is estimated that an additional 1.3 million jobs will be created in the next seven months nationally. Sonoma County will see a modest job growth with increases across a broad spectrum of industries starting with manufacturing, professional business services, construction, health care, hospitality and food services. Even the technology and wine making industries are seeing stronger demands in 2004 and 2005.

Retail sales in Petaluma decreased slightly in FY 2005 over FY 2004 results. Total estimated sales tax received in FY 2005 will be \$10,000,000 or 1% lower than FY 2004. This was due to lower sales in the transportation section or auto sales category. Other areas of revenue that decreased included property taxes (1%), other taxes (1%), but charges for current services increased (6%).



# THE BUDGET PROCESS

## POLICIES GUIDING THE BUDGET PROCESS

The City Council's Goals and Objectives are the primary driving force behind the development of the City of Petaluma's Annual Budget. The Council Goals and Objectives include strategies designed to promote short- and long-term financial stability in the City. The second policy that guides the budget process is the Financial Policies that were developed in conjunction with the Administrative Services Department to guide daily financial decision-making. Discussions of those two policies follow.

## CITY COUNCIL GOALS AND OBJECTIVES

The purpose of the Petaluma's Plan is to identify goals and objectives in three categories. They will be presented from the long-term to the short-term or the more general to the most concrete:

- Long Term Plan: Guides the City in the time frame that is seven years and beyond
- Get Well Plan: Guides the City in the ensuing two to seven year time frame
- Survival Plan: Guides the City during the next two to three years

### LONG TERM PLAN

- Complete master plan for City facilities
- Redevelopment of the Auction Yard
- Redevelopment of the slaughterhouse
- Design and build a new fire station
- Complete the McNear Peninsula project
- Complete the Schollenberger Park project
- Complete the Polly Klass Performing Arts Center

### GET WELL PLAN

#### ORGANIZATION

- Continue to improve staff coordination and communication
- Identify and remove impediments to progress
- Streamline process review and establish a fast track permit process
- Create an overall fluid structure to change with projects and financial situations

#### BUDGET AND FINANCE

- Continue to explore new funding sources
- Develop one million square foot of new retail based on leakage study

## **INFRASTRUCTURE**

- Develop automobile and pedestrian circulation system
- Develop water storage facilities
- Provide for workforce housing
- Continue street repairs

## **PLANS**

- Implement the approved General Plan
- Implement the approved Park Master Plan
- Implement the approved River Plan

## **SURVIVAL PLAN**

### **ORGANIZATION**

- Create and staff a permanent Emergency Services Manager in the Fire Department to properly manage the EMS program.
- Complete a reorganization of the City's organizational structure including the collapsing of existing departments.
- Provide for recruitment strategies for new staff as well as retaining existing staff
- Complete labor negotiations for all City unions
- Develop a long-term compensation policy that will guide future labor contracts
- Provide for better staff coordination and communication
- Develop a cafeteria plan for employee benefits

### **BUDGET AND FINANCE**

- Develop new funding sources such as local public safety sales tax increase
- Provide for new retail that will fill existing gaps
- Determine spending options of available resources among the various competing demands on the limited resources. Establish a policy that sets specific levels of reserves to maintain in all funds
- Provide methods to stabilize revenues and expenditures especially in the General Fund
- Expand upon the capital improvement budget to establish a true five-year budget document
- Conduct property tax audit

## **INFRASTRUCTURE**

- Quantify the street program between capital needs and operational needs
- Develop a street committee business plan
- Continue to work towards state funding for the Highway 101 Narrows project
- Identify funding sources and plan for a cross-town connector
- Develop a sidewalk policy which will include methods to limit City exposure to liability issues
- Develop three additional parks – Gatti, Turtle Creek and Grange Property
- Complete construction of a new water treatment plant which will include:
  - Acquisition of land for wetlands
  - Completion of the recycle water pipeline to identified areas
- Continue negotiations on the master water agreement
- Complete the Payran Reach Flood Control Project in conjunction with the Army Corps of Engineers

## **MAJOR PROJECTS**

- Complete the Fairgrounds and Kenilworth master plans
- Complete the Chelsea Phase II project

## **PLANS**

- Complete the General Plan process
- Revise and update the Mobile Home Zoning Ordinance
- Rewrite the Zoning Code to include
  - Zero net fill
  - Zero net runoff

## CITY OF PETALUMA FINANCIAL POLICIES

### General Policies

- All current operating expenditures will be paid for with current revenues.
- Budgetary emphasis will focus on providing high quality municipal services, recognizing the fundamental importance to the public of public safety and properly maintained infrastructure.
- The budget will strive to provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment.
- The budget will reflect a higher priority for maintenance of existing facilities than for acquisition of new facilities.
- Future maintenance needs for all new capital facilities will be identified with the inclusion of the capital project.
- Strong customer service and productivity improvements with a focus on cost savings remain important budgetary goals.

### Revenue Policies

- A diversified and stable revenue system will be maintained to shelter the City from short-run fluctuations in any single revenue source.
- Revenues will be conservatively estimated and will be updated quarterly throughout the fiscal year.
- Intergovernmental assistance in the form of grants and loans will be used to finance only:
  - Those capital improvements which can be maintained and operated over time:  
and
  - Operating programs which either can be sustained over time or have a limited horizon.
- One-time revenues will be used for operating programs only after an examination determines whether they are subsidizing an imbalance between operating revenues and expenditures, and then only if a long-term forecast shows that the operating deficit will not continue. In general, one-time revenues will be used only to support capital or other non-recurring expenditures.
- Development process costs and related administrative expenses will be totally offset by development fees.

- The City will identify basic tax-provided services and will establish user fees and charges for services provided in excess of basic services and/or to non-taxpaying users.

## **Reserve Policies**

- A minimum fund balance reserve in the General Fund will be maintained at all times. The City's goal is to reach an optimal level for this reserve of 15% of the General Fund operating budget. The reserve will be drawn down as a funding source of last resort and only after other reserve accounts have been accessed.
- For all other operating funds, there will be a reserve equal to 15% of its annual operating budget for the purpose of coping with emergencies. It may take more than one year to meet the 15% goal if these emergency reserves do not presently meet the 15% goal.
- The unappropriated fund balance in the General Fund will be maintained at a level sufficient to provide adequate working capital and to accommodate required adjustments to other reserve accounts, including the reserves for advances to other funds, deposits and prepaid items.
- Reserves for Encumbrances and Continuing Appropriations are established at the end of every fiscal year to reserve fund-balance in the amount equal to the City's unpaid obligations and unfinished projects at year-end.
- Other reserves, such as for cash flow, in the event that current cash flow needs exceed combined fund balances, or anticipated costs for service enhancements, will be established each fiscal year as needed.
- Funding levels of General Fund reserves will be reviewed during periods of economic stagnation to avoid reductions in operating service levels.
- Appropriation or use of funds from any designated reserve will require Council action.

## **Cash Management**

- Investments and cash management will be the responsibility of the City Treasurer.
- In accordance with Section 53646 of the Government Code, the City Council will review and update annually, an investment policy. The primary purpose of this policy is to set forth the City's investment philosophy and objectives. The City's investment objectives are, in order of priority: safety, compliance with Federal, State and local laws, liquidity, and yield. The policy also specifically outlines authorized investments, the maximum maturities allowed for each investment instrument and the criteria used to determine qualified depositories and/or dealers.

- The City invests all idle cash as determined by analysis of anticipated cash flow needs. Specific emphasis will be placed on future cash requirements when selecting maturity dates to avoid forced liquidations and the potential corresponding loss of investment earnings.
- In order to maximize yields from the overall portfolio, the City will consolidate cash balances from all funds for investment purposes, and will allocate investment earnings to each fund that has a positive cash balance. Interest expense will be charged to those funds that maintain a negative cash balance.
- The City will maintain the investment portfolio under the prudent person standard. The investment officer, acting in accordance with written procedures and the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments. The Prudent Person Standard is as follows: Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.
- To protect against potential losses by collapse of individual securities, dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the City will be held in safekeeping by a third party bank trust department, acting as the City's agent.
- The City Treasurer will generate a monthly report to the City Manager and a quarterly report to the City Council in conformance with all State laws and City investment policy requirements.
- The City's independent auditors, in conjunction with their annual audit, will audit the cash and investment balances in conformance with generally accepted accounting principles. In addition, the Treasurer shall establish an annual process of independent review by an external auditor to assure compliance with internal controls. The City Council may at any time order an audit of the investment portfolio and/or City Treasurer's investment practices.

## **Debt Policy**

- It is the intent of the City of Petaluma to issue debt in a manner, which adheres to state and federal laws, existing bond covenants and prudent financial management. Schedule 3 in the Appendix provides a summary of the existing debt obligations, by fund, and a summary of total debt service requirements.

- The General Fund currently does not have any general obligation bonds and does not anticipate issuing such debt. Other General Fund debt was extinguished when the Airport refinancing was completed in December, 2003. We do not anticipate issuing any further General Fund debt in the near future.
- When the City finances capital projects by issuing bonds, it will pay back the bonds within a period that is consistent with the useful life of the project.
- The City will not use long-term debt financing for any recurring purpose such as current operating and maintenance expenditures. Short-term debt instruments such as revenue tax or bond anticipation notes shall be excluded from this limitation.
- The City will generally conduct debt financing on a competitive basis. However, negotiated issues may be used due to market volatility or the use of an unusual or complex financing or security structure.
- The City will diligently monitor its compliance with bond covenants and ensure its adherence to federal arbitrage regulations.
- The City will operate under the provisions of Proposition 13, the California Constitutional Amendment that limits the incurrence of “general obligation” debt. To incur this debt, the City must receive 2/3 votes of the voters at a general election.

### **Cost Allocation**

- The purpose of the City’s cost allocation from its Internal Service funds is to charge the departments for City resources that are being used by the individual departments.
- Self-Insurance Fund Allocation – The self-insurance fund is used to account for the cost of the City’s insurance premiums (such as general liability, property, and automobile insurance), as well as claims adjuster services, and legal costs.
- Charges to department are calculated based on the number of permanent staff in each department.
- Equipment Replacement Allocation – The equipment replacement fund is used to account for the acquisition, depreciation, and replacement of City vehicles and other large equipment, i.e. exhaust system for Fire stations. Charges to department are calculated based on the actual depreciation charge for vehicles used by each department.
- Computer Replacement Allocation – The computer replacement fund is used to account for the acquisition, depreciation, and replacement of computers and related equipment. Charges to departments are calculated based on the number of computer workstations supported by the Information Technology staff in each department.

## **Capital Budget**

- The Five-Year Capital Improvement Plan shall be prepared and updated each year.
- Although this plan may include “unfunded” projects that carry out the City’s strategic and general plans, it must also include a capital-spending plan that identifies projects that can be completed with known funding sources.
- Each department must, when planning capital projects, estimate the project’s impact on the City’s operating budget.
- Each capital project must include an “administrative overhead charge” equal to five percent (5%) of the total project cost less contingency amounts.
- Amendments to capital appropriations can be approved by the City Manager for costs above the Charter established formal bid amount which is currently below \$20,000. Greater than contingency must be approved by the City Council by Resolution.

## **Risk Management**

- The City is self insured for the first \$250,000 on each general liability claim against the City.
- Third party coverage is currently maintained for general liability claims greater than \$250,000 up to a limit of \$15,000,000 and for all workers’ compensation claims.
- The City has a Safety Committee to promote safe and healthy work practices. The objectives of the Committee include
  - Identifying, reviewing, and correcting unsafe conditions and practices, establishing employee safety training programs, and promoting a system of communications with employees regarding safety and health matters.
- The City maintains a comprehensive risk assessment program and annual hazard survey to identify areas that may pose liability issues.
- The City has a policy of vigorously defending claims filed against Petaluma and continues to maintain an excellent loss history.

## **Annual Audit**

- Sound accounting practices suggest that an annual audit is a prudent business decision.
- The City requires an annual audit by a qualified independent accountant of all financial records, inventories and reports of all City officers and employees involved in the handling of financial matters.
- For fiscal year ending June 30, 2005, the City commissioned the Certified Public Accounting firm of Caporicci and Larson.

# ACCOUNTING STRUCTURE AND PRINCIPLES

## CITY GOVERNMENT REPORTING ENTITIES AND SERVICES

The budget includes all of the funds and accounts of the City of Petaluma. The City provides the following municipal services directly:

Administrative and Financial	Planning and Zoning
Building Permit/Plan Approval	Public Safety (Police and Fire)
Community Development	Street Maintenance
Emergency Services	Transit Services
Engineering	Water Utility
Parks and Recreation	Waste Water Utility

## FINANCIAL STRUCTURE

### 1. Accounting System and Budgetary Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition; and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a specific control feature should not exceed the benefits likely to be derived and the evaluation of costs and benefits require estimates and judgments by management.

All evaluations of the City's internal control will continue to occur within the above framework. The City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### 2. Basis of Accounting

The budgets of all governmental and fiduciary funds types are prepared on a modified accrual basis. Under the modified accrual basis, revenue is recognized when susceptible to accrual (e.g., when it becomes both measurable and available). "Measurable" means the amount can be determined and "available" means collectible within the current period or soon enough thereafter to pay current liabilities. This is generally within sixty-days (60) after the end of the fiscal year. Expenditures are recognized when the related fund liability is incurred.

The budgets of the proprietary funds (enterprise and internal service funds) are prepared on an accrual basis. Under this method, revenue is recognized when earned and expenses are recognized at the time the liability is incurred. Under this method, depreciation for fixed assets is budgeted.

The basis for budgeting and the basis of accounting are the same for all funds.

### **3. Financial Reporting**

Beginning with fiscal year ending June 30, 2003, the City implemented the provisions of GASB 34 in its Comprehensive Annual Financial Report (CAFR). The CAFR presents the status of the City's finances on the basis of "Generally Accepted Accounting Principles" (GAAP). In most cases, this conforms to the way the City prepares its budget with the following exceptions:

- Compensated absences liabilities that are expected to be liquidated with expendable available financial resources are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget).
- Principal payments on long-term debt within the Enterprise Funds are applied to the outstanding liability on a GAAP basis as opposed to being expended on a Budget Basis.
- Capital outlays within the Enterprise Funds are recorded as assets on a GAAP basis and expended on a Budget basis.
- Inventory is recorded as expenditure at the time it is used.
- Depreciation expense is not budgeted as an expense.

The Comprehensive annual Financial Report (CAFR) shows fund expenditures and revenues on both a GAAP basis and Budget basis for comparison purposes.

The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition, other supplementary information is provided to the basic financial statements.

### **4. Financial Structure**

#### **Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are

reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

These two statements report the City's net assets and changes in them. These statements divide the City into two kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, sales taxes, franchise fees and intergovernmental revenues finance a significant portion of the cost of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and wastewater (sewer) systems, the airport, and ambulance services are the major activities.

The government-wide financial statements include the City itself (known as the *primary government*) but also two legally separate entities, the *City of Petaluma Public Financing Corporation*, and the *Petaluma Public Financing Authority*. The city is financially accountable for these entities and financial information for these blended component units is reported within the financial information presented for the primary government itself. Financial information for another *blended component unit*, the *City of Petaluma Community Development Commission (PCDC)*, is also included with the activities of the primary government.

### **Fund Financial Statements**

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-Major Funds combined in a single column on each fund statement. Subordinate schedules present the detail of these Non-Major Funds. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other funds may change from year to year as a result of changes in the pattern of City activities.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**Governmental Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an

accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities*. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet, and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the *General Fund, Low & Moderate Income Housing Fund, Housing In-Lieu Fund, Traffic Mitigation Impact Fee Fund, Petaluma Community Development Commission (PCD) – Central Business District (CBD) Capital Project Fund, and the PCD – Petaluma Community Development (PCD) Capital Project Fund*, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its major funds. The basic financial statements include budgetary comparison statements for the General Fund and those funds referred to in the previous paragraph to demonstrate compliance with the annual budget. Budgetary comparison statements have been provided for all of the funds in the combining section of this report.

**Proprietary Funds** – The City maintains two types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, airport, ambulance, transportation and marina activities. *Internal Service Funds* are used to accumulate and allocate costs internally among the City's various functions including public liability, worker's compensation, vehicle and equipment replacement, information technology, employee benefits and general services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater, Airport and Marina, which are considered to be major funds of the City. Data from other enterprise funds is combined into a single aggregated presentation. The internal service funds, none of which can be

considered Major Funds because their revenues are derived from other City Funds are presented in a single aggregated column in the proprietary fund financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs.

## **BUDGET POLICIES AND PROCEDURES**

### **Policy**

The City Manager shall submit a proposed budget to the City Council each year by the first Monday of May as specified in the City's charter. The budget that is submitted is a balanced budget either through the matching of ongoing revenues with proposed expenditures or the use of existing reserves.

### **Budget Basis**

The budgets of general government type funds (for example, the general fund itself, and gas tax funds) are prepared on a modified accrual basis. Briefly, this means that obligations of the City are budgeted as expenses, but revenues are recognized only when measurable and available.

The Comprehensive Annual Financial Report (CAFR) shows the status of the City's finances on the basis of "generally accepted accounting principles" (GAAP). In most cases this conforms to the way the City prepares the budget. One exception is the treatment of compensated absences. Compensated absences, including accrued but unused holiday, administrative leave, compensatory time and vacation leave, are treated slightly different in the budget than in the CAFR.

### **Responsibility**

The department heads are responsible for preparing their budgets in accordance with the guidelines provided by the City Manager and Administrative Services Director. The Finance Department provides cost experience data as required by City departments. The Director of Finance prepares all revenue, debt service and reserve estimates.

### **Operating Budget**

Ongoing operating costs should be supported by ongoing, stable revenue sources. This protects the City from fluctuating services levels and avoids crises when onetime revenues are reduced or removed. Listed below are some corollaries to this policy:

- Fund balances or contingency accounts should be used only for one-time expenditures, such as capital equipment and capital improvements.
- Ongoing maintenance costs, such as street resurfacing and trail maintenance, should be financed through recurring operating revenues rather than through bond issuance.

- In addition, at least \$1 million of transportation related funding should annually fund the annual overlay and slurry program.
- Fluctuating federal grants should not be used to fund ongoing programs.

### **Budget Review**

During the budget review phase, the City Manager's Office, in conjunction with Finance Department, analyzes new positions, and operating and capital budget requests. This information is then compiled and the City Manager and the Administrative Services Director hold meetings with each department to review their estimated expenditures for the current fiscal year and the proposed base line requests and enhancements for the proposed budget year. At the completion of these meetings, the Administrative Services Director again compiles all the financial data and presents the Preliminary Budget to the City Manager for review.

### **Budget Adoption**

The City Manager presents, via publicly noticed study sessions, the budget to the City Council. Public hearings are held and, after modifications and revisions, the preliminary budget is adopted by resolution. Actual appropriations are established through Ordinance.

### **Budget Implementation**

A budgetary control system will be maintained to ensure compliance with the budget. The Administrative Services Department is responsible for setting up the budget for tracking purposes and is charged with ensuring fund availability during the year to cover expenditures and appropriations. Reports comparing the budget with expenditures are generated and sent to departments on a monthly basis.

### **Budget Revision**

The City Council approves total budgeted appropriations throughout the year. Actual expenditures may not exceed budgeted appropriations at the department level (e.g., Police, Fire, City Manager, etc.). The City Manager or his designee is authorized to transfer budgeted amounts at the category level (e.g. Personnel, Materials and Supplies, Capital Outlay). The City has the following programs accounted for through its governmental funds: general government, public safety, public works, parks and recreation, community development and capital expenditures. Use of unappropriated reserves must be specifically approved by the City Council.

### **Budget Amendments**

The City has a policy of reviewing the budget quarterly. Budget amendments are generally considered at mid year. Formal budget amendments are approved and adopted by the City Council. Emergency amendments may also be considered on a case by case review. Budget amendments must also be approved by the City Council.

## **BUDGET SCHEDULE**

The City's budget preparations follow a three-phased approach that begins each year with the annual mid-year review, proceeds through the publication of the City Manager's Preliminary Budget and culminates with the publication of the Adopted Budget document.

Although the City does not conduct special meetings prior to the budget process for citizen input, that input is afforded through the Commissions and during the mid-year budget review. Additional input is always available to the public during the budget hearings that are conducted during the months of May and June. Citizen input is encouraged and individual Council members bring forth concerns and recommendations from the citizens. As the budget is essentially built on what citizens desire, as demonstrated through the City Council's goals and objectives that were presented earlier.

A listing of significant preparation milestones in the FY 2004 – 2005 budget follows:

### **December/January**

Work began on the FY 2004 – 2005 mid-year budget review. It established preparatory guidelines for the FY 2005 – 2006 budget. It contains estimates of budgetary outcomes as well as discussions of important financial issues facing the City. Also included were current and future year revenue estimates as developed in cooperation with other City departments.

Presentations regarding the budget and the budget process were provided to department heads and their staff.

### **February**

The completed fiscal year 2004 – 2005 mid-year budget review was distributed and the City Council, staff and the general public for consideration.

The Council's annual midyear review meeting was held which fastened guidelines for the fiscal year 2005 – 2006 budget preparation.

The Finance Department in conjunction with the City Manger's office develops revenue estimates for fiscal year 2005 – 2006 and establishes expenditure targets by fund. Salary and benefit information is also completed. Budget materials are distributed to the various departments for assembly of budget proposals using a series of Excel worksheets that were initially set up by Finance.

Budget proposals for FY 2005 – 2006 are due from individual departments.

### **March/April**

City Manager and the Administrative Services Director meet with representatives of the various departments to review and amend budget proposals.

**May/June**

In accordance with the City Charter, Section 59, the City Manager’s Preliminary Budget is distributed to the City Council by the first Monday in May (May 2, 2005).

City Council holds a series of hearings with the budget approval scheduled for June 20, 2005.

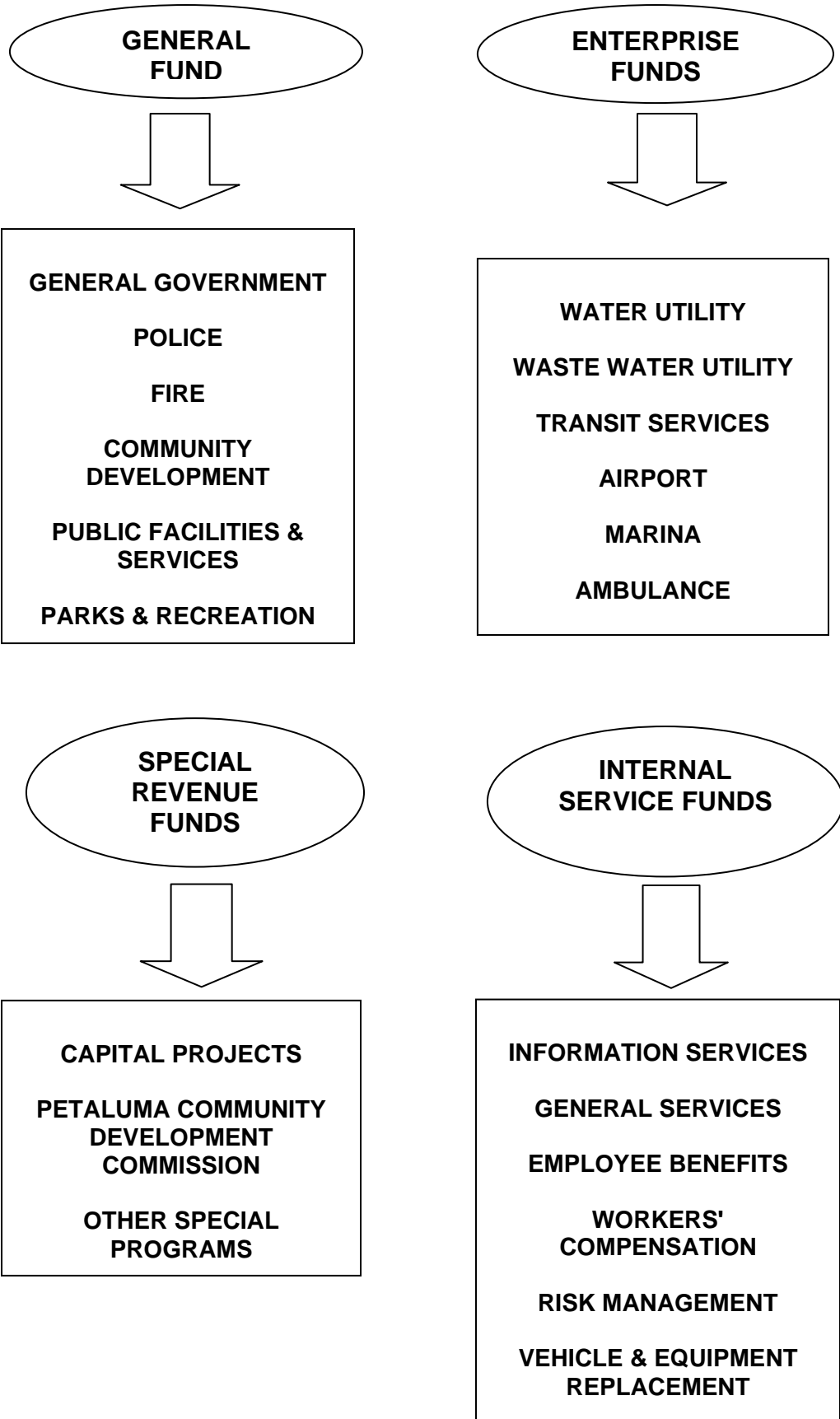
Budget was unanimously adopted at the June 20, 2005 Council meeting.

**September**

GANN Appropriations Limit Resolution is considered and passed

December/January	Mid-year review report preparation begins. This will form the basis for the FY 2005 – 2006 budget. Departments are provided with how the budget process will take place
February	Completed mid-year review report – distributed to Council, departments and general public. Council holds hearing on the mid-year budget review and gives direction as to priorities for the FY 2006 budget. Departments submit proposed budgets by end of the month
March	Council meets and determines Goals and Objectives which form the basis of the budget document Individual departments meet with City Manager and Administrative Services Director to review budget proposals
April	Final changes to the budget document are processed Updated revenue estimates are finalized
May	Preliminary Budget document released on May 2, 2005 in accordance with City Charter Public hearings are held on May
June	Public hearings continue on June Council consideration to adopt budget on June 20, 2005
September	GANN Appropriating Ordinance takes effect

# DIAGRAM OF FUNDS



## FUND DESCRIPTIONS

The City of Petaluma uses fund accounting to track revenues and expenditures. Some funds such as the Gas Tax Fund are required by state legislation. Others were adopted by the city to track and document revenues and ensure accountability. Two recent examples of this need is the establishment of the Street Maintenance Fund and the Street Reconstruction Fund. Both of these funds will be used to track the resources applied to those activities and track the specific expenditures for those two activities. Enterprise Funds are expected to be self-supporting through revenue generated from the services provided. For these funds, the city often charges a fee for a specific service, such as water, just like any other business would.

### GOVERNMENTAL FUNDS

Governmental funds typically include those activities which are financed through the use of tax-supported activities. The major categories within this fund type are the General Fund, Special Revenue Funds and Debt Service Funds. This category also includes Capital Project Funds and Permanent Funds. The latter two are not budgeted in the City and

**GENERAL FUND** -- the fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general operating revenues not restricted as to use are recorded in this fund.

**SPECIAL REVENUE FUNDS** -- used to account for activities supported by specific taxes or other designated revenue sources. These funds are generally required by statute, charter or ordinance to finance specific government functions and include:

- **Community Development Block Grant (CDBG):** used to account for federal grants received under the Housing and Community Development Act of 1974.
- **HOME/Begin Program Fund:** used to account for federal grants received from the State of California from funds received from the US Department of Housing and Community Development.
- **Gas Tax Fund:** used to account for funds received from the State of California from the statewide tax on gasoline and other fuels. Used specifically for road related projects.
- **Landscape Assessment Districts Fund:** use to account for special assessments on property for the maintenance of public landscaped areas.
- **Supplemental Law Enforcement Fund:** used to account for grant funds received from the state for enhancement of law enforcement technology.
- **Asset Seizure/Forfeiture Fund:** used to account for funds received as the result of asset seizure in conjunction with narcotic enforcement programs.
- **Transient Occupancy Tax Fund:** used to account for funds received from the 10% excise tax on hotel/motel charges.
- **Park Development Fee Fund:** used to account for fees, which are received from new residential development and used specifically for park development purposes.
- **Flood and Surface Water Impact Fees Fund:** used to account for fees from development projects and to be used for storm drainage improvements.
- **Housing In-Lieu Fees Fund:** used to account for fees from residential development to provide funds for low and moderate-income housing projects.

- **Community Facilities Fees Fund:** used to account for fees received from all development projects to be used to construct and/or repair community facilities.
- **Traffic Mitigation Fees Fund:** used to account for fees received from all development projects to be used for transportation improvements that were necessitated from new development.
- **Street Maintenance Fund:** used to account for resources dedicated for street maintenance and expenditures related to that purpose.
- **Street Reconstruction Fund:** used to account for resources dedicated for street reconstruction projects and expenditures related to that purpose.
- **Central Business District Redevelopment Project Area:** this project area consists of area in the downtown section of the City and provides accounting for capital projects in that area.
- **Petaluma Community Development Project Area:** this project area consists of several thousand acres and provides accounting for capital projects in that area.
- **Low and Moderate Income Housing Fund:** this fund provides for low and moderate income housing programs that are financed from 20% set-aside from the property tax increments of the two project areas.

**DEBT SERVICE FUNDS** – used to account for the accumulation of resources and payment of long-term debt principal and interest. The City maintains two debt service funds. The Governmental Debt Service Fund maintains the accounting for debt that is payable from the General Fund and the Special Revenue Funds. The PCDC Debt Fund accounts for debt associated with the Agency’s activities.

## PROPRIETARY FUNDS

These funds are established to account for the self-supporting municipal activities that are similar to private business. The activities are financed by sales and service fees. The City operates six (6) enterprise funds and six (6) internal service funds.

**ENTERPRISE FUNDS** – these funds were established to account for City operations that are financed and operated in a manner similar to private business enterprises where the cost of services that are provided is financed through user charges. Funds that are maintained include:

- **Water Utility Fund:** used to account for the activities associated with the purchase, distribution and transmission of water within the City.
- **Waste Water Utility Fund:** used to account for the activities and maintenance of the City's local wastewater system.
- **Public Transportation Fund:** used to account for the operation and management of the City's local transportation (buses) system.
- **Airport Operation Fund:** used to account for the operation and maintenance of the City's Municipal Airport.
- **Ambulance Operations Fund:** used to account for the activities needed to provide emergency medical services in the City.
- **Marina Operations Fund:** used to account for the operation and maintenance of the City's marina.

**INTERNAL SERVICE FUNDS** – these funds were established to finance and account for services and commodities furnished by a designated department of the City to other departments of the City. These services and commodities are only supplied within the City structure and not furnished to the general public. The funds that the City maintains include:

- **Information Services Fund:** used for the purchase, operation and maintenance of the City's voice and data systems.
- **Employee Benefits Fund:** used to finance and account for the City's self-insured employee benefit programs.
- **Workers' Compensation Fund:** used to account for the activities related to the City's self-funded program for workers' compensation.
- **Risk Management Fund:** used to account for the activities related to the City's self-funded program for liability.
- **General Services Fund:** used to finance and account for activities such as purchasing, copying and mail processing services that are delivered to other City departments.
- **Vehicle and Equipment Replacement Fund:** used to account for programmed replacement of the City's vehicle and equipment assets.

## FIDUCIARY FUNDS

These funds are used to account for resources held by the City, which must be spent as provided in the legal trust agreements, statutes, ordinances or other governmental regulations. These include:

- **Thomas Lee Charity Fund:** used for one-time aid to citizens in need.
- **Child Care:** used to provide ongoing assistance to very low-income parents for childcare purposes.
- **Wickersham Park:** used for the maintenance and improvements to Wickersham Park.
- **Prince Trust:** used for the maintenance and improvements to Prince Park.
- **Assessment District #21:** used for general street and landscaping projects throughout the City. Represented left over funds from an expired assessment district.

