

## REPORT TO COUNCIL

**DATE: SEPTEMBER 25, 2013**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: GREG RAMIREZ, CITY MANAGER**

**BY: CHRISTY PINUELAS, DIRECTOR OF FINANCE**

**SUBJECT: CIVIL GRAND JURY REPORT – CITIES OF LOS ANGELES COUNTY  
FISCAL HEALTH, GOVERNANCE, FINANCIAL MANAGEMENT AND  
COMPENSATION**

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The Los Angeles County Civil Grand Jury (Grand Jury) requested information from all 88 incorporated cities in Los Angeles County to determine the fiscal health of those municipalities. It also sought to determine if the cities were following “best practices” for governance and financial management, as established by the Government Financial Officers Association (GFOA).

Grand Jury investigations are governed by Penal Code Section 933.05 which requires a specific response to each finding as to whether or not the respondent agrees or disagrees. Disagreement requires an explanation as to why the respondent disagrees. Additionally each recommendation requires a response as to whether or not the recommendation has been implemented, or not yet implemented (and when it will be implemented). Furthermore the respondent can state that they are further analyzing the finding or not implementing because it is not warranted or reasonable along with an explanation as to why. Staff has prepared a response to all of the findings, as required under the law, and to all of the recommendations that required a response by the City of Agoura Hills. The Finance Committee reviewed the responses and has provided appropriate feedback.

The City found the Grand Jury report to be informative and to provide a broad overview of the areas evaluated, a significant task of analyzing very diverse cities with one methodology.

Since incorporation, the City has continually demonstrated and practiced excellent leadership and management over its fiscal health. Additionally, the City Council has adopted policies for minimum General Fund reserve levels, a Debt Limit and adopted policies to fund a variety of public improvements throughout the community while not depleting its financial resources. The annual strategic planning process involves goal setting workshops with the City Council, a 5-year Capital Improvement Plan, and long-range financial planning.

Moreover, supplemental to this process, the City is participating in the League of California Cities Fiscal Health Diagnostic to evaluate the City's Financial Health. Due to the fact that this in-depth diagnostic tool will focus on just our City, it will provide greater analysis than the Grand Jury Report was able to provide. Staff expects this report to be completed by early 2014.

Finally, the Grand Jury report has been filed and is available for review in the City Clerk's Office.

## **RECOMMENDATION**

Staff respectfully recommends the City Council review the Grand Jury Report and Response and authorize staff to submit the Response to the Grand Jury.

Attachment: Response to Grand Jury



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*"Gateway to the Santa Monica Mountains National Recreation Area"*

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September 26, 2013

**VIA CERTIFIED MAIL**

Presiding Judge  
Los Angeles County Superior Court  
Clara Shortridge Foltz Criminal Justice Center  
210 West Temple Street  
Eleventh Floor, Room 11-506  
Los Angeles, California 90012

**Re: The City of Agoura Hills' Response to the 2012-13 Los Angeles County Civil Grand Jury Report**

Dear Presiding Judge:

The City of Agoura Hills submits this letter in response to the 2012-2013 Los Angeles County Civil Grand Jury Report ("Report"). The Grand Jury has asked for a written response to the following Findings and Recommendations in the Report, pursuant to Penal Code Section 933.05.

The City of Agoura Hills has continually demonstrated excellent leadership and management over its fiscal health. The City Council has adopted policies for minimum General Fund reserve levels, established a Debt Limit policy and adopted policies to fund as many projects as possible on a pay-as-you-go basis. The annual strategic planning process involves goal setting workshops with the City Council, a 5-year Capital Improvement Plan and long-range financial planning. The City has been awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the past two years.

## **Fiscal Health Findings**

1. Most cities expended more than they received in revenues during FY 2011-12.

**Response:** The City of Agoura Hills ("City") is unable to comment on whether or not most cities expended more than they received in revenues during FY 2011-12.

As it pertains, specifically, to the City of Agoura Hills, the City agrees with this finding. In FY 2011-12, total expenditures, exceeded total revenues by \$51,689 or .3% for the City of Agoura Hills. The City saved revenues in prior years and set them aside to pay for projects, such as the Recreation Center Capital Project, and Traffic Improvement Funds to pay for the Reyes Adobe Interchange in FY 2011-12. These set-aside reserves (fund balances) were a planned source of funding.

2. Most cities' total net assets and general fund balances declined during FY 2011-12, and several cities' ratios of total net assets to total liabilities are lower than desirable.

**Response:** The City is unable to comment on whether or not most cities total net assets and general fund balances declined during FY 2011-12, or that their ratios of total net assets to total liabilities are lower than desirable.

As it pertains to the City of Agoura Hills, we partially disagree with this finding. The City's total net assets and general fund balances did decline during FY 2011-12, due to the dissolution of the Redevelopment Agency (RDA) by the State of California. This is documented in Note 6 of the City's FY 2011-12 Comprehensive Annual Financial Report (CAFR).

However, as recognized by the Grand Jury, on page 109 of the Grand Jury's Report, our ratio of total net assets to total liabilities was 7.54, which is well above the average ratio of 5.45, and, therefore, is not lower than desirable.

## **Fiscal Health Recommendations**

1. Cities should adopt financial planning, revenue and expenditure policies to guide city officials to develop sustainable, balanced budgets.

**Response:** This recommendation has already been implemented. The City has already adopted policies for financial planning, revenue, and expenditure policies. These include City Council Resolution No. 05-1378, a reserve fund policy adopted in June 2005. A Fund Balance Policy for the General Fund was adopted in June 2011, and a Debt Management Policy was adopted in June 2012. We remain vigilant in updating policies to ensure fiscal health. Please see the attached policies.

2. Cities should develop a balanced budget and commit to operate within the budget constraints.

**Response:** The City already has been implementing this policy for many years. Operating expenses and operating transfers are covered by current year revenues. The City's budget is balanced by utilizing planned set-aside revenues from prior years (fund balance) to pay for one-time capital projects, such as road improvements, or the purchase of the recreation center. The City Council reviews fund balances (set-aside revenues from prior years) to ensure that they meet minimum policy levels.

3. Cities should commit to not using one-time revenues to fund recurring or on-going expenditures.

**Response:** The City has always implemented this recommendation. The City Council is committed to not using one-time revenues to fund on-going operational expenses, including debt service, and the City ensures that the ending fund balance meets minimum policy levels.

4. Cities should adopt a method and practice of saving into a reserve or "rainy day" fund to supplement operating revenue in years of short fall.

**Response:** The City already officially implemented this recommendation by adopting City Council Resolution No. 05-1378, in June 2005, which provides that the City Council and City staff will endeavor to designate an amount equal to or greater than forty percent (40%) of each year's proposed General Fund Operating Budget as the City's unobligated General Fund Reserve. The City Council recognizes that the unobligated General Fund reserves are needed for cash flow requirements and contingencies, such as exposure to natural disasters, exposure to economic impacts, and vulnerability to actions of the State. Resolution 05-1378 requires that if, in any budget year, the City Council determines that the public interest requires expending any amount remaining in General Fund Reserves causing it to fall below forty percent (40%) of that year's General Fund Operating Budget, the City Council and City staff shall, in the following budget year, present a plan for returning the General Fund Reserve to the 40% level, as soon as practicable, based on the City's then-current budget circumstances.

The City has been in compliance with the policy each year since adoption. For the budget year FY 2013-14, the fund balance in the General Fund is projected to be \$7.8 million or 65% of operating expenditures and transfers at June 30, 2014. This fund balance will increase 1% from the FY 2012-13 level.

## **Governance Practices Findings**

1. Most cities have developed strategic plans to provide appropriate strategic focus and direction for the city.

**Response: The City cannot respond as to whether most cities have developed strategic plans to provide appropriate strategic focus and direction for their cities.**

**As it pertains, specifically, to the City of Agoura Hills, the City agrees with this finding. The City conducts long-range planning sessions regarding the betterment of the community. This annual strategic planning process involves goal setting workshops with the City Council, a 5-year Capital Improvement Plan and long-range financial planning. Furthermore, the Council and City Manager establish annual goals, consistent with the City's long-range plans and financial resources.**

2. Most cities have developed performance measures to demonstrate the results of their organizational activities and goals.

**Response: The City cannot respond as to whether most cities have developed performance measures to demonstrate the results of their organizational activities and goals.**

**As it pertains, specifically, to the City of Agoura Hills, the City agrees with this finding. While the City does measure performance, there has not been a formalized process established. The City will formalize the performance measures in to its FY 2014-15 budget document which will be adopted in June, 2014.**

3. All cities stated they have a formal policy agreement, or other documents that define the roles of city council and city executive.

**Response: The City cannot respond as to whether most cities have developed a formal policy agreement, or other documents that define the roles of city council and city executive.**

**As it pertains, specifically, to the City of Agoura Hills, the City agrees with this finding. The City has developed a formal policy agreement, or other documents that define the roles of City Council and City executive staff.**

4. Most city councils have established goals for executives at least annually.

**Response: The City agrees with this finding. While the City cannot comment on whether most city councils have established goals for executives, at least annually, the City establishes goals for its executives annually.**

5. Most cities have adopted a “conflict of Interest” code.

**Response:** The City agrees with this finding. While the City cannot comment on whether most cities have adopted a “conflict of Interest” code, the City has adopted one.

6. Most cities have adopted an “investment’ policy.

**Response:** The City agrees with this finding. While the City cannot comment on whether most cities have adopted an “investment’ policy, the City adopts one annually.

7. Most cities published their financial reports or CAFR to their website.

**Response:** The City agrees with this finding. While the City cannot comment on whether most cities publish their financial reports of CAFR to their website, the City publishes their CAFR to their website.

### **Governance Practices Recommendations**

1. Cities should develop and adopt a strategic plan that articulates the mission, vision, core values and priorities for the city.

**Response:** In August 2007, the City adopted a mission statement that articulates the mission, vision, and core values of the City. The adopted document is included as an attachment to this report. Furthermore, the City conducts annual long-range planning sessions regarding the betterment of the community. This annual strategic planning process involves goal setting workshops with the City Council, a 5-Year Capital Improvement Plan and long-range financial planning. Furthermore, the Council and City Manager establish annual goals, consistent with the City’s long-range plans and financial resources.

2. Cities should develop and report on performance measures or indicators to evaluate outcomes. These performance measures should be quantified, focused on outcomes and information should be provided for several years to allow evaluation of progress over time.

**Response:** Although the City has already developed informal performance measures, the City will incorporate formalized performance measures into the City’s FY 2014-15 budget document.

## Financial Management Findings

1. Few cities formally established an audit committee responsible for monitoring and overseeing financial reporting.

**Response:** The City disagrees with this finding. While the City cannot comment on whether few cities have formally established an audit committee, the City established an audit committee (otherwise known as the City's Finance Committee) many years ago.

2. All cities required their auditors to comply with independence standards and most selected their auditors through a competitive process. Most also precluded the auditor from providing non-audit services.

**Response:** The City agrees with this finding. The City cannot comment on whether all cities required their auditors to comply with independence standards and select auditors through a competitive process or preclude their auditor from providing non-audit services.

**The City requires its auditors to comply with independence standards and selects their auditors through a competitive process. It also precludes the auditor from providing non-audit services.**

3. Many cities could improve their documentation and maintenance of accounting policies and procedures.

**Response:** The City partially agrees with this finding. The City cannot comment on whether many cities could improve their documentation and maintenance of accounting policies and procedure.

**The City already maintains accounting policies and procedures, but will now formally review annually and update at least every three years all financial policies and procedures.**

4. Many cities could improve their policies and procedures for reporting fraud, abuse, and questionable practices.

**Response:** The City disagrees with this finding. While the City cannot comment on whether many cities could improve their policies and procedures for reporting fraud, abuse, and questionable practices, the City has these policies and procedures in place.



5. Many cities could improve their internal control procedures over financial management.

**Response:** The City disagrees with this finding. While the City cannot comment on whether many cities could improve their internal control procedures over financial management, the Grand Jury did not have any recommendations for improvement in this area for the City.

6. Most cities did not have a formal internal audit function.

**Response:** The City agrees with this finding. While the City cannot comment on whether most cities do not have a formal internal audit function, the City does not. The City relies on review by its independent Treasurer and external auditors and upon stated internal controls.

7. Many cities' policies and procedures governing general fund unrestricted fund balance could be improved.

**Response:** The City disagrees with this finding. While the City cannot comment on whether many cities' policies and procedures governing general fund unrestricted fund balance could be improved, the City has in place Resolution 05-1378, adopted in June 2005, which states a minimum fund balance threshold as well as a fund balance policy for the general fund adopted in June 2011, in compliance with Government Accounting Standard Board ("GASB") No. 54.

8. All cities maintained an adequate accounting system. Most issued timely financial statements and a CAFR in compliance with standards, and most made the CAFR readily accessible to the general public on their website.

**Response:** The City agrees with this finding. The City cannot respond as to whether all cities maintained an adequate accounting system, issued timely financial statements, a CAFR in compliance with standards, or made their CAFR readily accessible to the general public on their website.

However, the City maintains an adequate accounting system, issued timely financial statements and a CAFR in compliance with standards and made their CAFR readily accessible to the general public on the City website.

### **Financial Management Recommendations**

1. Cities should establish a policy requiring financial policies and procedures to be reviewed annually and updated at least once every three years.

**Response:** This recommendation has not yet been implemented, but will be implemented in June 2014. The City will implement a policy requiring financial

**policies and procedures to be reviewed annually and updated at least once every three years in June 2014, when our next budget is adopted.**

2. Cities should undertake a full-scale competitive process every 5 years for the selection of an independent external auditor.

**Response: The City has already implemented this recommendation. The City last undertook a full-scale competitive process for independent external auditors in 2010. Our current agreement calls for a three-year term, with two extensions – for a five-year total term. The City plans on undertaking a full-scale competitive RFP process again in 2015.**

In conclusion, this completes the City of Agoura Hills' response to the Report. The City trusts that the information provided adequately responds to the Grand Jury's Findings and Recommendations.

If you have any additional questions, please do not hesitate to contact me.

Sincerely,

THE CITY OF AGOURA HILLS

Greg Ramirez,  
City Manager

Attachments:

- Note to Successor Agency Trust for Assets of Former Redevelopment Agency, of City of Agoura Hills Comprehensive Annual Financial Report for the year ended June 30, 2012
- Resolution No. 05-1378; A Resolution of the City Council of the City of Agoura Hills Establishing a General Fund Reserve Policy
- City of Agoura Hills Fund Balance Policy for the General Fund
- City of Agoura Hills Debt Management Policy
- City of Agoura Hills Mission Statement

**CITY OF AGOURA HILLS, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2012**

***NOTE 6 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY***

On December 29, 2011, the California Supreme Court upheld AB 1X 26 that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Agoura Hills that previously had reported a redevelopment agency as a blended component unit. The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On February 22, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-1661.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary item in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary item.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary item recognized in the governmental funds was not the same amount as the extraordinary item that was recognized in the fiduciary fund financial statements.

**CITY OF AGOURA HILLS, CALIFORNIA**  
**Notes to the Basic Financial Statements**  
**June 30, 2012**

**NOTE 6 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**  
**(Continued)**

The difference between the extraordinary item recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 16,650,956
Deferred charges, net of accumulation amortization reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	779,571
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(293,283)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(14,988,622)</u>
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary loss reported in the government-wide financial statements of the City)	<u>\$ 2,148,622</u>

The City via Resolution Number SA12-10, approved the transfer of housing assets which allowed creation of the Successor Housing Agency. The City retained all housing activities and assets of the former redevelopment agency's low and moderate income housing fund. As a result, the new governmental fund incurred an extraordinary gain of \$206,968. This amount is included in the total extraordinary loss in the governmental funds of \$16,650,956.

**RESOLUTION NO. 05-1378**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AGOURA HILLS  
ESTABLISHING A GENERAL FUND RESERVE POLICY**

**WHEREAS**, a prudent General Fund reserve policy should be an integral part of municipal financial operations; and

**WHEREAS**, the City Council of the City of Agoura Hills is dedicated to ensure maintaining fiscal responsibility and accountability in the expenditure of City funds; and,

**WHEREAS**, sound fiscal planning and management practices dictate the need for flexibility and liquidity in the use and maintenance of the City's General Fund reserve; and

**WHEREAS**, unobligated General Fund reserves are needed for cash flow requirements; and contingencies such as exposure to natural disasters, exposure to economic impacts, and vulnerability to actions of the State; and


**WHEREAS**, the City Council of the City of Agoura Hills desires to establish a policy of allocating and maintaining a specified percentage of the City's General Fund Operating Budget as an unobligated General Fund reserve each year.

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council of the City of Agoura Hills does hereby establish a General Fund Reserve Policy, as follows:

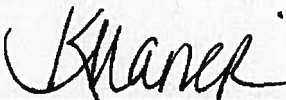
1. The City Council and City staff will endeavor to designate an amount equal to or greater than forty percent (40%) of each year's proposed General Fund Operating Budget as the City's unobligated General Fund Reserve.
2. This policy shall not prohibit any City Council from expending amounts from the General Fund Reserve to further the public interest.
3. If, in any budget year, the City Council determines that the public interest requires expending any amount from the General Fund Reserve that would cause the amount remaining in General Fund Reserves to fall below forty percent (40%) of that year's General Fund Operating Budget, the City Council and City staff shall, in the following budget year, present a plan for returning the General Fund Reserve to the 40% level as soon as practicable based on the City's then-current budget circumstances.
4. The City Manager shall be responsible for implementing this policy.

**PASSED, APPROVED, and ADOPTED** this 22<sup>nd</sup> day of June, 2005, by the following vote:

AYES: (3) Corridori, Kuperberg, Reinhardt  
NOES: (0)  
ABSENT: (2) Weber, Edelston  
ABSTAIN: (0)

  
Ed Corridori, Mayor

ATTEST:

  
Kimberly M. Rodrigues, City Clerk

## **CITY OF AGOURA HILLS FUND BALANCE POLICY FOR THE GENERAL FUND**

### **POLICY**

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the city against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

### **PROCEDURES**

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent.

- Nonspendable fund balance (inherently nonspendable)
- Restricted fund balance (externally enforceable limitations on use)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. An example of nonspendable fund balance is prepaid expenses. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

#### **Committed Fund Balance**

The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the city Council removes or changes the specified use

through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently.

### **Assigned Fund Balance**

Amounts that are constrained by the City's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the Finance Director for the purpose of reporting these amounts in the annual financial statements. A few examples of assigned fund balance follow:

- **Continuing Appropriations**

Fund balance levels must be sufficient to meet funding requirements for projects approved in prior years and which must be carried forward into the new fiscal year.

- **Debt Service**

Established to provide for future debt service obligations.

- **Budget Balancing Measures**

Funds set aside for the purpose of stabilizing the delivery of city services during periods of operational budget deficits and to mitigate the effects of major economic uncertainties resulting from unforeseen changes in revenues and/or expenditures.

### **Unassigned Fund Balance**

These are residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories. An example of unassigned fund balance would be the following:

#### **Minimum Fund Balance Policy**

In June 2005, the City of Agoura Hills passed Resolution No. 05-1378 stating that the City Council and City Staff will endeavor to designate an amount equal to or greater than forty percent (40%) of each year's proposed General Fund



Operating Budget as the City's unobligated General Fund Reserve. The City Council recognizes that the unobligated General Fund reserves are needed for cash flow requirements; and contingencies such as exposure to natural disasters, exposure to economic impacts, and vulnerability to actions of the State. This resolution requires that if, in any budget year, the City Council determines that the public interest requires expending any amount remaining in General Fund Reserves to fall below forty percent (40%) of that year's General Fund Operating budget, the City council and City staff, shall, in the following budget year, present a plan for returning the General Fund Reserve to the 40% level, as soon as practicable, based on the City's then-current budget circumstances.

### **Fund Balance Classification**

The accounting policies of the city consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the city considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

This policy is in place to provide a measure of protection for the city against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provisions of this policy.



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## **DEBT MANAGEMENT POLICY**

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### **I. PURPOSE**

This policy establishes the proper and orderly issuance of debt for the purpose of achieving the City Council's goals and objectives. The purpose of this Debt Policy is to ensure that the City's bonded indebtedness is incurred and administered in a prudent financial manner. A decision by the City Council to incur bonded indebtedness is one of its most important decisions. Bond investors are going to purchase the City's bonds with the absolute expectation that the City will honor its promise to pay the annual debt service without exception for the 25-to-30 year life of the bonds. Conduit bonds, for which the City has no financial responsibility, will require the same level of scrutiny prior to bond issuance. A decision to incur bonded indebtedness, also incurs the ongoing annual responsibility for the payment of debt service, annual State and Federal reporting requirements and the obligation to address any problems which may arise for as long as the bonds are still in existence.

Although this policy addressed bonded indebtedness, these same policy concerns can be directed to a bank loan or an internal inter-fund loan.

### **II. GENERAL MANAGEMENT POLICIES**

The City will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, and budgeting process.

- In recognition of periodic changes in the cost of providing service to citizens, service costs and fees will be reviewed annually and adjusted commensurately.
- The City will present any proposed adjustments to existing fees and charges at public meetings, and will consider recommendations and input from the public as it relates to such proposed changes.
- Necessary appropriations for annual debt service requirements will be routinely included in the City's annual budget.
- The City will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible rates.

## **II. FINANCIAL MANAGEMENT POLICIES**

- The City will evaluate financing for each capital project on a case-by-case basis. The City will seek to pay for all capital projects from current revenues and available reserves prior to or in combination with the use of debt. The evaluation should include (a) determination that the capital project is eligible for bond financing, (b) identification of the sources of financing for the project other than bond financing, (c) identification of the total cost of the capital project including its construction cost, cost of furnishings fixtures and equipment (d) analysis of the municipal bond market, including economic and interest rate trends, (e) identification of alternative bond structures, option to use bond insurance and the information needed by rating agencies and the disclosure requirements of the Official Statement (f) the timing of when the City should enter the bond market.
- The term of a bond issue is not-to-exceed the useful life of the capital project that is being financed. The bonds are to be sold at competitive Sale; however, the city reserves the option of pursuing a Negotiated Sale if the proposed financing of the Capital Project is unusual or complex. The overall objective is to obtain the lowest possible interest costs. The City is to remain cognizant of fluctuations in interest rates for the purpose of identifying Refunding opportunities. Refund of existing bonds should be undertaken to reduce overall debt service expense or to remove restrictive covenants in the existing Indenture.
- The City is to retain professional consultants including Bond Counsel, Underwriter, Financial Advisor, Trustee, and arbitrage analyst. The city will consider the professional qualifications and experience of these consultants as it relates to the particular bond issue under consideration. In certain instances, the City will conduct a request for proposal/qualification process to select such consultants.
- The City will carefully monitor its levels of general-purpose debt. Because our general purpose debt capacity is limited, it is important that we only use general purpose debt financing for high-priority projects where we cannot reasonably use other financing methods for two key reasons: (A) Funds borrowed for a project today are not available to fund other projects tomorrow. (B) Funds committed for debt repayment today are not available to fund operations in the future.
- In evaluating debt capacity, general-purpose annual debt service payments should generally not exceed 10% of General Fund revenues; and in no case should they exceed 15%. Further, direct debt will not exceed 2% of assessed valuation.



## Mission Statement

Agoura Hills is a unique suburban community exemplified by a commitment to the preservation of its history, a high quality of life, a vibrant business community, and environmental sensitivity.

We are a city steeped in a rich historical past through which we have emerged as a vital, prosperous community committed to excellence, innovation, and sound fiscal policies. Our neighborhoods are safe, healthy, and as unique as the individuals who inhabit them.

We believe the City's greatest asset is our people and we welcome the involvement of all those who live and work in the City of Agoura Hills to partner with us in making this community one of excellence.

We are committed to preserving the unique character, historical and rural fabric, and environmental beauty that defines Agoura Hills to its residents. We will accomplish this through the values of Service, Integrity, Positive Solutions, and Cooperation.

## Core Values

**SERVICE** – Commitment to attentiveness and genuine concern. Being always courteous, helpful, professional, and exceeding client expectations.

**INTEGRITY** – This includes:

- a) Accountability – Commitment to being accountable to the community we serve.
- b) Fiscal Responsibility – Commitment to practicing sound fiscal policies.

**POSITIVE SOLUTIONS** – Commitment to providing firm, fair, creative, timely and flexible solutions while encouraging partnerships and strong relationships with the community.

**COOPERATION** – This includes:

- a) Commitment to working hand-in-hand with our residents and businesses.
- b) Commitment to working co-operatively with one another to accomplish the mission of the City.
- c) Empowerment in dealing with a myriad of clients and taking responsibility for our actions.