



# Agenda Item

## City Council

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**Item #:** 3.16.

8/12/2025

**File #:** 25-0464

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**TO:** Honorable Mayor and Members of the City Council

**THRU:** Jarad Hildenbrand, City Manager

**FROM:** Trang Nguyen, Finance Director

### 1. SUBJECT

Adoption of Financial Management Policies. Resolution No. 11628.

### 2. SUMMARY

Approving and adopting Financial Management Policies provides a framework for the annual budget and planning process.

### 3. RECOMMENDED ACTION

Adopt Resolution No. 11628. A Resolution of the City Council of the City of Orange approving and adopting Financial Management Policies.

### 4. FISCAL IMPACT

None.

### 5. STRATEGIC PLAN GOALS

Goal 2: Enhance Economic Development and Achieve Fiscal Sustainability

Objective 2.9: Create a fiscal sustainability plan

### 6. DISCUSSION AND BACKGROUND

On November 26, 2024, the City Council adopted a Strategic Plan, outlining the Council's goals and objectives for the next five years, which included a goal to create a fiscal sustainability plan. Staff presented the draft Financial Management Policies (FMPs) (Attachment B) at a regular City Council meeting on March 11, 2025, followed by the Audit Advisory Committee on April 3, and the Investment Advisory Committee on July 23. Comments from all meetings were noted and incorporated in the final FMPs (Attachment C).

Along with some general language edits, some notable revisions were included and are as follows:

- Clarifying the use of Consumer Price Index for All Urban Consumers (CPI-U) to the prior calendar year average instead of the last 10 years' average;
- Identifying the priority of allocating the General Fund operating surpluses;
- Clarifying how the General Fund catastrophic reserve will be calculated at budget adoption

and trued-up at the end of the fiscal year;

- Adding specific details to the budget status report to include estimated fund balance and significant variances between budget and actual; and
- Emphasizing the annual review process of the phase-in approach to meet the new reserve thresholds.

Once adopted, these policies will provide a framework for the budget and planning process year-to-year, as well as provide clear guidelines for meeting the City's fund balance reserves ensuring the City's fiscal sustainability into the future. Moving forward, the FMPS will be reviewed annually during the budget adoption and brought forward should any revisions be necessary.

## **7. ATTACHMENTS**

- Attachment A - Resolution No. 11628
- Attachment B - Draft Financial Management Policies
- Attachment C - Revised Financial Management Policies (redline)
- Attachment D - Revised Financial Management Policies (clean)