



## LODI CITY COUNCIL

Carnegie Forum  
305 West Pine Street, Lodi

## "SHIRTSLEEVE" SESSION

Date: February 2, 2016

Time: 7:00 a.m.

For information regarding this Agenda please contact:

**Jennifer M. Ferraiolo**

**City Clerk**

**Telephone: (209) 333-6702**

### Informal Informational Meeting

**A. Roll Call by City Clerk**

**B. Topic(s)**

B-1 Discuss Framework for Operating Budget and Reserve Policies (CM)

**C. Comments by Public on Non-Agenda Items**

**D. Adjournment**

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

---

Jennifer M. Ferraiolo  
City Clerk

*All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the Office of the City Clerk, located at 221 W. Pine Street, Lodi, and are available for public inspection. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. To make a request for disability-related modification or accommodation contact the City Clerk's Office as soon as possible and at least 72 hours prior to the meeting date. Language interpreter requests must be received at least 72 hours in advance of the meeting to help ensure availability. Contact Jennifer M. Ferraiolo at (209) 333-6702. Solicitudes de interpretación de idiomas deben ser recibidas por lo menos con 72 horas de anticipación a la reunión para ayudar a asegurar la disponibilidad. Llame a Jennifer M. Ferraiolo (209) 333-6702.*



# CITY OF LODI COUNCIL COMMUNICATION

TM

**AGENDA TITLE:** Discuss Framework for Operating Budget and Reserve Policies  
**MEETING DATE:** February 2, 2016  
**PREPARED BY:** Deputy City Manager

---

**RECOMMENDED ACTION:** Discuss framework for Operating Budget and Reserve Policies.

**BACKGROUND INFORMATION:** One of the goals identified by staff and approved by Council in mid-2015 was the development of a comprehensive set of financial policies. The City has existing policies for General Fund Reserves, Investments and Travel Reimbursements. Budgetary policies were last included in the 2005-06 budget document.

Staff is bringing forward information today to help define the parameters of a comprehensive policy to address all operating budgets and reserves in all funds. A future Shirtsleeve session will address long-range budget policies including development of a Capital Improvement Plan, Capital Replacement policies, and policies related to funding liabilities for Other Post-Employment Benefits and Pensions.

**FISCAL IMPACT:** None at this time.

**FUNDING AVAILABLE:** Not applicable.

---

Jordan Ayers  
Deputy City Manager

JA/ja

---

**APPROVED:** \_\_\_\_\_  
Stephen Schwabauer, City Manager

# Operating Budget and Reserve Policies

City Council Shirtsleeve  
February 2, 2016

# Goal

- ▶ Establish policies for Operating Budgets
- ▶ Establish policies for Reserves in all funds

# Operating Budgets

- ▶ Budget policies last included in budget document in 2005–06

# Basic Guidelines

- ▶ **Balanced Budget**
  - Current year revenues support current year expenses
- ▶ **One time money will fund one time expenditures or reserves**
  - One time money not to be used for Operations
- ▶ **Annual budgetary savings to be used for one time expenditures or reserves**
- ▶ **Transfers to Fleet Replacement Fund based upon annual depreciation of vehicles**
  - Reflected in departmental budgets

# Basic Guidelines

- ▶ Transfers for OPEB based upon actuarial report and ratio of full time positions
- ▶ Transfers for Pension Stabilization based upon budgeted pension cost by fund
- ▶ Transfers for IT Replacement based upon replacement cycle
- ▶ OPEB, Pension Stabilization and IT Replacements reflected in Non-Departmental budget for General Fund units
  - Special Revenue, Enterprise and ISF carry their own transfers for these

# Basic Guidelines

- ▶ Fixed Asset Capitalization
  - Increase to:
    - \$10,000 for Equipment
    - \$50,000 for Infrastructure
  - Retain 3 year useful life criteria
  
- ▶ Library
  - Funded primarily by General Fund Transfer
    - Council set the level each year based upon available general revenue

# Basic Guidelines

- ▶ Recreation and Community Center Programs
  - Target recovery ratio of 40% overall
- ▶ Other PRCS Programs
  - Parks maintenance is funded by General Fund Transfer
  - PRCS Admin, Debt Service, most HSS maintenance funded by General Fund Transfer

# Basic Guidelines

- ▶ **Community Development**
  - Primarily self supporting
  - General Fund Transfer to cover value of information function
- ▶ **Enterprise Funds**
  - Fees and rates set at levels to meet operating, debt service, capital and reserve needs
- ▶ **Internal Service Funds**
  - Charge out all costs each year

# Reserves–GASB Reporting

## ▶ Reserve Categories

- Non-spendable
  - Non-cash or legally required to be kept intact
- Restricted
  - Externally restricted
- Committed
  - Council approved by resolution or ordinance
- Assigned
  - Council approved or may be delegated
- Unassigned
  - Residual amount after all of above are accounted for

# Reserves–General Fund

- ▶ Catastrophic
  - Minimum of 8% of Revenue (including Transfers)
  - Available upon Council Declaration of Emergency
- ▶ Economic
  - Minimum of 8% of Revenue (including Transfers)
  - Available by Council Resolution
- ▶ Pension Stabilization
  - Consider funding locally or with a third party
- ▶ Rating Goal---AA+
  - Current-AA-/-/A+

# Reserves–Special Revenue Funds

- ▶ **Community Development**
  - 50% of Operating Expenditures
- ▶ **Parks, Recreation and Cultural Services**
  - 16% of Non–General Fund Transfer Revenue
- ▶ **Library**
  - 16% of Non–General Fund Transfer Revenue
- ▶ **Vehicle Replacement**
  - Equal to Accumulated Depreciation of vehicles
- ▶ **IT Equipment Replacement**
  - Equal to Accumulated Depreciation of equipment

# Reserves–Special Revenue Funds

- ▶ Debt Service
  - Per bond covenants
- ▶ All reserves are restricted in the following:
  - Streets
  - TDA
  - CDBG/HOME
  - Public Safety Grants
  - General Fund Capital Outlay
  - Parks Capital Outlay

# Reserves–Enterprise Funds

- ▶ Electric Utility
  - Per separate adopted policy
  - Rating Goal---AA+
    - Current-A-/A2/A-
- ▶ Water
  - 25% of Operating Expenses
  - All PCE/TCE funds restricted
  - Rating Goal---AA+
    - Current--/AA3/AA-
- ▶ Wastewater
  - 25% of Operating Expenses
  - Rating Goal-AA+
    - Current-AA-/-/AA-
- ▶ Transit
  - All reserves restricted

# Reserves–Internal Service Funds

## ▶ Benefits

- OPEB
  - 1X annual pay–as–you–go expense
  - Consider establishing a third party trust
- Long Term Disability
  - 3X annual expense

## ▶ Insurance

- General Liability
  - 3X Self Insured Retention
- Workers Comp
  - 70% Actuarial Confidence Level

# Reserves–Internal Service Funds

- ▶ Fleet Maintenance
  - 16% of Operating Expenses

# Questions?