

Lake Don Pedro Community Services District
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Finance Committee Meeting

9751 Merced Falls Road
March 7, 2016, at 3:30 p.m.

Mission Statement: *The Lake Don Pedro CSD is dedicated to providing our customers with ample quantities of high quality water meeting all standards, in a fiscally responsible manner.*

AGENDA

1. CALL TO ORDER: Pledge of Allegiance:

2. DISCUSSION ITEM:

- a. Discussion regarding what financial reporting will be presented in the monthly board packets.

3. ADJOURNMENT:

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- A paper copy viewed at the District office, 9751 Merced Falls Rd., La Grange, CA 95329 during business hours or mailed pursuant to a written request and payment of associated mailing fees
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Lake Don Pedro Community Services District

From: Pete Kampa

Date: 3/3/16

Subject: Reference Material for Finance Committee Meeting

The purpose of this meeting and agenda item is to discuss and determine the appropriate level and content of financial reporting to make the monthly quarterly and annual statements understandable to the board and public. The expectation is that if the financial reports are to be understandable to the board so that they can determine compliance with policy, budgets and financial performance expectations.

In special districts, financial reporting to the board varies widely and for the most part the content of those reports are at the discretion of the board. For your reference, attached is an excellent board member's guide to finances produced by the Institute for local governance. Pages 12 and 13 up this report address financial reporting specifically.

I would suggest though that the committee take the time to review the entire document as it contains very useful guidance on the board's role in finance and questions to ask to make sure that adequate policy controls reporting and strategies are in place. I think it would be helpful for us to go through several relevant sections of this report and briefly cover the questions to ask detailed in each section. Understanding these questions and answers will lead to identifying gaps in our policies and understanding of the financial statements and will also help us craft the appropriate financial reporting system for the board.

Five Key Elements to Fulfilling the Fiscal Accountability Role

- BOARDS MUST:
- Understand the Concepts of Budget and Finance
- Adopt Appropriate Financial Policies
- Ensure Board Receives and Reviews Key Financial Reports
- Understand the Right Questions to Ask
- Relate Fiscal Activities to the Mission of District



Financial Management for Elected Officials: Questions to Ask

Inside: Key Things to Know About

- Local Agency Financial Policies
- Budget Creation and Monitoring
- Financial Reporting
- Long-Term Financial Planning
- Cash Management and Investments
- Capital Financing & Debt Management
- Purchasing and Contracting Practices
- Finance Terminology (Glossary)

Introduction

One of an elected official's most important responsibilities is oversight of agency finances. Local agency finance can be complex. In addition, local agencies face significant financial constraints in California; this includes revenue instability due to state budget decisions and economic factors, state-mandated activities and procedural restrictions on raising new revenues.

What can elected officials do to exercise the kind of careful fiscal stewardship over taxpayer resources that the community expects?

This guide provides a series of tips and questions to assist elected officials in performing this important function. In reviewing these ideas, it is important to keep in mind that local agencies vary by size, complexity of operation, and scope of activities. As a result, some of the questions and practices described may not make sense for every local agency. For example, as a budget and accounting matter, some agencies perform one function and may therefore have one "fund." Others may have multiple funds.

This guide is a starting point for conversations between local elected officials and staff. The ultimate goal is to help make sure that everyone is playing their necessary and proper roles as informed and responsible stewards of scarce public agency resources.

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Local Agency Financial Policies and Practices

Financial policies can provide a solid foundation for sound public agency fiscal practices. Adopted by the governing body, such policies provide:

- A means through which the governing body can communicate its collective policy judgments and goals to staff, the public and others.
- Direction to staff and standards against which current practices can be measured, and proposals for changes in practices can be evaluated.

Ratings agencies (who assess local agencies' credit for borrowing) also look at local agencies' financial policies; well-crafted policies can mean higher rating grades which can translate into lower borrowing costs.

Questions to Ask

Financial Policies

- Does the agency have written financial policies?
- If so, what do they cover? See sidebar on next page for a checklist of possible topics.
- How often does the governing body review them?
- With respect to each policy, is it clear who is responsible for implementing that policy?
- What procedures does management use to make staff aware of such policies? What training does staff receive to allow them to competently implement such policies?
- How does the agency monitor compliance with such policies?

Financial Practices

- Are agency accounting policies and procedures documented in writing?
- What kinds of practices does the agency use (sometimes referred to as "internal controls") to make sure that the agency has systems for cross checks to minimize the risk of mistakes or maximize the likelihood that misconduct is detected?
- Does agency financial staff participate in relevant professional organizations to keep abreast of developments in the field and best practices?

- Are agency financial staff familiar with and do they adhere to the codes of ethics applicable to their professions? For example, both the California Society of Municipal Finance Officials¹ and the California Municipal Treasurers Association² have codes of ethics.

Financial Planning Policies.³

- **Budget Policy.** Such a policy commits to a balanced operating budget (and defines what that is) and requires that decision-makers be alerted when deviations are either planned or otherwise occur.
- **Long-Range Planning.** Such a policy supports financial analysis and strategies to assess the long-term implications of current and proposed capital improvement needs, cost of services, operating budgets, budget policies, cash management and investment policies, program and assumptions. For example, a capital improvement plan enables the agency details the agency's plans and relative priorities for making improvements to and replacing capital facilities (a process that normally takes years to complete).⁴

Checklist of Financial Policy Topics⁵

Local agencies have various—and various levels—of financial policies. Some policies relate to big picture, strategic topics (for example, budget policy, long-range planning and debt policy); others are very specific and practical policies (for example, credit card policies and expense reimbursement).

Having a range of policies (from big picture to practical and operational) helps an agency to chart a wise course financially and avoid operational missteps. Whether a specific policy makes sense given the nature and scope of an agency's operations will vary.

- **Asset Inventory.** Such a policy requires an up-to-date listing of all major capital assets including. The policy can also require an assessment of asset condition and a plan for replacing assets (sometimes referred to as a “capital plan”). The definition of what constitutes a “major” asset is established by local policy, as is the determination of how often the inventory is to be updated.
- **Long-Range Planning for Pension and Other Post-Employment Benefit Costs.** Such a policy analyzes how the agency will meet the future costs of agency employee pensions and other employee benefit obligations.
- **Reserve and Other Fund Balances.** Such a policy enables decision-makers to maintain a prudent level of resources to protect against a need to reduce service levels or increase revenues due to revenue shortfalls or unpredicted one-time expenses. Specific kinds of reserves can also enable an agency to set aside moneys to replace assets (for example, fleet replacement reserves).

Revenue Policies.⁶ These policies help decision-makers understand and manage revenue flows.

- **Revenue Diversification.** Such a policy encourages a diversity of revenue sources to protect the agency against fluctuations in individual sources, such as sales taxes, which can rise and fall dramatically with the general economy.
- **User Fees and Charges.** Such policies establish the extent to which users of agency services are expected to cover the cost of providing the service and how those costs are determined. Note that most fees may only be used for the purposes for which they were collected and may not exceed the cost of providing the service for which the fee is charged.⁷ Such policies also can provide for regular review of fee levels and calculation methods to assure that the agency meets its objectives relating to cost-recovery on an ongoing basis.
- **One-Time and Unpredictable Revenues.** A goal of such a policy is to encourage the use of one-time or unplanned revenues for one-time needs or reserve replenishment rather than for ongoing expenses.
- **Limited Purpose Revenues.** By law or policy, certain revenues must be spent for specific purposes (for example, proceeds from special taxes). This policy explains which funds are restricted and why, limits their use to those purposes, and explains how the agency tracks their use to ensure the funds are spent only on permissible expenses.

Expense Policies.⁸ These policies enable decision-makers to manage and monitor how the agency incurs expenses.

- **Financial Reporting.** Financial reports compare actual expense levels (and revenue levels) to those predicted in the agency's budget. This policy specifies the content and frequency (for example, quarterly) of these reports to decision-makers and the public.
- **Debt Financing.** This kind of policy allows an agency to specify when it can use debt for either short- or long-term needs. The policy also establishes what levels of debt and debt service payments are appropriate for the agency. It can also be a tool for complying with ongoing disclosure requirements associated with the agency's debt and monitoring compliance with those requirements.
- **Expense Reimbursement.** Such policies determine the circumstances under which elected officials and staff may be reimbursed for expenses incurred in the course of their service to the agency. This includes setting limits on certain kinds of expense levels (for example, meals and hotel rates) according to community standards. Policies also specify the kind of documentation that must be provided to demonstrate that the expense was incurred in compliance with the policy before an expense will be reimbursed. Agency counsel should review the policy for compliance with AB 1234 and other state laws.⁹

- **Credit and Purchase Card Use Policies.** The practice of issuing credit cards to agency officials and staff is increasingly rare because of the potential for misuse, either accidentally or intentionally. It can however, be useful to have one or more agency credit cards to make travel arrangements and the like. Some agencies also use purchase cards. A policy specifies controls to prevent misuse of such cards.¹⁰
- **Petty Cash Policies.** Such a policy provides guidelines and accountability mechanisms for day-to-day cash handling by the agency and its departments.

Cash Management and Investments. State law requires agencies to adopt an investment policy specifying how the agency may invest funds not needed for the agency's immediate and short-term needs.¹¹ Such a policy allows the governing body to establish and keep current the agency's investment philosophy and risk tolerance. Although well-defined policies are more than a list of allowed investments,¹² such policies should be reviewed by agency counsel to make sure that the agency's investments and practices conform with state law.¹³

Purchasing/Procurement. These policies determine the processes the agency uses in determining with whom it does business (including under what circumstances contracts are competitively bid) and which staff have decision-making responsibility in that area. Such policies also typically specify how the opportunity to do business with the agency is to be announced, with the goal being to reach

Budget Creation and Monitoring

Budgets are an agency's tool for linking near-term goals with the resources available to achieve them, while keeping in mind long-term goals and resources and how the agency's annual budget fits into its capital plan. Budgeting typically involves:

1. Establishing goals and priorities for the agency;
2. Allocating resources according to those goals and priorities; and
3. Comparing actual expenses and revenues to those estimated in the current budgeted expenses, making adjustments during the course of the budget year as necessary.

As important of a function as budgeting is, decision-makers may find that their options are limited in determining how the agency's monies are actually spent. The limitations may result from legal restrictions on how funds may be used, matching funds issues (that will result in loss of revenues if the agency does not spend a certain amount), and state mandates.

Budgets play the following roles:

- **Financial Plan.** The budget document shows where agency revenues come from and how they are used. It demonstrates an agency's ability to meet recurring expenses with recurring revenues. As the fiscal year proceeds, there may need to be adjustments in the agency's financial plan—the role of elected officials is to understand why such adjustments were necessary and what steps were taken to avoid having to make these adjustments.
- **Communications Tool.** The document also is an opportunity to explain to decision-makers, the news media, staff and the public:
 - What the agency does and why;
 - How the agency is organized to deliver programs and services;
 - The kinds of programs, services and activities planned for the budget period and what kinds of costs are involved;
 - Key fiscal issues facing the agency; and
 - How the agency assesses the efficiency and effectiveness of agency efforts (see also note on performance measurement on page 11).
- **Yardstick.** Once adopted, local officials and others can use budget numbers as a reference against which to compare expenditures and revenues throughout the year. As such, the budget provides an ongoing financial management tool to make sure the agency spends within its means and balances expenses against revenues.

The budget document should be easily understood by the average member of the community. To help make this happen, financial information can be presented a variety of ways (including text, tables and charts). Including performance measures in the budget document can help the public see the relationship between costs and benefits.

Because of the public information role the budget document serves, the Government Finance Officers Association recommends that budget documents be shared via the agency's website.¹⁴

Questions to Ask

Role of Governing Body Members

- Do governing body members have a clear understanding of their role in the budget process?
- Do governing body members have a meaningful opportunity to shape major goals and objectives *before* the preliminary budget is prepared (for example, in budget workshops conducted sufficiently in advance of the preliminary budget's preparation)?
- Do governing body members feel like they have been given an opportunity to understand and react to key decision points within a preliminary budget (versus being subjected to a long, random presentation about numbers)?

General Questions about the Numbers in the Budget

- What are the budget's underlying assumptions (examples of key assumptions include population changes, projected case loads or service demands, state and federal funding, construction activity, utilities costs, service demands, inflation, and interest rates)? Are these assumptions realistic? What are the potential sources of uncertainty and risks regarding these assumptions?
- Does the budget explain the projections for the most significant general fund revenue sources? (These probably account for close to a large percentage of total general fund revenues.)
- For agencies providing social services, how are caseload and benefit costs forecast and managed?

Budgets Don't Tell the Whole Story

Operating budgets and financial reports do not address many important issues that decision-makers must consider. For example, they do not:

- Show postponed or avoided costs (for example, deferred maintenance on facilities or infrastructure)
- Use of one-time or expiring revenue sources.
- Indicate changes in purchasing power due to inflation or deflation.
- Measure the decline or depreciation of infrastructure (like roads, bridges and sewer lines) and public facilities (like buildings and parks).

Local officials may wish to ask staff to provide an analysis of how these variables affect the agency's ability to deliver services and facilities.

- Does the budget summarize major expenses:
 - By function or program tied to areas of public service(s) or facilities the agency provides?
 - By category? (Examples include capital expenses, debt service, and operating expenses like staffing, contract services, and supplies).
 - By fund type? (Examples include the general fund and various enterprise funds, if the agency has special funds).
- Is the budget balanced by one-time fixes or is there a sustainable long-term funding strategy (this is also an issue to be addressed in the agency's long-term financial planning documents, see page 14)?
- Does the budget clearly show the beginning and ending balances in each fund (fund balances)?
- Is the general fund budget balanced (in other words, are there enough projected revenues to fund estimated expenses)?
- Does the budget use one-time revenues only for one-time expenses (rather than ongoing expenses)?
- Does any fund have a deficit (in other words, is it projected to spend more than it brings in)? Why? Is it the deficit temporary or permanent?
- What are the most significant changes since last year's adopted budget?
- With respect to the agency's general fund, how is the fund balance projected to change?
 - How are other funds' fund balances projected to change?
 - How will any resulting changes affect the agency's compliance with its reserve policies?
- Does the budget compare actual expenses and revenues from past years so decision-makers and the public can understand how the agency's budgeted numbers compared to reality?
- Does the budget show changes in the agency's overall financial condition? What measures of financial condition does it use?

- How does the agency's budget compare with other agencies in the geographic area (both for the next fiscal year and the trend over the past five years)?
 - If there are differences, what are they and what factors account for the differences? (For example, are other agencies using different assumptions and why?)
 - Is the agency's budget dependent on any other agencies, in terms of revenues (or expenditures)?
 - Are the other agencies planning changes that should affect the agency's assumptions?
- Where is the agency in terms of constitutional limits on state and local spending? (In 1979 the California voters in 1979 approved a ballot measure¹⁵ that limited the growth in state and local spending to a formula tied to increases in population and inflation. Finance professionals sometimes refer to this as the "Gann Limit" named after the ballot measure's sponsor. Local voters can approve an increase in the formula, for a period of up to years.¹⁶)
- If changes to the budget prove necessary during the fiscal year, why are those adjustments necessary? What steps were taken to avoid having to make mid-year changes? What steps can be taken to avoid such changes in the future?

Local Agency Budgeting: Resources for Further Information

Government Finance Officers Association, *Recommended Budget Practices: A Framework for Improved State and Local Budgeting* (1998), available at www.gfoa.org/services/dfi/budget/RecommendedBudgetPractices.pdf

Institute for Local Government, *A Local Official's Guide to Public Engagement in Budgeting* (2010), available at www.ca-ilg.org/public-engagement-best-practices/engaging-public-budgeting.

Personnel-Related Questions

- What procedures does the agency use to forecast and manage projected personnel expenses?¹⁷ When do labor agreements expire?
- How does the agency set its salary and benefit levels or ranges?
 - Are there salary-setting guidelines available for positions within the agency? Has the agency considered and followed them?¹⁸
 - Does the agency research and consider salaries and benefits other agencies provide for positions with similar responsibilities in the agency's geographic area?
 - How are changes in compensation determined? For unrepresented employees not subject to a memorandum of understanding, are changes based on an annual goal-setting and performance review process? What other variables does the agency consider (overall agency fiscal health, public perception, relationship to other agencies' practices, etc.)?

- Note: If the agency uses employment contracts, carefully consider the potential future fiscal impacts of automatic contract renewals, automatic increases in compensation, and provisions linking compensation increases to third-party contracts. These may hamper the agency's abilities to control its costs in the future.
- Are position vacancies monitored (including length of each vacancy), to determine if salary savings can be achieved, if position actually required, or if service levels are suffering?
- What is the status of the agency's funding for pension and other post employment benefits liabilities?

Public Information and Transparency

- What processes will the agency use to inform the public about budget issues? What mechanisms will there opportunities will be provided for public input on budget challenges and priorities?

Are the agency's budget and supporting documents made available on the agency's website?¹⁹

Note about Performance Measurement

"Performance measurement" (which is sometimes known by other names) enables an organization to assess its performance against organizational goals. This can occur as part of the budgeting process or as part of general management practices involving assessing the degree to which an organization's activities and priorities are aligned with pursuit of an organization's mission and strategy. Under either approach, the Government Finance Officers' Association recommends that performance measurement be linked to budget decision-making. See <http://www.gfoa.org/downloads/budgetperfmanagement.pdf>

More specifically, performance measurement is a management tool for systematically collecting clearly defined data regarding the effectiveness and efficiency of service delivery. The initial questions for elected officials to ask are:

- 1) Whether and how the agency uses performance measurement to assess its activities,
- 2) If the organization uses performance measurement, how is the resulting data analyzed and used in management decision-making (including decisions on allocating resources), and
- 3) How are those results communicated to elected officials and the community?

There are a number of good sources on performance measurement for public agencies, including the International County-City Management Association (ICMA—icma.org/en/results/center_for_performance_measurement/home and the Government Finance Officers Association (GFOA – www.gfoa.org/index.php?Itemid=250&id=479&option=com_content&task=view).

Financial Reporting and Accounting

Financial reports are an essential oversight tool. There are two basic kinds of financial reports:

- **Interim Reports.** These include monthly reports, quarterly reports and mid-year budget reviews.
- **Annual Reports.** Well-managed public agencies typically prepare a report at the end of the year explaining revenues and expenditures levels.

In addition, local agencies that receive federal or other grant moneys may be subject to specific funder financial reporting requirements.²⁰

Good interim reporting identifies important trends in time for local officials to act on them before serious problems arise. Audited financial reports alert governing body members if there are irregularities in financial practices and financial reporting. Both kinds of reports require a solid financial information system to track revenues and expenditures and provide that information to decision-makers.

Questions to Ask

Interim Reporting

- What kind of reports do agency managers receive? What do they do with them?
- How often do elected officials receive interim financial reports? Does staff review the information in these reports with local officials?
- Do the reports provide meaningful information that gives local officials an accurate portrayal of the agency's current financial picture to date?
- Do the reports compare expectations with actual results? Do they discuss key variances between the two?

Some Financial Warning Signs

- Operating expenses exceeding revenues by more than five percent during the year
- Large mid-year variances in budgeted revenues and expenditures versus actual
- Inadequate or late financial reports
- Depletion of reserves to balance budget, for example if the reserves fall below ten percent of operating costs.
- Outstanding loans between funds at the end of the fiscal year
- Expenses exceeding revenues for two consecutive years, with the second year's deficit being larger than the first year's
- Debt service exceeds 10 percent of current revenues
- Increase in debt service as percentage of operating budget each year
- Qualified auditor's opinions
- Reports of internal control weaknesses from the agency's auditors with no corresponding plan to address (or repeated reports of such weaknesses from year to year)
- Large turnover in staff responsible for monitoring financial status

- Are there adverse patterns?
- Does staff have a plan to address problem areas?
- Are there inconsistencies or conflicting trends?
- Do the reports identify areas of uncertainty or risk in any forecasts contained in the reports?
- Do the reports frequently contain surprises (unexpected developments)?

Annual Reporting

- Are the annual financial reports prepared by a certified public accountant, in accordance with generally accepted accounting principles? Are these reports audited by an outside or independent auditor?
- Have all the required disclosures, for example, those required by the Governmental Accounting Standards Board (GASB—sometimes pronounced “gaz-bee”) been made?
- How long has the outside or independent auditor been auditing the agency? Does the agency periodically change auditors every few years to provide a fresh view of the agency’s financial practices and reports?
- What is the relationship between the auditor and both the agency staff and the governing body? Is the auditor getting the information he or she needs in a timely manner? Is communication open and encouraged?
- Are the audited annual financial reports timely—within six months after year-end?
- Should the agency have an audit committee to select and supervise the work of the outside or independent auditor?²¹
- Are the auditors' opinions “unqualified?” (An “unqualified” opinion means that the auditor concludes the agency followed all accounting rules and that its financial reports present an accurate picture of the agency's financial condition. A qualified opinion is a significant warning sign that demands attention from the governing body.)
- Does the auditor prepare a transmittal letter that clearly and concisely describes the agency's fiscal status?
- Does the auditor issue a letter to the governing body reporting on the agency’ internal controls?
- Does the agency follow the “Award for Excellence in Financial Reporting” guidelines of the Government Finance Officers Association?²² If not, why not?

Looking Ahead: Long-Term Financial Planning

- **Why Do Fiscal Forecasts?** Forecasting helps the agency think about the factors affecting the agency's fiscal health (and what can and cannot be done about them). Forecasting also helps elected officials, staff and the community understand the long-term fiscal challenges and opportunities they face, as well as possible advance warning of future uncertainties (for example, voter initiatives and state budget decisions).
- **Recognize Limitations.** Circumstances change and assumptions become outdated. Clearly stating the agency's assumptions in making a forecast encourages the review, and re-evaluation of those assumptions, when necessary.

Questions to Ask

- Does the agency periodically prepare and / or update a long-term fiscal forecast?
- If so, does the forecast take into account key variables relating to revenues and expenses? Variables include demographic factors like changes in population and case loads. They can include economic factors like inflation, new construction, property values and the overall business climate (which can affect sales taxes). Other external factors can include legislative developments and court decisions. Projected costs related to pension obligations and labor agreements are another potential variable.
- Does the forecast reach clear conclusions about what these variables mean for the agency's future revenues and expenses?
- Does the forecast also identify areas of risk and uncertainty that may limit the degree to which the agency can rely on the forecast?
- To what extent are the results of the forecast shared with decision-makers, the news media and the public?
- What level of detail do decision-makers want to receive regarding the agency's long-term financial planning? (Some governing bodies will want fairly detailed information whereas others will want bigger picture information. There is not a right level of detail – the goal is to give governing body members the level of detail that makes them comfortable.)

Cash Management and Investments

Sometimes, public agencies have funds on hand that are being held for longer-term needs. These may be invested in a variety of bonds (but not stocks), notes and other instruments allowed by state law.

The governing body's role is to be a wise steward of the public's resources. The objectives in managing public funds are, in priority order:

1. Safety (the likelihood that the agency will get all its money back)
2. Liquidity (the agency's ability to withdraw funds on short notice)
3. Yield (the interest or other return on the investment)

In light of these objectives, prudent public agency investment managers never seek to earn maximum returns on the agency's portfolio at the expense of safety or liquidity. This would expose the agency to an unacceptable level of too much risk.

Instead, they focus on seeking to earn a reasonable rate of return on the agency's investments, while preserving capital in the overall portfolio and meeting the cash flow needs of the agency.

There are funds that specialize in investing public agency funds; the Local Agency Investment Fund (LAIF) of the State Treasurer's office and CalTrust are examples.

Questions to Ask

- What oversight procedures does the agency use for its investments? Who is responsible for the day-to-day supervision of the agency's investment activities? If that authority has been delegated to the agency's treasurer, has that authority been delegated annually as required by law?²³
- If that authority has been contracted out, who is responsible for oversight?
- What is the agency's investment policy? Is it understandable? Does the governing body review it annually as the law requires?²⁴
- Do governing body members receive and review periodic investment reports?²⁵ Do these reports include an analysis of cash flow needs?
- Are the investment reports clear and understandable? (A lack of clarity can be a sign of problems or undue investment complexity.)

- Do the reports show numerous investments and transactions? Why? (Many public agencies do not have portfolios that justify “active” management with lots of sales, purchases and trades.)
- Are the agency’s investments diverse or are the agency’s assets invested in just a few places?
- Do the agency’s policies allow investments in derivatives or other potentially high-risk instruments? Does that agency have any such high risk investments?
- Are any bank holdings over the FDIC insurance limit (which may vary from bank to bank) and do such depositories otherwise comply with state and federal standards to provide security for public agency deposits?²⁶

Capital Financing and Debt Management

Debt financing is neither a “bad” nor a “good”—it is simply a tool for achieving community goals. However, debt does come at the price of costs of issuance and interest charges, as well as the obligation to make regular loan payments and conform to market disclosure and terms of the debt instruments on an ongoing basis.²⁷ Allowing these payments to become a dominant part of the agency’s budget limits the agency’s ability to respond to unplanned expenses.

Debt financing is usually appropriate for:

- **Temporary Short-Term Cash Flow Issues.** An agency may need to bridge cash flow gaps while waiting to receive key revenues (like property taxes in December and franchise fees in April). The agency may cover these gaps by issuing “tax” or “revenue” anticipation notes (sometimes known by the acronym “TRANS”). In this case, any amount borrowed must generally be paid back within a year.
- **Long-Term Improvements.** Debt financing is also appropriate for truly high-priority, one-time improvements – when it makes sense for current taxpayers to share the cost with those who will benefit 20 or 30 years in the future. By contrast, borrowing for ongoing operational expenses or short-term capital needs is inadvisable. The length of the debt should never exceed the useful life of the debt-financed asset.

Any agency’s ability to borrow and repay debt capacity is limited. Amounts borrowed for today’s project are funds that cannot be borrowed tomorrow. Amounts required for debt repayment in the future are funds that will not be available for other programs and services.

Recognizing the significance of the decision to incur long-term debt for a public agency, California’s constitution requires the public voters to approve debt²⁸ that would be repaid from future general fund revenues.²⁹ While there are a number of exceptions to this requirement (including the special fund doctrine for revenue bonds³⁰ and an exception for financing leases), the constitutional principle is important to keep in mind. Incurring debt obligates the community into the future and reduces financial flexibility. Accordingly, the benefits of doing so should outweigh these costs.³¹

Questions to Ask

- Does the agency have a multi-year capital improvement plan? (Having such a plan enables decision-makers to consider key factors like project priorities, debt capacity and what role fees will play in financing).
 - If the agency has such a plan, is it realistic? If not, what steps are necessary to make it realistic?

- If an agency has such a plan, what does the plan *not* include? For example, does it assume that new development will bear the costs of capital improvements necessitated by that development? If so, the plan should so state.
- Does the multi-year capital improvement plan include specific information about how future maintenance costs will be paid for? It's not wise to build an asset the agency cannot afford to maintain.
- Does the agency have clear capital financing and debt management policies? Who is responsible for implementing and monitoring compliance with these policies?
 - Do these policies provide decision criteria for when incurring debt is appropriate?
 - Do these policies address what type of debt financing is appropriate (for example, a) variable versus fixed rates, and b) are interest rate swap agreements allowable and under what circumstances?)
 - Do these policies address protection of credit quality?
 - Do these policies address debt capacity?
 - Do these policies address costs/benefits of risk examinations for proposed debt?
 - Do these policies address who is on the agency's financing team and how consultants like bond counsel, financial advisors, trustees, assessment engineers and underwriters are selected? Are the selection criteria being followed?
 - Do these policies address disclosure to and relations with debt rating agencies?
 - Do these policies address who is responsible for conformance with bond covenants (obligations the agency agrees to as part of bond financing) on an ongoing basis?
- Does the agency have a debt advisory committee? If so, does the membership of the committee include representatives from the local community?

Purchasing and Contracting Practices

Procurement policies and practices enable an agency to promote maximum value and economy for the agency's constituents through fair and competitive processes. The goal underlying such policies is to select vendors and service providers using processes in ways that minimize opportunities for favoritism and that provide for competitive pricing. For service providers, the task also involves assessing whether the provider's skills best meet the agency's needs.

Purchasing presents a number of ethical and legal hazards for local officials, despite what can be a relatively small impact on overall agency spending. This is because missteps can undermine the public's overall confidence in the agency's financial practices. For more information, see www.ca-ilg.org/post/fair-procurement.

For public works projects, state law generally defines when local agencies must use competitive bidding.³²

Questions to Ask

- What steps does the agency use to have a fair, open and competitive purchasing process?
- Does the agency's purchasing process explain the respective roles of staff and elected officials in that process?
- Have employees involved in the purchasing process received training or informational materials on the importance of both the appearance and substance of fairness in the procurement process?
- Are the purchasing rules straightforward enough so that everyone who has a part in implementing them understands the underlying goals and key rules? One element of clarity can be having separate policies depending on the nature of the purchase (for example, one for goods, one for services and another for public works projects).
- If the agency has a decentralized purchasing system (in other words, if purchases are made separately by different departments), does the agency have clear organization-wide standards and guidelines?
- Does the agency take advantage of cooperative purchasing opportunities with other public agencies?
- Does the agency have policies in place to comply with applicable prevailing wage requirements? These are especially common for vehicles and other big-ticket items.
- Would increased reliance on "just-in-time" deliveries that eliminate large inventories and warehouse systems be useful for the agency?

- Does the agency have policies in place for the proper disposal of surplus property? How has staff been made aware of such policies?
- Is the agency alert to and actively monitor contract terms for cost escalators and automatic renewals that can cause increases that can cause the agency to lose control of costs?
- Are staff responsible for purchasing decisions required to file annual disclosure statements relating to economic interests and gift receipt (known as “Form 700s”)?

Limits on Agency Expenses/ Proper Uses of Public Resources

Invariably, there are more worthy uses for public funds than there are funds available. Deciding how limited public resources will be allocated is a key responsibility of elected officials, although it is important to acknowledge that decision-makers may have less discretion than one might expect in deciding how public monies are spent.

That being said, the law imposes some basic restrictions on how public resources may be used. For example, any use of public resources must serve the needs of the agency’s constituents. California’s Constitution expresses this principle by prohibiting “gifts” of public funds by the Legislature, general law cities, and agencies created by state statute;³³ some city charters also contain this restriction. Agency counsel can provide guidance on the issue of what constitutes an impermissible gift of public funds. An example, however, is a payment to another public agency for their purposes, with no benefit flowing back to the donor agency’s constituents.³⁴

Along similar lines, personal or political uses of public resources also are not allowed.³⁵ This prohibition applies to not only public money, but also to anything paid for with public money (for example, agency equipment, supplies and staff time). An example of how this prohibition applies is that public resources may not be used for advocacy efforts on ballot measures. (For more information, see www.ca-ilg.org/BallotMeasureLegalIssues). Elected officials should ask how staff and newly elected officials are made aware of these restrictions.

Finally, local agencies must adopt expense reimbursement policies for elected and appointed officials.³⁶ Agency counsel should review the policy for compliance with state law. Most agencies have adopted expense reimbursement policies for staff as a matter of sound practice.

Brief Glossary of Financial Management Terms

Note: The following glossary is designed to help non-finance experts understand some of the terminology used in public agency financial management. Public agency financial management frequently involves terms that are unfamiliar to non-experts, the definitions of which also involve other unfamiliar terms. The definitions and explanations offered below sometimes sacrifice technical accuracy in order to promote a general understanding of what a term means.

The Institute for Local Government encourages those that wish absolute technical accuracy to consult additional sources.

Accounting Standards

Generally accepted accounting principles (sometimes referred to by the acronym GAAP) published by the Governmental Accounting Standards Board (sometimes referred to by the acronym GASB) that guide local and state agencies' recording and reporting of financial information. The standards establish such guidelines as when transactions are recognized and annual financial report content.

Accrual Basis Accounting

An accounting method in which revenues (or income) are entered into the accounting system when they are payable (even though the money may not have been received yet), and expenses are recognized when the commitment to pay is made (even though no payment may have occurred yet). *Compare with Cash Basis Accounting.*

Bond

An interest-bearing promise to repay a specified sum of money borrowed (known as the principal amount) by a specified date. *See also "General Obligation Bonds."*

CalTRUST

A joint powers authority created by public agencies to provide a safe and convenient method for public agencies to pool their assets for investment purposes.

Capital Budget

A spending plan for improvements to or acquisition of land, facilities, and infrastructure. The capital budget balances revenues and expenditures, specifies the sources of revenues, and lists each project or acquisition.

Capital Improvement Program (CIP)

The section in the agency's budget for capital improvement projects, such as street or park improvements, building construction, and various kinds of major facility maintenance.

Capital Outlay	Spending that results in the acquisition of or addition to the agency's land, buildings, equipment, machinery, vehicles, and the like to provide services to the community (sometimes these are referred to as "fixed assets").
Cash Basis Accounting	An accounting method in which revenues are entered into the agency's accounting system when the cash is received and spending is entered into the system when the agency makes a payment. To comply with generally accepted accounting principles, local agencies must use accrual basis accounting, rather than cash basis. <i>Compare with "Accrual Basis of Accounting."</i>
Construction / Development Tax	A tax imposed on development and/or the availability or use of public agency services. <i>See also "Development Impact Fees."</i>
Contingency	In budgets, an amount that is set aside to meet unforeseen circumstances.
Debt Financing	Issuing bonds and other kinds of debt instruments to finance agency activities in service to the public.
Debt Service	Annual principal and interest payments an agency owes on money that it has borrowed.
Debt Service Funds	One or more funds in an agency accounting system established to track payments made to repay principal and interest on debt.
Development Impact Fees	Amounts charged in connection with land development to pay for facilities or services that will be needed to serve the new development that are tied to the proportionate costs of providing those facilities or services to that development.
Enterprise Fund	A separate fund used to account for services supported primarily by service charges. An example would be a solid waste fund supported by charges solid waste service receivers pay.
Entitlement Program	A benefit program in which funding is allocated according to eligibility criteria. All persons or agencies must meet the criteria specified by federal or state laws in order to receive the benefit.
Estimated Revenue	The amount of revenue the agency expects receive during a fiscal year.

Expenditure	An amount paid for goods and services associated with the provision of public services, including payments for debt retirement and capital outlays.
Fee	A charge for the cost of providing a particular service. Public agency fees may not exceed the estimated reasonable cost of providing the particular service or facility for which the fee is charged, plus overhead.
Fines, Forfeitures and Penalties	Revenues received and/or bail monies forfeited upon when an individual is convicted of a misdemeanor or municipal infraction.
Full Faith and Credit	When a local agency uses debt financing, more specifically general obligation bonds, it makes a pledge to bondholders the agency will use all available funds to meet the agency's obligation to repay bondholders.
Full-Time Equivalent (FTE)/Staff Year	The number of hours per year that a full-time employee is expected to work. If there are two workers, each of whom works half that number of hours per year, the two workers together equal one full-time equivalent or one staff year.
Fund	A self-balancing set of accounts. For agencies with more complex budgets, accounting information is organized into funds, each with separate revenues, expenditures, and fund balances.
Fund Balance	Difference between the assets (revenues and other resources) and liabilities (amounts spent or committed to) of a particular fund.
General Fund	Fund used to account for all financial resources except those accounted for in another fund (for example, enterprise or grant funds). Usually, the general fund is the largest fund in a local agency.
General Obligation (G.O.) Bonds	A form of debt in which the agency pledges its "full faith and credit" to collect enough money each year to repay the amount borrowed plus interest.
General Tax	A tax imposed for general governmental purposes, the proceeds of which are deposited into the general fund. An agency must comply with certain procedural requirements to impose, increase or extend a general tax, including securing approval of the tax by majority vote of the electorate. <i>See also "special tax."</i>

Generally Accepted Accounting Principles (GAAP)	Uniform minimum standards used by state and local agencies for financial recording and reporting which have been established by the Governmental Accounting Standards Board (sometimes referred to by the acronym GASB).
Governmental Accounting Standards Board (GASB) –	The body that sets accounting standards for governmental entities at the state and local levels.
Grant	A payment of money from one entity to another for a specified purpose, activity or facility. Generally, grants do not have to be repaid by the recipient, as long as the recipient uses the funds for the promised purposes, activities or facilities.
Intergovernmental Revenue	Revenues from other public agencies in the form of grants, entitlements, shared revenues or payments in lieu of taxes.
Investment Earnings	Revenue earned from the investment of public funds.
Licenses and Permits	These represent the agency’s permission to engage in certain kinds of activities. Local agencies often charge fees designed to reimburse local agency for costs of regulating activities being licensed, such as licensing of animals, bicycles, etc.
Lien	A claim on assets, especially property, for the payment of taxes or utility service charges.
Liquidity	The ability to convert a security into cash promptly with minimum risk of principal.
Local Agency Investment Fund (LAIF)	A special investment fund in the state treasury into which local agencies may deposit money for investment.
Maintenance of Effort (MOE)	A requirement often imposed as a condition of receiving certain kinds of funding, that the agency maintains a certain level of spending. The goal of such requirement is to have the funding being provided increase the level of spending on the program (and conversely, avoid having the extra funding be used to replace existing spending).
Mandate	A state or federal requirement that local agencies perform a task in a particular way or perform a task to meet a particular standard, often without providing the revenues to do so.

One-Time Expenditures	A term used to differentiate routine, ongoing costs within a given budget from non-recurring costs that will not be repeated in future years. A capital expenditure can be a one-time expenditure (although an agency may need to evaluate whether the agency will incur maintenance or replacement costs. This category may also include single-year appropriations for special purposes.
Other Post Employment Benefits (OPEB)	A pension is a form of “post-employment benefit,” that is, a benefit an employee receives after their service to the agency ends. <i>Other</i> forms of such benefits can include health insurance and other health-related benefits provided to former employees.
Performance Measures	Indicators used in the budget to show items such as 1) the amount of work accomplished, 2) the efficiency with which tasks were completed, and 3) the effectiveness of a program. Such indicators can help the public understand what public agency spending accomplishes.
Portfolio	The collection of investments held by a local agency.
Prevailing Wage	The basic hourly rate paid on public works projects to a majority of workers engaged in a particular craft, classification or type of work within the locality and in the nearest labor market area (if a majority of such workers are paid at a single rate). Prevailing wage laws require all bidders to use the same wage rates when bidding on a public works project.
Principal	The original amount of a bond or debt (sometimes also referred to as “face” or “par value”), not including accrued interest.
Program Revenues	Income generated by programs and/or dedicated to offset the program’s costs.
Rating	Letters and numbers used by rating agencies to express their assessment of the likelihood of a bond or debt being repaid.
Rating Agencies	Firms that evaluate the likelihood bonds or debts will be repaid by assigning ratings to those bonds or debts. A bond rating is often the single most important factor affecting the interest cost on bonds. There are three major rating agencies for municipal bonds: Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

Realignment	Actions taken by the State of California in 1991 and 2011 to restructure the state-county fiscal relationship by making certain health, social service, criminal justice, and mental health service programs county responsibilities, and providing some funding to help pay for the new responsibilities.
Rents	Revenues received through the rental of public properties to private parties such as convention space and library facilities.
Reserve	Amounts set aside to provide a funding source for extraordinary or unforeseen expenses or revenue shortfalls. Sometimes also referred to as “fund balance(s)” to reflect multiple agency funds. <i>See also</i> definition of “fund.”
Revenue	Income received by the local agency. For more information on sources of county and city revenues, see Institute for Local Government, <i>Understanding the Basics of County and City Revenues</i> (2008), available at www.ca-ilg.org/revenueguide .
Revenue Bonds	A form of debt in which the agency pledges the income received from the operation of the facilities being financed with the debt to repay the amounts borrowed plus interest.
Salaries and Benefits	Salaries includes the compensation paid to full-time, part-time, temporary, and extra-help employees, including overtime, vacation pay, sick leave pay and any type of premium pay. Benefits include the agency's share of the costs for health, dental, life insurance, retirement, Social Security and Workers' Compensation.
Sales Tax	A tax imposed on the total retail price of merchandise sold by a retailer.
Secured Roll	A list containing all assessed property secured by land subject to local taxation
Securities	Pieces of paper (sometimes referred to as “instruments”) that represent financial value. Examples include bonds and stocks.
Service Charges	Amounts charged to cover the cost of providing services to individuals or companies.

Short-Term Financing Methods	Techniques used for many purposes, such as meeting anticipated cash flow deficits, interim financing of a project, and project implementation. Using these techniques involves issuance of short-term notes.
Special Revenue Fund	Funds used to account for proceeds from specific revenue sources that are legally restricted as to how the revenues may be spent. A special revenue fund must have a separate budget adopted annually.
Tax and Revenue Anticipation Notes (TRANS)	A short term loan that local agencies use to even out cash flow during the year. The loans take the form of a debt (“note”) that is secured by anticipated tax and other revenue collections.
Tax Base	The objects or transactions to which a tax is applied (for example parcels of property, retail sales, etc.). State law or local ordinances define the tax base and the objects or transactions exempted from taxation.
Tax Rate	The amount of tax applied to the tax base. The rate may flat, incremental or a percentage of the tax base, or any other reasonable method.
Total Appropriations and Total Revenues	The consolidation of all revenues and expenditures for all funds. The purpose is to report accurately the full amount of governmental revenues and expenditures for the budget period
Use Tax	A tax imposed on the use or storage of tangible personal property when sales tax is not paid. <i>See also “sales tax.”</i>
User Fee	Fees charged for the use of a public service or program. An example is fees charged to participants in recreation programs. User fees for property-related services are referred to as property-related fees.
Utility Rate	A category of user fee paid by the user of utility services.
Utility Users Tax	Tax imposed on the consumer (residential and/or commercial) of any combination of electric, gas, cable television, water, and telephone services.
Vehicle License Fee (VLF)	Annual registration fee imposed on vehicles.

Williamson Act and Open Space Subvention

Officially known as the California Land Conservation Act of 1965, a law that allows local agencies to enter into contracts with private landowners to restrict specific parcels of land to agricultural or related open space use. In return, landowners receive property tax assessments which are much lower than normal because they are based upon farming and open space uses as opposed to full market value. The program contemplates local agencies receive an annual subvention of forgone property tax revenues from the state.

Yield

The total amount of revenue an agency expects to receive from a tax, determined by multiplying the tax rate by the tax base. Also, the annual rate of return on an investment, expressed as a percentage of the investment.

Endnotes

¹ The California Society of Municipal Finance Official Code of Ethics can be found at: <http://www.csmfo.org/index.cfm?fuseaction=Detail&CID=4&NavID=154>.

² The California Municipal Treasurers Association Code of Ethics can be found at: <http://www.cmta.org/?page=4>.

³ GFOA Recommendations: Adoption of Financial Policies, with cross references to National Advisory Council on State and Local Budgeting (NACSLB), <http://www.gfoa.org/downloads/budgetAdoptionofFinancialPolicies.pdf>.

⁴ See GFOA website with long-term financial planning resources: http://www.gfoa.org/index.php?option=com_content&task=view&id=360&Itemid=186.

⁵ GFOA Recommendations: Adoption of Financial Policies, with cross references to National Advisory Council on State and Local Budgeting (NACSLB), <http://www.gfoa.org/downloads/budgetAdoptionofFinancialPolicies.pdf>.

⁶ GFOA Recommendations: Adoption of Financial Policies, with cross references to National Advisory Council on State and Local Budgeting (NACSLB), <http://www.gfoa.org/downloads/budgetAdoptionofFinancialPolicies.pdf>.

⁷ See, for example, Cal. Gov't Code § 66016.

⁸ GFOA Recommendations: Adoption of Financial Policies, with cross references to National Advisory Council on State and Local Budgeting (NACSLB), <http://www.gfoa.org/downloads/budgetAdoptionofFinancialPolicies.pdf>.

⁹ See Cal. Gov't Code § 53232.2(b) ("If a local agency reimburses members of a legislative body for actual and necessary expenses incurred in the performance of official duties, then the governing body shall adopt a written policy, in a public meeting, specifying the types of occurrences that qualify a member of the legislative body to receive reimbursement of expenses relating to travel, meals, lodging, and other actual and necessary expenses."). See also <http://www.leginfo.ca.gov/calaw.html> for additional information on what such policies must include.

¹⁰ See GFOA Best Practices: Purchasing Cards, <http://www.gfoa.org/downloads/PurchasingCardFINAL.pdf> for suggested practices for preventing and detecting abuse.

¹¹ See Best Practices for Treasury Management, Government Finance Review (April 2000), available at <http://www.gfoa.org/downloads/CASHTreasuryapr00.pdf>. The California Municipal Treasurers' Association offers sample investment policies at <http://www.cmta.org/?page=39>.

¹² Back to Basics: Making the Case for Investment Policies, Government Finance Review (August 2002) available at <http://www.gfoa.org/downloads/CASHInvestPol0802.pdf>.

¹³ See Cal. Gov't Code §53600 and following (note that an agency is not required to authorize the full range of all investments allowed by state law). See also <http://www.leginfo.ca.gov/calaw.html> for specific statutory language.

¹⁴ GFOA Recommended Best Practice: Using Websites to Improve Access to Budget Documents and Financial Reports (2003), <http://www.gfoa.org/downloads/caafi-budgets-to-websites.pdf>. See also <http://www.gfoa.org/downloads/websitepresentation.pdf>.

¹⁵ See Cal. Const. art. XIII B (added by Proposition 4 on the 1979 ballot and sometimes referred to as the "Gann Limit" after the ballot measure's leading proponent). See also Cal. Gov't Code § 7900 and following.

¹⁶ Cal. Const. art. XIII B, § 4.

¹⁷ See GFOA Recommended Best Practice: Managing the Salary and Wage Budgeting Process (2010), http://www.gfoa.org/downloads/GFOA_ManagingtheSalaryandWageBudectingProcessBP.pdf.

¹⁸ See, e.g., League of California Cities City Manager Compensation Guidelines, available at <http://www.cacities.org/UploadedFiles/LeagueInternet/91/911307cc-e899-43cb-ba97-7d28bf20640c.pdf>

¹⁹ GFOA Recommended Best Practice: Using Websites to Improve Access to Budget Documents and Financial Reports (2003), <http://www.gfoa.org/downloads/caafr-budgets-to-websites.pdf>. See also <http://www.gfoa.org/downloads/websitepresentation.pdf>.

²⁰ See Single Audit Act Amendments of 1996, OMB Circular A-133, the OMB Circular Compliance Supplement and Government Auditing Standards, http://www.whitehouse.gov/omb/financial_fin_single_audit.

²¹ GFOA Recommendation: Audit Committees (2008), http://www.gfoa.org/downloads/caafrAudit_Committee_revised.pdf.

²² Available at <http://www.gfoa.org/downloads/GENERALPURPOSECHECKLIST.pdf>.

²³ See Cal. Gov't Code § 53607.

²⁴ See Cal. Gov't Code § 53646(a).

²⁵ See Cal. Gov't Code §§ 53607, 53646(b).

²⁶ See Cal. Gov't Code § 53630 and following.

²⁷ GFOA Recommendation: Understanding Your Continuing Disclosure Obligations for Debt (2010), http://www.gfoa.org/downloads/GFOA_understandingcontinuingdisclosureBP.pdf.

²⁸ Cal. Const. art. XVI, § 18(a) (“No county, city, town, township, board of education, or school district, shall incur any indebtedness or liability in any manner or for any purpose exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the voters of the public entity voting at an election to be held for that purpose, except that with respect to any such public entity which is authorized to incur indebtedness for public school purposes, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the purpose of repairing, reconstructing or replacing public school buildings determined, in the manner prescribed by law, to be structurally unsafe for school use, shall be adopted upon the approval of a majority of the voters of the public entity voting on the proposition at such election; nor unless before or at the time of incurring such indebtedness provision shall be made for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and to provide for a sinking fund for the payment of the principal thereof, on or before maturity, which shall not exceed forty years from the time of contracting the indebtedness.”) Note that subdivision (b) goes on to provide for additional details relating to school debt.

²⁹ See *Rider v. City of San Diego*, 18 Cal.4th 1035, 1045 (1998).

³⁰ See, for example, *California Housing Finance Agency v. Elliott*, 17 Cal. 3d 575, 587 (1976).

³¹ See generally, GFOA Recommendation: Debt Management Policy (1995 and 2003), <http://www.gfoa.org/downloads/debt-management-policy.pdf>.

³² For county projects, the threshold for complying with state law relating to public work contracts and bidding procedures is based on population: counties with populations of 500,000 or more (\$6,500); counties with populations of 2 million or more (\$50,000); and all other counties (\$4,000). See Cal. Pub. Cont. Code §§ 20120-20123. See also Cal. Pub. Cont. Code § 20390-20409 (relating to work on county roads). For general law cities, public works projects worth more than \$5,000 are subject to the state's competitive bidding requirements. Cal. Pub. Cont. Code §§ 20160-20162. The state's Public Contract Code also has various competitive bidding requirements for special districts based on the kind of district. See Cal. Pub. Cont. Code §§ 20190-20381.

Note that it is a misdemeanor to split projects to avoid competitive bidding requirements. *See, e.g.*, Cal. Pub. Cont. Code §§ 20123.5, 20163.

³³ Cal. Const. art. XVI, § 6.

³⁴ *See, for example, Golden Gate Bridge & Highway Dist. v. Luehring*, 4 Cal. App. 3d 204 (1970).

³⁵ *See* Cal. Gov't Code § 8314; Cal. Penal Code § 424. *See also* Cal. Gov't Code § 54964.

³⁶ *See* Cal. Gov't Code § 53232.2(b) (“If a local agency reimburses members of a legislative body for actual and necessary expenses incurred in the performance of official duties, then the governing body shall adopt a written policy, in a public meeting, specifying the types of occurrences that qualify a member of the legislative body to receive reimbursement of expenses relating to travel, meals, lodging, and other actual and necessary expenses.”). *See also* <http://www.leginfo.ca.gov/calaw.html> for additional information on what such policies must include.

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