13. ECONOMIC AND FISCAL ELEMENT







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13. ECONOMIC AND FISCAL ELEMENT

PURPOSE

The purpose of the Economic and Fiscal Element is to ensure the City retains its strong economic position while sustaining itself fiscally through programs that enhance the community's economic base, maximize the effectiveness of the City's public facilities, maintain a stable City revenue system, recover the cost of public services at General Plan build-out, minimize General Fund debt and produce a balanced annual City budget.



People sitting outside in the Downtown area

LOCAL ECONOMY

Historical Perspective

By the time Pleasanton incorporated in 1894, it had grown from a homesteading settlement along the transcontinental railroad into a community with an agrarian economy based on dairies, roses, grain, hay, and hops. It generally stayed this way until the 1960s and 1970s when it evolved into a suburban bedroom community with a population base to attract jobs. By the 1980s, available land and proximity to Interstate 580 (I-580) and I-680 attracted additional development. Seven major business parks, a regional shopping mall, five hotels, and a variety of retail, office, and service centers were constructed. The City and its employment base grew rapidly, with Pleasanton becoming a regional job center. However, Pleasanton was not immune to the statewide recession of the early 1990s. Employment growth stagnated during this time period. However, the late 1990s brought a resurgence of prosperity during which time Pleasanton benefited from the Silicon Valley's technological expansion. The year 2001 brought a significant decline in the number of businesses in the technology sector, but Pleasanton and the East Bay fared better than cities in the Silicon Valley and the greater South Bay area. Pleasanton was not, however, totally immune to the downturn in the technology industry, which resulted in a decrease in business related revenues accompanied by State budget problems. Despite suffering State budget impacts, Pleasanton was able to weather the weakened economy, in part by continuing to adhere to the conservative financial policies set forth in its first Economic and Fiscal Element that was developed as part of the 1996 General Plan update. Now, with a revitalizing State and regional economy, Pleasanton's economy is expected to improve with a steady but modest increase in near-term jobs.



Heinz Corporation

Current and Projected Economic Conditions

The mix of businesses in Pleasanton has evolved over the past two decades to include a diverse range of business types and sizes. In the 1990s, Pleasanton's local economy was characterized by several large employers, along with a growing number of smaller firms. During this time, strengthening business sectors included software, communications, miscellaneous materials and devices, and the service industry, specifically hotel, health and business services. Retail also continues to be a strong sector in the Pleasanton economy.

While Pleasanton remains a desired location for corporate headquarters and large employers, the region is gaining a reputation for entrepreneurship. Over the past few years, Pleasanton and the Tri Valley have developed as an innovation-driven economy with a specialization in information technology, scientific and biomedical products and services, innovation services, and business operations. As such, "homegrown" firms are now an important source of job growth and economic revenue. Despite the economic stagnation in the San Francisco Bay Area in the past few years, the recovery has been stronger in the East Bay. As a result, Pleasanton and the neighboring Tri-Valley cities have seen an increase in business expansion. In fact, as noted in a recent report prepared for the Tri-Valley Business Council (TVBC) the number of firms created between 1999-2002 outpaces the number of firms that closed by 34 percent. Additionally, during the same period, the number of firms that relocated into the Tri-Valley region was 45 percent greater than the number of firms that moved out of the region. Another indicator of economic stability is the vacancy rate for commercial office space, which is once again declining, although absorption levels comparable to the mid-1990s are not anticipated in the near term.



Hacienda

Hacienda West building



Hacienda Site Plan

The outlook for historic Downtown Pleasanton is very good. Since the reconstruction of Main Street in 1993, a distinct market niche has developed, and the tenant mix has broadened to over 500 businesses offering a variety of commercial and professional services along with numerous restaurants and retail shops. An update to the *Downtown Specific Plan* was completed in 2019 and includes programs to support both the visual and historic character of downtown, as well as the district's success as a commercial area. Over time, buildings are being

renovated and infill developments are proposed or under construction, creating new space for additional business. This private investment in downtown is matched by several significant civic projects: the recently renovated Veterans Memorial Building, the addition of public restrooms, and the future conversion of a former fire station to a performing arts center. Over the past few years there has been increased interest in bringing additional housing into the downtown; proposals include small residential complexes and live/work developments. These amenities help to ensure the long-term economic vitality of downtown.



Former fire station before conversion to a performing arts center

Tourism is also becoming a more important sector of the economy. The Tri-Valley Convention and Visitor's Bureau promotes the Tri-Valley area including the cities of Pleasanton, Livermore, Dublin, and San Ramon. During 2005, these cities entered into an agreement to establish a Tri-Valley Tourism Improvement District to provide additional resources for the Bureau to promote the Tri-Valley Area. This new funding mechanism will provide more marketing resources in attracting events, conventions, and the film industry to the Tri-Valley area.

Pleasanton's quality community, transportation accessibility, advanced infrastructure, public-safety services, and highly educated work force are attributes that help retain and attract employers. The City has developed the economic goals and policies of this Element to achieve continued diverse economic activity for Pleasanton.

CITY FINANCES

Fiscal Environment

With the strong economic growth that took place during the 1980s, there was little difficulty keeping pace with the increased cost of City goods and services from locally generated revenues. The growth in property tax and sales tax revenues, which resulted from growth in housing and business, provided for the enhancement of existing services and the addition of new ones. However, during the first half of the 1990s, the City saw the growth in population and, correspondingly, the growth in property and sales tax revenues occur at a slower rate. The technology expansion in the late 1990s brought renewed financial prosperity to the City. However, this prosperous period was followed by a statewide recession beginning in 2001 with adverse impacts on the State's fiscal situation that flowed down to local governments, including the City.

By 2005, the City began to experience an increase in business expansion and relocation activity. New businesses include Oracle Corporation, Kaiser Permanente Information Technology Division, and Simpson Manufacturing. The Stoneridge Shopping Mall is planning a major renovation and expansion scheduled for completion in 2009. The Bay Area Rapid Transit (BART) system is planning to construct a second Pleasanton station located near the Stoneridge Mall.



Shoppers at Stoneridge Mall

With a gradual recovery under way, continued growth in the City's revenue base is projected for the short term. However, the rate of growth is expected to slow as Pleasanton approaches build-out and beyond. It will become more difficult to continue to enhance services at the same rate as in the past. However, with the diverse economic portfolio of the community, and prudent financial goals and policies in place, the City will be better equipped to continue to maintain local services than many other communities. As a result of responsible land use planning in the past, the community has a strong mixture of commercial and retail services which help provide a revenue stream that is less affected by a decline in any single revenue source. The financial goals, policies, and programs contained in this Element are intended to ensure this strength endures into the future.

As a result of statewide property tax shifts initiated by the State during the recession of the early 1990s, from 1991-92 to 2006, the City has lost 75.4 million dollars in revenue combined with the cost of added responsibilities. Included in this amount is the latest round of State budget impacts that started in 2003-04 and extend at least through 2005-06. However, a constitutional amendment *(Proposition 1A)*, passed by State voters on November 2, 2004, limits the amount of reductions of local government revenues in 2006-07 and future years, and recharacterizes those reductions as "loans" rather than "takeaways." It also limits the State's ability to borrow local revenue allocations to twice every ten years.

Another provision of *Proposition 1A* permanently reduces the vehicle license in-lieu tax rate and replaces local governments' lost taxes with property tax money, the source of which has been transferred from local governments annually since 1993. With this revenue restructuring, property taxes now encompass a far larger share of the City's General Fund revenue base (48 percent). While property taxes are one of the least volatile revenues, it is still important to have a diversified revenue base that includes as much locally generated revenue as possible. The City's best defense against possible future economic downturns and State budget impacts is to maintain as diverse a revenue base as possible, with little reliance on outside sources. This philosophy is expressed in many of the goals and policy statements contained in this Element.

Budget Structure

The City routinely prepares two budgets. The first is the Operating Budget, which is its comprehensive financial plan for providing all programs and services to the community. The second is the Capital Improvement Program Budget, which is a multi-year plan outlining major capital expansion, improvement, and replacement projects, including infrastructure and facilities.

The City segregates different types of revenues and expenditures into "Funds." A Fund is an entirely separate accounting entity. Each Fund

has been established due to some restriction on the use of resources received by the Fund, or by the need to separately budget and account for its activities. Funds are organized into the following types:

- General Fund
- Enterprise Funds
- Debt Service Funds
- Internal Service Funds
- Trust Funds
- Special Revenue Funds
- Capital Project Funds

The Fund structure is required by governmental accounting standards and serves the City in providing the framework for meeting many of the financial goals and policies stated in this Element. For example, this structure allows the City to segregate development-related revenue from other revenues to help ensure that the City meets its goal of recovering capital costs necessitated by build-out of the General Plan. It also allows the identification of future replacement costs to ensure that adequate funding is a part of any balanced budget plan. It provides the information necessary for the City to complete fee and rate studies which accurately spread costs to the appropriate users. It also segregates and identifies the City's revenue sources, providing information to help the City meet its goals of maintaining a diversified and stable revenue base. Lastly, the Fund structure facilitates the ongoing review of the City's financial condition.

Historical and Projected General Fund Trends

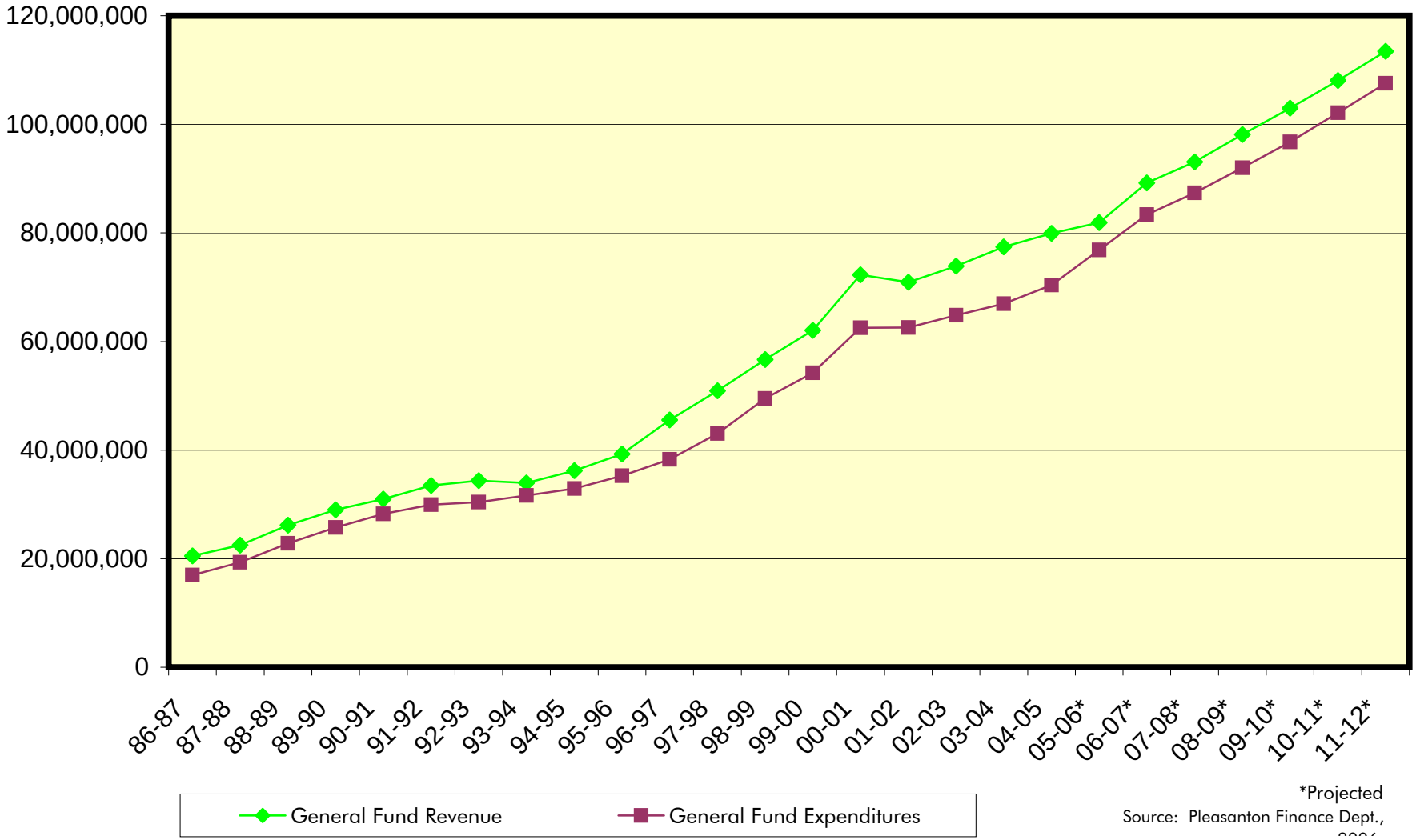
The City's General Fund experienced major revenue growth in the last two decades as shown in Figure 13-1. Property and sales taxes have been the two largest sources of local revenue. Both are expected to continue to grow in the short term, but at a slower rate than in the two prior decades.



123 Main Street, City Hall

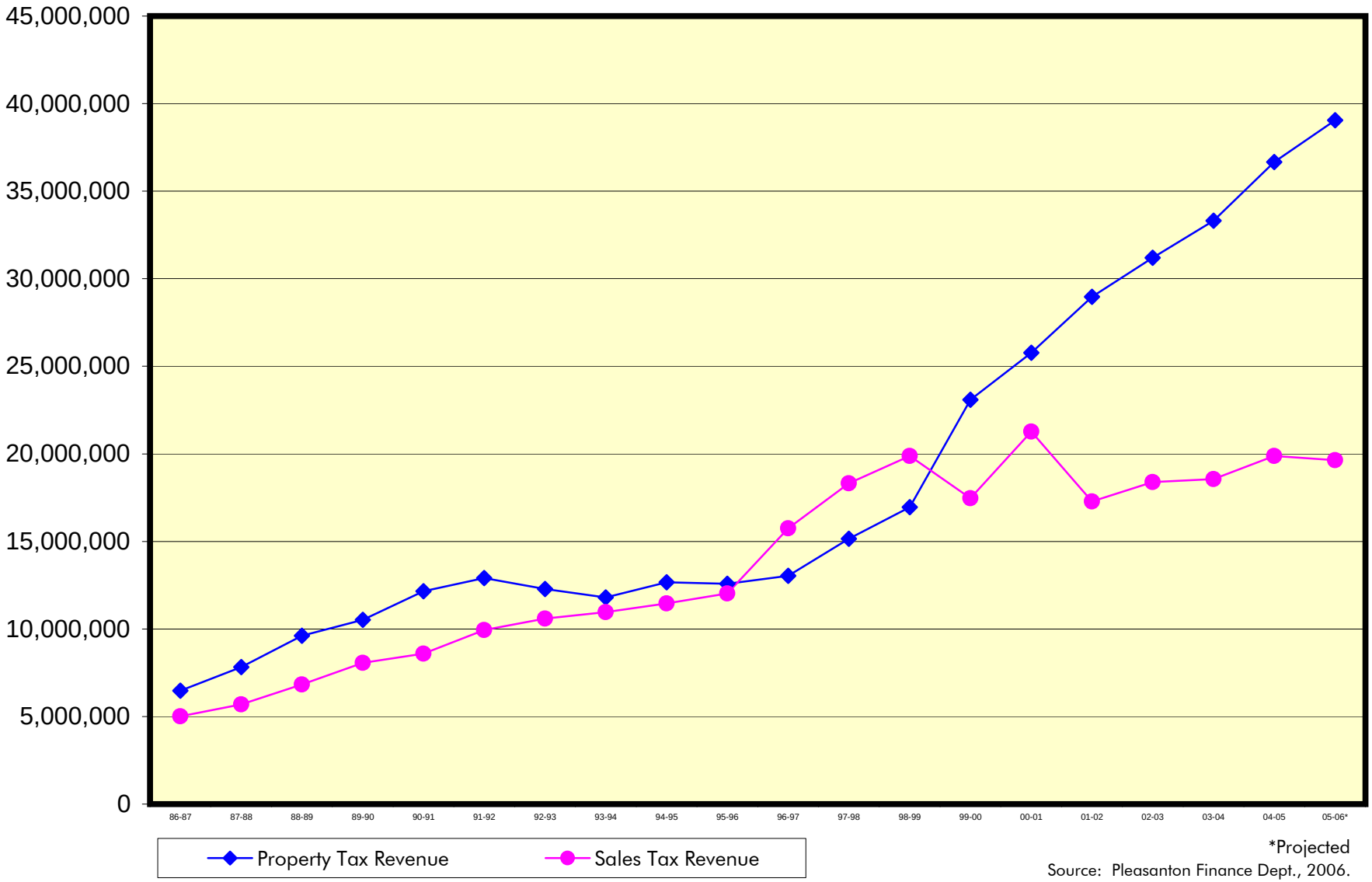
Pleasanton, because of its diversified retail base, has largely been spared the major loss of sales tax dollars experienced by many other localities during recessionary times. In addition to many storefront retailers, the City receives significant sales tax dollars from construction related industries and business-to-business retail transactions, although this source has declined in recent years. The downside to the latter two types of transactions is their sensitivity to economic cycles. Sales tax revenue was once expected to outpace property tax revenue as the major source of General Fund revenue, but it did so only temporarily from 1996 to 1999, as shown in Figure 13-2. Property taxes have once again become the larger source. Sales tax revenue growth has slowed for a variety of reasons. For example, the City has lost sales tax dollars to Internet sales that often are exempt or can escape taxation. As mentioned above, business-to-business retail transactions have declined, which may also be due in part to Internet sales. Another

Figure 13-1
General Fund Revenue and Expenditures



*Projected
Source: Pleasanton Finance Dept.,

Figure 13-2
Comparison of Property and Sales Taxes
Fiscal Year 86-87 thru Fiscal Year 05-06



*Projected
Source: Pleasanton Finance Dept., 2006.



Downtown commercial area

contributing factor is that the City has experienced increased retail competition by neighboring cities in the I-580/I-680 freeway corridors.

With the development of the remaining vacant commercial land in Pleasanton, the City will benefit from additional new sales-tax-generating businesses. However, retail development in the I-580/I-680 corridors from Livermore to Dublin and from Dublin to San Ramon also continues to expand. Because of the increase in retail outlets in neighboring cities and the remote possibility that the State will redistribute some of the City's sales tax dollars in the future, it is unlikely that Pleasanton will soon, if ever, see the growth in sales tax revenues that it did in the past.

Property assessed values continue to rise, although not at the levels of the prior two decades. Property tax revenues are projected to increase five to six percent over the next few years but could trend in the range of four to five percent as the City gets closer to General Plan buildout.

Reassessments based on both residential and commercial property resales will be an important factor affecting the future growth rates in property tax revenue. In addition, the remaining few new housing units planned for in the General Plan will contribute to increased property tax revenue, but new and remodeled commercial properties will likely comprise a bigger share of the increase in the long term.

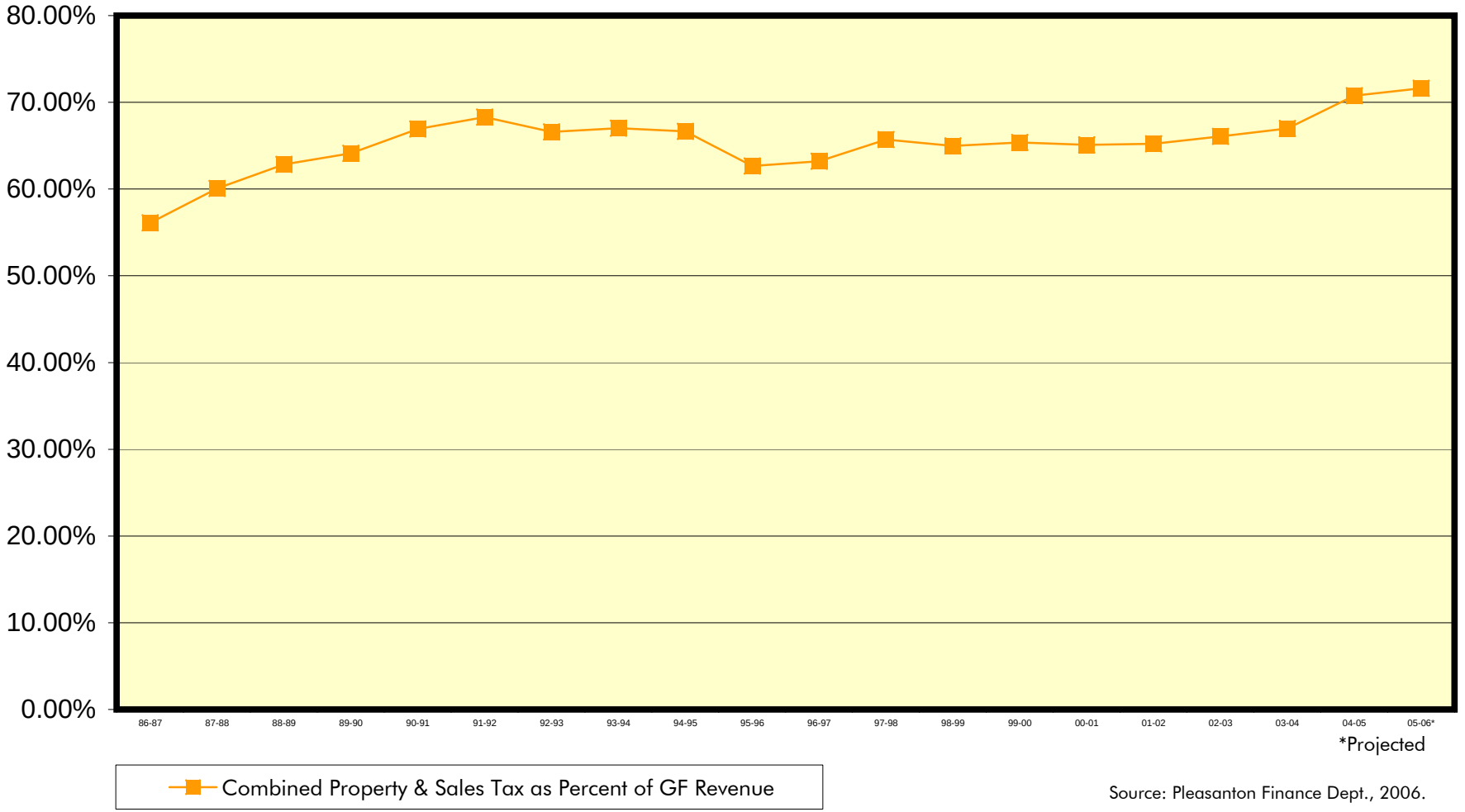
Figure 13-3 reflects the historical percentage of General Fund revenue derived from property and sales taxes combined. In 1986-87, the two sources comprised 55 percent of total General Fund revenue. For 2005-06, they are projected to comprise over 70 percent of the total General Fund revenue.

Figure 13-4 reflects the historical percentage derived from each of the two revenue sources. Note that during the period 1996-97 through 1998-99, sales taxes surpassed property taxes as the primary source of revenue. This trend was previously expected to prevail as the City approached build-out.

However, this trend was quickly reversed starting in 1999-2000, when for the reasons previously described, property tax dollars once again outpaced sales tax as the major revenue source. While property taxes are a far less volatile revenue source than sales tax, the resulting trend is toward a concentration in fewer revenue sources. However, to remain fiscally sustainable, it is important for the City to have as much local control over revenue sources as possible, and to have as much diversity as possible. Several goals and policies in the Element address this issue.

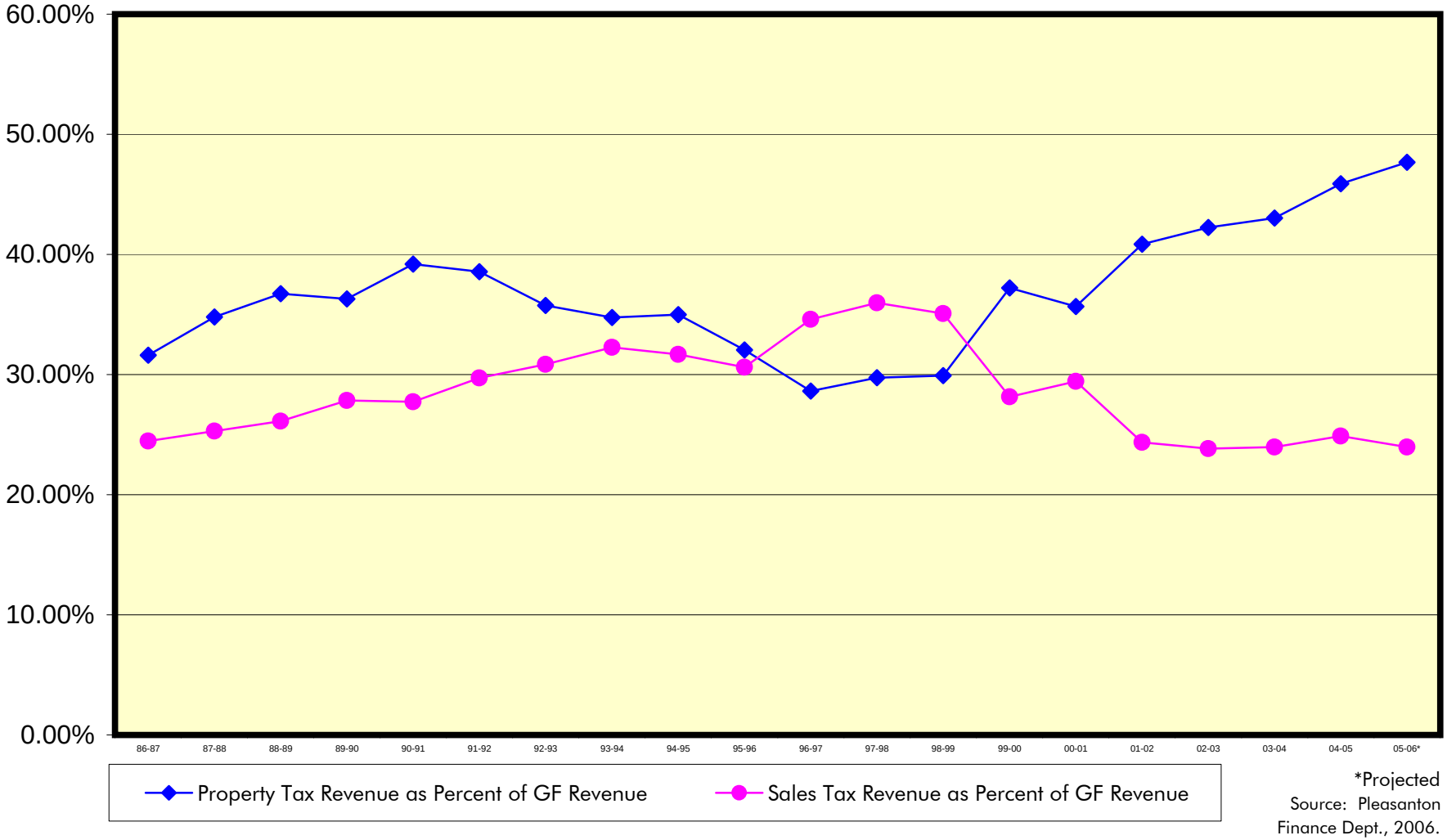
On the expenditure side, with the annexation of the Bernal property and recent growth in the southern areas of the City, police and parks/

Figure 13-3
Combined Property and Sales Tax as Percent of Gross Fiscal Revenue
Fiscal Year 86-87 through Fiscal Year 05-06



Source: Pleasanton Finance Dept., 2006.

Figure 13-4
Property and Sales Tax as a Percent of Gross Fiscal Revenue
Fiscal Year 86-87 through Fiscal Year 05-06



*Projected
Source: Pleasanton Finance Dept., 2006.



Bernal Corporate Plaza

community services staffing (or contract services) is expected to grow to meet increasing demands. In addition, recent cost trends for utilities, gasoline, and labor have been exceeding inflation. As is the case with most public and private sector employers, the single greatest factor driving expenditure growth is labor costs; specifically the costs of retirement, medical benefits, and workers' compensation have been growing beyond the rate of inflation.

Figure 13-1, above, shows that revenues are expected to continue to exceed expenditures over the next five or six years, but excess net income is starting to slowly trend downwards. Therefore, not only is it important to maintain a strong revenue base through an aggressive economic development strategy, and to charge appropriate fees, but it is a continual necessity to manage labor and other costs in order to deliver services in a very cost effective manner.

City Financing and Sustainability at General Plan Buildout

As noted, the City currently has over 70 percent of its total General Fund revenue generated from property tax and sales tax. With pending retail saturation and the limitations on property tax growth, the diversity of the revenue system as well as the degree of local control will be key factors in ensuring Pleasanton's long-term fiscal health and sustainability. To maintain such revenue diversity and self-reliance, new revenue sources will need to be explored while existing sources, such as development and user fees, will require periodic review to ensure that costs are paid by the appropriate users. The City should also be proactive in monitoring legislation that could have a negative financial impact. Prudent asset management and effective revenue collection, as well as the delivery of services in the most cost effective manner, will be important factors in minimizing burdens to the taxpayer and ensuring fiscal sustainability at build-out

In order to ensure that any remaining development pays for its share of capital facilities and infrastructure, the City must continue to identify the appropriate funding sources for each capital project. Each project should be analyzed to determine whom it will serve and who should pay for it. Through fee studies and efficient accounting, the City can ensure that development fees pay for those portions of projects that are needed to serve new development. The remaining portion of projects that serve existing residents and businesses can then be funded appropriately by General Fund reserves, gas taxes, water/sewer rate revenue, and available grants.

Balanced Budget

Despite State recession impacts on City finances in the last five years, Pleasanton has still been able to maintain a balanced budget annually, while maintaining service levels and making significant contributions to capital projects. The City was able to accomplish this through prudent financial management and efficient service delivery.

To ensure the City's long-term fiscal health and to minimize future burdens on the City's resources and taxpayers, a balanced budget is essential. To ensure a balanced budget, the City must use its current resources to meet current obligations and make sure that operating fund debt is minimized. In addition, future costs such as asset replacements must be recognized and funded like current expenses.

To aid the City in structuring a balanced budget, regular review must be performed to allow revenue sources to be properly identified and matched with their intended purposes. The balancing of future budgets will be facilitated by the City setting aside funding for obligations when they are incurred. For example, as assets are being used, their depreciation should be recognized as an expense, and dollars set aside to ensure adequate funding is available at the appropriate future time. The City can lessen the burden on future taxpayers by utilizing debt only for acquiring long-term capital and when it is cost effective. Reserves must be established for both known and unknown future obligations. The City must continue to search for the most cost effective means of delivering services, including managing labor cost growth so it does not outpace revenue growth. Accompanying this, the City must also continue to refine and improve its budget process.

To support the City's goal of fiscal sustainability, changes to the Element ensure a balanced budget and address specific concerns for the City's long-term fiscal health. A program was added that requires the City to fund at least its normal PERS (Public Employees Retirement System) costs annually, and to transfer any excess to a reserve to offset future increases above its normal costs. Furthermore, an existing program was changed to decrease the recommended upper limit of the General Fund debt ratio from 10 to 5 percent except as otherwise determined by the City Council. This means that General Fund revenues pledged to make annual debt payments should total no more than 5 percent of the total annual revenues, unless otherwise determined by the City Council.



Maintenance of utilities in street right of way

RELATIONSHIP TO OTHER ELEMENTS

Policies and programs established throughout the General Plan affect the economy and fiscal policies in Pleasanton.

Land Use Element Element

The Land Use Element designates land uses that affect the economic health of the community. The Economic and Fiscal Element promotes a varied mix of land uses to ensure a broad revenue base through proactive land use planning and zoning.

Public Safety Element

The Public Safety Element designates critical facilities for emergencies and provides for public safety during emergencies. The Economic and Fiscal Element promotes managing the City's financial assets in a sound and prudent manner. This would assure the long-term ability of the City to recover the cost of public services to provide for public safety.

Public Facilities and Community Programs Element

The Public Facilities and Community Programs Element defines the capital improvements, public facilities, and programs needed to service the community at build-out. The Economic and Fiscal Element would enhance the community's economic base, maximize the effectiveness of the City's public facilities, and maintain a stable City revenue system.

Subregional Planning Element

The Subregional Planning Element discusses economic and fiscal revenues for the Tri-Valley Area. Pleasanton's Economic and Fiscal Element discuss these same issues for Pleasanton.

ECONOMIC AND FISCAL GOALS, POLICIES, AND PROGRAMS

The following goals, policies, and programs, in addition to those contained in other Elements, constitute an action program to implement the objectives described in this element.

GOALS, POLICIES, AND PROGRAMS

Goal 1: Recognize the connection between fiscal, economic, transportation, housing, environmental and social equity issues in creating and maintaining a sustainable economy in Pleasanton.

Economic Base

Goal 2: Sustain the community's quality of life with a vigorous and diverse economy.

Policy 1: Enhance Pleasanton's diversified economic base through an aggressive business retention and expansion program.

Program 1.1: Establish a business retention and expansion program that identifies needs and constraints to current business operations, and acknowledges the contributions and importance of existing businesses.

Program 1.2: Promote and participate in regional efforts to develop a "green economy" in the Tri-Valley.

Policy 2: Actively recruit and attract businesses and industries which are compatible with the General Plan, are a good fit with the resident worker population, and are consistent with the environmental holding capacity of the land and surrounding land uses.

Policy 3: Strengthen the retail sector.

Policy 4: Promote tourism, cultural, and recreational activities.

Program 4.1: Work with the Tri Valley Convention and Visitors Bureau, the Pleasanton Downtown Association, the Livermore Valley Winegrowers Association, and other organizations to support and cultivate tourism.

Program 4.2: Implement the City's Economic Development Strategic Plan.

Program 4.3: Identify a desirable mix of businesses that will produce tax revenue on a continuing basis.

Program 4.4: Implement a targeted business attraction program, incorporating a focused marketing effort, to assist businesses with the potential to locate and invest in Pleasanton.

Program 4.5: Continue to work with businesses and employment recruiters to establish a process to recruit Pleasanton and other Tri-Valley residents for local employment opportunities.

Program 4.6: Distribute marketing information to developers and realtors which identifies the City's service needs and potential sites suitable for those uses.

Program 4.7: Enhance the efficiency of the City's service delivery and permitting process.

Program 4.8: Set benchmarks and measure progress in implementing the Economic Development Strategic Plan.

Program 4.9: Consider business attraction and retention impacts when establishing or adjusting fees and taxes.

Policy 5: Focus City efforts on supporting and assisting Pleasanton businesses success.

Policy 6: Work with the business community to identify and work towards common goals.

Program 6.1: Work in cooperation with the Pleasanton Downtown Association, Chamber of Commerce, and other business organizations.

Program 6.2: Designate selected City staff members, at the City Manager's discretion, to act as a point of contact for the business community, and promote this service to the business community.

Program 6.3: Streamline and provide more certainty in the development review process.

Program 6.4: Work in cooperation with the business community to make city processes understandable, open, and accessible.

Goal 3: Capitalize on the use of the City's existing and future public facilities.

Policy 7: Ensure that public facilities and infrastructure are maintained and developed to support future business needs and ensure reliable service.

Program 7.1: Maintain a partnership with service and utility providers to meet current and future business needs.

Program 7.2: Provide for optimal maintenance of capital improvements and schedule equipment for future replacement at the most cost effective time.

Revenue System

Goal 4: Maintain a diverse and stable revenue system.

Policy 8:	Undertake programs which will diversify and help to keep the City's revenue system stable from short-term fluctuations in any one revenue source.

Program 8.1: Promote a varied mix of land uses to ensure a broad revenue base through proactive land use planning and zoning.

Program 8.2: Continue to investigate and utilize potential new revenue sources, particularly those which will not add to the tax burden of residents or local businesses.

Program 8.3: Work proactively with the League of California Cities and local communities to monitor legislation that may impact the City financially, and lobby for funding of Federal, State, and County-mandated programs and projects.

Cost of Services

Goal 5:	Recover the direct and indirect costs of providing services and facilities necessitated by the buildout of the General Plan through a combination of fees, exactions, and an evaluation of long-term economic benefits.

Policy 9:	Recover the costs of new facilities and infrastructure necessitated by development.

Program 9.1: Maintain programs consistent with State law to determine appropriate development impact fees. Consider current and future costs and direct and indirect costs to the extent allowable and reasonably determinable.

Program 9.2: Establish a policy which determines if and when fee waivers or other financial allowances should be made when the benefits derived from the development, both direct and indirect, exceed expected costs.

Program 9.3: Work with affected business entities when considering new fees or changes in fees.

Policy 10:	Move toward cost recovery for City facilities and services.

Program 10.1: Maintain a user fee policy which establishes desired levels of cost recovery and determines the minimum frequency of user fee reviews.

Program 10.2: Maintain a user fee analysis program which bases calculations on actual costs including overhead.

Policy 11:	Assure that Sewer and Water Enterprise Funds remain financially independent.

Program 11.1: Review Sewer and Water Enterprise Fund rates and charges at least biannually.

Program 11.2: Set Sewer and Water Enterprise rates and charges at a level which will support the total direct and indirect costs of the enterprise, including the provision of long-term capital replacement.

Policy 12: Encourage public/private partnerships for community benefit.

Program 12.1: Explore options for the provision of community goods and services by the business sector consistent with the City's competitive bidding process.

Sustainable City Finances

Goal 6: Guarantee a balanced annual City budget and ensure that the City exists within its means and maintains adequate reserves in anticipation of known and unknown future obligations and insulates the budget as much as possible from the diversion of revenues away from Pleasanton to other levels of government.

Policy 13: Maintain a balanced budget.

Program 13.1: Adopt an operating budget that funds current year expenditures with current year revenues. Surplus fund balances (those in excess of minimum reserves established in the City's formal reserve policies) may be used to increase reserves, fund Capital Improvement Projects, or be carried forward to fund future years' Operating Budgets when necessary to stabilize services and fund capital outlay.

Program 13.2: Discourage the use of long-term debt for current operations.

Program 13.3: Discourage the use of short-term borrowing to support routine operations, provided however, that it may be used to meet temporary cash flow needs.

Program 13.4: Continue to deliver services in the most cost effective manner.

Program 13.5: Utilize the services of volunteers in areas where it is economically viable.

Program 13.6: Include budget objectives for each operating department in the budget which identify the service and resources being provided to accomplish the specified objectives.

Program 13.7: Fully account for and apportion all costs, fees, and General Fund transfers associated with Enterprise Funds.

Program 13.8: Prepare periodic financial reports of actual revenues and expenditures, for review by the City Council, to provide information on the status of the City's financial condition.

Program 13.9: Require the preparation of a fiscal analysis, which measures direct and indirect costs and benefits to the City, whenever the Director of Finance determines there is potential for negative fiscal impacts from a large housing and mixed-use project located in Specific Plan areas or in large Planned Unit Developments.

Policy 14: Dedicate, and maintain reserves to meet known and estimated future obligations.

Program 14.1: Maintain financial policies which establish a prudent level of reserves for future unexpected expenses and revenue declines.

Program 14.2: Maintain reserves for replacement of facilities and infrastructure.

Program 14.3: Maintain reserves for cash flow purposes.

Program 14.4: Fund at least the annual normal employer rate established by the Public Employees Retirement System (PERS), and transfer any excess to a reserve to offset future increases above the normal rate, except as otherwise determined by the City Council.

Policy 15: Construct capital improvements in accordance with an adopted capital improvement program.

Program 15.1: Continue to prepare a two- to five-year plan for capital improvements to be updated at least biennially.

Program 15.2: Coordinate preparation of the Capital Improvement Budget with preparation of the Operating Budget. Future operating costs associated with new capital improvements should be projected and included in Operating Budget forecasts.

Program 15.3: Identify the estimated costs and potential funding sources for each proposed capital project before it is submitted to the City Council for approval.

Program 15.4: Analyze the costs of various financing methods for new projects.

Program 15.5: Review public art projects submitted by the Civic Arts Commission for inclusion in the Capital Improvement Program or operating budget, determining appropriate funding through the normal budgetary process.

Policy 16: Provide for City equipment replacement and maintenance needs.

Program 16.1: Maintain a program to periodically update replacement and maintenance financing plans.

Program 16.2: Maintain cost-effective replacement and maintenance schedules.

Policy 17: Limit the use of debt so as not to place a burden on the fiscal resources of the City and its taxpayers.

Program 17.1: Allow limited use of long-term borrowing for capital improvements or projects that cannot be financed from current revenues.

Program 17.2: When capital projects are financed, amortize the debt within a period not to exceed the expected useful life of the project.

Program 17.3: Establish 5 percent as an upper limit for the General Fund debt ratio (annual debt service backed by the General Fund as a percent of total General Fund revenue), except as otherwise determined by the City Council.

Program 17.4: Investigate the use of special assessment, revenue, or other self-supporting bonds to limit the General Fund obligation for debt service payments whenever possible.

Program 17.5: Maintain strong communications with bond rating agencies about the City's financial condition, and follow a policy of full disclosure on financial reports and bond prospectuses.

Program 17.6: Strive to maintain or improve the City's bond rating.

Program 17.7: Utilize short-term inter-fund loans when possible and appropriate to reduce the cost of financing capital improvements.

Policy 18: Strive to maintain a diversified and stable revenue base that is not overly dependent on any land use, major taxpayer, revenue type, restricted revenue, inelastic revenue, or external revenue.

Program 18.1: Promote a diverse economic base by implementing the Economic Development Strategic Plan.

Program 18.2: Seek federal and State grants and reimbursements for mandated costs whenever possible.

Program 18.3: Avoid targeting revenues for specific purposes, whenever possible.

Program 18.4: Maintain an aggressive revenue collection program to assure that monies due the City are accurately received in a timely manner.

Program 18.5: Conduct periodic revenue and expenditure audits.

Program 18.6: Maintain and further develop methods to track major revenue sources and evaluate financial trends.

Program 18.7: Maintain efforts to ensure the accuracy of revenue forecasts.

Program 18.8: Strive to maintain taxes and fees at or below those of comparable cities and within the Tri-Valley area.

Policy 19: Continue to manage the City's financial assets in a sound and prudent manner.

Program 19.1: Maintain sound financial practices in accordance with State law, and direct the City's financial resources toward meeting the City's long-term goals.

Program 19.2: Maintain accounting systems in conformance with generally accepted accounting principles.

Program 19.3: Maintain and further develop programs to assure the long-term ability of the City to pay all the costs necessary to provide the level and quality of service required by its citizens.

Program 19.4: Maintain investment policies in accordance with State laws that stress safety and liquidity over yield.

Program 19.5: Utilize "pay-as-you-go" financing of capital improvements, whenever possible and financially prudent.