MEETING DATE: 05/11/09

AGENDA ITEM: Introduction of an Ordinance Amending Chapter 3.07, Finance and Revenue, of the Culver City Municipal Code to Add a New Subchapter 3.07.400, et seq., Entitled "Budget Regulations," Relating to Regulating the Adoption of Balanced City Budgets and the Use of Reserve Funds

ATTACHMENTS

ORDINANCE NO. 2009-

AN ORDINANCE OF THE CITY OF CULVER CITY, CALIFORNIA, AMENDING CHAPTER 3.07, FINANCE AND REVENUE, OF THE CULVER CITY MUNICIPAL CODE, TO ADD A NEW SUBCHAPTER 3.07.400, et seq., ENTITLED "BUDGET RESTRICTIONS," RELATING TO THE ADOPTION OF BALANCED CITY BUDGETS AND THE USE OF RESERVE FUNDS.

WHEREAS, the City of Culver City is committed to operating in a financially responsible manner; and,

WHEREAS, it is critical for the City to maintain a structural balance and avoid operating deficits in order to preserve its General Fund reserves, maintain favorable ratings with the bond rating agencies and ensure its long-term ability to provide necessary services; and,

WHEREAS, structural balance is achieved when budgeted ongoing revenues meet or exceed budgeted ongoing expenditures; and,

WHEREAS, the City is projecting an operating deficit in Fiscal Year 2009/2010 and beyond; and,

WHEREAS, unfunded liabilities and mandates threaten the City's ability to maintain a structural balance; and,

WHEREAS, the City desires to avoid drawing down on its General Fund reserves in order to balance its budgets; and,

WHEREAS, the City Council has already adopted a policy of maintaining a General Fund reserve equal to at least thirty percent (30%) of appropriated ongoing expenditures; and, WHEREAS, it is the intent of this ordinance to restrict the adoption of budgets that rely on the use of General Fund reserves to achieve balanced budgets.

NOW, THEREFORE, the City Council of the City of Culver City, California, DOES HEREBY ORDAIN as follows:

SECTION 1. Chapter 3.07, Finance and Revenue, of the Culver City Municipal Code is hereby amended to add a new subchapter 3.07.400, et seq. entitled "Budget Restrictions," to read as follows:

BUDGET RESTRICTIONS

§ 3.07.400. Balanced Budget Requirement.

For each budget year, budgeted General Fund ongoing expenditures shall not exceed budgeted ongoing revenues.

§ 3.07.405. Required Reserves.

For each budget year, the City's projected ending General Fund reserves shall not be less than thirty percent (30%) of budgeted operating expenditures.

§ 3.07.410. Use Of Required Reserves For Financial Emergencies.

During a financial emergency, as declared by a four-fifths (4/5) vote of the City Council, the City's General Fund reserves may be used to balance the budget for a single budget year, provided that the projected ending General Fund reserves not fall below twenty-five percent (25%) of budgeted operating expenditures. The City shall implement measures to restore the projected ending General Fund reserves to thirty percent (30%) of budgeted operating expenditures by the budget year occurring immediately after the budget year in which any such financial emergency was declared by the City Council. Upon a finding of special circumstances, the City Council may by four-fifths (4/5) vote approve an extension to the time period to restore the projected ending General Fund reserves to thirty percent (30%) of budgeted operating expenditures.

§ 3.07.415. Use Of Amounts In Excess Of Required Reserves.

Projected ending General Fund reserves in excess of thirty percent (30%) of budgeted operating expenditures may be appropriated only for one-time, non-recurring expenditures that will not increase future operating expenditures. Any other use of those General Fund reserves exceeding thirty percent (30%) of budgeted operating expenditures shall require approval by a four-fifths (4/5) vote of the City Council.

§ 3.07.420. Quarterly Reports

The Finance Department shall generate quarterly budget monitoring reports for City Council review and consideration within forty-five (45) days of the conclusion of the first, second, and third fiscal quarters.

SECTION 2. Pursuant to Section 619 of the Culver City City Charter, this ordinance shall take effect thirty (30) days after its adoption. Pursuant to Sections 616 and 621 of the Culver City City Charter, prior to the expiration of fifteen (15) days after the adoption of this ordinance, the City Clerk shall cause this ordinance, or a summary

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thereof, to be published in the Culver City News and shall post this ordinance or a summary thereof in at least three (3) places within the City.

APPROVED and ADOPTED this ______ day of __________, 2009

ANDREW WEISSMAN, Mayor
City of Culver City, California

ATTEST:

MARTIN R. COLE,
City Clerk
A09-00045

APPROVED AS TO FORM:

for CAROL A. SCHWAB,
City Attorney

APPENDIX B

CITY OF CULVER CITY
COUNCIL POLICY STATEMENT

Policy Number 5002

General Subject: Finance

Date Issued 1/23/1995

Specific Subject: Financial Policies

Date Revised 7/16/2007

Effective Date 7/17/2007

Resolution No. 2007-R043

PURPOSE:

To establish a comprehensive set of financial policies for the City that will serve as a guideline for operational and strategic decision making related to financial matters.

STATEMENT OF POLICY:

The following financial policies are intended to establish a comprehensive set of guidelines for use by the City Council and City staff on decision-making that has a fiscal impact. The goal is to maintain the City's financial stability in order to be able to continually adapt to local and regional economic changes. Such policies will allow the City to maintain and enhance a sound fiscal condition. This policy should be implemented in conjunction with associated subsidiary policies, i.e. Mission Driven Budgeting Policy (5001), Purchasing Policy, Investment Policy, Grants Policy, etc.

This financial policy will be reviewed annually to ensure that it remains current. The policy will be included as part of the City's annual Adopted Budget. The City's comprehensive financial policies shall be in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).

LONG-TERM FINANCIAL PLANNING

1. The City shall seek a balance in the overall revenue structure between more stable revenue sources (e.g. Property Tax and Utility Taxes) and economically sensitive revenue sources (e.g. Sales Tax and Transient Occupancy Tax). When new revenue sources are proposed, they should be designed to achieve a desirable balance.

2. The City shall encourage the economic development of the community as a whole in order to provide stable and increasing revenue streams. It should be the City's goal to not only attract new businesses but also to retain successful businesses in the City. Objectives of the revenue strategy should also include: avoiding an over reliance on revenue from any one particular industry; recruitment and retention efforts to ensure a balance of revenue sources;

ensuring compatible uses; encouraging business synergies; and promoting the growth of amenities and ancillary services to support business districts and established industries.

3. The City shall develop and maintain methods for the evaluation of future development and related fiscal impacts on the City budget.

4. The City shall develop and implement a five-year infrastructure, facilities and equipment maintenance/replacement plan, which shall be updated annually and included in the City's Comprehensive Financial Plan. From this plan a maintenance and replacement schedule will be developed and followed.

5. The City shall develop and implement a financial plan to address its funding needs for issues like deferred maintenance and unfunded liabilities, which will be included in the City's Comprehensive Financial Plan.

OPERATING BUDGET POLICIES

1. The City Manager shall prepare and present a proposed two-year budget to the City Council within all statutorily prescribed deadlines. The City Council will adopt the first year budget with conceptual approval of the second year budget. A public hearing will be conducted in June of each year to adopt the budget.

2. A Budget Resolution will be adopted by the City Council annually, which describes the budget amendment process and also specifies budget amendment authority.

3. All departments will participate in the responsibility of meeting the City's financial policy goals and ensure the City's long-term financial health. Budget control is maintained at the department level.

4. It is the City's policy to adopt a balanced budget where operating revenue is equal to, or exceeds, operating expenditures. In the event a balanced budget is not attainable, and the cause of the imbalance is expected to last for no more than one year, the planned use of reserves to balance the budget is permitted. In the event that a budget shortfall is expected to continue beyond one year, the planned use of reserves must be developed as part of a corresponding strategic financial plan to close the gap through revenue increases and/or expenditure decreases.

5. The operating budget shall serve as the annual financial plan for the City. It shall serve as the City's management plan for implementing goals and objectives of the City Council, City Manager and departments. The budget shall provide staff the resources necessary to accomplish City Council determined service levels.

6. During the annual budget development process, the existing base budget should be thoroughly examined to assure removal or reduction of any services or programs that could be eliminated or reduced in cost.

7. The annual review process should include an assessment to determine if funds are available to operate and maintain proposed capital facilities and other public improvements. If funding is not available for operations and maintenance costs, the City will delay construction of new projects.

8. Any year-end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and will be available for capital projects and/or one-time General Fund expenditures upon approval of the City Council.

9. Where practical, the City's annual budget will include performance measures of workload, efficiency, and effectiveness.

10. The City's Comprehensive Financial Plan (Plan) is a long-term picture of the City's finances and will be updated annually as part of the annual budget development. The Plan shall include forecasted expenditures and revenues of at least five (5) years for each fund; however, a ten (10) year forecast is preferred. The update will include an analysis of any substantial discrepancies of previous projections.

Revenues:

1. The City will estimate annual General Fund revenues using an objective, analytical process; specific assumptions will be documented and maintained. Budgeted revenues will be estimated conservatively using accepted standards and estimates provided by the state, other governmental agencies, and/or reliable economic forecasters when available.

2. Specific revenue sources will not be dedicated for specific purposes, unless required by law or Generally Accepted Accounting Principles (GAAP). All non-restricted revenues will be deposited in the General Fund and appropriated through the budget process.

3. On-going revenues will fund on-going expenditures and a diversified and stable revenue system will be developed and maintained to protect programs from short-term fluctuations in any single revenue source.

4. The City shall prepare quarterly reports which discuss revenue projections in light of actual receipts, and shall provide new projections, as appropriate.

Appropriations:

1. The City shall, to the extent possible, pay for current year expenditures with current year revenues. Where authorized activities/equipment remain incomplete and/or unpurchased, revenues and/or fund balance may be carried forward at the City Manager's direction to the next fiscal year to support such an activity/purchase.

2. The City shall avoid budgetary procedures which rely on financial strategies that defer payment of current operating expenses to future years.

3. Department Heads are responsible for ensuring department expenditures stay within the department's budgeted appropriation.

4. The City Manager will notify the City Council immediately of the necessity to increase any departmental appropriation; a budget amendment needs to be approved by a 4/5th vote of the City Council prior to such over-expenditure.

GENERAL FUND RESERVE POLICY

1. It is a goal of the City to maintain a general operating reserve of, at a minimum, 25% of projected General Fund operating expenditures for each fiscal year and an additional 5% for emergency situations (excluding debt service, fund transfers, and encumbered funds). These reserves are designed to be used in the event of a significant financial emergency. Should the General Fund reserve fall below 30%, the City will implement measures to restore the reserve percentage to 30% in the following fiscal year.

2. The unreserved portion of General Fund Fund Balances can be loaned to the Redevelopment Agency or to the Refuse or Sewer Funds for a total amount not to exceed 50% of the "Unreserved" fund balance shown in the most current Comprehensive Annual Financial Report (CAFR).
   a. Such loans should be for a term of five years or less and have a call provision of no more than 120 days. Furthermore, the loan must be secured by assets such as real property, tax increment fund, or secured by the user fee and/or other sound funding source.
   b. The interest rate for a loan originated by the City will be determined by the Chief Financial Officer and should be set based on rates of investments and/or loans with comparable terms on or about the date the loan is executed.
   c. Such loan shall be considered as part of the reserve calculation.

3. The City shall establish, at the beginning of each fiscal year, an "appropriated reserve" to provide funding for special projects/programs approved by City Council after the annual budget is adopted, for unanticipated expenditures of a nonrecurring nature, or to meet unexpected increases in current service delivery costs. The amount of this reserve will be approved annually by the City Council.

4. A portion of any uncommitted fund balance in excess of 30% of annual revenues resulting from the previous fiscal year's operations should be committed to capital improvement projects or should be used to retire existing debt, fund future liabilities or potential legislative impacts, establish or replenish equipment replacement funds, and/or establish or replenish deferred maintenance funds.

5. One-time funds should <u>not</u> be used to fund ongoing City programs. Any one-time revenue receipt during the fiscal year should be recognized and recorded in a "non-recurring revenue source" category. One-time revenue windfalls include: sales of city-owned real estate, CalPERS rebates, lump sum (net present value) savings from debt restructuring, litigation settlement, unexpected revenues, and other similar sources of revenue as designated by the City Council.

6. The City should establish and maintain a designated reserve fund for any anticipated future expenses that will require a certain level of steady funding source, i.e. unfunded future retiree medical cost and pension cost. It is prudent to set aside these funding needs each year in order to maintain City's financial stability.

FINANCIAL REPORTING POLICIES

Accounting Standards:

1. The City's accounting and financial reporting systems shall be maintained in conformance with all state and federal laws, generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA). The City will make every attempt to implement all changes to governmental accounting practices at the earliest practicable time.

Annual Audit:

1. An annual audit will be performed by an independent public accounting firm with an audit opinion to be included with the City's published Comprehensive Annual Financial Report (CAFR).

2. The independent firm will be selected through a competitive bidding process at least once every five years. The contract will be for an initial period of three years with two additional one-year options at the City Council's discretion. The Budget & Finance subcommittee and City Manager will review the qualifications of prospective firms and make a recommendation to the City Council. The audit contract, and any extensions, will be awarded by the City Council.

OPERATIONAL MANAGEMENT POLICIES

1. The City shall endeavor to avoid committing to new spending for operating or capital improvement purposes until an analysis of all current and future cost implications relating to those programs and projects is completed.

2. All departments will participate in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements.

3. Departmental requests for increases in staffing will be thoroughly analyzed; only those that meet adopted program initiatives and policy directives will be considered. To the extent feasible, personnel cost reductions will be achieved through attrition.

User Fees and Charges and Development Impact Fees:

1. All non-enterprise user fees and charges will be examined or adjusted annually to determine the direct and indirect cost of service recovery rate. Where direct services to users can be measured, the City shall consider use of appropriate fees, charges or assessments rather than general tax funds.

2. User fees and charges for specialized services shall be established at a level related to the cost of providing such service except where the City Council has determined there is a public benefit to subsidize the service with tax based revenue. The acceptable recovery rate and any associated changes to user fees and charges will be approved by the City Council following public review.

3. The City shall identify the costs associated with new development as a basis for establishing development impact fees. The long-term benefit of the development to the City should be considered in establishing such fees.

Grant Management:

1. The City shall actively pursue federal, state and other grant opportunities when deemed appropriate. Before accepting any grant, the City shall thoroughly consider the implications in terms of ongoing obligations that will be required in connection with acceptance of said grant.

2. The term of Grant funded positions should be clearly identified and presented to the City Council for approval. It is mandatory to disclose if General Fund revenues will be needed to fund a position after the Grant expires.

3. Grant funding will be considered to leverage City funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs. Programs financed with grant monies will be budgeted in separate cost centers, and the service program will be adjusted to reflect the level of available funding. In the event of reduced grant funding, City resources may be substituted only after all program priorities and alternatives are considered.

4. All externally mandated services for which funding is available shall be fully costed out, including overhead, to allow for complete reimbursement of expenses.

Revenue Collection Policy:

1. The City will pursue revenue collection and auditing to assure that monies due the City are accurately received in a timely manner.

2. The City will seek reimbursement from the appropriate agency for State and Federal mandated costs whenever possible.

3. The City should centralize accounts receivable/collection activities so that all receivables are handled consistently.

4. Accounts receivable management and diligent oversight of collections from all revenue sources are imperative. Sound financial management principles include the establishment of an allowance for doubtful accounts. Efforts should be made to pursue the timely collection of delinquent accounts. When such accounts are deemed uncollectible, they should be written-off from the financial statements.

FINANCIAL MANAGEMENT POLICIES

1. Staff shall keep City Council apprised of financial opportunities available to the City and shall develop appropriate recommendations.

2. All requests for City Council action shall include an analysis of the immediate and future fiscal impact of such action. No appropriation for new or expanded programs or staffing levels shall be approved without identifying the amount and source of available funds.

3. All externally mandated services for which funding is available shall be fully costed out, including overhead, to allow for complete reimbursement of expenses.

Cash Management Investment:

1. Cash and investment programs will be maintained in accordance with California Government Code Section 53600 et seq. and the City's adopted investment policy and will ensure that proper controls and safeguards are maintained. Pursuant to State law, the City, at least annually, revises, and the City Council affirms, a detailed investment policy.

2. Reports on the City's investment portfolio and cash position will be developed and presented to the City Council on a quarterly basis, in conformity with the California Government Code.

3. City funds will be managed in a prudent and diligent manner with emphasis on safety, liquidity, and yield, in that order.

CAPITAL IMPROVEMENT PROJECT POLICIES

1. A five-year Capital Improvement Plan must be developed and updated annually, including anticipated funding sources. Capital improvement projects are defined as infrastructure or equipment purchases or construction which result in a capitalized asset and have a useful (depreciable) life of two years or more.

2. The capital improvement plan will identify, where applicable, current operating maintenance costs and funding streams available to repair and/or replace deteriorating infrastructure and to avoid significant unfunded liabilities.

3. The City should develop and implement a post-implementation evaluation of its infrastructures condition on a specified periodic basis, estimating the remaining useful life, and projecting replacement costs.

4. The City shall actively pursue outside funding sources for all Capital Improvement Projects. Outside funding sources, such as grants, shall be used to finance only those Capital Improvement Projects that are consistent with the five-year Capital Improvement Project and local governmental priorities, and whose operating and maintenance costs have been included in future operating budget forecasts.

5. Capital improvement lifecycle costs will be coordinated with the development of the Operating Budget. Future operating, maintenance and replacement costs associated with new capital improvements will be forecasted, matched to available revenue sources, and included in the Operating Budget. Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact of the project and when such cost is expected to occur.

6. The City must carefully seek and analyze the appropriate type of financing instrument appropriate for financing capital projects. Several options are available – general obligation debt, fee-supported debt, fund reserves, etc. All debt financing mechanisms shall be carefully considered and analyzed for fiscal benefit and cost effectiveness. Long-term borrowing shall be restricted to projects too large to be financed from current revenues (pay-as-you-go). Where possible, special assessment, revenue or other self-supporting bonds shall be used in lieu of general obligation bonds.

DEBT MANAGEMENT POLICIES

Issuance of Debt:

1. The City will not use long-term debt to pay for on-going operations. The use of bonds or certificates of participation will only be considered for significant capital and infrastructure improvements.

2. New debt issues, and refinancing of existing debt, must be analyzed for compatibility within the City's overall financial planning within the Comprehensive Financial Plan. The review shall include, but not be limited to, cash flow analysis and the maintenance of the City's bond rating. Annual debt service shall not produce an adverse impact upon future operations.

3. Debt financing should not exceed the useful life of the infrastructure improvement with the average (weighted) bond maturities at or below twenty years.
4. A ratio of current assets to current liabilities of at least 2 to 1 will be maintained to ensure the City's ability to pay short-term obligations (i.e. current assets/current liabilities ≥ 2).

Credit Rating:

1. The City will seek to maintain and, if possible, improve its current bond rating(s) in order to minimize costs and preserve access to credit.

2. It is the City's goal to maintain an AAA/Aaa credit rating from all three major rating agencies. The City may pay the bond insurance which is considered as part of the rating, however, the rating agency does evaluate the structure of the bond to validate the bond rating. The factors that contribute to a high rating include the City's financial management practices, low debt levels, budgetary and fiscal controls, and accountability. To support this policy, the City will continue to maintain its position of full financial disclosure and proactive fiscal planning.

INTERNAL SERVICE FUNDS

Self Insurance Fund:

1. The Self-insurance fund pays for insurance premiums, benefit and settlement payments, and administrative and operating expenses. It is supported by charges to other City funds for the services it provides. These annual charges for service shall reflect the five-year historical experience and shall be set to equal the annual expenses of the fund.

2. Self-insurance reserves (Liability and Workers' compensation) will be maintained at a level which, together with purchased insurance policies, adequately indemnify the City's property, liability, and health benefit risk. A qualified actuarial firm shall be retained on an annual basis in order to recommend appropriate funding levels, which will be approved by Council. The City shall endeavor to maintain reserves equal to 30% of the net present value

of such future liabilities, with no less than $2 million to cover potential swings in working capital.

Equipment Replacement Fund:

1. The City shall maintain a fund with a sufficient balance for replacement of vehicles, equipment (including technology and communication equipment)

2. Vehicle replacement will be accomplished through the use of an amortization methodology structure. The rates will be revised annually to ensure that charges to operating departments are sufficient for operation and replacement of vehicles and other capital equipment (fleet, computers, phones, copiers, etc.). Replacement costs will be based upon equipment lifecycle financial analysis.

ENTERPRISE FUNDS (Includes Sewer Fund, Refuse Fund and Transportation Fund)

1. All Enterprise Funds user fees will be examined annually to ensure that they recover all direct and indirect costs of service, provide for capital improvements and maintenance, and maintain adequate reserves.

2. Rate increases shall be approved by the City Council following formal noticing and a public hearing. Rate adjustments for Sewer Fund operations will be based on five-year financial plans unless the City Council directs otherwise.

Reserve Percentage Survey

Agency	Policy?	Percent	Actual Percent	Notes
Agoura Hills	Yes	40%		
Alhambra	No		10%	No "formal" policy
Aliso Viejo	Yes	35%		15% GF Stabilization, 10% Economic Uncertainty, 10% Continency
Angels Camp	Yes	35%		
Atwater	Yes	25%	32%	
Benicia	Yes	20%		5% economic uncertainty, 5% liability, 10% disaster
Beverly Hills	Yes	40%		
Brisbane	Yes	50%		
Carlsbad	Yes	30%		30% minimum, with 40% to 50% target
Colton	Yes	15%	8%	Dipping into reserve this year and expect to finish June 30th at 8%
Culver City	Yes	30%	40%	25% requirement with 5% for 'emergency'
Davis	Yes	15%		
El Cajon	Yes	20%		Also maintain a fluctuating 'rainy day' reserve, but no policy on that
El Centro	Yes	10%		
El Cerrito	Yes	10%		10% policy, 15% informal practice
Elk Grove	Yes	15% - 20%		
Fresno	Yes	5%	6.70%	
Fullerton	Yes	10%		
Goleta	Yes	33%		
Kerman	No	50%		Target 25%, currently at 50%, no formal policy
La Mesa	Yes	15%		May be revising upwards
Lafayette	Yes	50%		
Laguna Niguel	Yes	50%		
Lake Forest	Yes	40%		40% plus $3 million disaster reserve
LaVerne	Yes	15%		
Lawndale	Yes	100%		
Lomita	Yes	50%		
Mill Valley	Yes	15%		Try to keep an additional 10% in reserves
Milpitas	Yes	15%		
Modesto	Yes	8%		
Monterey	Yes	15%	11%	
Morro Bay	No		27.50%	They have a target, not a formal policy
Mt. Shasta	Yes	8% to 10%		
Oakley	Yes	20%		
Orange	Yes	25%		
Orland	Yes	13.33%		Plus some fixed amounts for economic downturn and natural disaster
Palos Verdes Estates	Yes	50%		

Pismo Beach	Yes	20%		
Pittsburg	Yes	15%		
Poway	Yes	15%	50%	
Poway	Yes	15%		
Rancho Cordova	Yes	20%		
Rancho Mirage	Yes	100%		Policy is reserve equal to 1 year of budget
Rancho Palos Verdes	Yes	50%		Plus $3 million capital improvements project fund reserve
Redwood City	Yes	15% to 20%		Based on anticipated revenues
Relands	Yes	12%		
Riverside	Yes	15%		
Roseville	Yes	10%		Net out indirect charges to utilities prior to calculating
Sacramento	Yes	10%	2.50%	Based on revenues; they have used substantial reserves over the last few years
San Dimas	No		100%	Have been saving for a large project, looking to adopt a 50% reserve policy
San Francisco	No		4%	
San Juan Capistrano	Yes	50%		
San Luis Obispo	Yes	20%		
San Mateo	Yes	25%	12%	
San Rafael	Yes	10%		
Santa Barbara	Yes	25%		10% budget reserve, 15% disaster reserve
Santa Clara	Yes	25%	14%	
Santa Clarita	Yes	15%		
Santa Monica	Yes	10%		Also have other fund balance designations, including $8.2 million for economic uncertainty
Santee	Yes	25%		
Sierra Madre	Yes	50%		Just reached recently
South Lake Tahoe	Yes	26%		25% reserve, plus 1% contingency reserve
Susanville	Yes	20%		
Thousand Oaks	Yes	20%		15% operating reserve, 5% emergency reserve
Truckee	Yes	16.70%	80%	
Twentynine Palms	Yes	50%		
Union City	Yes	7.50%		
Vacaville	No		15%	Not a formal policy, but try to reserve this amount
Waterford	No		33%	Not a formal policy, but have maintained about 1/3 reserve for last 10 years
Westminster	No			
Yorba Linda	Yes	50%		
Yucaipa	Yes	15%	85%	15% requirement, 85% to 95% goal, currently at 85%

DWAmt4Patt

City of Cincinnati

An Ordinance No. 175 - 2008

DIRECTING the City Manager to implement the procedures necessary to ensure that budgeted General Fund expenditures do not exceed budgeted revenues, commencing with the 2009-2010 Biennial Budget, and further directing that once the City's projected ending minimum combined reserve balance reaches 10 percent or greater of projected revenues, only then may those resources over the 10 percent required reserve be appropriated, and then such prior year resources may only be appropriated for one time non-recurring expenditures that will not increase future operating expenditures.

WHEREAS, both Moody's and Standard & Poor's bond rating agencies have emphasized the need for the City to maintain structural balance and avoid operating deficits in order to maintain the Aa1 and AA+ bond ratings, respectively; and

WHEREAS, structural balance is achieved when budgeted operating revenues meet or exceed budgeted operating expenditures; and

WHEREAS, for the last several years, the City has been able to balance its budget by drawing down on the savings garnered in past years and/or utilizing expenditure savings; and

WHEREAS, the prior year carryover at the end of 1999 was $26.6 million, while the budgeted carryover from 2007 to 2008 is only $5 million; and

WHEREAS, it is the intent of this ordinance to prohibit the passage of structurally imbalanced budgets that rely on prior year carryover funds to achieve a "balance"; now, therefore,

BE IT ORDAINED by the Council of the City of Cincinnati, State of Ohio:

Section 1. That commencing with the 2009-2010 Biennial Budget, budgeted General Fund expenditures shall not exceed budgeted revenues.

Section 2. If the City's projected ending minimum combined reserve balance (reserve) is less than 10 percent, the City may not spend from that reserve, absent a genuine emergency as declared by the City Manager.

Section 3. If the City's projected ending minimum combined reserve balance reaches 10 percent or greater of projected revenues, only then may additional prior year resources be appropriated, and then such prior year resources may only be appropriated for one time non-recurring expenditures that will not increase future operating expenditures, absent a genuine emergency as declared by the City Manager.

Section 4. That the City Manager is hereby directed to implement any administrative procedures necessary to carry out the policies described in Sections 1 and 2 herein.

Section 5. To the extent permissible by law, this ordinance shall be binding upon the City administration, the Mayor, and the members of City Council until the proper legislative action is taken to repeal this ordinance.

Section 6. That the terms hereof shall take effect from and after the earliest period allowed by law.

Passed: May 29, 2008

Mayor

Attest: Melissa Autry
Clerk

I HEREBY CERTIFY THAT ORDINANCE NO 0175-2008
WAS PUBLISHED IN THE CITY BULLETIN
IN ACCORDANCE WITH THE CHARTER ON 6-10-2008
Melissa Autry
CLERK OF COUNCIL