



Legislation Details (With Text)

File #: 18-138 **Version:** 1 **Name:**
Type: Consent Item **Status:** Passed
File created: 3/12/2018 **In control:** City Council/Public Finance and Economic Development Authority/Parking Authority/Successor Agency to the Redevelopment Agency
On agenda: 4/2/2018 **Final action:** 4/2/2018
Title: SUBJECT: Revenue Stabilization Fund Policy and Economic Development Opportunity Fund Policy

REPORT IN BRIEF

Consider adopting the Revenue Stabilization Fund Policy and Economic Development Opportunity Fund Policy.

RECOMMENDATION

City Council - Adopt a motion:

A. Adopting Resolution 2018-19, A Resolution of the City Council of the City of Merced, California, adopting Revenue Stabilization Fund Policy; and

B. Adopting Resolution 2018-20, A Resolution of the City Council of the city of Merced, California, adopting Economic Development Opportunity Fund Policy.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Revenue Stabilization Fund Resolution, 2. Economic Development Opportunity Fund Resolution

Date	Ver.	Action By	Action	Result
4/2/2018	1	City Council/Public Finance and Economic Development Authority/Parking Authority/Successor Agency to the Redevelopment Agency	approved	Pass

Report Prepared by: Venus Rodriguez, Finance Officer

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RECOMMENDATION

City Council - Adopt a motion:

A. Adopting **Resolution 2018-19**, A Resolution of the City Council of the City of Merced, California,

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B. Adopting **Resolution 2018-20**, A Resolution of the City Council of the city of Merced, California, adopting Economic Development Opportunity Fund Policy.

ALTERNATIVES

1. Adopt as recommended by staff: or
2. Refer back to staff with specific direction

AUTHORITY

Merced Municipal Code Section 3.16.120 Administration of funds

CITY COUNCIL PRIORITIES

As provided for in the 2017-18 Adopted Budget

DISCUSSION

During the Fiscal Year 2016-2017 budget process the Revenue Stabilization Fund and the Economic Development Opportunity Fund were established. The intention in establishing these separate funds was to develop a City Council approved policy that would identify the purpose, how resources would accumulate, the maximum amounts to accumulate, and when the funds could be used.

The Revenue Stabilization Fund was established to have funds available to mitigate unanticipated General Fund revenue shortfalls or to provide revenue for emergency circumstances such as a natural disaster. This is in addition to the city's goal of maintaining the unassigned portion of the unrestricted General Fund balance at a minimum of the average of two months of revenue and expenditures as recommended by the Government Finance Officers Association (GFOA). The proposed policy states resources will accumulate up to a maximum of \$20,000,000. Resources will accumulate from the General Fund in amounts determined by the City Council or during the budget submission process. Per the proposed policy, the funds can be used if the City Council declares a "fiscal hardship". If the City Manager proposes a budget for a fiscal year, where General Fund revenues result in one percent or greater reduction in funding for general City services compared to the projected operating costs then the City Council can declare a "fiscal hardship" and use the funds from the Revenue Stabilization Fund to balance the General Fund. All expenditures from this fund will require City Council approval either at the specific use or as part of the annual budget.

The Economic Development Opportunity Fund was established to provide the opportunity to take advantage of business development and/or job creation or for significant capital investment. The proposed policy states resources will accumulate up to a maximum of \$5,000,000. Resources will accumulate from any source, gains from investment, and from the General Fund during the budget submission process. Per the proposed policy, the funds can be used for several specific purposes that are associated with its intent.

On October 16, 2017 the City Council gave staff direction to evaluate the benefits of establishing a Trust 115 for Pension Liability, and if determined beneficial, to issue a request for proposal. After additional research and evaluation, staff has determined it is in the best interest of the City and is developing a request for proposals. Part of the evaluation was to determine what funding would be utilized to put into the trust. Using the model initially developed when the Revenue Stabilization and Economic Development Opportunity Funds were created staff is proposing the following in order to

support these three financial resources.

The budget submission for each year will include a recommendation for a General Fund contribution of the calculated 75% excess of prior year audited unreserved General Fund balance over the GFOA recommended minimum.

Example:

Fiscal Year 15-16 audited unreserved fund balance at June 30	\$8,659,009
Fiscal Year 17-18 GFOA Recommended minimum	<u>6,681,022</u>
Excess over GFOA Minimum	1,977,987

Amount Rounded	1,900,000
	<u>75%</u>
75% of Excess	\$1,425,000

50% of 75% excess to Revenue Stabilization	\$ 712,500
20% of 75% excess to Economic Development Opportunity	285,000
30% of 75% excess to Trust 115 for Pension	<u>427,500</u>
Total	\$1,425,000

IMPACT ON CITY RESOURCES

No Appropriation of Funds is needed at this time.

ATTACHMENTS

1. Resolution-Revenue Stabilization Fund
2. Resolution-Economic Development Opportunity Fund