

# General Fund Reserve Policy

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COUNCIL POLICY 12.13

POLICY TITLE: CITY WIDE STABILIZATION ARRANGEMENT (TWO-MONTH GENERAL FUND RESERVE) AND UNFUNDED OBLIGATION STABILIZATION ARRANGEMENT

POLICY STATEMENT:

I. City Wide Stabilization Arrangement (General Fund Balance Reserve)

It is in the best interest of the citizens of the City of Santa Cruz who rely upon the City of Santa Cruz for public access and services that a portion of the City's Fund Balance be set aside in a City Wide Stabilization Arrangement in order to provide a reserve against certain specified conditions listed herein that result in a sudden and unexpected drop in revenues, and/or unforeseen emergencies including unanticipated expenditures of a nonrecurring nature or unanticipated adverse financial or economic circumstances that would lead to operating shortfalls.

City Wide Stabilization Arrangement amount. The funding level shall be equal to but can exceed the equivalent of two-months of the current fiscal year's Adopted Total General Fund Operating Expenditure Budget.

Contributions and immediate funding of the City Wide Stabilization Arrangement. The City Council authorizes the City Manager to maintain a minimum balance defined above through transfers of available ending Fund Balance after the Budget is adopted but before the end of the fiscal year.

Conditions under which the City Wide Stabilization Arrangement may be spent. Appropriations from this reserve shall require a resolution from the City Council approved by a majority of the Council. However, if there is an urgent safety need, the City Manager can authorize expenditures of this fund provided the action is brought back to the City Council at its next regular meeting.

Under either case, the City Manager shall within six months present to the City Council a plan and timeline for replenishing the Arrangement to its minimum funding level. Requests for appropriations shall occur only after exhausting the current year's budgetary flexibility and spending of the current year's appropriated contingency, if any.

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Circumstances where the Stabilization Arrangement can be spent are:

1. Within a 12-month period, funding can be used for cash-flow purposes when timing requires a one-time reduction in cash that will be 100% restored within 12-months.
2. If unanticipated General Fund revenues in total are expected to decline more than 1% of the total projected revenues and revenues for one of the following major revenue sources are projected in the current year to fall below the actual amount from the prior year:
  - a.) Sales Taxes
  - b.) Property Taxes
3. If any one of the unforeseen and non-recurring events listed below occur that create significant financial difficulty for the City and are in excess of the current year's appropriated contingency:
  - a.) Sudden and unexpected significant facility failures that threaten the immediate safety of the City patrons, 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; or
  - e.) Acts of Nature, which are infrequent in occurrence.

## II. Unfunded Obligation Stabilization Arrangement

It is in the best interest of the citizens of the City of Santa Cruz who rely upon the City for public access and services that a portion of the City's Fund Balance be set aside in an Unfunded Obligation Stabilization Arrangement in order to provide funding to offset future, unfunded obligations.

The funding target for this policy will, in lieu of a pre-established flat funding amount or percentage, be determined by City Council based on the City Manager's recommendation after consideration of General Fund projections and available financial resources.

Unfunded Obligation Stabilization Arrangement amount. There shall be no minimum funding amount.

Unfunded Obligation Stabilization Arrangement. The City Council shall authorize the City Manager to initiate an initial transfer equal to \$2.1 million from the General Fund's available Fund Balance.

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Conditions under which the Unfunded Obligation Stabilization Arrangement may be spent.

Appropriations from this reserve shall require a resolution from the City Council approved by a majority of the Council. Requests for appropriations shall occur only after exhausting the current year's budgetary flexibility and spending of the current year's appropriated contingency, if any.

Circumstances where the Unfunded Obligation Stabilization Arrangement can be spent are to:

1. Pay down General Fund unfunded obligations to other City funds;
2. Pay down 2011 Pension Obligation Bonds; and
3. Transfer into a trust for unfunded Post Employment Health Care obligations.

Authorization: Adopted by Council motion on June 11, 2013.