RESOLUTION NO. 3662-21

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF WINDSOR ADOPTING GUIDING BUDGET PRINCIPLES FOR USE IN PREPARING THE TOWN'S BIENNIAL BUDGET

WHEREAS, the Town of Windsor prepares a fiscal year budget on a biennial basis; and

WHEREAS, adoption of the biennial budget is an integral part of the Town's strategic planning and management functions, as it assigns scarce resources to the programs and services provided to the community and ultimately reflects the mission and values of the organization as well as ensuring the long-term fiscal sustainability of Town operations; and

WHEREAS, to anchor good financial planning, focus budget preparation, support fiscal sustainability and linkage to organizational goals, a set of guiding budget principles were prepared, drawn from state and national best practices; and

WHEREAS, the Guiding Budget Principles, attached herein as Exhibit A, provide principles for eight policy areas; budgeting, reserves, ongoing resources and operations, use of one-time resources, fiscal sustainability planning, capital project budgeting, debt management, and other financial matters; and

WHEREAS, such principles are consistent with the Town's strategic plans and priorities and will support the long-term health of the organization.

NOW, THEREFORE BE IT RESOLVED that the Town Council of the Town of Windsor hereby adopts the Guiding Budget Principles to be used in preparation of the Town's biennial budgets and fiscal sustainability planning.

PASSED, APPROVED AND ADOPTED this 7th day of April 2021, by the following vote:

AYES:	**COUNCILMEMBERS FUDGE, LEMUS, VICE MAYOR SALMON AND MAYOR FOPPOLI**
NOES:	**NONE**
ABSTAIN:	**NONE**
ABSENT:	**NONE**

Dominic Foppoli

DOMINIC FOPPOLI, AT-LARGE MAYOR

ATTEST:

Maria De La O

MARIA DE LA O, TOWN CLERK

Attachment:

- **Exhibit A –** Guiding Budget Principles

Town of Windsor

Guiding Budget Principles for
FY 2021-22 and FY 2022-23 Biennium Budget

The Town Council of the Town of Windsor establishes this set of budget principles to guide current and future policy makers and staff to ensure the long-term financial sustainability of the Town. Budget principles represent foundational statements that are adopted by the Town to help guide future budget decisions. They are not, in themselves, budget decisions. Rather, they help set the framework for identifying, analyzing, considering and, ultimately, adopting various budget policy choices on how to fund the nature and level of services that the Town wishes to provide to the community.

These budget principles emphasize and/or augment existing financial management policies as evidenced in prior adopted biennial budgets. They reflect best practices of other local agencies throughout California and the United States.

Budget Development

1. Development of the Town's biennial budget and long-range financial plan will be conducted in a transparent fashion that affords opportunities for community engagement and input.

2. Budget development will be guided by a long-term financial plan proposed by the Town Manager and adopted by the Town Council and should include considerations such as the cost of deferred maintenance and unfunded liabilities.

3. Once adopted, annual budgets should be amended only when urgency requires and should identify a specific funding source for any new priorities.

Reserve Policies

4. General Fund reserves should be maintained at a minimum of 25% (or three months) of annual operating expenditures and should not be planned to fall below 10% in any year in the long-range forecast.

5. Enterprise funds should maintain adequate reserves to meet cash flow needs and unexpected contingencies, with a minimum working capital reserve of not less than 25% of annual operating and maintenance costs.

6. Reserves will be maintained sufficient to meet debt service requirements, encumbrances, capital projects approved in prior years that are carried forward, and other reserves or designations required by contractual obligations, state law or generally accepted accounting principles.

Ongoing Resources and Operations

7. Ongoing expenditures should be supported by ongoing revenues.

8. The organization will seek to avoid dependence on temporary or unstable revenues to fund mainstream municipal services.

9. Charges for services should be sufficient to recover the full cost of related services, including direct operating costs, and other indirect costs such as capital and overhead costs.

10. General Fund revenues should not be earmarked in order to allow for maximum flexibility when making funding decisions.

Use of One-Time (Windfall) Resources

11. One-time revenues will not be used for ongoing expenditures on a continuous basis.

12. Unpredictable revenues, such as those derived from the sale of surplus land assets or inventory, will be treated as one-time revenue and will not be used to support ongoing expenses.

13. One-time resources may only be used to support one-time expenses such as capital investments or to replenish reserves.

Capital Projects

14. When capital projects are considered, all associated costs - including annual operating expenses, debt services, and any additional future costs - will be identified in order to properly assess future financial impacts.

Fiscal Sustainability Planning

15. To the extent that the long-range financial forecast indicates a structural gap between projected annual revenues and expenditures, the Town will develop and implement a fiscal sustainability plan to ensure the General Fund reserves stay within the reserve policies established by the Town Council.

16. Any structural gap in a long-term financial forecast will be addressed in such a way that it is eliminated no later than the final year of the long-range financial forecast (not to exceed 10 years).

17. Service level reductions will be implemented if other strategies are not possible or cannot be achieved in a timely fashion.

Debt Management

18. Short-term or long-term debt will not be used to support ongoing operations.

19. Long-term borrowing (three years or more) for capital facilities will be considered as an appropriate method of financial facilities that benefit more than one generation of users and to the extent that existing reserves or other one-time resources are not available.

Other Matters

20. Each enterprise fund should reflect the true cost of operation, including direct and indirect costs of services provided by the General Fund, and should be self-reliant upon fees and/or use rates paid by ratepayers.

21. Private development of residential, commercial and/or industrial properties shall pay its fair share of capital improvements that are necessary to serve the development and should not be subsidized by public funds.