



# City of Rialto

## Legislation Text

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For City Council Meeting [July 28, 2020]

TO: Honorable City Council

APPROVAL: Rod Foster, City Manager

FROM: Edward Carrillo, City Treasurer  
Stephen Erlandson, Deputy City Manager

Request City Council to Adopt **Resolution No. 7660** Approving the General Fund Economic Reserve Policy; and Adopt **Resolution No. 7661** Eliminating the Working Capital Fund.

**(ACTION)**

### **BACKGROUND**

On November 2, 2004, the City Council adopted the current City of Rialto General Fund Reserve Policy. The current policy contains a provision requiring an annual analysis by the Finance Department at the time of year-end closing and audit preparation. As a result of the most recent audit, the City Treasurer and Deputy City Manager determined that the policy should be updated to comply with Governmental Accounting Standards Board (GASB) Statement No. 54 and to address the City Treasurer's concern regarding what portion of the City's General Fund reserves are cash.

### **ANALYSIS/DISCUSSION**

The City Treasurer and Deputy City Manager worked closely in developing the Draft General Fund Economic Reserve Policy. The key provisions/enhancements of the draft policy are:

- The addition of definitions/acronyms to assist users of the policy in understanding terms that are used throughout the policy document.
- The retitling of the reserve to "General Fund Economic Reserve" to better demonstrate the purpose of the reserve.
- More specific uses of the reserve related to severe economic impacts resulting from natural disasters/catastrophic events, the loss or reduction of a major revenue source, and economic uncertainties including downturns in the local, state, or national economy.
- Since the General Fund Economic Reserve is meant to be used only for the purposes as noted in the previous bullet point, which are more restrictive than in the current policy, a 50% reserve level for economic contingencies is not necessary. As such, staff propose a 30% General Fund Economic Reserve and that the remaining 20% of the prior reserve be utilized for other items at the Council's discretion for such things as paying down the PERS unfunded actuarial liability, capital asset replacements (e.g. streets and roads), etc.

- A new requirement that:
  - The City Treasurer report on the balance of the General Fund Economic Reserve in the Treasurer's monthly and quarterly reports, and
  - The Finance Director report on the balance of the General Fund Economic Reserve as part of the Mid-Year Budget Review, Annual Budget adoption, and Comprehensive Annual Financial Report/fiscal-year end audit.

The current General Fund Operating Reserve consists of the General Fund (Fund 010) and Working Capital Fund (Fund 030), which are combined and reported on the City's Comprehensive Annual Financial Report (CAFR) as General Fund. As of the date of this report, the current General Fund Operating Reserve is \$43,978,540, of which the entire reserve balance consists of cash and pooled money investment accounts available for immediate access.

If the proposed Draft policy is approved by the City Council, the General Fund Economic Reserve would be \$27,292,136 and would consist of \$27,292,136 in cash to be transferred from the Working Capital Fund to the General Fund. This will eliminate the need for the Working Capital Fund (Fund 030) in the City's general ledger and chart of accounts. The remaining balance of \$16,686,404 can be utilized for other items at the Council's discretion.

Since liquidity is key to ensuring immediate access to economic cash reserves, the General Fund Economic Reserve will be invested in same day/next day investment vehicles.

On May 27, 2020, staff presented this item to the City's Economic Development Committee (EDC). The EDC recommended this item be forwarded to the City Council for consideration.

In addition, staff reviewed other General Fund fund balance reserves and determined that some of these reservations of fund balance are no longer needed and can be unassigned for other items at the Council's discretion. Staff will address these additional General Fund reservations of fund balance as part of the consideration of the FY 2020-21 City Budget being presented to the City Council on August 11, 2020.

### **ENVIRONMENTAL IMPACT**

The request is not a Project as defined by Section 15378 of the California Environmental Quality Act (CEQA).

### **GENERAL PLAN CONSISTENCY**

Complies with the following Rialto General Plan Guiding Principle:

Our Government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

### **LEGAL REVIEW**

The City Attorney has reviewed and supports this staff report.

## **FINANCIAL IMPACT**

### **Operating Budget Impact**

There is no financial impact related to the recommended action as no General Fund monies are being received or expended. The allocation and classification of reserves as a result of this action will better identify how the General Fund reserves are presented on the City's financial statements and will reflect a true cash balance for the General Fund Economic Reserve.

### **Capital Improvement Budget Impact**

There is no impact to the Capital Improvement Budget.

## **RECOMMENDATION**

It is the recommendation of staff that the City Council adopt a Resolution Approving the General Fund Economic Reserve Policy; and adopt a Resolution Eliminating the Working Capital Fund.