

RESOLUTION NO. 2010-86

A RESOLUTION OF THE LODI CITY COUNCIL
ADOPTING A GENERAL FUND RESERVE POLICY

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WHEREAS, maintaining General Fund reserves is fiscally prudent; and

WHEREAS, reserves can mitigate the financial exposure of catastrophic events and actions from outside entities that affect our revenue streams; and

WHEREAS, reserves reflect positively on the creditworthiness and prudent management of the City; and

WHEREAS, the City of Lodi Budget and Finance Committee has drafted the attached General Fund Reserve Policy for Council adoption.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Lodi does hereby approve the General Fund Reserve Policy attached as Exhibit A.

Dated: June 2, 2010

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I hereby certify that Resolution No. 2010-86 was passed and adopted by the City Council of the City of Lodi in a regular meeting held June 2, 2010, by the following vote:

- AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Mounce,
and Mayor Katzakian
- NOES: COUNCIL MEMBERS – None
- ABSENT: COUNCIL MEMBERS – None
- ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk

City of Lodi General Fund Reserve Policy

Purpose of Reserve Policy

Adequate designations of reserves---funds set aside for various legitimate purposes---are critical to the successful and stable, short- and long-term operation of the City of Lodi. Adequate reserves in the General Fund ensure that the City is able to respond to emergencies and continue providing services to the citizens of Lodi. Adequate reserves ensure that the City will have sufficient funding available to meet its operating, capital and debt service obligations.

Pursuant to Statement No. 54 of the Governmental Accounting Standards Board (GASB) – Fund Balance Reporting and Governmental Fund Type Definitions, unrestricted fund balance is composed of funds that may be classified as committed, assigned or unassigned. Committed fund balance represents those funds that are constrained by a limitation imposed by the governing body of a government upon itself as to the use of those funds. Assigned fund balance represents the City Council’s intention to use funds for a specific purpose. Unassigned fund balance represents the remainder of fund balance after accounting for all reserved amounts. Provisions of GASB Statement No. 54 are effective for reporting periods beginning after June 15, 2010.

Beginning with the budget for Fiscal Year 2010/11, the following General Fund Reserves shall be funded, as funding is available.

Commiffed Fund Balance

General Fund Reserve – Catastrophic Reserve

- To maintain the ability of the City to meet operational expenses during times of declared emergency or major catastrophe, the City shall maintain a committed General Fund balance of a minimum of 8% of annual General Fund revenues. It is recognized that during a time of emergency, the City will need to expend more resources than normal operations dictate to meet the community’s needs. In addition to an increased level of expenditure, the tax base of the City may be impaired after a major catastrophic event. This reserve shall be exclusive of all other reserves. This reserve may only be drawn upon pursuant to an emergency as declared under the Lodi Municipal Code.
- If the General Fund – Catastrophic Reserve amount falls below 5% of annual revenue, the City Manager shall prepare a plan within three months of approval of the Comprehensive Annual Financial Report (CAFR), commencing with the CAFR for FY 2009/10, to restore the 5% level within 12 months and the 8% level within 24 months.
- This reserve is not intended for normal unanticipated expenditures and shall be funded before all other committed General Fund reserves.

General Fund Reserve – Economic Reserve

- To maintain the City's economic viability and to meet seasonal cash flow shortfalls, the City shall maintain a committed General Fund Reserve – Economic Reserve balance of a minimum of 8% of annual General Fund revenues. Although 8% is the minimum, because this reserve is intended to levelize economic cycles from year to year, the reserve should have a higher amount to cushion the cyclical effects of the economy. This reserve shall be exclusive of all other reserves. Funding may only be disbursed based upon a resolution of the City Council.
- Funding of the General Fund Reserve – Economic Reserve will begin in the fiscal year following full funding of the General Fund Reserve – Catastrophic Reserve. Provisions below regarding action required if the General Fund Reserve – Economic Reserve falls below 5% of General Fund revenues shall only apply after the reserve has been funded at the minimum 8% level.
- Once fully funded, if the General Fund Reserve – Economic Reserve falls below 5% of annual revenue, the City Manager shall prepare a plan within three months of approval of the Comprehensive Annual Financial Report, commencing with the CAFR for FY 2009/10, to restore the 5% level within 24 months and 8% within 48 months.
- Once fully funded, in no case shall the General Fund Reserve - Economic Reserve fall below 5% of annual General Fund revenue for greater than a continuous 24-month period.

Assigned Fund Balance

Once Committed Reserves are fully funded, the City Council may establish Assigned Reserves for designated purposes. Assigned Reserves reflect Council's intent as to the use of funds. Once assigned, funds may only be released by resolution of the City Council.