RESOLUTION NO. 2015-77

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO, CALIFORNIA TO AMEND PROVISIONS OF THE RESERVE MANAGEMENT ACT

WHEREAS, the Reserve Management Act was approved on March 31, 2011, under Resolution Number 2011-64; and

WHEREAS, the Reserve Management Act established sound fiscal reserve policies which serve as a foundation for ensuring that strong fiscal management policies guide future City decisions; and

WHEREAS, building adequate reserves will provide the City the resources to stabilize the City, particularly in unforeseen emergencies and economic downturns; and

WHEREAS, the Reserve Management Act contained provisions allowing for its amendment; and

WHEREAS, having utilized the requirements of the Reserve Management Act for several years, some provisions have been identified as candidates for amendment;

NOW, THEREFORE, BE IT RESOLVED, BY THE COUNCIL OF THE CITY OF FRESNO, as follows:

SECTION 1: The attached Reserve Management Act is adopted as a replacement to the Reserve Management Act previously adopted by Council in March, 2011.

SECTION 2: The attached Reserve Management Act is adopted as a fiscal policy of the City and shall become effective and in full force upon its final passage.

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Date Adopted: 5/14/2015
Date Approved: 5/26/2015
Effective Date: 5/26/2015

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STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, State of California, at a regular meeting held on the 14th day of May, 2015.

AYES : Brand, Brandau, Caprioglio, Olivier
NOES : None
ABSENT : Quintero, Soria, Baines
ABSTAIN : None

Mayor Approval : N/A, 2015

Mayor Approval/No Return : May 26, 2015

Mayor Veto: N/A, 2015

Council Override Vote : N/A, 2015

YVONNE SPENCE, CMC
City Clerk

BY: _____
DEPUTY

APPROVED AS TO FORM :
DOUGLAS T. SLOAN
City Attorney

BY: _____ 6/1/2015
AMANDA B. FREEMAN Date
Deputy City Attorney

ABF:elb [67741elb/abf] Resolution

CITY OF FRESNO
RESERVE MANAGEMENT POLICIES

ARTICLE I
INTRODUCTION

A comprehensive cash reserve management policy provides guidelines for the major funds of the City of Fresno and provides a structured approach in setting reserve levels in specifically designated funds. This cash reserve management policy is intended to guide prudent use of resources to provide for the much needed services to taxpayers and to maintain sound management practices. It is essential that governments maintain adequate levels of cash reserves to mitigate risks and provide a back-up for revenue shortfalls.

POLICY

It is the policy of the City of Fresno to provide for the continuity of City government by planning ahead for recognized economic uncertainties and major expenditures particularly those that are unplanned. To achieve reserve goals, the City must minimize the cost of City debt through "pay as you go" policies, by exercising prudent debt and liability management policies, and following sound fiscal management policies that prioritize the City's core services. The City will establish various cash reserve accounts that will develop funding for emergencies, contingencies, liabilities and planned major capital expenditures.

OBJECTIVES

The purpose of this Cash Reserve Management Policy is to assist the City in the pursuit of the following equally important objectives:

1. Build adequate reserves which will provide the City the resources necessary for financial stabilization, particularly during times of unforeseen emergencies and economic downturns;
2. Establish sound fiscal reserve policies that will serve as the foundation for ensuring that strong fiscal management policies guide future City decisions;
3. Provide a clear understanding of the goals and objectives of all funds maintained by the City particularly those with constraints or designations making them unavailable for current expenditure, including its unassigned cash reserves;
4. Provide prudent guidelines regarding the establishment, use and replenishment of City unassigned cash reserves;
5. Guide the City in meeting its short-term and long-term obligations;
6. Establish a process for periodic reporting and review of the City's various cash reserves; and
7. Enhance the City's credit ratings received from rating institutions through the establishment of clearly delineated Reserve policies that promote strong fiscal management.

ARTICLE II
DEFINITIONS

Basic Revenues
The sum of General Fund sales tax, property tax, motor vehicle in lieu fees, business tax, and room (transit occupancy) tax.

Budget
A plan of financial operation containing an estimate of proposed expenditures for a given period (usually a fiscal year) and a proposed forecast of revenues (receipts) to cover them. A budget is also a plan that outlines an organization's financial and operational goals and strategies in monetary terms.

Capital Expenditures
Expenditures creating future benefits – A capital expenditure is incurred when monies are spent either to buy fixed assets or to add to the value of an existing fixed asset with a useful life that extends beyond the fiscal year. The general rule (even for municipalities) is that if the property acquired has a useful life longer than the /fiscal year, the cost must be capitalized. The capital expenditure costs are then amortized or depreciated over the life of the asset in question.

Capital Improvement Plan (CIP)
The CIP forecasts the City's capital needs over generally a five-year period based on various City-adopted long-range plans, goals and policies. Capital projects are generally large-scale endeavors in terms of cost, size and benefit to the community. The underlying strategy of the CIP is to plan for land acquisition, construction, and major maintenance of public facilities necessary for the safe and efficient provision of services. A critical element of a balanced CIP is the provision of funds to preserve or enhance existing facilities and provide new assets that will aid responsiveness to service needs and community growth.

The goals of the CIP are to:

- Provide a balanced program for capital improvements given reasonable anticipated funding/revenues over a five-year planning period;
- Illustrate unmet capital needs based on projected anticipated funding levels, and;
- Provide a plan for capital improvements which can be used in preparing the capital budget for the coming two fiscal years.

The benefits of the CIP is that it allows for a systematic evaluation of all potential projects at the same time and provides for the ability to stabilize debt as well as consolidate projects providing for reduced borrowing costs.

Capital Project
A long term investment project requiring relatively large sums to acquire, develop, improve, and/or maintain fixed assets. To the extent that development impact fees are used as funding for CIP programs, they cannot be used for "maintenance" a capital asset (such as land and buildings, including such municipal improvements as streets, sewers, fire stations, and parks) to the extent that development impact fees are used as funding for CIP programs, they cannot be used for "maintenance".

Comprehensive Annual Financial Report (CAFR)
A Comprehensive Annual Financial Report (CAFR) is a set of government financial statements, which go beyond the minimums set for Annual Financial Reports completed by public sector entities by the National Council on Governmental Accounting (NCGA) Statement 1. The CAFR combines financial information of fund accounting and Enterprise Authority accounting. The Securities and Exchange Commission (SEC) Rule 15c2-12 requires a legal undertaking on the part of municipal dealers and brokers, who in turn contractually require government debt issuers to provide certain annual financial information on an ongoing basis. While the SEC does not establish a standardized format for presenting this information, the Government Finance Officers Association (GFOA) has formally recognized the CAFR as an appropriate document for meeting the disclosure as defined within SEC Rule 15c2-12.

Council
The legislative body that governs the City of Fresno: the Fresno City Council.

Deficit Financing
Deficit financing refers to government spending in excess of revenues so that a budget deficit is incurred which is generally financed by internal borrowing undertaken to make up for temporary revenue shortfalls. Deficit financing allows local government to smooth tax and rate burdens and offers local government an important fiscal policy tool.

Emergency Reserves
Designated funds will maintain cash Emergency Reserve that would primarily be used in qualifying emergencies as declared by the Mayor and approved by a super majority Council vote.

Encumbrance
A liability, contract purchase order, payroll commitment, legal judgment or other payable that is chargeable to an appropriation account and thereby places a hold (reservation) on available cash or cash equivalents. It ceases to be an encumbrance when paid-out or when the actual liability amount is determined and recorded as an expense.

Expenditure
The actual payment of cash or cash equivalent for goods delivered or services rendered, or a charge against available funds in settlement of an obligation as evidenced by an invoice, voucher or other such document during the fiscal year. For governmental reporting purposes, expenditures include expenses or a provision for debt retirement not reported as a liability of the fund from which retired. An expenditure is

cash used in payment of goods and services consumed in a short period. A capital expenditure is cash used to purchase fixed assets that last for a year or more.

Fiscal Emergency per Executive Order 3- 01 and Council Resolution 2004-27
A fiscal emergency shall be declared by the Mayor and approved by a super majority (five votes) of the City Council.

Fiscal Year
A 12-month period to which the annual operating budget applies and the end of which a governmental unit determines its financial position and the results of its operations. The City has specified July 1 through June 30 as its fiscal year.

Fund
A fund is a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and "residual" equity or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

General Fund
In public sector accounting, the General Fund is the primary, or "catch-all" fund for all revenues of the City that are not otherwise restricted as to their use, including monies from local property and sales tax, and other revenue sources that are not assigned for a specific purpose. The General Fund provides the resources necessary to pay/sustain the day-to-day activities for City services such as police; fire; public works; elected officials; City Manager; City Clerk; parks, recreation, and community services. When governments or administrators talk about "balancing the budget", they typically mean balancing the budget for their General Fund.

Internal Service Funds
Funds that are established to account for any activity that provides goods or services to other funds, departments or agencies of the primary government on a cost reimbursement basis.

Operating Reserves
An operating reserve is cash set aside to stabilize a government's finances by providing a "rainy day savings account" for unexpected cash flow shortages, expenses or losses. These might be caused by delayed payments, unexpected building repairs, or economic conditions. Reserves should not be used to make up for income shortfalls, unless the organization has a plan to replace the income or reduce expenses in the near-term future. In short, reserves should be used to solve timing problems, not deficit problems. Operating reserves are used in Enterprise Funds such as water and wastewater in the event of an unanticipated operational calamity that prevents the utility from operating in its normal course of business. Access to this fund is restricted to emergency situations and must be replenished no later than the next fiscal year.

Rate Stabilization Reserves
The Rate Stabilization Reserves are designed as a source of funds to mitigate future rate increases in Enterprise Funds such as water and wastewater funds. These reserve funds are to be used exclusively for the operation and maintenance of the water and wastewater systems.

Revenue
The income of a government from all sources appropriated for the payment of the public expenses. It includes such items as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, shared revenues and interest income.

Structural Budget Deficit
A budget deficit that results from a fundamental imbalance whereby current year governmental expenditures exceed current year revenues without any consideration of carryover or prior year unspent revenue balances if they exist. A structural deficit remains across the operating fiscal cycle because the general level of government spending is too high for the prevailing revenue structure (e.g., taxes, fees and other sources). A fiscal gap is a structural budget deficit over an extended period of time, and not only includes the structural deficit at a given point in time but also the difference between promised future government commitments, such as health and retirement spending, and future planned or anticipated tax and other revenues.

Working Capital (Enterprise Funds)
Working Capital, for Enterprise Fund purposes, is defined as current assets (cash or equity in pooled cash and liquid investments and receivables less than 60 days) minus current liabilities (payables) and encumbrances and other restrictions. Working Capital does not include long-term assets such as some longer term investments, loans, receivable, fixed assets, inventory, and equipment.

ARTICLE III
CRITERIA FOR ESTABLISHING APPROPRIATE CASH RESERVE LEVELS

There are key elements that must be reviewed and analyzed to determine the appropriate size of a given cash reserve. Failure to follow the guidelines established in this policy can result in developing unattainable fund reserve goals or unsustainable cash reserve levels. The following criteria shall be used in determining the appropriate cash reserve levels:

Section 1. Purpose and Priority of Cash Reserves
Several cash reserves will be established by this Act. One major consideration will be the purpose and priority of the cash reserve type. Establishing a Reserve Fund for the General Fund will have a much greater impact on City operations than a Reserve Fund established for Worker's Compensation claims or Risk Management claims.

Section 2. Operating Fund Size
The overall size of the fund's budgetary events should be taken into consideration in setting the required cash reserve level and type for a particular fund. As a rule of thumb, the smaller the fund size, the greater the appropriate cash reserve level as a percentage of the budgeted expenditures.

Section 3. Negative Budgetary Event Risk
The relative risk of a negative budgetary event should be taken into consideration in setting the required cash reserve level for a fund. The greater the likelihood that external events can negatively impact a significant percentage of the fund's budget, the greater the need for cash reserve levels that can absorb such a financial shock.

Section 4. Revenue Streams/Cash Flow Issues
The stability of a revenue stream and the timing of cash flows related to major revenues can have a significant impact on maintaining recommended minimum cash levels. The analysis that must be performed includes 1) a review and complete understanding of the timing of the receipt of the funds (e.g. monthly, quarterly or semi- annually); and 2) whether the revenue collection is evenly spread throughout the fiscal year or is subject to cyclical variations. A fund that has seasonal revenue impacts or fewer payment periods during a fiscal year may require a greater cash reserve level.

Section 5. Elasticity of Revenues
Changes, increases or decreases in economic growth result in elasticity for certain revenue sources. Revenues that fluctuate with the growth or retraction of the economy are elastic revenues. Elastic revenues would include sales tax, franchise fees, property taxes and utility rates. Inelastic revenues are revenues that remain flat or are not as materially impacted by changes in the economy and would include fines and other similar type fees outlined in the Master Fee Schedule. The greater the percentage of elastic revenues included in a fund, the greater the need for a cash reserve.

Section 6. Discretionary Authority
Discretionary authority refers to the power or ability to make a decision where the choice of whether or not to make a decision is that of the decision maker. For purposes of this policy it is the ability of the governing body to quickly adjust particular revenue. Revenues that can be changed or modified by the action of the Council and can be implemented within a short period are highly discretionary. Revenues that are not discretionary include sales taxes (rate is set by state) and state shared revenue. Between those two extremes are revenues that have a moderate degree of discretion that allows for changes but only at certain times or under certain restrictions (notice requirements).

ARTICLE IV
UNASSIGNED CASH RESERVE; USE AND REPLENISHMENT

In addition to establishing and reviewing criteria for creating unassigned cash reserve levels, policies must be developed to determine the appropriate minimum and maximum reserve range levels; the criteria for the appropriate use of cash reserves particularly

when addressing structural imbalances and the process necessary to replenish the cash reserves when used. In developing an appropriate level of cash reserve, it is critical that adequate levels be maintained to mitigate current and future risks (revenue shortfalls and unanticipated expenditures) and to insure continuation of core City services. Cash Reserve levels are a crucial consideration in developing long-term financial plans.

For the General Fund, unassigned cash reserve ranges are established during the budgetary process based upon a percentage of the upcoming fiscal year's budgeted revenues or several months of appropriations to allow for stability over time. This set amount may require modification to allow for additional cash reserve levels as budgeted revenues decrease or expenditures increase or other economic risks become known.

For Enterprise Funds, unassigned operating cash reserves are essential to maintain adequate levels of working capital to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenses) and to ensure stable services and fees. Working capital is a crucial consideration, too, in long-term financial planning.

In most cases, discussions regarding cash reserves properly focus on the General Fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted cash reserves. Several of these are addressed later in this policy document. The next several sections below, establish generic guidelines to be followed when evaluating the appropriate level for a cash reserve.

Section 1. Minimum Unassigned Cash Reserve Levels

The unassigned cash reserve range should be set such that the unassigned cash reserve is equivalent to a minimum of 10 days of operating appropriations in a given fiscal year for the General Fund/Internal Service Funds, and a minimum of 20 days of operating appropriations for Enterprise Funds. The goal of this policy is to maintain reserves at or near the number of days specified in this section.

Section 2. Use of Unassigned Cash Reserves(s) to Address Structural Imbalance

When an imbalance exists between budgeted revenues and budgeted expenditures, it is important that the unassigned cash is carefully accessed and utilized cautiously and judiciously, since the unassigned cash is a one-time non-recurring funding source. Reserves are built up over a period of years and any withdrawals from the unassigned cash should be done so in carefully measured amounts. In order to maintain prudent fiscal management, any budgetary structural imbalance must be addressed promptly. If an imbalance occurs, a multi-year plan shall be developed to address the imbalance concurrently with the planned reserve drawdown. At the same time, the implementation of a replenishment plan will be developed in accordance with the guidelines set forth below. A planned draw down of the unassigned cash reserve should not exceed 3% of the budgeted appropriations for the fund (i.e., a planned drawdown of the unassigned cash reserve in the General Fund shouldn't exceed 3% of the General Fund's budgeted appropriations). The drawdown should not reduce the reserve below the threshold

established in this Article, with the exception of a fiscal emergency as determined by the Mayor and approved by a super-majority vote of the Council.

Section 3. Replenishment of Unassigned Cash Reserve

The following criteria will be employed to restore unassigned cash reserves and will be based upon the comparison of the remaining unassigned cash reserve to the respective maximum unassigned cash reserve guideline:

1. If the unassigned cash reserve is drawn down below the established threshold for the fund by less than 50%, then the plan to replenish the fund shall be structured over a period not to exceed one-to-two year period;
2. If the unassigned cash reserve is drawn down between 50% and 75% of the threshold, the plan to restore the reserve shall be structured over a period not to exceed three years; and
3. If the unassigned cash reserve is drawn down below 75% of the threshold, then the plan to restore the reserve shall be structured over a period not to exceed five years.

ARTICLE V
PRIORITIZATION HIERARCHY OF CASH RESERVE FUNDS

It shall be the policy of the City to maintain a prioritization hierarchy of cash reserve types. Each cash reserve type shall be ranked on a scale of 1 through 10 with 1 being the highest funding priority and 10 being the lowest funding priority. The purpose of the prioritization "hierarchy" is to establish the level of importance by cash reserve type as it relates to the City in delivering its core services. In difficult financial times, it may be impossible to fund or maintain all cash reserve types to the level described in this Act. Prioritization of cash reserve funding and replenishment shall be based upon the cash reserve's strategic importance and its overall impact on core City operations. Decisions to reduce funding for specific cash reserve types shall be based upon this list.

The adoption of this Act shall set forth the initial prioritization hierarchy list included as Exhibit 'A' in this document. It shall require a simple majority vote to revise and change the cash reserve type priority ranking.

ARTICLE VI
DEFICIT FINANCING CASH RESERVE POLICY

Background

It is a common practice for governments to borrow internally from investment pool funds in order to cover short-term cash needs, in lieu of issuing debt. Sometimes, an individual fund will overdraw its share of the pooled cash due to timing differences in the receipt of revenues that may occur (i.e. grant funds). The City Investment Policy, approved every year by the Council, provides detailed investment guidelines for the investment pool funds. Article IV, Section N of the Taxpayer Protection Act, approved by the Council in 2009, addresses short term borrowing which exceeds two years. It

requires that any borrowing between two City funds that have a repayment period extending longer than one year will require a written and signed loan agreement between the funds. The maximum repayment term under the Investment Policy is five years.

It shall be the policy of the City to place its highest priority in bringing all individual investment pool funds positive before the end of each fiscal year. It shall be the policy of the City to enact the following policies regarding transfers between funds (internal borrowings) and negative cash balances:

Section 1. Transfers Between Funds

No other fund shall transfer funds to any other fund of the City. The only exception to this policy shall be when formal loan agreements, prepared by the City Manager, which document the loaning of funds between operating funds (including UGM Funds) are brought to Council and may be approved by a majority vote of the Council. This section is not intended to prevent the various transfers that are planned, budgeted and approved by the Council during the normal budget process and/or course of operations, such as debt payment transfers and grant match transfers.

Section 2. Negative Balances

1. At fiscal year end, it is anticipated and expected that certain funds will become negative as a result of timing differences in the receipt of other governmental and/or grant related reimbursements or as a result of their budgeted expenditures exceeding their revenues. In these instances, Council may approve a recommendation from staff to fund these temporary negative cash balances with cash transfers from funds with positive cash balances. The recommendation shall:

   a) Only apply to funds needed for fiscal year end cash balancing;

   b) Contain a requirement that the funds be repaid within 90 days; and

   c) Require a five (5) vote super majority of Council for approval.

   The Committed General Cash Reserve for Economic Uncertainties and Emergencies and the Committed General Cash Reserve for Contingency Stabilization may be used as a source for transfers detailed in this section.

2. Departments that have grant funding that requires expenditures prior to reimbursement shall be required to, as part of their budgetary process, give appropriate consideration to the need to allocate a portion of their operating revenues toward the required payment of "negative interest" while their cash balance is in an overdraft/negative position.

3. Annually, as part of the budgetary process, analysis will be made to determine if the "temporary negative balances" are truly temporary or if actual interest bearing notes need to be established, whereby one fund actually "loans" money to another fund. These proposed loans will be presented per the requirements of Article VI, Section 1. In addition, these loans will be recorded on the City's official books and will reflect

the actual movement of monies from one fund to another with the corresponding loan/note payable/receivable reflected as the offset.

4. The authority to use the Committed General Cash Reserve for Economic Uncertainties and Emergencies and the Committed General Cash Reserve for Contingency Stabilization shall lapse if the Committed General Cash Reserve for Economic Uncertainties and the Committed General Cash Reserve for Contingency Stabilization are funded at the levels required under this Act (10% of Adopted General Fund appropriations and 5% of Adopted General Fund appropriations, respectively).

Section 3. Negative Interest

Negative interest shall be charged on any and all funds that are negative within any operating fiscal year. Negative interest shall be paid and settled during the current fiscal year or as part of the budget build process for the upcoming year. Negative interest will be settled and paid off prior to any posting of carryover. If negative interest remains going forward into the next operating fiscal year and carryover is insufficient to cover, appropriations shall be adjusted accordingly.

Section 4. Reporting

The Controller shall provide monthly cash reports to the Council for all funds of the City. The reports will also include those funds/programs that have been required to suspend making further expenditures (and are targeted for appropriation reduction) due to the apparent projected trend of revenue to expenditure imbalance that may lead to either an unassigned fund balance below 5% or a negative unassigned fund balance by the end of the fiscal year.

ARTICLE VII
COMMITTED GENERAL CASH RESERVE POLICIES

This Act shall amend Executive Order 3-01 and Council Resolution 2004-27 by further expanding and defining funding for Committed General Cash Reserves. The City's current General Fund reserve policy is established through Charter Section 1212. Section 1212 establishes a cash reserve for the purpose of meeting unforeseen contingencies and emergencies of the City in such amount as established by the Council. It further requires a super majority vote of at least five Council members with a statement declaring the reason for use. Charter Section 1212 does not specify a percentage or amount of the budget to be set aside as a reserve fund. Executive Order 3-01 and Council Resolution 2004-27 further defined the City Reserve Fund Policy (i.e. Committed General Cash). This order required the City to establish and maintain a Cash Reserve in an amount equal to 5% of the Adopted General Fund appropriations at the beginning of each fiscal year.

This Act shall amend Executive Order 3-01 and Council Resolution 2004-27 by creating two different General Fund Cash Reserves – 1) the Committed General Cash Reserve for Economic Uncertainties and Emergencies; and 2) the Committed General Cash Reserve for Contingency Stabilization.

Section 1. Establishment of Non-Operating General Fund Cash Reserve Accounts

Two separate reserve funds shall be set-up by the City: 1) Committed General Cash Reserve for Economic Uncertainties and Emergencies and 2) Committed General Cash Reserve for Contingency Stabilization. Funds from either of these two cash reserve accounts: 1) cannot be used as collateral on any real property or other City investments; and 2) cannot be loaned or pledged to any other categorical General Fund or Enterprise Fund for a period longer than 90 days and in an amount greater than that approved by Council, as allowed in Article VI, Section 2. A detailed accounting of both funds will be maintained by the Controller to show deposits, withdrawals (when authorized pursuant to policies contained herein) and interest earned (see Exhibit 'B'). All accounting for these funds shall be on a cash basis for PeopleSoft recording purposes. A detailed report, prepared by the Controller, shall be presented annually to the Council per Article XIX (Annual Cash Reserves Status Report). Monies that reside in Fund 10401 (Emergency Reserve-General Fund) will be transferred into the Committed General Cash Reserve for Economic Uncertainties and Emergencies upon ratification of this act. As of 12/31/14, Fund 10401 had a balance of $1,554,400.45.

Section 2. Limitations of Fund Use

Any use of the General Cash Reserves shall be used only in cases to support budget imbalances due to revenue declines and shall not be used to augment ongoing budgetary/operating spending increases. This Committed General Cash may be used for one-time non-reoccurring expenditures and/or capital projects (operations and maintenance shall not be included), all as submitted by the City Manager and approved by the Council. Monies in these reserves may also be used as allowed under Article VI, Section 2.

The General Cash Reserve for Economic Uncertainties and Emergencies shall not be used or drawn upon until the General Cash Reserve for Contingency Stabilization has been fully expended, unless the monies are used as allowed under Article VI, Section 2.

Section 3. Committed General Cash Reserve Policy for Economic Uncertainties and Emergencies

Within this section, the terms "cash" or "committed cash" shall only refer to the Committed General Cash Reserve for Economic Uncertainties and Emergencies.

The invocation of this policy is identical to the existing policy: the Mayor has the power to declare a fiscal emergency based upon one of the following: 1) a natural catastrophe; 2) an immediate threat to health and public safety; or 3) a significant (greater than 10%) decline in General Fund basic revenues. The fiscal emergency declared by the Mayor must be approved by a super majority of five votes of the City Council.

Council Resolution 2004-27 establishes a restricted cash level to be equal to five per cent (5%) of the adopted budget appropriations for the general fund. This Act amends the committed reserve cash level funding from five per cent (5%) to ten per cent (10%) of adopted General Fund appropriations.

Amount of Funds To Be Withdrawn From the Economic Uncertainties and Emergencies Cash Reserve Account
The amount of funds to be withdrawn from this committed cash reserve shall be determined by the City Manager. In his/her presentation to the Council, the City Manager shall include a detailed list of how the funds will be applied. A super majority vote of the Council shall be required to approve the amount and use of funds.

Transition Policy
Due to the current economic conditions, the implementation of this policy shall be based on the following criteria:

1. The General Fund contraction must have ended as demonstrated by an increase of at least 3% in General Fund revenues;
2. There must be four consecutive quarters of stabilized and/or increasing General Fund primary revenues (i.e. sales tax, property tax, etc.) and;
3. The final determination to initiate funding of this Committed General Fund Cash Reserve shall be based upon consideration of the above factors and the recommendation of the City Manager and a majority vote of the Council.

Committed Cash Reserve Replenishment
The Committed General Cash Reserve for Economic Uncertainties and Emergencies shall be restored pursuant to the guidelines delineated in Article IV, Section 3 of this Act.

Committed Cash Reserve Phased Sizing
Upon meeting the above defined criteria, the General Cash Reserve for Economic Uncertainties and Emergencies shall be implemented as follows:

The committed cash reserve shall be built up at a rate of one half percent (1/2 %) to one percent (1%) of the adopted General Fund budgeted appropriations, per year, as determined by the City Manager. In the event, the adopted General Fund budgeted appropriations decline by more than five percent (5%) from the previous year, the committed cash reserve shall remain static with no adjustments.

Priority Funding Ranking: 1

The Committed General Cash Reserve for Economic Uncertainties and Emergencies shall be 50% funded (5% of General Fund appropriations) per the policies contained herein prior to implementation of funding the Committed General Cash Reserve for Contingency Stabilization.

Section 4. Committed General Cash Reserve Policy for Contingency Stabilization
Within this section, the terms "cash" or "committed cash" shall only refer to the Committed General Cash Reserve for Contingency Stabilization. This committed cash reserve is setup to provide for unanticipated operating expenses or revenue shortfalls adversely affecting City services and programs which were provided for and approved in the current fiscal year's budget. This committed cash shall serve as the source of

funding for impacted City services/programs or to transition expenditure growth to match slower revenue growth during the course of a recessionary cycle. This committed cash reserve is limited for use under currently budgeted operations and cannot be used to fund new programs or new positions added outside of the current fiscal year budget. It is designed as "bridge financing" necessary to offset slower revenue growth during a recession. This committed cash reserve shall be established at five percent (5%) of the adopted General Fund appropriations. A simple majority vote of the City Council shall approve the use of these funds. Monies in these reserves may also be used as allowed under Article VI, Section 2.

The activation or trigger for usage of this reserve shall be based upon two conditions: 1) when basic revenue growth falls below 5% of the previous quarter (s) for at least two consecutive quarters or the financial forecast for the next fiscal year's estimated basic revenue growth falls at least 5 % annually; and 2) one or more of the following conditions occur in conjunction with the declining basic revenue growth:

1. The property tax delinquency rate exceeds 10%
2. The City of Fresno unemployment rate exceeds 10% for at least two consecutive quarters.

Please see Exhibit 'D' for historical data on basic revenues for the City of Fresno General Fund as well as data related to property tax delinquencies and the unemployment rates.

Amount of Funds To Be Withdrawn From the Committed Contingency Stabilization Cash Reserve Account

The amount of funds to be withdrawn from this committed cash shall be determined by the City Manager. In his/her presentation to the Council, the City Manager shall include a detailed list of how and where the funds will be applied in the General Fund. A simple majority vote of the Council shall be required to approve the amount and use of the funds. The Committed General Cash Reserve for Contingency Stabilization shall be fully expended before any spending can be done from the Committed General Cash Reserve for Economic Uncertainties and Emergencies.

Transition Policy

Due to the current economic conditions, the implementation of this policy shall be based upon the following criteria:

1. The General fund contraction must have ended as demonstrated by an increase of at least 3% in General Fund revenues;
2. There must be four consecutive quarter of stabilized and/or increases in General Fund primary revenues (i. e. Sales taxes, Property Taxes, etc.); and
3. The final determination to initiate funding of this Committed General Fund Reserve Fund Balance shall be based upon consideration of the above factors and the recommendation of the City Manager and a majority vote of the Council.

Committed Cash Reserve Replenishment
The Committed General Cash Reserve for Contingency Stabilization shall be restored pursuant to the guidelines delineated in Article IV, Section 3 of this Act.

Committed Cash Reserve Phased Sizing
Upon meeting the above defined criteria, the Committed General Cash Reserve for Economic Uncertainties and Emergencies shall be implemented as follows:

This committed cash reserve shall be built up at a rate of one half percent (1/2%) to one per cent (1%) of the adopted General Fund budgeted appropriations, per year, as determined by the City Manager. In the event the adopted General Fund budgeted appropriations decline by more than five percent (5%) from the previous year or the Committed General Cash Reserve for Economic Uncertainties and Emergencies cannot be replenished at the prescribed rate; this committed cash reserve shall remain static with no adjustments.

Priority Funding Ranking: 2

The Committed General Cash Reserve for Contingency Stabilization shall not be funded until the Committed General Cash for Economic Uncertainties and Emergencies has reached at least 50% of its capacity (2.5% of General Fund appropriations)

ARTICLE VIII
UTILITY ENTERPRISE CASH RESERVE POLICY

The delivery of water, wastewater, community sanitation and solid waste services are accounted for in Enterprise Funds. These "business-type activities" are operated in a manner similar to businesses in the private sector and are primarily funded through user fees and charges. All costs related to providing these services, including direct and indirect operating costs, capital improvements and depreciation are supported by their own rates (user charges) and shall not be subsidized by the General Fund. It shall be the policy of the City to establish reserve fund guiding principles for water, wastewater, community sanitation and solid waste services and to maintain rate stabilization accounts as part of the reserve policies.

Section 1. Operating Reserve Funds – Water and Wastewater
Each utility operating reserve fund is to be used for unanticipated events that impair the ability of the City to provide specific utility services in its normal course of business. The methodology to establish these reserve funds shall be based upon the annual adopted operating budget for each fund which represents the amount necessary to provide for a specified number of days of operations in the event of a major disruption to revenues. Because reserves will be funded through Proposition 218-governed user fees, the amount of the reserve will be within industry standards for similar type operations.

The use of these reserve funds shall be restricted to emergency situations resulting from the loss of revenues and must be replenished before the end of each fiscal year. The Director of Public Utilities, with the approval of the City Manager shall establish the

specific reserve balance for each fund and the appropriate base days of operations that will be funded in reserve. A separate reserve balance and base days of days of operations will be established for both water and wastewater (See Exhibit 'F' for sample illustration)

Section 2. Capital Reserve Fund

A Capital Reserve Fund is a fund used to accumulate a set amount of excess revenues for the purpose of financing certain capital improvements on a pay-as-you-go basis when either the improvement has a fairly short life expectancy or the use of bond financing is not cost effect. Small, unanticipated capital projects may also be financed through the capital reserve fund. The Director of Public Utilities, with the approval of the City Manager, shall determine an appropriate "contribution" to the capital reserve fund each year and identify it as part of the Capital Improvement Budget (CIP). This reserve would also be subject to the guidelines of Proposition 218.

Section 3. Rate Stabilization Reserve Fund

The purpose of the Rate Stabilization Reserve is to maintain a prescribed stable balance in reserve as a means to mitigate future rate increases to customers and to be consistent with bond covenants. The Director of Public Utilities, with the approval of the City Manager, shall establish the Rate Stabilization Reserve amounts for Water and Wastewater. The following restrictions shall apply to this reserve account: 1) only current system excess revenues may be deposited into these accounts; and 2) use of these funds is limited to only operations and maintenance related expenses and not capital improvements.

Section 4. Dedicated Reserve Fund resulting from Efficiencies and Savings

The purpose of this fund is to protect and preserve savings (all excess net income after funding the reserve) found in cost reductions and increased efficiencies of operations and maintenance and savings in Capital Improvement Projects. At the end of each fiscal year, any savings not required for compliance with established reserve policies will be transferred into this reserve. At the end of a period of time established by the Director of Public Utilities, with the approval of the City Manager, funds accumulated in this reserve that are not used for capital improvements may be used to reduce future rates for water and wastewater.

Section 5. Replenishment of Reserves

The Director of Public Utilities, with the approval of the City Manager, shall establish a replenishment schedule pursuant to the guidelines provided in this Act.

Priority Funding Ranking: 1 for Public Utilities Enterprise Funds

Priority Funding Ranking: 3 for the overall City

ARTICLE IX
RISK MANAGEMENT ASSIGNED CASH RESERVE POLICY

The City shall maintain a dedicated cash reserve fund for Liability Claims, Property Claims and Worker's Compensation claims within the Risk Management Fund. The Risk Manager, in consultation with the City Manager, shall develop an appropriate estimated reserve balance based upon historical trends and potential pending claims against the City. This proposed balance shall be provided to the City Council for consideration.

The reserve fund should equal the initial self-insured amount of $3,000,000 and the City will continue to fund a contingency reserve in an amount equal to 100% of the self-insured retention. The City maintains two layers of excess liability insurance: a first layer in the amount of $10 million per the City's occurrence and aggregate and a second layer in the amount of $15 million per occurrence and aggregate, for a grand total of $25 million per occurrence and aggregate. The limits of liability for excess liability insurance shall be reviewed annually.

The Property Claims assigned cash will include the deducible amount for claims in an amount equal to 500% of the policy deductible. The policy deductible is currently $25,000. The City maintains property insurance with values presently insured at $1.39 billion. The insured values for property insurance shall be reviewed annually. The Worker's Compensation Claims assigned cash will include the self-insured amount for claims in an amount equal to 100% of the self-insured retention. The current self-insured retention is $2,000,000. The City maintains excess Worker's Compensation insurance to fund its statutory liability.

Reserve Fund Replenishment

Claims paid from the Risk Management self-insured cash reserve shall be replenished the following fiscal year in an amount to bring the fund up to a minimum of 75% of the recommended self-insured cash reserve.

Transition Policy

The initial Risk Management self-insured assigned cash shall be $3 million for the liability assigned cash reserve, $25,000 for the property claims assigned cash reserve and $2 million for the Worker's Compensation claims assigned cash reserve. These self-insured cash reserve shall be adjusted annually pursuant guidelines specified in this article.

Priority Funding Ranking: 4

ARTICLE X
FACILITIES CAPITAL EXPENDITURE ASSIGNED CASH RESERVE POLICY

There are three types of facilities currently operated by the City: facilities which are exclusively used by General Fund departments (i.e., parks, police sub-stations), facilities used exclusively by Enterprise Fund departments (i.e., airport terminal, water treatment plant), and those used jointly by General Fund and Enterprise Fund departments (i.e. City Hall, Municipal Service Center). It shall be the policy of the City to pre-fund anticipated capital needs for all of these facilities by establishing dedicated assigned cash reserves to be funded through annual appropriations within the budgets of each of the respective departments.

The City Controller, with the approval of the City Manager, shall estimate the useful life of City buildings plus an amount for major capital components (i.e. roofs, HVAC) during the useful life of the facility and recommend appropriations in each department's budget necessary to fund, over time, each department's share of constructing a replacement facility or modernizing a current building.

For facilities exclusively used by General Fund departments, it shall be the policy of the City to establish an amount of one percent (1%) of General Fund appropriations to be used exclusively for capital items described within this Article. For facilities used exclusively by Enterprise Fund departments, it shall be the policy of the City to establish an amount equal to 1% of the annual depreciation expense for each Enterprise Fund.

For facilities used jointly by General Fund and Enterprise Fund departments, it shall be the policy of the City to establish an amount equal to 1% of the asset cost for the facilities.

In no cases can Enterprise Fund monies be used to build/fund the reserve for facilities exclusively used by General Fund departments. In no cases can General Fund monies be used to build/fund reserves for facilities used exclusively by Enterprise Fund departments. Only with facilities used jointly by General Fund and Enterprise Fund departments can both sources be used to build/fund the reserve.

This policy is primarily intended for facility capital repairs. Planning for new City facilities (i.e., fire stations) using bond financing should follow the guidelines established in the Taxpayer Protection Act.

Reserve Fund Replenishment and Phased Sizing
Funds shall be replenished pursuant to Article IV, Section 3 of this Act.

This assigned cash shall be built up at a rate of one-quarter percent (1/4%) to one-half percent (1/2%) per year of approved General Fund revenues, per year, as determined by the City Manager.

Priority Funding Ranking: 6

ARTICLE XI
TECHNOLOGY RELATED ASSIGNED CASH RESERVE POLICY

It shall be the policy of the City to pre-fund major anticipated capital needs for Information Technology (IT) replacement and upgrade needs by establishing a dedicated cash reserve to be funded through annual budget appropriations by user departments.

Section 1. Hardware
The City Controller, in consultation with the City IT Director, and with the approval of the City Manager, shall undertake a comprehensive review of the remaining useful life of all City departments' technology related hardware including computers, servers, printers, scanners, copiers and telephones and make recommendations for establishing annual appropriations to be set aside to fund upgrading and/or replacing equipment. A schedule shall be established for the total cost of replacing and/or upgrading identified equipment within each category of equipment divided by the average estimated useful life of for each respective hardware category to arrive at a yearly budget figure (i.e. total cost of replacing $1,000,000 worth of citywide servers divided by an average useful life of 5 years would require a $250,000 budget set aside per year to be shared by user departments).

Section 2. Software
The City Controller, in consultation with the City IT Director, and with the approval of the City Manager, shall undertake a comprehensive review of the remaining useful life of all City departments' software and make recommendations for establishing annual appropriations to be set aside to fund software upgrades, migration costs, proprietary costs, and replacement costs. A schedule shall be established for the total cost of replacing and/or upgrading identified software, divided by the average estimated useful life of all software to arrive at a yearly budget figure (i.e. total cost of replacement and/or upgrade $90,000 divided by average useful life of 3 years would require a $30,000 budget set aside per year to be shared by user departments).

It shall be the policy of the City to establish an amount equal to the total cost for replacing hardware and the total cost for replacing software as calculated by the process detailed previously in this Article. The reserve is to be used exclusively for hardware and software items described within this Article.

Reserve Fund Replenishment
Funds shall be replenished per Article IV, Section 3 of this Act.

Priority Funding Ranking: 8

ARTICLE XII
ADA IMPROVEMENT ASSIGNED CASH RESERVE POLICY

The City Controller, in consultation with the City ADA Coordinator, and with the approval of the City Manager, shall establish a cash reserve and shall comprehensively examine the funding necessary for the City to be in compliance with the American Disabilities Act for all City owned or operated facilities. The comprehensive examination shall include a physical inspection of all City properties with experts trained in ADA laws. Upon completion of the physical inspection and examination of costs, the City Controller shall recommend appropriations to bring the City into compliance, over an extended time frame (i.e. 3-5 years), to be included in annual budgets. Once the cash reserve is fully funded and all ADA upgrades are complete this cash can be retired into the sources that funded this reserve on the proportional basis of how much they contributed to the ADA reserve. As a matter of good policy, maintenance costs for ADA improvements should be budgeted for in future budgets.

Reserve Fund Replenishment
Not applicable for this fund. When fully funded, the funds will be used as intended and the fund will be retired.

Reserve Fund Phased Sizing
This cash shall be built up at a minimum rate of one fifth (20%), per year, of the estimated total cost to bring all City facilities into compliance, as determined by the City Manager.

Priority Funding Ranking: 8

ARTICLE XIII
PENSION STABILIZATION CASH RESERVE POLICY

The investment return of the City's Pension Trust Fund and the financial and actuarial consequences of labor negotiation agreements (Memorandums of Understanding, or MOUs) can have a significant impact on the City's cost to fund the pension system. A change of even one percent (1%) from the City's pension fund investment return can have a material impact, measured in the millions of dollars, on the City's cost to fund the pension systems. Additionally, when the City has a reduced normal pension contribution rate created from surplus earnings in the pension system, it becomes difficult for the City's Funds, particularly the General Fund, to step back into the full pension contribution rate when the surplus earnings no longer exist.

A Pension Stabilization Cash Reserve for periodic transfer to the General Fund and/or Enterprise Funds can help mitigate the risk to the City of being required to step back into a full City normal contribution rate. Additionally, such a reserve can be used to pre-fund the "turn on" of an unfunded accrued actuarial liability contribution rate. In order to offset the anticipated future cost of funding the City's Pension Trust Fund, it shall be the policy of the City to establish a Pension Stabilization Cash Reserve.

Transition Policy
There is currently no Pension Stabilization Cash Reserve. If the City's normal pension contribution rate is reduced due to surplus earnings in the City's pension systems, the City will fund the Pension Stabilization Cash Reserve in an amount equal to 20 per cent (20%) of the reduction to the City's required normal pension contribution amount to assist the City stepping back into the full contribution rate requirement at a later date. Additionally, if the fund percentage of either City pension system is anticipated to drop below 100 percent on an actuarial basis, the Pension Stabilization Cash Reserve will be funded in the amount of five percent (5%) of the General Fund and/or Enterprise Fund annual normal pension contribution requirement to assist the City in pre-funding for an unfunded pension contribution rate. The replenishment of this committed cash shall be pursuant to the guidelines specified in Article IV, Section 3 of this Act.

Priority Funding Ranking: 5

ARTICLE XIV
27TH PAYROLL PERIOD ASSIGNED CASH RESERVE

It shall be the policy of the City to pre-fund anticipated 27th payroll period needs by establishing a dedicated assigned cash reserve to be funded through annual budget appropriations.

The City pays its employees on a bi-weekly payroll, equating to 26 payroll periods per year. There are 14 days between each payroll period and in one year a total of 364 days. A normal year has 365 days resulting in the employee payroll one day short. Every four years there is a leap year with 366 days. Leap years will accrue two additional payroll days. In 11 years, the accrued payroll will be 14 days and add a 27th payroll period to the City's employee payroll costs.

Priority Funding Ranking: N/A

ARTICLE XV
ANNUAL CASH TYPES-STATUS REPORT

Once a year, in August, the City Controller shall present to the Council a comprehensive report on the City's cash reserve types as of June 30th. The reports shall include an updated cash reserve level for each cash type. This report shall include the following funds:

1. Committed General Fund Cash Reserve for Economic Uncertainties and Emergencies;
2. Committed General Fund Cash Reserve for Contingency Stabilization;
3. Enterprise Cash Reserves, including both self-supporting and non-self-supporting;
4. Capital Project Cash Reserves ; and

5. Internal Service Funds Cash Reserves.

See Exhibit 'B' for a sample report.

ARTICLE XVI
FIVE-YEAR RESERVE RATE REVIEW

Every five years, during the annual budget hearings, the City Manager, based upon a comprehensive financial and economic review of all City cash types and in consultation with the City Controller, Budget Director, and financial consultants as necessary, shall make recommendations to the City Council for either maintaining existing cash reserve polices or revising cash reserve policies, including percentage ranges established by category herein and replenishment requirements by categories established herein.

ARTICLE XVII
DEVIATIONS FROM POLICY

No deviations from the cash reserve polices set forth in this Act will be allowed except as recommended by the Council and approved by a super majority of five votes by the Council. This includes any increase or decrease in the base cash reserve levels established by this policy and expenditures from cash reserve accounts for anything other than the intended budgeted use of said cash.

ARTICLE XVIII
AUTHORITY TO USE CASH RESERVES

The City Manager may authorize the use of unassigned cash reserves consistent with the intended purposes described herein and an appropriation by Council.

ARTICLE XIX
EFFECTIVE DATE

This resolution shall take effect upon adoption by the City Council.

EXHIBIT 'A'
PRIORITIZATION HIERARCHY OF CASH RESERVE TYPES

Priority measured on scale of 1 to 10 with 1 being the highest priority and 10 being the lowest priority

Fund Description	Priority Ranking
Committed General Cash Reserve for Economic Uncertainties & Emergencies	1
Committed General Cash Reserve for Contingency Stabilization	2
Utility Enterprise Cash Reserve	3
27th Payroll Period Unassigned Cash Reserve	4
Risk Management Assigned Cash Reserve	4
Committed Pension Stabilization Cash Reserve	5
Facilities Capital Expenditure Assigned Cash Reserve	6
Technology Related Assigned Cash Reserve	8
ADA Improvement Unassigned Cash Reserve	8

EXHIBIT 'B'
ANNUAL CASH RESERVE TYPE STATUS REPORT
(SAMPLE REPORT)

COMMITTED GENERAL FUND CASH RESERVE FOR ECONOMIC UNCERTAINTIES & EMERGENCIES

	Adopted Budget FY2015-16	Actual FY2015-16	Audit FY2014-15
Beginning Balance	$16,500,000	$15,230,311	$14,890,201
Transfers-In	$ 2,000,000	$ 2,540,000	$ 2,100,000
Transfers–Out	$ 0	$ 0	$ 0
Interest Income	$ 120,000	$ 109,213	$ 100,477
Ending Cash	**$18,620,000**	**$17,879,524**	**$17,090,678**
Ending Balance as a Percentage of Gen Fund Revenues	7.39%	7.14%	6.60%
Net Gen Fund Approp	$252,000,000	$250,510,445	$258,900,787
10% Reserve Level	$ 25,200,000	$ 25,051,045	$ 25,890,079
Over (Under)	**($ 6,580,000)**	**($ 7,171,521)**	**($ 8,799,401)**

EXHIBIT 'C'
CALIFORNIA CITIES GENERAL FUND CASH RESERVE POLICY COMPARISON

City	Current Reserve Policy	Notes
Fresno	15%	
Clovis	5%	
Visalia	25%	
Modesto	8%	
Bakersfield	7.5%	Not a formal policy
Riverside	15%	
Anaheim	7-10%	
Long Beach	10%	
Los Angeles	5%	Includes two funds
Oakland	7.5%	
San Jose	3%	
San Francisco	12%	Includes three separate funds
Stockton	10%	Includes 5% contingency and 5% emergency
Sacramento	10%	Not a formal policy
San Diego	16%	Includes two funds
Los Angeles	5%	
Gilroy	15%	

EXHIBIT 'D'
COMMITTED GENERAL CASH RESERVE FOR CONTINGENCY STABILIZATION INDEX HISTORY FOR CIY OF FRESNO (SAMPLE DATA ONLY)

Fiscal Year	Basic Revenues Growth %	City of Fresno Unemployment Rate	Property Tax Delinquency Rate
2001	4.5%	9.8%	3.1%
2002	5.5%	9.4%	3.3%
2003	6.6%	8.0%	4.2%
2004	6.9%	7.2%	2.8%
2005	5.5%	7.4%	2.5%
2006	4.3%	8.2%	3.7%
2007	2.4%	8.7%	5.0%
2008	(6.4%)	10.9%	7.6%
2009	(7.0%)	12.8%	10.2%
2010	(3.6%)	12.0%	10.1%

EXHIBIT 'E'
MATRIX SUMMARY ALL FUND TYPES
(SAMPLE DATA)

Reserve Name	Projected Year End Balance	Reserve Policy Amounts	Variance
Committed GF Emergency	$15,000,000	$17,500,000	($2,500,000)
Committed GF Contingency	$ 2,000,000	$10,000,000	($8,000,000)
Enterprise	$25,000,000	$25,000,000	$ 0
Deficit Financing	($1,500,000)	$ 0	$ 1,500,000
Risk Management	$ 3,000,000	$ 3,000,000	$ 0
Worker's Comp	$ 2,000,000	$ 2,000,000	$ 0
Long Term Disability	$ 5,400,000	$10,000,000	($6,000,000)
Facilities Capital Expenditures	$11,200,000	$15,000,000	($3,800,000)
Technology Reserve	$ 1,100,000	$ 1,500,000	($ 400,000)
ADA Improvement Reserve	$ 1,200,000	$ 1,000,000	($ 200,000)

EXHIBIT 'F'
SUMMARY OF FUND TYPES AND REQUIREMENTS

Reserve Fund Type	Funding Requirements
Committed GF Reserves	
GF for Economic Uncertainties	10% of GF operating revenues
GF Contingency Stabilization	5% of GF appropriations
Utility Enterprise	
Operating	Bond covenants & Proposition 218
Capital	Bond covenants & Proposition 218
Rate Stabilization	Bond covenants & Proposition 218
Reserve for Efficiency & Savings	Proposition 218 guidelines
Risk Management Assigned Fund	Based upon self-funded limits
Facilities Capital Reserve	
General Fund	1% of GF appropriations
Enterprise Fund	1% of EF annual depreciation expense
Jointly Used	1% of the asset cost for the facilities
Technology Assigned Fund	Total cost to replace hardware and software
ADA Unassigned Fund	Based upon ADA facility cost estimates
Committed Pension Stabilization Fund	20% of the reduction to City's required normal pension contribution

EXHIBIT 'G'
UTILITY ENTERPRISE OPERATING RESERVE FUND
(SAMPLE ONLY)

Water Enterprise Operating Reserve Balances

Fiscal Year	Budgeted Funds	Days of Operation
2011	$ 9.2 million	51
2012	$ 9.8 million	56
2013	$11.2 million	60
2014	$12.0 million	65
2015	$13.5 million	69

Wastewater Enterprise Operating Reserve Balance

Fiscal Year	Budgeted Funds	Days of Operation
2011	$10.2 million	44
2012	$11.8 million	49
2013	$13.2 million	56
2014	$15.6 million	60
2015	$17.0 million	64

May 15, 2015

Council Adoption: 5/14/2015
Mayor Approval:
Mayor Veto:
Override Request:

TO: MAYOR ASHLEY SWEARENGIN

FROM: YVONNE SPENCE, CMC
City Clerk

SUBJECT: TRANSMITTAL OF COUNCIL ACTION FOR APPROVAL OR VETO

At the Council meeting of 5/14/15, Council adopted the attached Resolution No. 2015-77 entitled, **Enacting changes to the Reserve Management Act,** Item No. 2D, File ID# 15-320, by the following vote:

Ayes	:	Brand, Brandau, Caprioglio, Olivier
Noes	:	None
Absent	:	Quintero, Soria, Baines
Abstain	:	None

Please indicate either your formal approval or veto by completing the following sections and executing and dating your action. Please file the completed memo with the Clerk's office on or before May 26, 2015. In computing the ten day period required by Charter, the first day has been excluded and the tenth day has been included unless the 10th day is a Saturday, Sunday, or holiday, in which case it has also been excluded. Failure to file this memo with the Clerk's office within the required time limit shall constitute approval of the ordinance, resolution or action, and it shall take effect without the Mayor's signed approval.

Thank you.

****

APPROVED/NO RETURN: _____

VETOED for the following reasons: (Written objections are required by Charter; attach additional sheets if necessary.)

_____

_____

_____ Date: _____
Ashley Swearengin, Mayor

COUNCIL OVERRIDE ACTION: Date: _____

Ayes	:	
Noes	:	
Absent	:	
Abstain	:	