

N-1: Downtown Renovation

Overview

The City Council set aside \$1 million in a General Fund reserve for Downtown Public Improvement projects. To date, the City has spent a portion of funds on Amador Plaza pedestrian improvements and Downtown Wi-Fi access.

The City Council recently approved a consultant to begin work on a Downtown Streetscape Master Plan. Funding for the consultant will come from this General Fund reserve. The costs associated with the public improvements will come from community benefit payments as a result of the Downtown Specific Plan Development Pool.

Items for Consideration

Recommend reallocating the remaining reserve funds.

Consider alternate uses of / ongoing contributions to this reserve.

N-2: Implement Parking Meters/Enhance Parking Fine Enforcement

Overview

The City currently does not have parking meters. Parking violation enforcement is currently undertaken by the Dublin Police. In FY 2017-18 the City received **\$47,942.50** in Parking fines.

For comparison: the City of Walnut Creek operates a Downtown Parking and Enhancement Enterprise Fund. All funding is used for operations, parking structure improvements and downtown enhancements. Includes operations of 1,500 parking meters, 22 city parking lots and garages and the downtown trolley.

Operating Expenditures*	\$5,353,404
Operating Revenues	\$5,687,534
+/-	\$ 334,130

*Includes depreciation of \$606,042

Items for Consideration

Staff is providing this as an informational item.

P-1: Plan for Appropriate Police Services Growth/ P-2: Consider Non-Sworn Support

Overview

As part of the FY 2017-18 Budget, the City of Dublin added two Deputies to the Dublin Police Services, bringing the total allocated positions to 63.

City Support Staff	4
Contracted Positions	59

With the addition of the 2 deputies, the projected General Fund cost for Dublin Police Services over the next 8 years is:

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Police Contract	18,259,770	19,333,784	20,397,142	21,518,985
City Support	2,048,625	2,110,084	2,173,386	2,238,588
Total	20,308,395	21,443,868	22,570,528	23,757,573

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Police Contract	22,702,529	23,951,168	25,268,482	26,658,249
City Support	2,305,745	2,374,918	2,446,165	2,519,550
Total	25,008,275	26,326,086	27,714,648	29,177,799

All costs have been included into the City's Forecast.

The costs are based on the following assumptions:

- No new staff being added
- Contract costs increasing 5.9% in FY 2018-19 and 5.5% annually beginning FY 2019-20
- Support staff costs increasing 3% annually

In addition to the projected costs the City has set aside an additional \$1 million in a General Fund Reserve to provide future funding of four officers.

Non-Sworn Support

The City currently does not have Reserve Police or Volunteer Police, although the Sheriff's Department does utilize Non-Sworn support at various Dublin events.

Items for Consideration

Staff is providing this as an informational item.

P-3 – Realign Reserve Needs

Overview

The Governmental Accounting Standards Boards Statement No. 54 (GASB 54) requires fund balance (City Reserves) to be classified into different categories depending on the extent to which the use of the resources is constrained for specific purposes.

Non-Spendable – amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained.

Restricted – amounts with constraints placed on the use of the resource which are either (a) externally imposed by creditors, contributors, or laws and regulations of other agencies or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to formal action of the agency’s governing body.

Assigned – amounts that are constrained by the governing body’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – used by General Fund for residual classification of positive funds.

Attachment A is an overview of all the City’s current reserves. Attachment B provides additional details about the various reserves. The following is a summary of the estimated amounts the City’s will have in each of the Reserve categories.

Type	Amount
Non-Spendable	\$199,943
Restricted	\$639,000
Committed	\$32,825,059
Assigned	\$43,337,733
Unassigned	\$33,333,200
Total	\$110,334,935

Attachment C – the City’s Fund Balance and Reserves Policy governs where and how the City’s fund balance is allocated and defines minimum reserve balances.

Reserves of Note

Catastrophic Facility/Infrastructure Loss & City Business Recovery – City Council target is 15% of the reported book value of the City-owned buildings. **(\$11,368,531)**

Unassigned for Cash Flow Purposes – Should have a minimum equal to two months of budgeted operating expenditures with a goal to achieve a maximum of four months. **(\$35,530,554 – 4 months)**

Allocation of additional residual resources. After maintaining the minimum level of unassigned cash-flow funding, additional resources shall be allocated as follows – a) 50% to Pension and Other Post Employment Benefits b) 50% to Non-Streets CIP Reserve.

Since the great recession the City's General Fund reserves have grown 72% from \$64 million to \$110 million. This growth is not sustainable and as such the City has worked to strategically set aside cash flow surpluses into reserves that address the City's current and future liabilities, such as retirement, but also includes funding for known replacement of City assets and future projects. In addition, the City has used the surpluses to fund an economic uncertainty reserve as well as setting funds aside for City costs as development slows down.

Items for Consideration

With the exception of the Non-Spendable and Restricted funds plus the reserves that require a minimum level of funding, the Task Force can recommend realigning the reserves.

P-4: Tiered Budget Based on Forecast / P-6: Establish Base Year with Annual Inflation Thereafter

Overview

The following is a high level overview of the City's Budget process.

1. The City utilizes a baseline budget to start the budget process, in that the current year adjusted budget becomes the new budget. The budget is then adjusted based on the following:
 - Salary and Benefit increases
 - Projected contractor workload
 - Inflationary Factors – (i.e. increase in utility costs)
 - Contract proposals (Public Safety and MCE)
2. Next City Council initiatives and priorities are included. This can result in a myriad of increases, (i.e., staffing – adding a planner or contracted services, or adding a deputy).
3. Departments are then able to request additional funds that can include both one-time costs and/or new on-going costs.

The City's current practice for budgeting does not include any single inflationary factor. The Urban Consumers Price index for the San Francisco area has increased by an average of 2.8% over the past five years, while City revenues has increased by approximately 5.0%.

Within the Budget Document presents all new costs as well as a detailed description of all the assumptions and increase/decreases in costs and revenue are provided.

Items for Consideration – P-4

Recommend a tiered budget Policy Statement where actions should be taken when benchmarks are hit. Actions would correlate with the severity of the benchmarks hit.

Items for Consideration – P-6

Recommend the City tie budget increases to a general inflationary factor.

P-5 – Require Budget offsets for new/increased services

Overview

The City currently does not require new costs to be offset by the reduction of costs in another area. The City does ensure funding is currently available for any new costs and also incorporates those cost into the City's 10-year forecast. The effects of the additional cost in the years in which the City is running a deficit play a large role in determining whether a new cost is brought forward to the City Council. An example of this can be seen in the City's hiring of limited term staff when filling vacancies and the use of contractors instead of adding City staff.

Items for Consideration

Recommend a Policy Statement requiring that future cost of new/increased services are clearly identified for the City Council in Staff Reports and the Budget.

Recommend a Policy Statement requiring new costs are offset with cost reduction.

Additional Information

Parks and Community Services

Overview

At the August 3rd Task Force meeting staff presented information on multiple topics related to Parks and Community Services (PCS). The Task Force requested that additional information be provided that showed the expenses and revenue for the whole PCS program, to put the previous information in context. The prior information/decision points that were presented was

- Increase Park Use Fees
- Increase Park Non-Resident Fees

The following discussion does not include the cost of the Library, which is a cost placed in the PCS budget, but which is a City program and City cost and not that of anyone City Department. In addition the Library costs are not included due to the fact that the City's PCS pricing policy also excludes the costs. The City Council has set the current cost recovery target for PCS at 65%.

The PCS budget has increased 88% (\$4.8 million) since FY 2012-13, while the departments General Fund subsidy has increased 119% (\$2.77 million). During the same time period excluding PCS the City's operating budget grew 38%. (**Note:** The below numbers do **not** include the cost to maintain the City parks. These costs are reflected in the Public Works budget)

	FY 2012-13 Actuals	FY 2013-14 Actuals	FY 2014-15 Actuals	FY 2015-16 Actuals	FY 2016-17 Actuals	FY 2017-18 Adopted Budget
Expenditures	5,380,103	5,671,310	5,942,186	6,805,690	8,100,787	10,140,011
Revenue	3,073,969	3,426,991	3,738,237	3,747,907	3,731,185	5,066,555
GF Subsidy	2,306,134	2,244,320	2,203,950	3,057,784	4,369,602	5,073,456
Cost Recovery %	57.1%	60.4%	62.9%	55.1%	46.1%	50.0%

As indicated in the chart above the City's current budgeted Cost Recovery percentage is 50%. To reach the 65% threshold PCS would need to collect an additional \$1.5 million. The following is an overview of the PCS Cost Recovery by Program area along with the FY 2017-18 Adopted Budget Expenditures.

<u>PCS Program</u>	<u>Cost Recovery %</u>	<u>FY 2017-18 Adopted Budget</u>
Human Services	2.6%	\$252,909
Historical Facilities Operations & Rental	42.4%	\$209,150
Dublin Cemetery	85.0%	\$7,321
Heritage Center Programs	11.0%	\$226,216
Cultural Activities	53.4%	\$393,835

Community Events & Festivals	26.1%	\$698,181
Facility Operations& Rentals	34.2%	\$1,385,602
Parks & Community Services Admin	0.0%	\$1,821,447
Family Programs	136.2%	\$544,245
Recreational Activities	103.0%	\$309,285
Preschool Programs	144.3%	\$249,413
Senior Programs	21.7%	\$443,728
Sports Programs	107.1%	\$720,929
EGRAC	62.0%	\$2,877,750
Total	50.0%	\$10,140,011

Items for Consideration

Create a Policy Statement that requires the Parks and Community Service Department to obtain a 65% cost recovery within 5 years, with benchmarks for each year leading up until the 65% mark to avoid a dramatic increase in costs and/or reduction in services.

General Fund Reserve Balances, FY 10-11 to FY 16-17

Title	10-11	11-12	12-13	13-14	14-15	15-16	16-17	Note
Non Spendable Reserves								
Prepaid Expenses	19,825	20,146	34,756	27,079	27,080	39,262	39,262	For future expenses paid in advance.
Advance to Fire Impact Fee	1,735,988	1,358,914	1,098,606	901,908	470,606	80,673	-	Long term advance to fund Fire Station No. 17, to be repaid with interest based on Impact Fees collected. Paid back in FY 2016-17.
Advance to PERS Side Fund	2,340,955	1,994,826	1,642,768	1,281,035	918,005	549,949	160,681	CalPERS pooled agencies of less than 100 employees, and the liability at that time was recorded in a side fund. The City elected to pre-pay its obligation from reserves and an internal service charge is made each year to repay the Reserves.
Total Non Spendable Reserves	4,096,768	3,373,886	2,776,130	2,210,022	1,415,691	669,884	199,943	
Restricted Reserves								
Heritage Park Maintenance	-	-	500,000	500,000	500,000	500,000	500,000	Developer contribution.
Cemetery Endowment	60,000	60,000	60,000	60,000	60,000	60,000	60,000	When the City acquired the Dublin Cemetery, the Cemetery Association transferred its endowment to the City.
Future Orchard at Heritage Park	-	-	-	-	-	19,000	19,000	Developer contribution.
Developer Contribution - Nature Park	-	-	-	-	-	60,000	60,000	Developer contribution.
Total Restricted Reserves	60,000	60,000	560,000	560,000	560,000	639,000	639,000	
Committed Reserves								
Economic Stability	5,868,847	5,868,847	5,868,847	6,000,000	6,000,000	8,000,000	8,000,000	To allow for a balanced budget during in the event of economic uncertainty.
Public Safety Reserve	-	-	-	-	-	-	1,000,000	To provide future funding of four officers
Downtown Public Improvements	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	452,170	Amador Plaza Rd Bicycle/Ped Improve; Downtown Wi-Fi
Open Space Funding	1,000,000	1,000,000	2,000,000	45,975	-	-	-	Spent on Iron Horse Trail acquisition.
Affordable Housing	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	-	Prior to establishing the current Affordable Housing Fee, this was established for future Affordable Housing activities.
Economic Development	-	-	-	-	-	1,000,000	1,000,000	Transferred from Affordable Housing Reserve
Emergency Communications Sys	741,000	741,000	741,000	741,000	741,000	741,000	741,000	For costs anticipated for radio replacements required with the development of an emergency communications system (Police, Fire, Public Works frequencies in a regional effort to standardize).
Fire Svcs (OPEB) Benefits	4,801,891	5,148,021	7,610,058	8,196,000	9,196,000	3,004,000	3,334,672	For future retiree medical benefits for AICo Fire personnel. Lump sum payment to trust made in 15-16.
Innovations/New Opportunities	10,070,000	3,372,785	1,372,785	1,372,785	1,372,785	2,122,785	1,813,408	Examples: energy audit, automated license plate readers
One-time Initiatives-Operating	-	503,860	503,860	503,860	503,860	503,860	503,860	For potential needs that may have an up-front cost , but would provide longer term benefits and/or potential operating cost reductions.
One-time Initiatives-Capital	-	837,548	837,548	837,548	837,548	837,548	837,548	For potential needs that may have an up-front cost , but would provide longer term benefits and/or potential operating cost reductions.
Committed to Specific Projects								
E. G. Aquatic Complex Addl Scope	1,500,000	1,500,000	1,500,000	3,000,000	3,000,000	3,000,000	-	Provides protection against cost escalation during construction.
Maintenance Facility	660,603	1,083,989	6,027,950	1,133,601	250,023	215,101	-	Contribution to corporation yard construction.
Cemetery Expansion	-	-	750,000	2,391,538	5,272,210	5,272,210	5,272,210	Phases 1 (Renovation of the existing cemetery) and 2 (construction of a new cemetery area)
Fallon Sports Park	-	-	-	-	2,000,000	2,000,000	200,000	Developer contributions, received in the GF, committed to Fallon.
Civic Center Expansion	851,414	767,922	391,568	259,076	136,737	27,773	-	To fund design and a high priority improvements to an aging Civic Center.

Title	10-11	11-12	12-13	13-14	14-15	15-16	16-17	Note	Attachment A
Emergency Generator	400,000	79,867	-	-	-	-	-	Replacement of emergency generator	
Public Safety Complex	-	1,272,811	3,070,746	-	-	-	-	Contribution to construction of Public Safety building. Based on commitment as part of Jordan Ranch Development Agreement.	
Committed-Joint City/School Projects	-	-	600,000	235,873	46,015	-	-		
Storm Drain Capture	-	-	-	-	400,000	546,878	-	Installation of storm drain trash capture devices in the Downtown.	
Shannon Ctr Parking Lot	-	-	-	775,000	775,000	987,410	-	Resurfacing, new lights, EV charging station.	
Utility Undergrounding	-	-	-	-	-	1,170,190	1,170,190	Undergrounding utilities on Scarlett.	
Advance to Pub Facility Fee	-	-	-	3,500,000	6,000,000	6,000,000	6,000,000	Cash advance, if needed, to complete projects to be repaid with Public Facility Fee revenue.	
Dublin Sports Ground	-	-	-	-	-	2,500,000	2,500,000	For Master Plan improvements.	
Total Committed Reserves	27,893,755	24,176,650	33,274,362	30,992,256	38,531,178	38,928,755	32,825,058		
Assigned Reserves									
Non-Streets CIP Contribution	-	-	2,745,809	3,132,011	3,132,016	3,879,516	3,879,516	Half of residual reserves added here.	
Accrued EE Leave at Year End	779,806	863,378	896,657	979,247	953,250	988,708	988,708	To account for the value of employee leave earned.	
Operating Carryovers	275,955	652,585	986,326	1,486,299	866,562	1,612,658	-	To carry over specific unused operating budgets.	
CIP Carryovers	470,146	215,587	265,845	1,083,753	1,133,753	1,227,829	-	To carry unused capital project budgets.	
Catastrophic Loss / Recovery	10,302,753	10,537,271	10,537,271	10,608,185	10,608,185	11,368,531	11,368,531	Goal is to have 15% of book value of buildings prior to accumulated depreciation.	
Service Continuity Obligations	1,800,000	2,410,000	2,410,000	2,410,000	2,771,500	3,000,000	3,150,000	To fund future lag during slowdown of development.	
Pension Rate Stabilization Plan	-	-	-	-	-	-	1,500,000	Seed funding for section 115 pension trust	
Chevron Debt Payoff	-	-	-	-	-	-	5,238,622	For potential payoff of solar capital lease debt	
Pension/Post Employment Benefit	5,212,815	7,073,815	8,480,646	9,866,848	9,866,853	10,614,353	10,614,353	Reserved for retirement benefits.	
C/O Fiscally Responsible Adjustment	-	328,040	336,151	325,001	325,000	325,000	325,000	For final personnel merit increase.	
Civic Ctr Renovation - PD Wing	-	-	-	2,000,000	1,968,143	1,962,100	1,962,100	Renovation of Civic Center for Police expansion.	
Contribution to ISF	-	-	-	500,000	2,000,000	-	-	Transfer to IT Fund for IT Master Plan initiatives.	
Municipal Regional Permit	-	-	-	-	2,250,000	2,250,000	1,870,030	Regulations for stormwater management.	
HVAC Replacement	-	-	-	-	-	1,000,000	1,500,000	Additional HVAC replacement funding (\$1.2 mil in Equipment Fund)	
Relocate Parks	-	-	-	-	-	250,000	250,000	Future move of Parks to east wing of Civic Center	
Contribute to ISF	-	-	-	-	-	-	500,000	Future replacement items at City parks/facilities	
Fire Equipment Replacement	-	-	-	-	-	600,000	190,873	Purchase of Fire patrol vehicle	
Total Assigned Reserves	18,841,475	22,080,676	26,658,705	32,391,344	35,875,263	39,078,695	43,337,733		
Unassigned Reserves									
Unassigned-Unrealized Gain, Investments	1,053,448	1,013,252	263,162	(99,765)	(242,263)	(2,197,354)	(2,197,354)	Unrealized investment gains or losses at year end	
Unassigned-Cash Flow/Ops Stabilization	12,197,815	14,058,816	14,311,098	13,523,907	21,566,628	32,065,049	35,530,554	Cash flow reserve: target 2-4 months of budget	
Total Unassigned Reserves	13,251,263	15,072,068	14,574,260	13,424,142	21,324,365	29,867,694	33,333,200		
TOTAL GENERAL FUND RESERVES	64,143,261	64,763,281	77,843,458	79,577,764	97,706,497	109,184,028	110,334,934		



STAFF REPORT CITY COUNCIL

DATE: June 20, 2017

TO: Honorable Mayor and City Councilmembers

FROM: Christopher L. Foss, City Manager

SUBJECT: Special Designation of General Fund Reserves for Fiscal Year 2016-17
Prepared by: Colleen Tribby, Director of Administrative Services

EXECUTIVE SUMMARY:

In accordance with the City's Fund Balance and Reserves Policy, the City Council will consider special designations of General Fund reserves for Fiscal Year 2016-17.

STAFF RECOMMENDATION:

Adopt the **Resolution** Authorizing a Special Designation of General Fund Reserves for Fiscal Year 2016-17, and direct Staff to implement the changes in the financial records.

FINANCIAL IMPACT:

Approval of special designations in the General Fund will not result in any change to total fund balance, but would shift resources among reserve categories.

DESCRIPTION:

Background

Governmental Accounting Standards Board Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Type Definitions, requires fund balance to be classified into different categories for governmental funds depending on the extent to which the use of resources is constrained for specific purposes.

Per GASB 54, the five fund balance classifications are:

- Non-Spendable – amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained.
- Restricted – balance with constraints placed on the use of the resources which are either (a) externally imposed by creditors, contributors, or laws and regulations of other agencies, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed – amounts that can only be used for specific purposes pursuant to formal action of the agency's governing body. These are considered legally restricted and can only be removed or changed by formal action of the governing body. Action to constrain resources should occur prior to the end of the fiscal year, though the exact amount may be determined subsequently
- Assigned – amounts that are constrained by the governing body's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned – used by General Fund for residual classification of positive funds

The City's Fund Balance and Reserves Policy (Policy) complies with the above reserve classifications. Furthermore, it guides the shifting of residual reserves, including allocations to Fire Other Post Employment Benefits (OPEB, or retiree health) and to the Service Continuity Reserve, which is set aside to complete development project work when development revenues slow. Finally, the Policy states that any excess fund balance, after designations to all other categories, and after providing for at least two months of ongoing expenditures in the cash flow reserve, go to the reserves for Pension and Retiree Health (50%) and Non-Streets Capital Improvement Projects (50%).

Recommended Reserve Designations for Fiscal Year 2016-17

The General Fund Reserves Summary (Attachment 2) provides a listing of reserve balances by category, and includes a description of the reason for any change. Many of the changes are due to the spending down of Committed Reserves for actual capital improvement project expenses during Fiscal Year 2016-17. Other shifts are related to year-end accounting policies, such as the annual adjustments to long-term General Fund advances, and the spending down of carry-over reserves from the prior year.

This Staff Report also transmits a Resolution (Attachment 1) which confirms designations *only* of Committed Reserves for Fiscal Year 2016-17, as City Council approval of Assigned Reserves is not necessary by resolution. However, Staff seeks City Council direction on each of the following recommended designations:

Committed Reserves:

- Public Safety Reserve (NEW) – Staff recommends setting up new reserve for future police needs, and contributing \$1,000,000 in seed funding for this purpose.
- Fire OPEB (Retiree Health) – The Policy calls for increasing this reserve annually by the amount paid down against the PERS Side Fund. Because that Side Fund will be paid off in Fiscal Year 2016-17 (with an estimated payment of \$80,672), there are no more automatic increases to this reserve. Staff recommends contributing \$250,000 annually to this source, until the next actuarial study is done that will clarify the City's ongoing liability to Fire retiree health.

Assigned Reserves:

- Service Continuity – this reserve was established to ensure that the City can fund Building and Safety Division costs linked to specific projects once development activity slows and expenditures outpace revenues. Staff recommends increasing this by \$150,000 (5%) for a new balance of \$3,150,000.
- Pension Rate Stabilization Plan – During the budget adoption on May 16, 2016, the City Council approved setting up a Section 115 pension trust fund through Public Agency Retirement Systems (PARS). This will serve as another pension investment tool, and will supplement the City's CalPERS fund. Staff recommends creating a year-end reserve for the purposes of making an initial contribution of \$1,500,000 to the PARS fund in Fiscal Year 2017-18.
- Chevron Debt Payoff – During the budget adoption the City Council also discussed the option to pay off the City's capital lease debt for solar improvements as early as Fiscal Year 2018-19. The result of doing so would be a savings of \$410,747 in interest payments (including a prepayment penalty) and would restore \$565,000 per year in General Fund cash flow for the term of the lease, which ends in Fiscal Year 2025-26. Setting up an assigned reserve for \$5,238,622 will formalize the City Council's intention to pay off the debt.
- HVAC Replacement – Staff has been planning for a replacement of the entire HVAC system at the Civic Center in the near future. The City currently has \$1,833,388 set aside for this purpose: \$1,000,000 in the General Fund Assigned Reserve, and \$833,388 in the Building Replacement Internal Service Fund. However, in anticipation of higher costs of new HVAC equipment and installation, and to prepare for the possibility of replacing aging HVAC systems at other City facilities, Staff recommends increasing this funding by \$500,000 in the Assigned Reserve, for total set aside of \$2,333,388 for HVAC replacements.
- Contribution to Internal Service Funds – Staff recommends setting aside \$500,000 for a future contribution to Internal Service Funds, which would be used for seed funding for known future replacement needs (such as turf at Fallon Sports Park Phase II, and playground upgrades and replacements at City parks).
- Unassigned (Cash Flow) Reserve - City Policy calls for the Available Cash Flow to be a minimum of two months and a maximum of four months of the following year's expenditure budget. In the current report, the shifting of reserves provides for \$35,530,554 in the cash flow reserve at year-end, which represents 5.7 months of the Fiscal Year 2017-18 operating budget. While this is higher than the maximum target, Staff recommends maintaining this cash flow reserve until after the City Council has held its next Strategic Planning session, planned for the fall 2017, during which the City's future unfunded capital project needs will be discussed.

While the Fiscal Year 2016-17 year-end balances are not yet final until the City closes its financial books, Staff can make reasonable assumptions about estimated reserve balances at this point.

NOTICING REQUIREMENTS/PUBLIC OUTREACH:

None.

ATTACHMENTS:

1. Resolution Authorizing a Special Designation of General Fund Reserves for Fiscal Year 2016-17
2. General Fund Reserves Summary


Chris Foss, City Manager 6/9/2017

RESOLUTION NO. XX – 17

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF DUBLIN**

**AUTHORIZING A SPECIAL DESIGNATION OF GENERAL FUND RESERVES FOR
FISCAL YEAR 2016-17**

WHEREAS, the City's Fund Balance and Reserves Policy requires special fund balance allocations to be adopted by the City Council, and allows the City Council to take action prior to the end of the fiscal year to direct a specific assignment of the fund balance; and

WHEREAS, Staff reviewed updated information regarding fund balance and estimated onetime revenues during the preparation of the Fiscal Year 2017-18 Budget;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Dublin does hereby make a special allocation of the estimated Fiscal Year 2016-17 year -end balance to the Committed fund balance sub - categories as follows:

Reserve Balances	Actual 2015-16	Increase 2016-17	Decrease 2016-17	NET CHANGE	Projected 2016-17
Committed	38,928,756	1,330,672	(7,434,369)	(6,103,697)	32,825,059
Public Safety Reserve		1,000,000		1,000,000	1,000,000
Fire Svcs OPEB	3,004,000	330,672		330,672	3,334,672

BE IT FURTHER RESOLVED that, any net resources remaining after special designations, and after meeting the minimum requirement of two months cash flow in the Unassigned fund balance and a maximum of 15% asset book value in the Catastrophic Loss reserve, will be left in the Unassigned (Available) Reserve.

PASSED, APPROVED AND ADOPTED this 20th day of June, 2017.

AYES:

NOES:

ABSENT:

ATTEST:

City Clerk

Mayor

**GENERAL FUND RESERVES SUMMARY
FY 2016-17 DESIGNATIONS**

ATTACHMENT 2

	Actual 2015-16	Increase 2016-17	Decrease 2016-17	NET CHANGE	Projected 2016-17	Note
Reserve Balances						
Non-Spendable	669,880	-	(469,937)	(469,937)	199,943	
Prepaid Expenses	39,262			-	39,262	
Advance to Public Facility Fees	-			-	-	
Advance to Fire Impact Fee	80,672		(80,672)	(80,672)	0	Accounting adjustment
Advance to PERS Side Fund	549,946		(389,265)	(389,265)	160,681	Accounting adjustment
Restricted	639,000	-	-	-	639,000	
Heritage Park Maintenance	500,000			-	500,000	
Cemetery Endowment	60,000			-	60,000	
Developer Contr - Nature Pk	60,000			-	60,000	
Developer Contr - Heritage Pk	19,000			-	19,000	
Committed	38,928,756	1,330,672	(7,434,369)	(6,103,697)	32,825,059	
Economic Stability	8,000,000			-	8,000,000	
Public Safety Reserve		1,000,000		1,000,000	1,000,000	To provide future funding of four officers
Downtown Public Improvements	1,000,000		(547,830)	(547,830)	452,170	Spent on Amador Plaza Improvements and Downtown Wi-Fi
Economic Development	1,000,000			-	1,000,000	
Emergency Communications	741,000			-	741,000	
Fire Svcs OPEB	3,004,000	330,672		330,672	3,334,672	Accounting adjustment, plus \$250,000 funding
Innovations & New Opportunities	2,122,785		(309,377)	(309,377)	1,813,408	Spent on Automated License Plate Readers
One-Time Initiative	1,341,408			-	1,341,408	
Specific Committed Reserves						
Emerald Glen Aquatic Complex	3,000,000		(3,000,000)	(3,000,000)	-	Project expenses (actual not known yet)
Maintenance Facility	215,101		(215,101)	(215,101)	-	Project expenses (actual not known yet)
Cemetery Expansion	5,272,210			-	5,272,210	
Fallon Sports Park	2,000,000		(1,800,000)	(1,800,000)	200,000	Project expenses (actual not known yet)
Civic Center Expansion	27,773		(27,773)	(27,773)	-	Project expenses (actual not known yet)
Storm Drain Trash Capture	546,878		(546,878)	(546,878)	-	Project expenses (actual not known yet)
Shannon Center Parking Lot	987,410		(987,410)	(987,410)	-	Project expenses (actual not known yet)
Utility Undergrounding	1,170,190			-	1,170,190	
Advance to Public Facility Fee	6,000,000			-	6,000,000	
Dublin Sports Ground	2,500,000			-	2,500,000	
Assigned	39,078,695	7,888,622	(3,629,584)	4,259,038	43,337,733	
Accrued Leave	988,708			-	988,708	
Operating Carryovers	1,612,658		(1,612,658)	(1,612,658)	-	Project expenses (actual not known yet)
CIP Carryovers	1,227,829		(1,227,829)	(1,227,829)	-	Project expenses (actual not known yet)
Non-Streets CIP Commitments	3,879,516			-	3,879,516	
Catastrophic Loss	11,368,531			-	11,368,531	
Service Continuity	3,000,000	150,000		150,000	3,150,000	To prepare for development slowdown
Pension Rate Stabilization Plan		1,500,000		1,500,000	1,500,000	Seed funding for Section 115 pension trust
Chevron Debt Payoff		5,238,622		5,238,622	5,238,622	For potential payoff of solar capital lease debt
Pension & OPEB	10,614,353			-	10,614,353	
Fiscally Responsible Adjustment	325,000			-	325,000	
Municipal Regional Permit	2,250,000		(379,970)	(379,970)	1,870,030	
HVAC Replacement	1,000,000	500,000		500,000	1,500,000	For HVAC replacement at City facilities
Relocate Parks Department	250,000			-	250,000	
Specific Assigned Reserves						
Civic Center Renovation-Police	1,962,100			-	1,962,100	
Contribution to ISF	-	500,000		500,000	500,000	For future replacement items at City parks/facilities
Fire Equipment Replacement	600,000		(409,127)	(409,127)	190,873	
Unassigned	29,867,695	11,533,890	(8,068,384)	3,465,505	33,333,200	
Unassigned-Unrealized Gains	(2,197,354)			-	(2,197,354)	
Unassigned (Available)	32,065,049				35,530,554	
TOTAL RESERVES	109,184,026	20,753,184	(19,602,274)	1,150,910	110,334,935	

RESOLUTION NO. - 15

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF DUBLIN**

AMENDING THE FUND BALANCE AND RESERVES POLICY

WHEREAS, the City of Dublin incorporates into its financial records the requirements issued by Governmental Accounting Standards Board (GASB); and

WHEREAS, On June 4, 2013 the City Council adopted Resolution 92-13 which established the Fund Balance and Reserves Policy in Accordance with GASB Statement 54 for the City of Dublin; and

WHEREAS, the adopted policy identified that the City Manager may recommend to the City Council a review of this policy based on overall City initiatives and current balances; and

WHEREAS, any adjustments to the policy shall be adopted by the City Council; and

WHEREAS, the City Council received a report recommending certain adjustments to the policy on June 16, 2015; and

WHEREAS, the amended language has been incorporated into the Fund Balance and Reserves Policy ("Exhibit A"); and

WHEREAS, the Fund Balances and Reserves Policy (**Exhibit A**) attached hereto and made a part of this Resolution, reflects the categorization of fund balance, defines the order of expenditures from resources available, and defines the methodology of allocating residual resources;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Dublin does hereby adopt the Fund Balance and Reserves Policy, as contained in **Exhibit A**.

PASSED, APPROVED AND ADOPTED this 16th day of June, 2015.

AYES:

NOES:

ABSENT:

Mayor

ATTEST:

City Clerk

CITY OF DUBLIN
FUND BALANCE AND RESERVES POLICY
GENERAL FUND AND OTHER GOVERNMENTAL FUNDS

This document shall establish the foundation for the components of fund balance and provide requirements for maintaining reasonable levels of reserves in governmental funds, with a focus on the General Fund. The presentation of fund balances is also presented in the Comprehensive Annual Financial Report (CAFR) and the official City financial records. This document is intended to comply with Governmental Accounting Standards Board (GASB) Statement No. 54. In the event of a conflict between this policy and the provisions of GASB Statement No. 54 the accounting statement shall prevail.

In accordance with the requirements of GASB, the City Council also confirms as part of this policy the order of expenditures from resources available. The City considers “Restricted” amounts to have been spent prior to “unrestricted” amounts when an expenditure is incurred for purposes for which both are available (“unrestricted” would include Committed, Assigned, and Unassigned). Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers “Committed” amounts to be reduced first, followed by assigned amounts and then the unassigned amounts.

A. POLICY OBJECTIVES

The City of Dublin’s Fund Balance and Reserves Policy has four primary objectives:

- Determine available liquid resources;
- Classify fund balances in accordance with GASB 54;
- Define the methodology of allocating net resources; and
- Provide information needed to make informed financial decisions.

Periodically the City Manager may recommend to the City Council a review of this policy based on overall City initiatives and current balances. Any adjustments to the policy shall be adopted by the City Council.

B. CLASSIFICATION OF FUND BALANCES

In accordance with GASB Statement No. 54 and as reported in the City’s financial statements, fund balances are identified by the following five fund balance classifications:

I. Nonspendable Fund Balance

Nonspendable fund balances are amounts in a form that cannot be spent because they are either (a) in a non-spendable form such as pre-paid items, inventories, or loans receivable; or (b) they have external restrictions imposed by creditors, grantors, contributors, laws, regulations, etc. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they will be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than nonspendable fund balance.

The following are items that are expected to be recorded as “Nonspendable”:

Prepaid Expenditures: The portion of fund balance that represents the asset amount of prepaid expenditures, held by a given fund.

Endowments: The portion of fund balance established as an endowment by the donor and in which the principal balance is not intended for expenditure.

Advances To Other Funds: The portion of the fund balance that represents the asset amount of cash advanced to other funds, held by a given fund.

Notes / Loans Receivable: The portion of fund balance that represents the asset amount of notes or loans receivable, held by a given fund.

II. Restricted Fund Balance

Restricted Fund Balance shall reflect that portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) Imposed by law through constitutional provisions or enabling legislation.

The following are items that are expected to be recorded as “Restricted”:

Public Safety Special Revenue Funds: The portion of fund balances derived from funds collected to be used for Public Safety related activities.

Transportation Special Revenue Funds: The portion of fund balances derived from funds collected to be used for Transportation related activities.

Environmental Special Revenue Funds: The portion of fund balances derived from funds collected to be used for Environmental related activities.

Parks Special Revenue Funds: The portion of fund balances derived from funds collected to be used for Parks related activities.

Assessment District Special Revenue Funds: The portion of fund balances derived from funds collected to be used for Public Safety and Transportation related activities, consistent with the purpose under which the fee is collected.

Cultural & Arts Special Revenue Funds: The portion of fund balances derived from funds collected to be used for Cultural & Arts related activities.

Health & Welfare Special Revenue Funds: The portion of fund balances derived from funds collected to be used for Social Services and Housing related activities.

Impact & Mitigation Capital Project Funds: The portion of fund balances derived from funds collected to be used for parks, public facilities, fire and transportation related activities, consistent with the purpose under which the fee is collected.

Other Restricted: The portion of fund balance in any governmental fund (except the General Fund) that is restricted under the “Restricted Fund Balance” definition as otherwise prescribed by Governmental Accounting Standards Board Statement No. 54 and not otherwise described in this category above.

III. Committed Fund Balance

Committed Fund Balance shall be comprised of amounts in which the City Council has taken action to commit the funds before the end of fiscal year. The decision to modify the amount or use of funds designated as committed can only be changed by action of the City Council.

Economic Stability: The portion of General Fund Balance committed for the purpose of stabilizing the delivery of City services during periods of severe operational deficits and to mitigate the effects of uncertainties from unforeseen change in revenues and / or expenditures. City Council approval shall be required before expending any portion of this fund balance. Reserve shall be used only if: a) Sudden and unexpected decline in ongoing revenues greater than 5% of General Fund operating revenues; and/or b) Elimination or reduction of State revenue source(s) received consistently for municipal purposes, resulting in a decrease of \$1,000,000 in General Fund revenues; and/or c) Reduction in projected or actual property tax or sales tax of \$1 million or more; and/or d) An increase in contracted Police or Fire Services in excess of 10 percent more than the previous year.

Downtown Public Improvements Seed Funding: The portion of General Fund Balance established by the City Council for public improvements in the downtown. The use of this balance is intended to address public improvements within the Downtown Specific Plan Area. The expenditure is to be identified as a specific appropriation made by the City Council. The appropriation shall be a minimum of \$50,000.

Open Space Funding: The portion of General Fund Balance established by the City Council for the acquisition and long term protection of open space in the City. The acquisition may be in cooperation with other agencies. The expenditure is to be identified as a specific appropriation made by the City Council.

Affordable Housing Funding: The portion of General Fund Balance established by the City Council to support the construction, acquisition, or creation of affordable housing in the City. The acquisition may be in cooperation with other public and private entities. The expenditure is to be identified as a specific appropriation made by the City Council.

Emerald Glen Recreation and Aquatic Center Scope Change: The portion of General Fund Balance established by the City Council to support the design and construction of added features (beyond facilities described in the Park and Recreation Master Plan and impact fee program). In 2007 the estimated cost was \$6.93 million. The expenditure is to be identified as a specific appropriation made by the City Council.

Emergency Communications System: The portion of General Fund Balance established by the City Council to fund the purchase of emergency radio system equipment. This includes a pro-rata share of regional radio infrastructure as well as City owned radios for Police, Fire, and Public Works. Further the reserve may be used to fund the upgrade of centralized City telephone and communication systems. The expenditure is to be identified as a specific appropriation made by the City Council.

Fire Retiree Other Post-Employment Benefits (OPEB): The portion of General Fund Balance established by the City Council for the future liability related to retiree medical benefits offered to the inactive Dougherty Regional Fire Authority Staff, as well as the City share of obligations with the OPEB benefits for Alameda County Fire Department. The expenditure is to be identified as a specific appropriation made by the City Council.

Innovations & New Opportunities: The portion of General Fund Balance established by the City Council to fund potential projects which require up-front costs, but would provide longer term benefits and / or potential operating cost reductions. The expenditure is to be identified as a specific appropriation made by the City Council.

Future Maintenance Facility: : The portion of General Fund Balance established by the City Council to fund design, improvements, and equipment required for the establishment of a City maintenance yard. The expenditure is to be identified as a specific appropriation made by the City Council.

Civic Center Expansion: The portion of General Fund Balance established by the City Council to fund design, improvements, and equipment required for the expansion of the Civic Center. The expenditure is to be identified as a specific appropriation made by the City Council.

Public Safety Complex: The portion of General Fund Balance established by the City Council to fund the design and construction of a Public Safety Complex located at the corner of Clark Avenue and Dublin Boulevard. The expenditure is to be identified as a specific appropriation made by the City Council.

Heritage Park: This commitment shall be initially used to capture the receipt of Developer contributions specifically identified for additional development of the Dublin Heritage Park and Museums. The commitment is beyond amounts collected under existing fee programs. The expenditure is to be identified as a specific appropriation made by the City Council.

One Time Initiatives (Operating) The City Council recognizes that there may be fluctuations in revenues and expenditures over time. Periodically the Council may determine that funds are best set-aside to address certain one-time initiatives within the operating budget. The expenditure is to be identified as a specific appropriation made by the City Council.

One Time Initiatives (Capital) The City Council recognizes that there may be fluctuations in revenues and expenditures over time. Periodically the Council may determine that funds are best set-aside to address certain one-time capital expenditures. The expenditure is to be identified as a specific appropriation made by the City Council.

Joint City / School Projects This commitment shall be used to fund projects undertaken via a joint effort of the City and the Dublin Unified School District. The expenditure is to be identified as a specific appropriation made by the City Council.

Fund Balance-Committed: The portion of Fund Balance that is in any non-general fund governmental fund that is committed under the "Committed Fund Balance" definition as otherwise prescribed by Governmental Accounting Standards Board Statement No. 54 and not otherwise described in this category above. The portion of Fund Balance that was restricted but later found to be unrestricted shall be designated as a "Committed" balance.

IV. Assigned Fund Balance

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed.

The City Council has authorized the City Manager or his/her designee to make assignments in accordance with this policy and in conformance with any formal direction provided by the City Council.

Accrued Leave Subject To Year End Calculations: Certain fund balances are calculated based on the financial performance of the reporting period including accrued Leave. These amounts fluctuate each year and are reflected as part of the year-end financial statements.

Carry-Over Items (Operating Budget & Capital Improvement Projects): Fund balance may be assigned for operating expenditures (excluding personnel costs) which were not expended in the current year and the expense will occur in the following year, i.e. encumbrances. Similarly, a Capital Improvement Project may have funds allocated in a specific year and the project remains incomplete at year end. The City Manager or his/her designee may assign fund balance representing the unexpended funds. These funds are available for authorized appropriations in the subsequent year.

Non-Streets Capital Improvement Projects (CIP) Reserve: The portion of General Fund Balance intended to fund future non-streets capital projects, where total funding may not currently be known, and for which lump sum amounts will be set aside over time. These funds are available for authorized appropriations in the subsequent year.

Carry-Over Fiscally Responsible Adjustment: In any year that an appropriation was made to the contingency For Fiscally Responsible Adjustment the unused fund balance may be assigned as a carry-over for personnel costs. The City Manager or his/her designee may assign fund balance representing the unexpended funds. These funds are available for authorized appropriations in the subsequent year in conformance with personnel policies and procedures.

Catastrophic Facility / Infrastructure Loss & City Business Recovery: The City Council recognizes the importance to maintain funds to recover from a catastrophic loss which are unexpected and incur more than \$500,000 in expenses to public facilities and infrastructure. This may also be used for short-term recovery and business operations following a catastrophic loss pending the reimbursement from insurance or grants to the extent that they are available. The balance is established in the General Fund and the expenditure shall be made only by City Council appropriation, which shall include a special emergency appropriation. The target established for the maximum balance in this category is an amount equal to 15% of the reported book value of the City owned Buildings and Improvements recorded as Capital assets.

Service Continuity Obligations: The City Council recognizes the importance to maintain funds for continued obligations to provide Building and Safety inspections in the event that program supporting fees are collected in one year and the expenditures occur in a subsequent year. The City Council hereby establishes as policy that the assigned funds shall not exceed 125% of the budgeted Building and Safety Division operating cost.

Pension and Other Post Employment Benefits: The City Council recognizes that investment earnings can fluctuate from year to year and they are an important component of the funding of retiree benefits. Investment performance impacts annual contributions and expenditures made towards retiree obligations. The intent of the City Council is to establish a fund balance that can provide supplemental financing to lessen the impacts from decreases in investment performance on retiree obligations. The City Manager or designee may allocate from what would otherwise be "Unassigned" fund balance to increase the fund balance. The use of funds from this fund balance may be used: (a) if the City Employer share of the Public Employee Retirement System (PERS) rate increases by 3 percent; and / or (b) If the City Annual Required Contribution (ARC) for retiree medical benefits increases by 3 percent or more; and / or (c) If the City Council by majority vote authorizes a lump sum use of the fund balance to reduce pension or OPEB liabilities.

IV. Unassigned Fund Balance (General Fund Only)

Unassigned fund balance represents amounts that have not been restricted, committed, or assigned and is available for any purpose. The City Council at its discretion may modify unassigned fund balance, and designate in the future an intended “Commitment” or “Assignment”.

Unrealized Gain on Investments: Used to account for that portion of fund balance that is the result of unrealized investment gains that have been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Unassigned For Cash Flow Purposes: The City Council recognizes the importance to maintain funds for cash flow purposes to balance the fact that the receipt of major revenues and major expenditure disbursements are not evenly distributed throughout the year. The City Council establishes as policy that this fund balance shall be at a minimum equal to two months of budgeted operating expenditures with a goal to achieve a maximum of four months. As part of the annual budget appropriation the City Council may also appropriate as a source of funding “Unrestricted – Capital Contribution” from this source. This shall typically be done only for high priority one time capital expenditures, provided the minimum fund balance would remain.

C. Changes In General Fund Resources

In accordance with the requirements of GASB the City Council also confirms as part of this policy how General Fund resources shall impact changes in balances.

Revenue Sources Allocated to Fire OPEB: The entire amount of the General Fund resources derived from the repayment of funds advanced to the PERS Side Fund, shall be assigned to the Fire OPEB Committed Balance, until such time that either there are no longer any repayments made, or the balance equals \$8.6 million, whichever occurs first.

Revenue Sources Allocated to Service Continuity: If the “Assigned” balance is below the target maximum of 125% of Building & Safety Expenditures, the following criteria shall be used for calculating an adjustment only if annual building permit revenue exceeds annual Building and Safety expenditures. The Administrative Services Director shall complete an analysis of major building permits issued in the period April – June and shall assign an allocation of the portion of revenue that is expected to be related to expenditures occurring in the subsequent year. The amount derived shall be recommended to the City Manager. If annual building permit revenue is less than the annual Building and Safety expenditures, the City Manager is authorized to reduce the assigned amount by the amount necessary to balance revenues and expenditures.

Allocation of Residual Resources: When there are net resources in excess of what is classified as Nonspendable, Restricted, Committed, and/or Assigned, and after maintaining the minimum level of unassigned cash-flow funding, those resources shall be allocated as follows: a) 50% to Pension and Other Post Employment Benefits; and b) 50% to Non-Streets CIP Reserve.