

**CITY OF DANA POINT
COUNCIL POLICY**

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BACKGROUND

The purpose of this policy is to ensure the City of Dana Points' financial sustainability beyond a single fiscal year. Financial sustainability is defined as the City's long-term financial performance where planned long-term service and infrastructure standards are met without unplanned increases in rates or disruptive cuts to services. Long-term financial planning is essential for maintaining financial sustainability.

COMMITMENT TO A LONG-TERM PERSPECTIVE ON CITY FINANCES

Each year, the City will consider its long-term financial position by reviewing long-term forecasts. The City will also adopt a long-term financial plan that sets forth how the City will maintain long-term financial health. The City will keep the plan updated regularly so that it offers current and relevant guidance to City officials while they develop the City budget.

SCOPE OF LONG-TERM FINANCIAL PLANNING

- **Time horizon.** The long-term financial plan will forecast revenues, expenditures, and financial position at least five years into the future, or longer where the specific issues being studied in the plan call for a longer time horizon.
- **City Strategic Plan.** The long-term financial plan will include consideration of implementing goals of the Strategic Plan.
- **Funds considered.** The long-term financial plan will cover at least the General Fund, but should also cover other funds that are of significant size and that are facing long-term challenges to their continuing financial health.
- **Comprehensive analysis.** The long-term financial plan will provide meaningful analysis of key trends and conditions, including but not limited to:
 - Volatility of material revenues and program expenditures to economic, natural or man-made disasters;
 - Analysis of the affordability of current services, projects, and obligations; including, but not limited to personnel costs and unfunded pension liabilities;
 - Analysis of the affordability of anticipated service expansions or investments in new assets, including ongoing operating, maintenance and replacement costs; and,

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- Synthesis of the above to present the City's financial position.

STRUCTURAL BALANCE

Long-term structural balance is the goal of long-term financial planning. Hence, the City will adopt a long-term financial plan that is balanced over the planning horizon. If the City's long-term forecasts and analysis show that the City is not structurally balanced over the planning horizon, then City staff and Council will develop the necessary strategies to create long-term structural balance. These strategies will be part of the official adoption of the long-term financial plan.

NON-CURRENT LIABILITIES

The long-term financial plan will address strategies for ensuring that the City's long-term liabilities remain affordable. This includes, but is not necessarily limited to: debt, asset maintenance, and public pensions.

MONITORING LONG-TERM FINANCIAL HEALTH

At least once per year, the City staff shall present to the Council a long-term forecast that shows how revenues compare to expenditures and how the resulting difference impacts the City' fund balances relative to its policy for maintaining a minimum level of fund balance, including reserves. The forecast shall have the following features:

- The assumptions used for revenue forecasts will represent the City staff's best estimate; these projections will be neither too conservative nor too optimistic.
- The expenditure forecast will represent a projection forward of current service levels unless there are officially adopted plans that call for a clear change in service levels within the forecast time horizon.
- City staff may present alternative forecasts that highlight potential volatility in either material revenues or expenditures so that the City Council can gain better insight into the possible future financial condition of the City.