



## Staff Report

**TO:** Honorable Mayor and Members of the City Council  
**FROM:** Lisa Leach, CPA, Interim Finance Director  
**DATE:** May 5, 2026  
**SUBJECT:** 2026 Financial Policies Update

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**Description:** Review of the 2026 Financial Policies Manual

### **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 governments formally adopt financial policies. Financial policies, which are adopted by 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 Cities budget book. Attached is the proposed 2025 City of Beaumont Financial Policies with no recommended updates. The 2026 City of Beaumont Financial Policies were posted to the Finance and Audit Committee meeting on April 27, 2026, but due to lack of quorum, the item was not discussed.

On April 28, 2026 at the budget workshop council discussed the Fund Balance Policies. Staff would like to highlight the sections below in preparation for the next workshop:

**A. General Fund Reserves or Ending Fund Balance Policy.** Working Capital Reserve Requirement to remain at 16% of the operating budget. This allows sufficient cash flow throughout the year when revenue receipts are not timely to expenditures. Budget Stabilization Reserve set at \$5M to provide city staff time to address an economic downturn without having to dip into the Working Capital Reserve. Emergency Disaster Reserve set at \$1M to provide funds that may not be available within the budget to address unforeseen emergency disaster

brought upon by nature or human. NOTE: The Government Finance Officers Association recommends, at a minimum, that general purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures.

**B. Enterprise Reserves or Ending Fund Balance.** The City will show adequate progress towards increasing Enterprise Fund reserves or Unassigned Fund Balance ultimately to 25% of the Enterprise Fund Balance. The City has established a Repair and Replace Reserve. Any funds remaining from a budget year will first address any shortfalls in the operating reserve requirement. Any surplus funds over the operating requirement will be placed in the Repair and Replace fund to meet ongoing capital maintenance needs. These fund balances will be maintained for the following purposes: a) Provide sufficient working capital to meeting daily cash needs to avoid using short-term debt instruments. b) Provide a reserve to absorb emergency expenditures caused by natural disasters such as fire, flood, or earthquake. c) Cover any unanticipated deficit resulting from a shortfall in actual revenues in a given budget year or unanticipated cuts by the State Legislature and Governor of City revenues.

**Fiscal Impact:**

No fiscal impact is expected for the 2026 Financial Policies update. The cost to prepare this report is \$200.

**Recommended Action:**

Approve the 2026 City of Beaumont Financial Policies.

**Attachments:**

- A. 2026 City of Beaumont Financial Policies Manual