



## Staff Report

**TO:** City Council  
**FROM:** Lisa Leach, CPA, Assistant Finance Director  
**DATE** May 6, 2025  
**SUBJECT:** 2025 City of Beaumont Financial Policies Updates

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**Description** Establish Policies for Internal Service Fund and update the 2025 Financial Policies.

### **Background and Analysis:**

Financial policies provide guidelines for financial decision-making and are central to a strategic, long-term approach to financial management. Governments adopt formal financial policies to institutionalize good financial management practices, clarify strategic intent, promote long-term thinking, manage risks, and set decision-making boundaries. GFOA best practices recommend that governments formally adopt financial policies. Financial policies, which are adopted by the City Council, provide written guidance for how local government officials and staff should approach fiscal issues and core financial areas.

As part of the budget process, each year, the City's financial policies will be reviewed and updated by the finance department and prepared for City Council adoption. The financial policies will also be used during the Citywide audits to assess compliance and risk, and will be included in the City's budget book. Attached are the proposed 2025 City of Beaumont Financial Policies with recommended updates and changes in red. Minor language changes can be found on pages 21, 28, 29, 64, 65, and 66. An updated Purchasing and Contracts Table has been added to page 87, and the verbiage from the Ordinance has been added to pages 90 and 91. Language for responsibilities of grant approvals has been added to page 100, and the final edits occur on pages 138 and 139 of the Deposits Policy to include the Public Works Department. Both the 2025 City of Beaumont and Financial Policies and the new Internal Service Fund Policy have been reviewed by the Finance and Audit Committee and were recommended to be forwarded on to City Council for adoption at the April 28, 2025, meeting.

## **New Internal Service Fund Policy**

The City of Beaumont recognizes the need for an efficient and transparent process to manage aging City assets—including vehicles, equipment, facilities, and IT infrastructure. The proposed policy establishes guidelines for evaluating asset life cycles, replenishing funds, and ensuring timely replacements based on usage, condition, and technological advancements.

The policy mandates the formation of a **Review Committee**, composed of key departmental representatives, to assess asset conditions and replacement needs on an annual basis. This process aims to enhance fiscal responsibility by minimizing budgetary fluctuations and ensuring that aging assets are strategically replaced without causing undue financial strain.

The proposed **Internal Service Funds Policy** offers several benefits to the City's financial and operational planning:

- **Predictable Budgeting** – Establishes amortization schedules for asset replacement to minimize unexpected financial burdens.
- **Comprehensive Asset Evaluation** – Incorporates age, mileage, repair costs, and usability to determine replacement needs.
- **Fund Replenishment Strategy** – Ensures the availability of funds for future replacements through scheduled contributions by user departments.
- **Technology & Security Considerations** – IT assets are evaluated separately, considering technological advancements and cybersecurity needs.

Under the policy, the Finance Department will assess fund balances annually to ensure that replacement needs align with available resources. Departments will be required to submit asset usage reports during budget preparation to facilitate informed decision-making.

### **Fiscal Impact:**

The Internal Service Fund policy establishes a structured replenishment process funded through departmental allocations, interest earnings, and disposal proceeds from retired assets. The proposed 3.5% inflation rate factor ensures that future replacements are adequately funded, mitigating the risk of financial shortfalls. Updates to the 2025 City of Beaumont Financial Policies have no financial impact.

The cost of preparing this staff report is estimated to be \$250.

**Recommended Action:**

Approve the 2025 City Financial Policies and Internal Service Fund Policy as presented.

**Attachments:**

- A. 2025 City of Beaumont Financial Policies Manual
- B. Internal Service Fund Policy