



CITY OF CARMEL-BY-THE-SEA

Revisions to the Financial Policies

City Council Special Meeting

May 5, 2025

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Background and Purpose

- Policies are published annually and reviewed periodically
- The budget book contains the following:
 - Budget Policies and Procedures
 - Financial Policies and Procedures
 - Capital Budget Policy
 - Operating Management Policy
 - Fund Balance Policy
 - Debt Policy
 - Investment Policy
- The budget and fiscal measures are currently mixed between the Budget Policies and Fiscal Policies
- Some policy statements are located in both with conflicting limits
- Some policy limits conflict with the City Council's guidelines
- The purpose of this item is to obtain guidance so that the Budget Book may be printed and the policy updated



Highlight of Proposed Changes

The revisions are intended to

- Clean
- Clarify
- Provide Fiscal Guidance



Proposed Changes – Clean-up

- Organize budget book Policies into a Budget Section and a Financial section, eliminating duplication between sections (see green edits) and clarifying titles.
- Deleted duplicate policy statements.
- Update capitalization limit to \$50,000
- Eliminated reference to minimum reserve level chart (which is not used).



Proposed Changes – Clarify

- Clarify the definition of Capital Improvement Project (“CIP Project”)
- Change Capital Project Policy to allow approved capital projects to be carried over and stay open until completed or closed, instead of automatically closing at the fiscal year end.



Proposed Changes – Provide Guidance

- Increased Capital Budget Guideline 1 requirement for CIP expenditures to be 10% of revenue instead of 3.5% of revenue.
- Added Operating Budget Guideline 1 requirement that Operating Expenditures be no more than 90% of revenues, replacing the requirement that the budget surplus be 5% of expenditures.
- Eliminated Fund Balance Guideline 6 requiring a capital reserve target balance of 20% of the estimated total five-year capital improvement plan expenditures, replacing it with the above 90% reserve target.
- Modify Fund Balance Guideline 1 to require a reserve of 50% of operating expenditures



Goal of Proposed Revision

The purpose of these Policy Revisions is to clarify existing policies in order to aid in policy compliance.

Tonight's goal is a 'Thumbs Up / Thumbs Down' from the City Council so that these policy changes may be corrected in budget book.

The formal City policy 94-01 will come back on a future agenda item for approval.



End of Presentation

Questions?