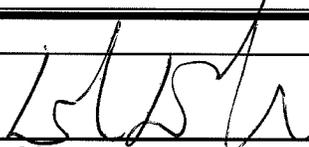


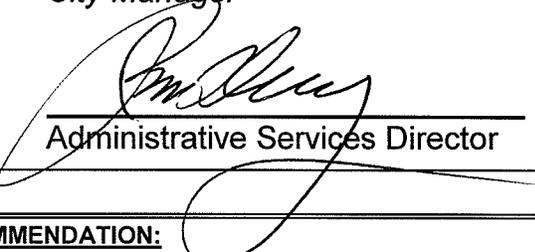
**STAFF REPORT**  
**COUNCIL MEETING DATE:**  
**September 26, 2011**

**ITEM FOR COUNCIL CONSIDERATION:**

**Resolution No. 5343 Establishing a General Fund Reserve Policy.**

**Department: Administration**

  
\_\_\_\_\_  
City Manager

  
\_\_\_\_\_  
Administrative Services Director

**STAFF RECOMMENDATION:**

**Action Item X ; Non-Action Item \_\_\_\_**

**Adopt Resolution 5343, as read by title only, establishing the General Fund Reserve Policy.**

**I. BACKGROUND**

On June 13, 2011 the City Council adopted a Fund Balance Policy for the General Fund to establish procedures for reporting unrestricted fund balance in the General Fund financial statements in compliance with Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Policy established five categories of fund balance, one of which is referred to as Committed Fund Balance. These committed balances are determined by City Council action by Resolution or Ordinance and cannot be changed except by a similar subsequent City Council action.

At its July 11, 2011 meeting, following discussion, the City Council directed staff to draft, in the form of a Resolution, a General Fund Reserve policy as was discussed and agreed upon at the meeting. Staff recommended the establishment of three reserve categories in two types:

1. Financial and Economic Uncertainty Reserve. This type of reserve would be maintained at a level equal to 55% of General Fund expenses, currently \$3.9M.
2. General Reserve Fund. This reserve is currently established at a level of \$1M with interest earned on that balance segregated for use at the Council's direction.
3. Major Asset Replacement and Repair Reserve Fund. Similar to the General Reserve Fund this reserve would be established at a level of \$882K with interest earned segregated for use at the Council's direction. Staff recommends that the \$882K level be increased to a \$1M level when possible.

These three reserve categories comprise the Committed Fund Balance portion of total fund balance as per GASB Statement 54.

## **II. FINANCIAL ISSUES:**

In years when revenues exceed expenses the Council will direct the allocation of any excess as part of the annual transmittal of the audited Comprehensive Annual Financial Report.

As part of the annual budget process staff will make recommendations for appropriations from the various reserve categories for items, if any, which meet the intended use of the reserves.

At least annually, as part of the budget process and/or CAFR transmittal, staff will report on the level of reserve balances as compared to the targeted 55% level.

## **III. LEGAL ISSUES:**

The reserve categories recommended allow for consistency with GASB standards for reporting General Fund reserves and the City's recently adopted General Fund reserve policy.

## **IV. ATTACHMENTS:**

Resolution No. 5343

**RESOLUTION NO. 5343**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARPINTERIA,  
ESTABLISHING A GENERAL FUND RESERVE POLICY**

**WHEREAS**, on June 13, 2011 the City Council approved a Fund Balance Policy for the General Fund in compliance with Government Accounting Standards Board Statement 54; and

**WHEREAS**, the City Council directed the City Manager to prepare a Resolution to adopt a General Fund Reserve Policy as discussed; and

**WHEREAS**, the purpose this General Fund Reserve Policy is to support an understanding of what types and amounts of reserves should be maintained by the City and how to manage those reserves in terms of funding and appropriation; and

**WHEREAS**, research indicates that cities commonly set aside reserves ranging from 15% to 55% of General Fund expenses for items such as economic uncertainties, disasters/emergencies and occasional major expenses; and

**WHEREAS**, factors influencing General Fund balances and reserves include changes in the economy, the stock market, unexpected declines in revenues, subsidies to other funds, fleet replacement and litigation.

**NOW, THEREFORE, THE CARPINTERIA CITY COUNCIL HEREBY RESOLVES** that the following three reserve categories and amounts be established and comprise the Committed Fund Balance portion of total fund balance as per Government Accounting Standards Board Statement 54:

1. Financial and Economic Uncertainty Reserve equal to a minimum of 55% of annual General Fund expenses
2. General Reserve Fund set as a minimum of \$1,000,000 with interest only accruing therein to be appropriated by Council Resolution
3. Major Asset Replacement and Repair Reserve Fund equal to a minimum of \$882,000 with interest only accruing therein to be appropriated by Council Resolution

**BE IT FURTHER RESOLVED** that the \$882,000 minimum in the Major Asset Replacement and Repair Fund be increased to a minimum of \$1,000,000 whenever possible; and

**BE IT FURTHER RESOLVED** that:

In years when revenues exceed expenses the Council will direct the allocation of any excess as part of the annual transmittal of the audited Comprehensive Annual Financial Report; and

As part of the annual budget process staff will make recommendations for appropriations from the various reserve categories for items, if any, which meet the intended use of the reserves; and

At least annually, as part of the budget process and/or Comprehensive Annual Financial Report transmittal, staff will report on the level of reserve balances as compared to the targeted 55% level.

**PASSED, APPROVED AND ADOPTED** this 26th day of September 2011 by the following called vote:

AYES: COUNCILMEMBERS:  
NOES: COUNCILMEMBERS:  
ABSENT: COUNCILMEMBERS:

---

MAYOR, CITY OF CARPINTERIA

ATTEST:

---

CITY CLERK, CITY OF CARPINTERIA

I hereby certify that the foregoing resolution was duly and regularly introduced and adopted at a regular meeting of the City Council of the City of Carpinteria held this 26th day of September 2011.

---

CITY CLERK, CITY OF CARPINTERIA

APPROVED AS TO FORM:

---

PETER N. BROWN  
CITY ATTORNEY