



BUDGET AND FISCAL POLICY

The overall goal of the annual budget and financial plan is to align the City's fiscal resources and deployment of services to the City Council's goal, needs and priorities. Formal statements of fiscal policies, guidelines, procedures, goals and objectives provide the foundation for achieving this goal.

This section outlines the policies used in guiding the preparation and management of the City's overall budget.

The following budget and fiscal policies guide the preparation and execution of the annual Budget:

- Financial Plan Purpose and Organization
- Financial Reporting
- Budget Development and Administration
- Appropriation Limitation
- Capital Improvement Management
- Fund Balance and Reserves
- General Revenue Management
- User Fee Cost Recovery Goals
- Enterprise Funds Fees and Rates
- Debt Management
- Debt Capacity
- Investments
- Personnel Management
- Contracting for Services
- Productivity

Financial Plan Purpose and Organization

Financial Plan Objectives

Through its annual financial plan, the City will:

- Identify community needs for essential services.
- Establish policies and goals which define the nature and level of services required.
- Identify and organize activities required to provide these services.
- Propose objectives for improving the delivery of services.
- Identify and appropriate the resources required to deliver services while aligning with polices and goals.
- Setting standards to measure and evaluate the following:
 - Output of activities
 - Accomplishment of objectives
 - Expenditure of appropriations



Financial Reporting

Annual Reporting

The City will prepare annual financial statements as follows:

- The City will contract for an annual audit by a qualified independent certified public accountant. The City will strive for an unqualified “clean” auditors’ opinion.
- The City will use generally accepted accounting principles in preparing its annual financial statements and will strive to meet the requirements of the Government Finance Officers Association’s (GFOA’s) Award for Excellence in the Financial Reporting program.
- The City will strive to issue audited financial statements by December 31.

Financial Activity Reporting

The City’s financial activity will be reported for a variety of funds. Funds are the basic accounting and reporting entities in governmental accounting. The City’s accounting structure will make it possible to:

- Present fairly and with full disclosure the financial position and results of financial operations of the funds of the City in conformity with generally accepted accounting principles and government auditing standards.
- Determine and demonstrate compliance with finance-related legal and contractual provisions.

Interim Reporting

The City will prepare and issue timely interim reports on the City’s fiscal status to the Council and staff.

Mid-Year Budget Review

The Council will review progress, near or around mid-fiscal year, since adoption of the plan in preparation for setting goals and objectives for the next planning period. During the Mid-Year Budget Review, the status of major program objectives and priority projects will be reported to the Council who will review and amend appropriations as necessary to achieve these objectives and complete priority projects.

Budget Development and Administration

Definitions

- “Approved Budget” or “Adopted Budget” refers to and encompasses all appropriations and budgeted revenues contained in the Annual Budget. The terms Approved Budget, Annual Budget and Adopted Budget are used interchangeably within this policy.
- The “Amended Budget” is subsequent to the Adopted or Approved Budget and encompasses any adjustments to appropriations or budgeted revenues that occur after adoption of this resolution.
- “City Manager” means the City Manager or, if so designated, the Finance Director or the Budget Manager.

Balanced Budget

The Budget is balanced when the total sum of budgeted revenues and budgeted one-time appropriations from reserves equals or exceeds the total amount of the expenditures budgeted. If the total sum of budgeted revenues and budgeted one-time appropriations from reserves exceeds the total amount of expenditures budgeted, then a net contribution to reserves is being budgeted for. If the total sum of budgeted revenues and budgeted one-time appropriations from reserves is less than the total amount of expenditures budgeted, then the result is a budget deficit.



General vs Restricted Funds

Unlike a household budget, the City relies on two distinctly different types of income or revenue referred to as General and Restricted funds. The City Council determines how to spend General Fund money and the General Fund budget must be balanced each year. Critical services such as Public Safety are funded through the General Fund. Revenues deposited into the General Fund primarily come from Sales Tax, Property Taxes, and Transient Occupancy Taxes.

Other City revenues come from user fees collected for City services such as Garbage and Recycling, Water and Wastewater. Money collected for these services may only be used to provide the service for which they are collected. These are called “restricted funds”. There are several sources for restricted funds that dictate how and where City money can be spent. Restricted funds are primarily collected through taxes, fees, and grants. These funds are earmarked for a specific purpose or project. For instance, money generated through the Gas Tax and Measure K sales tax can only be used on roadway-related infrastructure and infrastructure maintenance. Other “special taxes”, such as Mello-Roos or special assessment taxes may appear on the property tax bill. These taxes were voter-approved for a specific area within the City and can only be spent on maintenance, operations, or capital in that area. Developer Impact Fees paid by new private infrastructure development can only be spent on capital projects such as civic buildings, transportation improvements, and parks.

As a general practice for budgeting and use of reserves, restricted funding sources are evaluated and utilized, if eligible, for expenditures to the extent possible before relying on the use of the General Fund. The General Fund is only spent on goods and services when no restricted funding source is available or eligible.

Budget Strategies

To implement the Council’s mission, vision, and goals identified, staff has enlisted the strategies below in making budget decisions:

- Strategic Focus – The City’s financial management should be strategic, reflecting the Council’s and the community’s priorities for service while providing resources that realistically fund routine operations.
- Fiscal control and accountability – The City’s financial activities should be fiscally sound and accountable to the City Council through the City Manager.
- Clarity – The City’s financial planning and reporting should be clear and easy to understand so that all participants, the Council, the community, and staff can productively participate in decision making.
- Long-term planning – The City’s financial planning should include information regarding the long-term allocation of resources.
- Flexible and cost-effective service delivery – The City’s financial management practices should encourage a mission-driven organization that responds quickly and straightforwardly to community demands. The City’s management should flexibly engage in opportunities to deliver better service, proactively monitor revenues, and cost-effectively manage ongoing operating costs.



Annual Budget and Financial Plan

The City Manager (or designee) will present an annual budget and financial plan and periodic financial information to the City Council stemming from the following areas:

- Actual revenues, expenditures, reserve balances, and fund balances for the prior fiscal year. Total Fund Balance is the difference between assets and liabilities in any given fund as of a given point in time. Available Fund Balance is the portion of the Total Fund Balance that is available to be programmed toward expenditures with proper consideration of projected future revenues.
- Estimated revenues, expenditures, reserve balances, and fund balances for the current and following fiscal year.
- Articulated priorities and service levels to be achieved by the organization over the next year.
- Long-range financial plans, which will include projected revenues, expenditures, and reserve balances for the next five years.
- Capital Improvement Program for the next five years.

The City's annual budget represents the official financial and organizational plan by which the City's policies, programs, and resources are implemented for the ensuing fiscal year. It is also a strategic and financial plan of services to be provided to residents.

Budget Development

The budget is prepared by City staff under the direction of the City Manager.

During the winter of every budget year, the Budget Manager provides information to department executives and managers on the financial condition of the City and establishes general parameters for budget submittal. The Mid-Year Budget Update provided to City Council in February reflects the budgetary status of the City at that point in time.

In January and February, department staff prepare their operating and capital budget requests following the general parameters. The Budget staff reviews each Department's requests and proposals and then formulates them into a "Proposed Budget." The Proposed Budget is reviewed by the Finance Director and the City Manager before submission to the City Council.

In early June, a presentation is scheduled for the City Council to receive information and public input regarding the Proposed Budget. As early as the first Council meeting in June, the Proposed Budget can be adopted by Council resolution and becomes the City's action plan for the ensuing fiscal year. If the City Council decides not to adopt a Budget by July 1, the City Council may elect one of the following courses of action until the adoption of a Budget and the appropriation of funds occurs:

- Provide the City Manager with Continuing Resolution Authority to allow continued services at expenditure levels not greater than those levels approved in the prior year budget; or
- Require staff to obtain Council approval for any expenditure (disbursement) of City funds.

Before adoption of the budget, the electronic version of the Proposed Budget is made available online on the City's website. Once the Proposed Budget is adopted, copies of the City's Adopted Budget are considered public records and are made available to the public upon request. The electronic version of the Adopted Budget is made available online on the City's website, replacing the Proposed Budget.



Appropriation Control

- The Council may amend or supplement the budget at any time after its adoption by majority vote of the Council members.
- Budget adjustments may not increase or decrease overall appropriations. Any requests to increase or decrease overall appropriations require a budget amendment approved by the City Council.

Appropriations requiring Council action are:

- An increase or decrease to the overall City Budget, unless authorized otherwise within this policy or by Council resolution.
- Transfers between funds, unless authorized otherwise within this policy or by Council resolution.
- Appropriation of reserves, unless authorized otherwise within this policy or by Council resolution.
- Inter-fund multi-year loan commitments where the loan principal is over \$500,000.
- Transfers between Capital Improvement Projects, unless authorized otherwise within this policy or by Council resolution.

Appropriations requiring City Manager action are:

- An increase or decrease to the overall City Budget per authority granted within this policy or by Council resolution.
- Transfers within a fund, between or within a department
- Transfers between funds, only as authorized within this policy or by Council resolution.
- Appropriation of reserves as authorized within this policy or by Council resolution.
- Transfers between Capital Improvement Projects as authorized within this policy or by Council resolution.

Authorized Appropriations

1. The City Manager is authorized to make any appropriation and resource adjustments to the Adopted Budget based on direction given by the City Council during the Council agenda item that results in the City Council action to approve and adopt the Budget.
2. The City Manager is authorized to establish the appropriations limits and staffing as indicated in the Adopted or Amended Budget.
3. Adjustments to appropriations or budgeted revenues that result in an increase or decrease to the City's total expenditure budget or total revenue budget are considered an Amendment and must be approved by City Council unless such authority is granted to the City Manager within this policy.
4. Expenditures shall not exceed the Adopted or Amended Budget for any fund.
5. The City Manager is authorized to approve appropriation and revenue transfers within the same fund; transfers between funds (except "like funds," see Section 6) must be approved by City Council.
6. The City Manager is authorized to approve appropriation and revenue transfers between like funds. "Like Funds" are essentially a group of funds with mutual financial association that serve a common purpose and are defined specifically below.
 - a. Like funds within the Solid Waste Enterprise are Solid Waste and Solid Waste Cost Recovery.
 - b. Like funds within the Wastewater Enterprise are Sewer O&M and Sewer Improvement.
 - c. Like funds within the Water Enterprise are Water O&M and Water Improvement.
7. Appropriations and budgeted revenues within the City's Asset Seizure funds can be amended based on available funds during the Fiscal Year if authorized by the City Manager.
8. The City Manager is authorized to amend budgeted revenues and expenditures associated with Public Safety Overtime and Mutual Aid during the fiscal year based on actual revenues and expenditure activity.



9. Capital Outlay appropriation transfers within the same Capital Improvement Program Project or Minor Capital Improvement Program Project (projects less than \$250,000 in total budget) within the same fund must be authorized by the City Manager.
10. Capital Outlay appropriation transfers from a Capital Improvement Program Project to another Capital Improvement Program Project must be approved by City Council unless such authority is granted to the City Manager within this policy or in other prior Council resolutions.
11. The City Manager is authorized during the fiscal year to amend the budget of a Capital Improvement Program Project that has been completed to reduce the remaining budget in that completed project to zero.
12. The City Manager is authorized during the fiscal year to amend the budget of a Minor Public Works Project or Study (capital improvement projects with a value of less than \$250,000 and capital project-related studies) that has been completed to reduce the remaining budget in that completed project or study to zero.
13. If inconsistencies in the Adopted Budget document result in incorrect adopted budget amounts being implemented, the City Manager is authorized to amend those Adopted Budget amounts to correct such inconsistencies based on staff's conclusion and determination of the correct budgeted amount(s).
14. The City Manager is authorized during the fiscal year to amend interfund loan principal and interest transfer-out expenditure budgets and corresponding transfer-in revenue budgets in any fund for the purposes of repaying interfund loan balances. The ability to repay and accelerate interfund loan payments is contingent upon available funds to make debt service payments.
15. The City Manager is authorized during the fiscal year to amend the expenditure budget in the any of the Public Infrastructure Improvement Program funds for the purposes of meeting obligations to developers to refund or reimburse costs associated with infrastructure built by developers and accepted by the City.
16. The City Manager is authorized to amend the revenue and expenditure budgets within the Planning Division and Building Division of the Development Services Fund during the fiscal year to align with actual planning and development activity. Revenues and expenditures in these divisions are based on billable hours of work performed on private infrastructure development projects that can vary significantly annually. The timing of and progress toward completion of planning and development engineering activities for private infrastructure development projects are highly unpredictable and difficult to project.
17. The City Manager is authorized to amend the interest investment earning revenue budget in the Covid Relief Fund (Fund 110) during the fiscal year to reflect actual revenue activity and is also authorized to increase the expenditure budget, in alignment with interest investment earning revenue activity, with the intent of spending the investment revenue.
18. The City Manager is authorized to amend the Risk Management Fund (Fund 860) expenditure budget during the fiscal year to accommodate unexpected settlements, judgments, fines, and penalty payments.
19. The City Manager is authorized to amend the expenditure budget in any fund during the fiscal year to accommodate unexpected settlements, judgments, fines, and penalty payments.
20. The City Manager is authorized to amend revenue and expenditure budgets during the fiscal year in Funds purposed for grant activities associated with grant funding that is awarded to the City on a cyclical basis (e.g., annually, bi-annually, etc.) to align with actual award activity in those funds. Examples include, but not limited to, Transit Development Act (TDA) Funds, Local Transportation Funds (LTF), Measure K Funds, and Supplemental Law Enforcement Funds (SLESF).
21. The City Manager is authorized to jointly amend the revenue and expenditure budget during the fiscal year in a Fund purposed for grant activity by an increase to return previously awarded grant funds back to a granting agency, per the request or direction of that granting agency.
22. The City Manager is authorized to amend the American Rescue Plan Act (ARPA) revenue and expenditure budgets during the fiscal year as necessary to plan for all activity associated with ARPA funding until all ARPA revenues and expenditures are fully recorded.



Unspent Appropriations and Encumbrances

All outstanding purchase order commitments on June 30, and associated appropriations, are hereby continued for the prior fiscal year until the fiscal year-end close occurs.

All appropriations within the Amended Budget which remain unencumbered or unexpended on June 30, shall revert to the fund balance of the respective funds upon the closing of the fiscal year, except for those outlined below within this policy.

1. Unencumbered or unexpended Capital Outlay appropriations within the Capital Improvement Program, Minor Public Works Projects and Studies in FY 2022-23 are eligible to be re-appropriated in the following fiscal year, by project and by fund, in addition to the adopted Capital Outlay appropriations in the following fiscal year's Adopted Budget.
2. Unencumbered or unexpended appropriations in the City's Asset Seizure funds are eligible to be re-appropriated in the following fiscal year.
3. Any encumbered purchase orders that the City Manager determines that the authorized equipment, goods and services are needed for continued and efficient City operations are authorized to be re-appropriated and 'rolled over' to the following fiscal year.
4. Unencumbered or unexpended appropriations in any fund associated with Housing or Homelessness grants are eligible to be re-appropriated in future Fiscal Years.
5. Reaffirms the authorization received in Grant authorization resolutions that unencumbered or unexpended appropriations, and unrecognized budgeted revenues, from non-capital project Grants, are approved for re-budgeting in subsequent fiscal years if any Grant funds were not expended or earned in a prior fiscal year.

Basis of Budgeting

The budget, as well as the Annual Comprehensive Financial Report (ACFR), is developed on a modified accrual basis, consistent with Generally Accepted Accounting Principles (GAAP). Under the modified accrual basis, revenues are recognized when they are measurable and available. "Measurable" means the amount can be determined and "available" means collectible within a given fiscal year and up to 60 days after. Expenditures are recorded when the related fund liability is incurred. The exception to the above modified accrual basis is for enterprise funds such as Solid Waste and Water. A full accrual basis is used for these funds where revenues are recognized when received or earned.

Gann Appropriations Limitation

- The Council will annually adopt a resolution establishing the City's appropriation limit. This limit, also known as the Gann limit, is calculated in accordance with Article XIII-B of the Constitution of the State of California, Section 7900 of the State of California Government Code, and any other voter approved amendments or state legislation that affect the City's appropriation limit.
- The supporting documentation used in calculating the City's appropriation limit and projected appropriations subject to the limit will be available for public and Council review before Council consideration of a resolution to adopt an appropriation limit. The Council will generally consider this resolution in connection with final approval of the budget.
- The City will strive to develop revenue sources, both new and existing, which are considered non-tax proceeds in calculating its appropriations subject to limitation.



- The City will annually review user fees and charges and report to the Council the amount of program subsidy, if any, that is being provided by the General or Enterprise Funds.
- The City will actively support legislation or initiatives sponsored or approved by League of California Cities which would modify Article XIII-B of the Constitution in a manner which would allow the City to retain projected tax revenues resulting from growth in the local economy for use as determined by the Council.
- The City will seek voter approval to amend its appropriation limit at such time that tax proceeds are in excess of allowable limits.

Capital Improvement Management

Definitions

- Capital Outlay – A financial classification which appropriates and programs expenditures related to capital assets such as infrastructure (e.g., roadways, parks, bridges, water/sewer, lighting systems, drainage systems, flood control, etc.), building, building improvements, land acquisition, and equipment (such as vehicles, trucks, network switches, computers). Only infrastructure or equipment with a cost of \$5,000 or more is considered Capital Outlay from a financial perspective.
- Capital Improvement – A permanent addition to the City’s infrastructure assets, including the design, construction, or purchase of land, buildings, or facilities, or major renovations of the same.
- Capital Improvement Program (CIP) – A financial plan of proposed capital improvement projects with single and multiple-year capital expenditures. This program plans typically for five years and is updated annually.

Capital Improvement Program (CIP) Purpose

One of the core purposes of the CIP is to systematically plan, schedule, and finance capital projects in accordance with established policies. The CIP should include a five-year plan organized into the same functional groupings used for the operating programs. The CIP will reflect a balance between capital replacement projects that repair, replace or enhance existing facilities, equipment or infrastructure, and capital facility projects that significantly expand or add to the City’s existing capital assets.

CIP Projects: \$250,000 or More

Only Capital Improvements Projects that costs \$250,000 or more, and include construction and/or land acquisition (e.g. right-of-way, easement, frontage, parcels, etc.) are required to be included in the Capital Improvement Program. All other capital outlays will be included with the operating program budgets.

Project Manager

Every CIP project will have a project manager who will prepare the project proposal, ensure that required phases are completed on schedule, authorize all project expenditures, ensure that all regulations and laws are observed, and periodically report project status.

CIP Project Approval

Capital Improvement projects must be approved by the City Council.



CIP Phases

The CIP will emphasize project planning, with projects progressing through at least two and up to ten of the following phases:

- *Designate.* Appropriates funds based on projects designated for funding by the Council through adoption of the Financial Plan.
- *Study.* Concept design, site selection, feasibility analysis, schematic design, environmental determination, property appraisals, scheduling, grant application, grant approval, specification preparation for equipment purchases.
- *Environmental Review.* EIR preparation, other environmental studies.
- *Real Property Acquisitions.* Property acquisition for projects, if necessary.
- *Site Preparation.* Demolition, hazardous materials abatements, other pre-construction work.
- *Design.* Final design, plan and specification preparation and construction cost estimation.
- *Construction.* Construction contracts.
- *Construction Management.* Contract project management and inspection, soils and material tests, other support services during construction.
- *Equipment Acquisitions.* Vehicles, heavy machinery, computers, office furnishings, and other equipment items acquired and installed independently from construction contracts.
- *Debt Service.* Installment payments of principal and interest for completed projects funded through debt financings.

CIP Appropriation

The City's annual CIP appropriation for study, design, acquisition and/or construction is based on the projects designated by the Council through adoption of the Financial Plan.

Accordingly, project appropriations are generally made when contracts are awarded. If project costs at the time of bid award are less than the budgeted amount, the balance will be unappropriated and returned to fund balance. If project costs at the time of bid award are greater than budget amounts, five basic options are available:

- Eliminate the project.
- Defer the project for consideration to the next Financial Plan period.
- Re-scope or change the phasing of the project to meet the existing budget.
- Transfer funding from another specified, lower priority project.
- Appropriate additional resources as necessary from fund balance.

CIP Budget Carryover

Appropriations for CIP projects can lapse for years after budget adoption if projects do not have expenditures, appropriations, or approved contracts. See the Unspent Appropriations and Encumbrances portion of the Budget Development and Administration section for more information.



Fund Balance and Reserves

The City strives to maintain adequate fund balances in the General Fund. This is necessary to maintain the City's creditworthiness and to adequately provide for:

- Economic uncertainties, local disasters, and other financial hardships or downturns in the local economy;
- Contingencies for unforeseen operation or capital needs; and
- Cash flow requirements.

Fund balance levels will be sufficient to meet funding requirements for projects approved in prior budgets that are carried forward into the new year. Sufficient fund balances will also be maintained to meet debt service reserve requirements, reserves for encumbrances, and other reserves or designations required by contractual obligations, state law, or generally accepted accounting principles. See the City's Reserve Policy for more specific information regarding reserve requirements.

General Revenue Management

Diversified and Stable Base

The City will seek to maintain a diversified and stable revenue base to protect it from short-term fluctuations in any one revenue source.

Long-Range Focus

To emphasize and facilitate long-range financial planning, the City will maintain current projections of major revenues for the succeeding five years.

Current Revenues for Current Uses

The City will pay all current expenditures with current revenues, avoiding procedures that balance budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.

Inter-fund Transfers and Loans

In order to achieve important public policy goals, the City has established various special revenue, capital project, debt service and enterprise funds to account for revenues whose use should be restricted to certain activities. Accordingly, each fund exists as a separate financing entity from other funds, with its own revenue sources, expenditures and fund equity.

Any transfers between funds for operating purposes are clearly set forth in the Financial Plan and can only be made under direction of the Director of Finance in accordance with the adopted budget. These operating transfers, under which financial resources are transferred from one fund to another, are distinctly different from inter-fund borrowings, which are usually made for temporary cash flow reasons, and are not intended to result in a transfer of financial resources by the end of the fiscal year.

In summary, inter-fund transfers result in a change in fund equity; inter-fund borrowings do not, as the intent is to repay the loan in the near term.

From time-to-time, inter-fund borrowings may be appropriate; however, these are subject to the following criteria to ensure that the fiduciary purpose of the fund is met:



- The Director of Finance is authorized to approve temporary inter-fund borrowings for cash flow purposes whenever the cash shortfall is expected to be repaid in less than 12 months.
- Any other inter-fund borrowings that are greater than \$500,000 for cash flow or other purposes require case-by-case approval by the Council.
- Any transfers between funds where reimbursement is expected, but not expected within one fiscal year, shall not be recorded as inter-fund borrowings.

User Fee Cost Recovery Goals

Ongoing Review

Fees will be reviewed and updated on an ongoing basis to ensure that they keep pace with changes in the cost-of-living, as well as changes in methods or levels of service delivery.

In implementing this goal, a comprehensive analysis of City costs and fees should be made at least every five years. In the interim, fees will be adjusted by annual changes in the Consumer Price Index for materials, supplies, and services, and by approved personnel costs based on negotiated Memorandums of Understanding for salaries and benefits. Fees may be adjusted during this interim period based on supplemental analysis whenever there have been significant changes in the method, level or cost of service delivery.

User Fee Cost Recovery Levels

In setting user fees and cost recovery levels, the following factors will be considered:

- *Community-Wide vs. Special Benefit.* The level of user fee cost recovery should consider the *community-wide* versus *special service* nature of the program or activity. The use of general-purpose revenues is appropriate for community-wide services, while user fees are appropriate for services that are of special benefit to easily identified individuals or groups.
- *Service Recipient vs. Service Driver.* After considering community-wide versus special benefit of the service, the concept of *service recipient* versus *service driver* should also be considered. For example, it could be argued that the applicant is not the beneficiary of the City's development review efforts: the community is the primary beneficiary. However, the applicant is the *driver* of development review costs, and as such, cost recovery from the applicant is appropriate.
- *Effect of Pricing on the Demand for Services.* The level of cost recovery and related pricing of services can significantly affect the demand and subsequent level of services provided. At full cost recovery, this has the specific advantage of ensuring that the City is providing services for which there is genuinely a market that is not overly stimulated by artificially low prices. Conversely, high levels of cost recovery will negatively impact the delivery of services to lower income groups. This negative impact is especially pronounced, and works against public policy, if the services are specifically targeted to low-income groups.
- *Feasibility of Collection and Recovery.* Although it may be determined that a high level of cost recovery may be appropriate for specific services, it may be impractical or too costly to establish a system to identify and charge the user. Accordingly, the feasibility of assessing and collecting charges should also be considered in developing user fees, especially if significant program costs are intended to be financed from that source.



Factors Favoring Low-Cost Recovery Levels

Very low-cost recovery levels are appropriate under the following circumstances:

- There is no intended relationship between the amount paid and the benefit received.
- Collecting fees is not cost-effective or will significantly impact the efficient delivery of service.
- There is no intent to limit the use of the service. Public safety (police and fire) emergency response services fit into this category. Historically, access to neighborhood and community parks would also fit into this category.
- The service is non-recurring, generally delivered on a “peak demand” or emergency basis, cannot be reasonably planned for on an individual basis, and is not readily available from a private sector source. Many public safety services also fall into this category.
- Collecting fees would discourage compliance with regulatory requirements and adherence is primarily self-identified, and as such, failure to comply would not be readily detected by the City. Many small-scale licenses and permits might fall into this category.

Factors Favoring High-Cost Recovery Levels

The use of service charges as a major source of funding service levels is especially appropriate under the following circumstances:

- The service is similar to services provided through the private sector.
- Other private or public sector alternatives could or do exist for the delivery of the service.
- The use of the service is specifically discouraged. Police responses to disturbances or false alarms might fall into this category.
- The service is regulatory in nature and voluntary compliance is not expected to be the primary method of detecting failure to meet regulatory requirements. Building permits, plan checks, and subdivision review fees for large projects would fall into this category.

General Concepts Regarding the Use of Service Charges

The following general concepts will be used in developing and implementing service charges:

- Revenues should not exceed the reasonable cost of providing the service.
- Cost recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs and organization-wide support costs such as accounting, personnel, information technology, legal services, fleet maintenance and insurance.
- The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.
- Rate structures should be sensitive to the "market" for similar services as well as to smaller, infrequent users of the service and the influence rates and fees have on economic development.
- A unified approach should be used in determining cost recovery levels for various programs based on the factors discussed above.

Low Cost-Recovery Services

Based on the criteria discussed above, the following types of services should have very low-cost recovery goals. In selected circumstances, there may be specific activities within the broad scope of services provided that should have user charges associated with them. However, the primary source of funding for the operation as a whole should be general-purpose revenues, not user fees.

- Delivering public safety emergency response services such as police patrol services and fire suppression.



- Maintaining and developing public facilities that are provided on a uniform, communitywide basis such as streets, parks and general-purpose buildings.

Development Review Programs

The following cost recovery policies apply to the development review programs:

- Services provided under this category include:
 - Planning (planned development permits, tentative tract and parcel maps, rezoning's, general plan amendments, variances, use permits)
 - Building and safety (building permits, structural plan checks, inspections)
 - Engineering (public improvement plan checks, inspections, subdivision requirements, encroachments)
 - Fire plan check

Cost recovery for these services should generally be very high. In most instances, the City's cost recovery goal should be 100% for Building Safety, Engineering and Development Services fees. However, in charging high-cost recovery levels, the City needs to clearly establish and articulate standards for its performance in reviewing developer applications to ensure that there is "value for cost."

Comparability with Other Communities

In setting user fees, the City will consider fees charged by other agencies in accordance with the following criteria:

- Surveying the comparability of the City's fees to other communities provides useful background information in setting fees for several reasons:
 - They reflect the "market" for these fees and can assist in assessing the reasonableness of the City of Manteca's fees.
 - If prudently analyzed, they can serve as a benchmark for how cost-effectively the City of Manteca provides its services.
- However, fee surveys should never be the sole or primary criteria in setting City fees as there are many factors that affect how and why other communities have set their fees at their levels. For example:
 - What level of cost recovery is their fee intended to achieve compared with Manteca's cost recovery objective?
 - What costs have been considered in computing the fees?
 - When was the last time that their fees were comprehensively evaluated?
 - What level of service do they provide compared with our service or performance standards?
 - Is their rate structure significantly different than ours and what is it intended to achieve?

These can be very difficult questions to address in fairly evaluating fees among different communities. As such, the comparability of our fees to other communities should not be the only factor among many that is considered in setting City fees.



Enterprise Fund Fees and Rates

Water, Sewer, and Solid Waste

The City will set fees and rates at levels which fully cover the total direct and indirect costs, including operations, capital outlay, and debt service of the following enterprise programs: water, sewer and solid waste.

Golf

Golf program fees and rates should fully cover direct operating costs. Because of the nature of the golf course with its focus on youth and seniors, subsidies from the General Fund to cover indirect costs and capital improvements may be considered by the Council as part of the Financial Plan process, along with the need to possibly subsidize direct operating costs as well.

Transit

Based on targets set under the Transportation Development Act, the City will strive to cover at least twenty percent of transit operating costs with fare revenues.

Ongoing Rate Review

The City will review and adjust enterprise fees and rate structures as required to ensure that they remain appropriate and equitable.

Capital Financing and Debt Management

Capital Financing

- The City will consider the use of debt financing only for one-time capital improvement projects and only under the following circumstances:
 - When project revenues or specific resources will be sufficient to service the long-term debt
 - When the project's useful life will meet or exceed the term of the financing
- The City will integrate debt issuances with the objectives of the Capital Improvement Program Plan and will incorporate such integration in the City's Financial Plan.
- Debt financing will not be considered appropriate for any recurring purpose such as current operating and maintenance expenditures. The issuance of short-term instruments such as revenue, tax or bond anticipation notes is excluded from this limitation. *(See Investment Policy)*
- Capital improvements will be financed primarily through user fees, service charges, assessments, special taxes or developer agreements when benefits can be specifically attributed to users of the facility. Accordingly, development impact fees should be created and implemented at levels sufficient to ensure that new development pays its fair share of the cost of constructing necessary community facilities.

The City will use the following criteria to evaluate pay-as-you-go versus long-term financing in funding capital improvements:

Factors Favoring Pay-As-You-Go Financing

- Current revenues and adequate fund balances are available, or project phasing can be accomplished.
- Existing debt levels adversely affect the City's credit rating.
- Market conditions are unstable or present difficulties in marketing.



Factors Favoring Long-Term Financing

- Revenues available for debt service are deemed sufficient and reliable so that long-term financings can be marketed with investment grade credit ratings.
- The project securing the financing is of the type that will support an investment grade credit rating.
- Market conditions present favorable interest rates and demand for City financings.
- A project is mandated by state or federal requirements, and resources are insufficient or unavailable.
- The project is immediately required to meet or relieve capacity needs and current resources are insufficient or unavailable.
- The life of the project or asset to be financed is 10 years or longer.

Debt Management Policy

- The City will not obligate the General Fund to secure long-term financings except when marketability can be significantly enhanced.
- An internal feasibility analysis will be prepared for each long-term financing which analyzes the impact on current and future budgets for debt service and operations. This analysis will also address the reliability of revenues to support debt service.
- The City will generally conduct financings on a competitive basis. However, negotiated financings may be used due to market volatility or the use of an unusual or complex financing or security structure.
- The City will seek an investment grade rating (Baa/BBB or greater) on any direct debt and will seek credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost-effectiveness.
- The City will monitor all forms of debt and report concerns and remedies, if needed, to the Council annually.
- The City will diligently monitor its compliance with bond covenants, including but not limited to any federal tax compliance requirements with respect to any tax-exempt debt obligations and ensure its adherence to applicable regulations.
- The City will maintain good, ongoing communications with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus (Official Statement).
- The City will periodically review the requirements of, and will remain in compliance with, any continuing disclosure undertakings, particularly under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 with respect to debt issues.
- The City will diligently monitor the use of proceeds from its debt issues to ensure that the proceeds will be directed to the intended use. The City will maintain records of the intended use of the proceeds when the debt was originally issued (by keeping related documents, such as the Official Statements, tax certificates, as applicable) and the use of the proceeds at the time they are expended. Such records shall be retained as long as the debt issue (and any subsequent debt issue which refunded the debt) remains outstanding and for three years following the final maturity or redemption. The City shall consult legal counsel regarding the use of proceeds that is a change from the original intended purpose.
- So long as required by Government Code Section 8855(k), the City shall file annual report(s) to the California Debt and Investment Advisory Commission ("CDIAC") in accordance with CDIAC's requirements on a timely basis. The City shall retain a copy of each such annual report.
- In connection with each debt issue, the City will file or cause Bond Counsel or another applicable member of the financing team to file on behalf of the City, a report of proposed issuance and a report of final sale, as required by Government Code Section 8855(i) and (j).



Debt Capacity

General Purpose Debt Capacity

The City will carefully monitor its levels of general-purpose debt. The City's general-purpose debt capacity is limited; therefore, it is important that general purpose debt financing is only used for high-priority projects where other financing sources are not feasible.

Enterprise Fund Debt Capacity

The City will set enterprise fund rates at levels needed to fully cover debt service requirements as well as operations, maintenance, administration and capital improvement costs. The ability to afford new debt for enterprise operations will be evaluated as an integral part of the City's rate review and setting process.

Independent Disclosure Counsel

For any public offering debt issue, the City will retain independent disclosure counsel to assist with the preparation of the official statement or any other similar offering document and the continuing disclosure agreement. The roles of bond counsel and disclosure counsel may be served by the same firm, based on the City's determination on a case-by-case basis.

Land Based Financings

- **Public Purpose:** There will be a clearly articulated public purpose in forming an assessment or special tax district in financing public infrastructure improvements. This should include a finding by the Council as to why this form of financing is preferred over other funding options such as impact fees, reimbursement agreements or direct developer responsibility for the improvements.
- **Eligible Improvements:** Except as otherwise determined by the Council when proceedings for district formation are commenced, preference in financing public improvements through a special tax district shall be given for those public improvements that help achieve clearly identified community facility and infrastructure goals in accordance with adopted facility and infrastructure plans as set forth in key policy documents such as the General Plan, Specific Plan, Facility or Infrastructure Master Plans, or Capital Improvement Plan. Such improvements include study, design, construction and/or acquisition of:
 - Public safety facilities.
 - Water supply, distribution and treatment systems.
 - Waste collection and treatment systems.
 - Major transportation system improvements, such as freeway interchanges, bridges, intersection improvements; construction of new or widened arterial or collector streets (including related landscaping and lighting); sidewalks and other pedestrian paths; transit facilities; and bike paths.
 - Storm drainage and flood protection improvements.
 - Parks, community centers, and other recreational facilities.
 - Open space.
 - Cultural and social service facilities.
 - Other governmental facilities and improvements such as offices, information technology systems and telecommunication systems.
- **Active Role:** Even though land-based financings may be a limited obligation of the City, staff will play an active role in managing the district. This means that the City will select and retain the financing team, including the financial advisor, bond counsel, trustee, appraiser, disclosure counsel, assessment engineer and underwriter. Any costs incurred by the City in retaining these services will generally be the responsibility



of the property owners or developer and will be advanced via a deposit when an application is filed; or will be paid on a contingency fee basis from the proceeds from the bonds.

- **Credit Quality:** When a developer requests district formation, the City will carefully evaluate the applicant's financial plan and ability to carry the project, including the payment of assessments and special taxes during build-out. This may include detailed background, credit and lender checks, and the preparation of independent appraisal reports and market absorption studies. For districts where one property owner accounts for more than 25% of the annual debt service obligation, a letter of credit further securing the financing may be required.
- **Reserve Fund:** A reserve fund should be established pursuant to the terms of the issuance documents. Generally, the reserve fund requirement shall equal the least of: the maximum annual debt service; 125% of the annual average debt service; or 10% of the principal amount of the bonds (or 10% of the sale proceeds of the bonds), subject to Section 148 of the Federal Internal Revenue Code.
- **Maximum Burden:** Annual assessments (or special taxes in the case of Mello-Roos or similar districts) should generally not exceed 1% of the sales price of the property; and total property taxes, special assessments and special taxes payments collected on the tax roll should generally not exceed 2%.
- **Benefit Apportionment:** Assessments will be apportioned according to a formula that is clear, understandable, equitable and reasonably related to the benefit received by—or burden attributed to—each parcel with respect to its financed improvement. Any annual escalation factor should generally not exceed 2%.
- **Special Tax District Administration:** In the case of Mello-Roos or similar special tax districts, the total maximum annual tax should not exceed 110% of annual debt service. The rate and method of apportionment should include a back-up tax in the event of significant changes from the initial development plan and should include procedures for prepayments.
- **Disclosure to Bondholders:** In general, each property owner who accounts for more than 10% of the annual debt service or bonded indebtedness must provide ongoing disclosure information annually as described under SEC Rule 15(c)-12.
- **Disclosure to Prospective Purchasers:** Full disclosure about outstanding balances and annual payments should be made by the seller to prospective buyers at the time that the buyer bids on the property. It should not be deferred to after the buyer has made the decision to purchase. When appropriate, applicants or property owners may be required to provide the City with a disclosure plan.
- **General Guidelines:** Periodic reviews of all outstanding debt will be undertaken to determine refinancing opportunities. Refinancings will be considered (within federal tax law constraints) under the following conditions:
 - There is net economic benefit.
 - It is needed to modernize covenants that are adversely affecting the City's financial position or operations.
 - The City wants to reduce the principal outstanding in order to achieve future debt service savings, and it has available working capital to do so from other sources.
- **Standards for Economic Savings:** In general, refinancings for economic savings will be undertaken whenever net present value savings of at least five percent (5%) of the refunded debt can be achieved.
 - Refinancings that produce net present value savings of less than five percent will be considered on a case-by-case basis, provided that the present value savings are at least three percent (3%) of the refunded debt.
 - Refinancings with savings of less than three percent (3%), or with negative savings, will not be considered unless there is a compelling public policy objective.
- Notwithstanding the foregoing, a refunding of Successor Agency bonds shall be determined based on the requirements of Health and Safety Code Section 34177.5.



Types of Debt That May Be Issued

To implement the financing (or refinancing) objectives, the City will consider the issuance of generally accepted types of debt, including:

- Revenue Bonds – limited-liability obligations tied to a specific enterprise or special fund revenue stream where the projects financed clearly benefit or relate to the enterprise or are otherwise permissible uses of the special revenue;
- Special Assessment/Special Tax Bonds – limited liability obligations secured by special assessments or special taxes as described above under “Land-Based Financings”;
- General Fund Supported Lease Revenue Bonds or Certificates of Participation – generally involves a lease arrangement between the City and a joint powers authority (or another entity), whereby bonds are issued by the authority for the financing of the project, and the City agrees to make lease payments in sufficient amounts to secure debt service payments on the bonds.
- General Obligation Bonds – bonds secured by a dedicated property tax override (i.e., a property tax in excess of the 1% basic ad valorem property tax rate) that will be issued only after voter approval pursuant to the State Constitution and other applicable laws.
- Tax Increment Bonds – bonds secured by a portion of ad valorem property tax that are allocated to a successor agency (to a former redevelopment agency) or another entity formed pursuant by law (such as an enhanced infrastructure financing district or a community revitalization infrastructure district). The successor agency will consider issuance of bonds for refunding purposes. The City has not yet formed any enhanced infrastructure financing district, community revitalization infrastructure district or any similar entity, and will undertake applicable legal and feasibility analysis at the time of consideration of the formation of any such entity.
- Conduit Financing Bonds – bonds secured by the applicant’s payments and the role of the City (or the City affiliated entity) will be limited to the conduit issuer, without financial liability.
- The above list is not exhaustive. The City may from time to time consider other types of debt to accommodate its financing and refinancing objectives.

SB 1029 Compliance

Senate Bill 1029, signed by Governor Brown on September 12, 2016, and enacted as Chapter 307, Statutes of 2016, requires issuers to adopt debt policies addressing each of the five items below:

- The purposes for which the debt proceeds may be used.
 - The sections entitled “Capital Financing” and “Land-Based Financing” are among the provisions that provide information regarding the purposes for which debt proceeds may be used.
- The types of debt that may be issued:
 - The section entitled “Types of Debt That May be Issued” provides information regarding the types of debt that may be issued.
- The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
 - The sections entitled “Capital Financing” and “Debt Capacity” are among the provisions that address the relationship between the City's debt and Capital Improvement Program.
- Policy goals related to the issuer's planning goals and objectives.
 - See the “Budget Message” or “Transmittal Letter” of the Budget”
- The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.



- The section under the caption “Debt Management Policy” provides information regarding the City's internal control procedures designed to ensure that the proceeds of its debt issues are spent as intended.

Investments

Responsibility

Investments and cash management are the responsibility of the Finance Director/City Treasurer or designee. The Director of Finance serves as the Treasurer for the City and the Successor Agency to the Manteca Redevelopment Agency.

Investment Objective

The City's primary investment objective is to achieve a reasonable rate of return while minimizing the potential for capital losses arising from market changes or issuer default. Accordingly, the following factors will be considered in priority order in determining individual investment placements:

- Safety
- Liquidity
- Yield

Tax and Revenue Anticipation Notes

There is an appropriate role for tax and revenue anticipation notes (TRANS) in meeting legitimate short-term cash needs within the fiscal year. However, many agencies issue TRANS as a routine business practice, not solely for cash flow purposes, but to capitalize on the favorable difference between the interest cost of issuing TRANS as a tax-preferred security and the interest yields on them if re-invested at full market rates.

As part of its cash flow management and investment strategy, the City will only issue TRANS or other forms of short-term debt if necessary to meet demonstrated cash flow needs; TRANS or any other form of short-term debt financing will not be issued for investment purposes.

Selecting Maturity Dates

The City will strive to keep all idle cash balances fully invested through daily projections of cash flow requirements. To avoid forced liquidations and losses of investment earnings, cash flow and future liquidity requirements will be the primary consideration when selecting maturities.

Diversification

As the market and the City's investment portfolio evolve, care will be taken to maintain a healthy balance of investment types and maturities.

Authorized Investments

The City will invest only in those instruments authorized by California Government Code Section 53601, and that are further restricted by the City's Investment Policy.

The City will not invest in stock, will not speculate and will not deal in futures or options. The investment market is highly volatile and continually offers new and creative opportunities for enhancing interest earnings. Accordingly, the City will thoroughly investigate any new investment vehicles before committing City funds to them.



Consolidated Portfolio

In order to maximize yields from its overall portfolio, the City will consolidate cash balances from all funds for investment purposes and will allocate investment earnings to each fund in accordance with generally accepted accounting principles.

Safekeeping

Ownership of the City's investment securities will be protected through third-party custodial safekeeping.

Reporting

The City Treasurer will develop and maintain a comprehensive, well-documented investment reporting system, which will comply with Government Code Section 53607. This reporting system will provide the Council with appropriate investment performance information.

Investment Policy

The City will develop and maintain an Investment Policy that addresses the City's administration of its portfolio, including investment strategies, practices, and procedures.

Personnel Management

Regular Staffing

- The budget will fully appropriate the resources needed for authorized regular staffing and will limit programs to the regular staffing authorized.
- Regular employees will be the core workforce and the preferred means of staffing ongoing, year-round program activities that should be performed by full-time City employees rather than independent contractors. The City will strive to provide competitive compensation and benefit schedules for its authorized regular workforce. Each regular employee will:
 - Fill an authorized regular position.
 - Be assigned to an appropriate bargaining unit.
 - Receive salary and benefits consistent with labor agreements or other compensation plans.
- To manage the growth of the regular workforce and overall staffing costs, the City will follow these procedures:
 - The Council will authorize all regular positions.
 - The City Manager has the authority to authorize underfilling a position at a classification and cost below City Council authorization but not above.
 - The Human Resources Department will coordinate and approve the hiring of all regular and temporary employees.
- All requests for additional regular positions will include evaluation of:
 - The necessity, term, and expected results of the proposed activity.
 - Staffing and materials costs including salary, benefits, equipment, uniforms, clerical support, and facilities.
 - Additional revenues or cost savings, which may be realized.
- Staffing and contract service cost ceilings will limit total expenditures for regular employees, temporary employees, and independent contractors hired to provide operating and maintenance services.



Temporary Staffing

- The hiring of temporary employees will not be used as an incremental method for expanding the City's regular workforce.
- Temporary employees include all employees other than regular employees, elected officials, and volunteers. Temporary employees will generally augment regular City staffing as, but not limited to, extra-help employees, seasonal employees, contract employees, interns and work-study assistants.
- The City Manager and Department Managers will encourage the use of temporary rather than regular employees to meet peak workload requirements, fill interim vacancies, and accomplish tasks where less than full-time, year-round staffing is required. Under this guideline, temporary employee hours will generally not exceed 50% of a regular, full-time position (1,000 hours annually). There may be limited circumstances where the use of temporary employees on an ongoing basis in excess of this target may be appropriate due to unique programming or staffing requirements. However, any such exceptions must be approved by the City Manager based on the review and recommendation of the Human Resources Director.
- Contract employees are defined as temporary employees with written contracts approved by the City Manager. Contract employees will generally be used for medium-term projects, programs or activities requiring specialized or augmented levels of staffing for a specific period.

The services of contract employees will be discontinued upon completion of the assigned project, program, or activity. Accordingly, contract employees will not be used for services that are anticipated to be delivered on an ongoing basis.

Independent Contractors

Independent contractors are not City employees. They may be used as follows:

- Short-term, peak workload assignments to be accomplished using personnel contracted through an outside temporary employment agency (OEA). In this situation, it is anticipated that City staff will closely monitor the work of OEA employees and minimal training will be required. However, they will always be considered to be the employees of the OEA and not the City. All placements through an OEA will be coordinated through the Human Resources Department and subject to the approval of the Human Resources Director.
- Construction of public works projects and delivery of operating, maintenance or specialized professional services not routinely performed by City employees. Such services will be provided without close supervision by City staff, and the required methods, skills and equipment will generally be determined and provided by the contractor. Contract awards will be guided by the City's purchasing policies and procedures. *(See Contracting for Services Policy)*

Overtime Management

- Overtime should be used only when necessary and when other alternatives are not feasible or cost effective.
- All overtime must be pre-authorized by a Department Manager or delegate unless it is assumed pre-approved by its nature. For example, overtime that results when an employee is assigned to standby and/or must respond to an emergency or complete an emergency response.
- Departmental operating budgets should reflect anticipated annual overtime costs and departments will regularly monitor overtime use and expenditures.
- When considering the addition of regular or temporary staffing, the use of overtime as an alternative will be considered. The department will take into account:
 - The duration that additional staff resources may be needed.
 - The cost of overtime versus the cost of additional staff.



- The skills and abilities of current staff.
- Training costs associated with hiring additional staff.
- The impact of overtime on existing staff.

Contracting for Services

General Policy Guidelines

- Contracting with the private sector for the delivery of services provides the City with a significant opportunity for cost containment and productivity enhancements. As such, the City is amenable to using private sector resources in delivering municipal services as a key element in continuing efforts to provide cost-effective programs.
- In evaluating the costs of private sector contracts compared with in-house performance of the service, indirect, direct, and contract administration costs of the City will be identified and considered.
- Whenever private sector providers are available and can meet established service levels, they will be seriously considered as viable service delivery alternatives using the evaluation criteria outlined below.
- For programs and activities currently provided by City employees, conversions to contract services will generally be made through attrition, reassignment, or absorption by the contractor.

Evaluation Criteria

Within the general policy guidelines stated above, the cost-effectiveness of contract services in meeting established service levels will be determined on a case-by-case basis using the following criteria:

- Is a sufficient private sector market available to competitively deliver this service and assure a reasonable range of alternative service providers?
- Can the contract be effectively and efficiently administered?
- What are the consequences if the contractor fails to perform, and can the contract reasonably be written to compensate the City for any such damages?
- Can a private sector contractor better respond to expansions, contractions, or special requirements of the service?
- Can the work scope be sufficiently defined to ensure that competing proposals can be fairly and fully evaluated, as well as the contractor's performance after bid award?
- Does the use of contract services provide the City with an opportunity to redefine service levels?
- Will the contract limit our ability to deliver emergency or other high priority services?
- Overall, can the City successfully delegate the performance of the service but still retain accountability and responsibility for its delivery?

Productivity

The City will constantly monitor and review its methods of operation to ensure that services continue to be delivered in the most cost-effective manner possible. This review process encompasses a wide range of productivity issues, including:

- Analyzing systems and procedures to identify and remove unnecessary review requirements.
- Identifying and evaluating the ability of new technologies and related capital investments to improve productivity.
- Developing the skills and abilities of all City employees.



- Developing and implementing appropriate methods of recognizing and rewarding exceptional employee performance.
- Evaluating the ability of the private sector to perform the same level of service at a lower cost.
- Periodic formal reviews of operations on a systematic, ongoing basis.
- Maintaining a decentralized approach in managing the City's support service functions. Although some level of centralization is necessary for review and control purposes, decentralization supports productivity by:
 - Encouraging accountability by delegating responsibility to the lowest possible level.
 - Stimulating creativity, innovation and individual initiative.
 - Reducing the administrative costs of operation by eliminating unnecessary review procedures.
 - Improving the organization's ability to respond to changing needs and identify and implement cost-saving programs.
 - Assigning responsibility for effective operations and citizen responsiveness to the department.