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Title: ***RESOLUTION - Amending Reserve Management Act (Subject to Mayor's veto)

Sponsors: Office of Mayor

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Attachments: 1. Resolution.pdf, 2. Reserve Management Act Revised 12 17 clean final.pdf, 3. Reserve Management Act Revised 12 17 redline final.pdf

Date	Ver.	Action By	Action	Result
12/7/2017	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

December 7, 2017

FROM: LEE BRAND, Mayor
Office of the Mayor & City Manager

SUBJECT
***RESOLUTION - Amending Reserve Management Act (Subject to Mayor's veto)

RECOMMENDATION

It is recommended that Council approve a resolution adopting various changes to the Reserve Management Act.

EXECUTIVE SUMMARY

The Reserve Management Act (Act) was adopted to set City policy regarding the establishment and funding of the City's reserve funds. While the Act has provided valuable structure to the City's finances, it is silent on the treatment of asset sale or special windfall proceeds. Thus, it is proposed that the Reserve Management Act be modified to permit the creation of a reserve fund that will house any asset sale or special windfall proceeds over \$15,000 which would typically be deposited in the General Fund. Those proceeds will be amortized over a period of not less than five years and no longer than ten years to be used as a funding stream for operational and capital uses that would otherwise be funded by the General Fund.

BACKGROUND

The Act was adopted by Council on March 31, 2011, to establish City policy regarding the creation, funding, and use of various reserve funds. The Act was amended in May, 2015, to reflect organizational changes that had occurred since the Act's adoption.

It has now become evident that the Act needs policy to address the treatment of asset sale or special windfall proceeds, which is not otherwise addressed therein. In order to clarify the existing policy, it is proposed that the Act be amended to create an Asset Sale/Special Windfall Reserve Fund. The new reserve fund will be, with certain exceptions enumerated in the Act, the repository of asset sale or special judicial/administrative windfall proceeds in excess of \$15,000 that would otherwise be deposited into the General Fund. Funds deposited in this reserve will be allocated over a five to ten year period to provide a funding stream for capital and operational expenditures of the General Fund. These operational costs may include personnel expenditures. The proposed revision mandates that a minimum 10% of each year's Asset Sale/Special Windfall allocation be spent on capital projects, with the remainder to go to operational projects. Allocations would be approved as part of the annual budget process, and any amendment thereof would be subject to a super-majority vote of the Council. Language has also been provided in the proposed amendment regarding the use of this reserve in the event of a fiscal emergency.

In addition to the Asset Sale/Special Windfall Reserve Fund language, the proposed amendment also eliminates outdated language in the Act and includes some formatting changes to the Act.

ENVIRONMENTAL FINDINGS

This approval is not a project pursuant to CEQA Guidelines Section 15378.

LOCAL PREFERENCE

Local preference was not considered because this item does not include a bid or award of construction or services contract.

FISCAL IMPACT

Adoption of the revised Reserve Management Act will result in the deposit of certain monies, that would otherwise be deposited in the General Fund, into a newly created Asset Sale/Special Windfall Reserve Fund. It would also amortize monies in the fund annually, to be expended over a five to ten year period to provide revenue streams for both capital and operating expenditures that would otherwise have been funded by the General Fund.

Attachments:

Resolution - Amending the Reserve Management Act

City of Fresno Reserve Management Act

City of Fresno Reserve Management Act (redline)