

ORDINANCE NUMBER O- 19679 (NEW SERIES)

DATE OF FINAL PASSAGE NOV 20 2007

AN ORDINANCE APPROVING THE CITY OF SAN DIEGO'S RESERVE POLICY AND AMENDING ORDINANCE NO. O-19652 ENTITLED "AN ORDINANCE ADOPTING THE ANNUAL BUDGET FOR THE FISCAL YEAR 2007-2008 AND APPROPRIATING THE NECESSARY MONEY TO OPERATE THE CITY OF SAN DIEGO FOR SAID FISCAL YEAR," AND AUTHORIZING AND DIRECTING THE AUDITOR AND CONTROLLER TO ESTABLISH AN APPROPRIATED RESERVE (DEPARTMENT 602) IN THE GENERAL FUND AND TRANSFERRING AND APPROPRIATING \$7,000,000 FROM THE GENERAL FUND UNALLOCATED RESERVE TO DEPARTMENT 602 TO ESTABLISH AN APPROPRIATED RESERVE FOR FISCAL YEAR 2008

WHEREAS, on July 30, 2007, the City Council adopted Ordinance No. O-19652 [Annual Appropriation Ordinance] to provide for the appropriation and expenditure of funds for the Fiscal Year 2007-2008; and

WHEREAS, on the date hereof the Mayor has presented a City Reserve Policy to ensure that the City establishes and maintains prudent reserves, and said report is attached hereto as Exhibit A; and

WHEREAS, the Mayor has recommended that a General Fund Appropriated Reserve be established and funded for unanticipated budgetary needs in Fiscal Year 2008 with an appropriation of \$7,000,000 from the General Fund Unallocated Reserve; NOW, THEREFORE,

BE IT ORDAINED by the Council of the City of San Diego, as follows:

1. All of the foregoing recitals are true and correct, and the City Council so finds and determines.
2. The City Reserve Policy is hereby accepted and approved.

3. The Auditor and Comptroller is hereby authorized and directed to establish the Appropriated Reserve Department 602 in the General Fund.

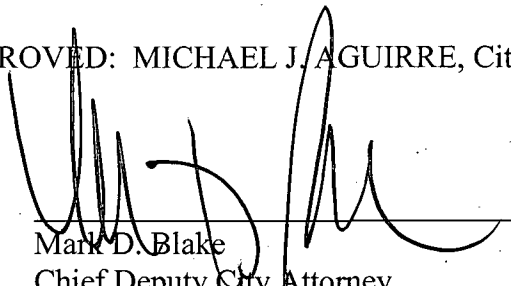
4. The Auditor and Comptroller is hereby authorized and directed to transfer \$7,000,000 from the General Fund Unallocated Reserve to Department 602 for deposit in the General Fund Appropriated Reserve for Fiscal Year 2008.

5. A full reading of this Ordinance is dispensed with prior to its final passage, a written or printed copy having been available to the City Council and the public a day prior to its final passage.

6. This ordinance is declared to take effect and be in force immediately upon its passage after two (2) public hearings pursuant to the authority contained in Section 71, 275, and 295 of the Charter of the City of San Diego.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By




Mark D. Blake  
Chief Deputy City Attorney

MDB:jdf  
10/17/07  
Or.Dept:FM  
O-2008-55

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of NOV 13 2007.

ELIZABETH S. MALAND  
City Clerk


By   
Deputy City Clerk

Approved: 11-20-07  
(date)

  
JERRY SANDERS, Mayor

Vetoed: \_\_\_\_\_  
(date)

\_\_\_\_\_  
JERRY SANDERS, Mayor




**City of San Diego Reserve Policy**

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# **City of San Diego Proposed Reserve Policy**

October 30, 2007



**City of San Diego Reserve Policy**

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**OBJECTIVES:**

- Establish sound fiscal reserve policies
- Build adequate reserves
- Guide the City toward meeting its short-term and long-term obligations while maintaining strong credit ratings and fiscal stability



## City of San Diego Reserve Policy

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### **BACKGROUND:**

- October 15, 2002, the City Council adopted the General Fund Reserve Policy
  - 3% minimum of General Fund revenues
  - 5% goal by FY 2014
- Rating Agencies recommend reserves higher than 5%
- GFOA recommends between 5% and 15%



## City of San Diego Reserve Policy

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### **Adequate Reserves Allow the City of San Diego to:**

- Withstand short-term revenue and expenditure swings
- Mitigate the impact of economic downturns
- Respond to budgetary affects of natural disasters, other catastrophic events or legal judgments against the City
- Reduce the amount of Tax Revenue Anticipation Notes (TRAN) borrowing
- Demonstrate the desire to restore financial strength as the City re-enters the financial markets



## City of San Diego Reserve Policy

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### KEY DEFINITIONS:

- **Working Capital**  
Current assets minus current liabilities
- **Emergency Reserves**  
Reserves used for qualifying emergencies as declared by the Mayor and/or the City Council
- **Appropriated Reserves**  
Reserves set aside during the budget process for unanticipated, non-emergency needs



## City of San Diego Reserve Policy

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### GENERAL FUND RECOMMENDED RESERVE POLICY:

- **Emergency Reserve**
  - Set at a minimum of 8% of annual General Fund revenues
  - Ultimately should only be used in case of natural disaster or unforeseen catastrophic events
  - 0.5% minimum increase per year
  - Maintained at a minimum of 8% thereafter
    - 6.0% by June 30, 2008
    - 6.5% by June 30, 2009
    - 7.0% by June 30, 2010
    - 7.5% by June 30, 2011
    - 8.0% by June 30, 2012



## City of San Diego Reserve Policy

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### **GENERAL FUND RECOMMENDED RESERVE POLICY (continued):**

#### ■ **Appropriated Reserve**

- Maintained for the purpose of unanticipated operational needs
- No minimum or maximum funding amount
- Unexpended funds revert back to the Emergency Fund at the end of the fiscal year



## City of San Diego Reserve Policy

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### **RISK MANAGEMENT:**

#### ■ **Public Liability Fund**

- Purpose: To cover costs associated with claims against the City
- Goal: 50% reserve by FY 2014

#### ■ **Workers' Compensation Fund**

- Purpose: To cover costs associated with workers' compensation claims
- Goal: 50% reserve by FY 2014

#### ■ **Long-Term Disability**

- LTD Actuary indicates a required reserve of \$12M
- Current balance is approximately \$3.0M
- Goal: \$12M by FY 2011



## **City of San Diego Reserve Policy**

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### **CHARTER SECTION 91**

- Requires the Establishment of an General Reserve Fund
- Applies to the General Fund
- Must be adequate to pay running expenses on a cash basis
- Adequate amount sufficient to meet all legal demands against the treasury for the first four months
- May only be expended in the event of a public emergency as determined by a 2/3 vote of the City Council that such expenditures are necessary in order to insure the safety and lives and property of the City or its inhabitants



## **City of San Diego Reserve Policy**

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### **CHARTER SECTION 91 COMPLIANCE**

- Establish three reserves in the General Fund
  - Appropriated
  - Unallocated
  - Emergency
- Appropriated
  - To be set as part of the budget each year
  - Can be accessed by Resolution





## City of San Diego Reserve Policy

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### CHARTER SECTION 91 COMPLIANCE

- Unallocated
  - Balance in the General Fund
  - Requires an Amendment to the Budget Ordinance
  - Two Public Meetings
  - One Reading of the Ordinance
  - Majority of the City Council
- Emergency
  - Requires an Amendment to the Budget Ordinance
  - Requires a Declaration of an Emergency
  - Needs Two-thirds Vote by the City Council
  - Funded at a Level Consistent with the Reserve Policy



## City of San Diego Reserve Policy

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**The City of San Diego  
CERTIFICATE OF CITY AUDITOR AND COMPTROLLER**

**CERTIFICATE OF UNALLOTTED BALANCE**

AC 2800288

ORIGINATING

DEPT. NO.: 055

I HEREBY CERTIFY that the money required for the allotment of funds for the purpose set forth in the foregoing resolution is available in the Treasury, or is anticipated to come into the Treasury, and is otherwise unallotted.

Amount: \$7,000,000.00 Fund: 100

Purpose: To set up Appropriated Reserve within the General Fund.

Date: October 12, 2007 By:  **AUDITOR AND COMPTROLLER'S DEPARTMENT**

ACCOUNTING DATA										
ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT
001	0	100			9544					\$7,000,000.00
TOTAL AMOUNT										\$7,000,000.00

FUND OVERRIDE

**CERTIFICATION OF UNENCUMBERED BALANCE**

I HEREBY CERTIFY that the indebtedness and obligation to be incurred by the contract or agreement authorized by the hereto attached resolution, can be incurred without the violation of any of the provisions of the Charter of the City of San Diego; and I do hereby further certify, in conformity with the requirements of the Charter of the City of San Diego, that sufficient moneys have been appropriated for the purpose of said contract, that sufficient moneys to meet the obligations of said contract are actually in the Treasury, or are anticipated to come into the Treasury, to the credit of the appropriation from which the same are to be drawn, and that the said money now actually in the Treasury, together with the moneys anticipated to come into the Treasury, to the credit of said appropriation, are otherwise unencumbered.

Not to Exceed: \_\_\_\_\_

Vendor: \_\_\_\_\_

Purpose: \_\_\_\_\_

Date: \_\_\_\_\_ By: \_\_\_\_\_ **AUDITOR AND COMPTROLLER'S DEPARTMENT**

ACCOUNTING DATA										
ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT
TOTAL AMOUNT										

FUND OVERRIDE

AC 2800288