

POLICY TITLE: GENERAL FUND SURPLUS POLICY

POLICY STATEMENT:

It is in the best interest of the citizens of Santa Cruz who rely upon the City for public access and services that the City should continue to prioritize allocation of General Fund resources towards critical, core municipal services that are in alignment with the City Council's goals. Therefore, the City Council shall authorize the establishment of the General Fund Surplus Policy to broadly define how future surpluses should be dedicated.

This policy shall be defined by the General Fund's Fiscal Year audited, final results and shall begin with Fiscal Year 2014. It shall create the following allocation of any annual surplus:

- 1) Any surplus shall be used to replenish any General Fund reserves up to their minimum level and to maintain a General Fund available Fund Balance for operational needs of 5% of the current fiscal year's Adopted Total General Fund Operating Expenditure Budget.
- 2) Any remaining surplus in excess of \$100,000 shall be allocated to the following operational needs:
 - a. 30% will be transferred into the Capital Improvement Program to be allocated first to any unfunded facility, vehicle, and equipment capital projects, and then to any new facility, vehicle, and equipment capital projects; and
 - b. 20% will be transferred into the Capital Improvement Program to be allocated first to any unfunded infrastructure capital projects, and then to any new infrastructure capital projects. Priority will be given to those roadway improvements that are currently below a Pavement Condition Index of 70; and
 - c. 30% will be dedicated towards reduction of debt obligations in the following priority:
 - i. To pay down any General Fund internal loans payable to other City funds;
 - ii. To fund unfunded obligations in the retirement or health programs;
 - iii. To reduce any other outstanding debt obligations.
 - d. 20% may be used for ongoing increases in service levels and/or personnel cost increases within the City Council's Goals based upon on a maximum of 20% of the average surplus amount of the prior three fiscal years, with a minimum of 10% of the surplus committed towards employment cost increases.

Circumstances where this policy may be postponed include:

- 1) If any one of the unforeseen and non-recurring events listed below occur that create significant financial difficulty for the City:
 - a. Sudden and unexpected significant facility or infrastructure failures that pose a safety risk to staff or the community;
 - b. Declaration of a State of Emergency by the Governor;
 - c. Unanticipated expenditures as a result of legislative changes from State/Federal governments in the current fiscal year;
 - d. Acts of Terrorism declared by the Governor or the President of the United States;
 - e. Acts of Nature which are infrequent in occurrence;
 - f. Other catastrophic events which are infrequent in occurrence.