

**Ordinance 2016-181
Council Staff Recommendations**

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Unassigned Fund Balance

- Based on the latest information received from Finance, the recommended appropriation included in this paper **will not** bring the Unassigned Fund Balance below 10%.
 - The Committee may wish to know what the potential impact may be on the City's bond ratings.
- The Unassigned Fund balance policy states that, "to the extent that the Unassigned General Fund Balance is ever drawn upon, the City shall budget replenishment of such amount drawn over the next three subsequent years."
 - The Committee may be interested in knowing what the Administration's plan is for replenishing the Unassigned Fund Balance.
- The Unassigned Fund balance policy states that, "the City will not make appropriation from the Unassigned General Fund Balance except when faced with an unusual, unanticipated and seemingly insurmountable hardship, and **only after all other reserve or contingency funds have been exhausted.- The Committee may wish to confirm with the City Attorney whether or not the Unassigned Fund Balance can be used if there are still remaining funds within the Revenue Stabilization Contingency Fund.**

Revenue Stabilization Contingency Fund

- The City's Financial Policy provides that, "an appropriation from the RSCF cannot be proposed unless; (a) projected general fund revenue reflects a 0.5 percent or greater decrease from current year's authorized budget due to a catastrophic, unforeseen or unavoidable event; or **(b) expenses increase by 0.5 percent or greater over the current year's authorization due to a catastrophic, unforeseen or unavoidable event.** *These events must be quantifiable and distinguishable from other events that may occur during the normal course of government operations."*
- Per the 3rd Qtr. report the amended FY16 budget is \$702,322,224. The increase of expenses of \$1.9 million due to the unforeseen/unavoidable event only results in a 0.27% increase, which is less than the 0.5% threshold required by City Policy.
 - The Committee may wish to confirm with the City Attorney whether or not funds can be used from the Revenue Stabilization Contingency Fund if the identified event does not meet or exceed the 0.5% threshold.
 - The Committee may wish to confirm from the City Attorney if the 0.5% threshold applies to each individual event or is the 0.5% threshold a cumulative threshold if there are one or more events.
- The policy also indicates that if funds are withdrawn from the RSCF, a plan to replenish the fund to the required minimum of \$10 million must be put in place within 60 days.
 - The Committee may be interested in knowing if a plan has been established and if that plan will be shared with Council.
- The policy also states that, "Any such appropriation in the fiscal year may not exceed one half of the Revenue Stabilization Contingency Fund balance."
 - In May, City Council adopted an Ordinance to appropriate \$2.9 million from the Revenue Stabilization Fund as a result of the legal settlement related to DSS employee overtime. This Ordinance is recommending an additional \$2.2 million to be withdrawn from the fund. This would mean the maximum threshold for how much can be appropriated from the Revenue Stabilization Fund in a given fiscal year would almost be reached.

Other

- The Committee may be interested in knowing what the impacts will be on the FY16 budget as a result of the most recent storm events that has required significant clean-up efforts.
- If both the Revenue Stabilization Contingency Fund and the Fund Balance policies state that both need to be replenished the Committee may be interested in knowing which is to be replenished first and what is the Administration's plan to ensure that this happens.

Attachment

City of Richmond
March 2012

UNASSIGNED FUND BALANCE POLICY
● OF THE CITY OF RICHMOND

The Mayor will prepare and administer General Fund budgets that will provide operating surpluses of one-half of one percent (1/2%) of expenditures until the Unassigned General Fund balance reaches at least ten percent (10%) of the Total Budgeted Expenditure. Total Budgeted Expenditures will include General Fund Budgeted Expenditures plus Richmond Public School Budgeted Expenditures, less the budgeted transfer to Schools from the General Fund. The City Council in adopting the annual operating General Fund budget will provide that General Fund operating surpluses be no less than those recommended by the Mayor in submission of the General Fund budget.

The City will not make appropriation from the Unassigned General Fund Balance except when faced with an unusual, unanticipated and seemingly insurmountable hardship, and only after all other reserve or contingency funds have been exhausted. To the extent that the Unassigned General Fund Balance is ever drawn upon, the City shall budget replenishment of such amount drawn over the next three subsequent years.

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City of Richmond
March 2012

**REVENUE STABILIZATION AND CONTINGENCY FUND POLICY
OF THE CITY OF RICHMOND**

A Revenue Stabilization and Contingency Fund (the "RSCF") of at least \$10,000,000 will be maintained to permit orderly adjustments to changes resulting from unanticipated events. Accordingly, an appropriation from the RSCF cannot be proposed unless; (a) projected general fund revenue reflects a one-half of one percent (1/2%) or greater decrease from current year's authorized budget due to a catastrophic, unforeseen or unavoidable event; or (b) expenses increase by one-half of one percent (1/2%) or greater over the current year's authorization due to a catastrophic, unforeseen or unavoidable event. These events must be quantifiable and distinguishable from other events that may occur during the normal course of government operations. Any such appropriation in the fiscal year may not exceed one half of the RSCF balance. If funds are withdrawn from the RSCF, a plan must be put in place to replenish the fund to the required minimum level. The City shall dedicate up to one half of any year end surplus or other one time revenue toward reaching the targeted goal.

ATTACHMENT A

Unassigned Fund Balance Target Per Policy

	2014 Budget	2015 Budget	2016 Budget	2017 Budget Proposed	2017 Budget Adopted
General Fund Budget - Per Adopted Budget Document	\$ 760,532,300	\$ 786,484,419			
less Unassigned Fund Balance included in Budget *	\$ (72,908,854)	\$ (75,000,000)			
less Assigned & Committed Fund Balance included in Budget *	\$ (29,518,786)	\$ (19,518,822)			
General Fund Budgeted Revenue/Expenditures (less fund balances)	<u>\$ 658,104,660</u>	<u>\$ 691,965,597</u>	<u>\$ 689,260,933</u>	<u>\$ 709,152,771</u>	<u>\$ 717,059,117</u>
Schools Budget (State, Federal, Other) excludes Gen Fund Transfer **	<u>\$ 91,542,238</u>	<u>\$ 99,022,937</u>	<u>\$ 98,798,012</u>	<u>\$ 101,033,793</u>	<u>\$ 101,033,793</u>
Total Budgeted Revenue/Expense (Excluding Fund Balances)	\$ 749,646,898	\$ 790,988,534	\$ 788,058,945	\$ 810,186,564	\$ 818,092,910
10% Unassigned Fund Balance Target	\$ 74,964,690 10.00%	\$ 79,098,853 10.00%	\$ 78,805,895 10.00%	\$ 81,018,656 10.00%	\$ 81,809,291 10.00%
Actual/Projected Unassigned Fund Balance	\$ 75,000,000 10.00%	\$ 80,393,997 10.16%	\$ 85,377,761 10.83%	\$ 83,119,248 10.26%	\$ 83,119,248 10.16%
Over / (Under) 10% Unassigned Fund Balance Target	\$ 35,310	\$ 1,295,144	\$ 6,571,867	\$ 2,100,592	\$ 1,309,957

* Amounts of the 2014 & 2015 Adopted Budgets representing fund balances and reserves not intended to be spent during the year have been excluded.

** School Budget figure excludes General Fund transfer to Schools so as not to double count this revenue

NOTE: The Administration provided the calculations for FY14-FY17 Proposed and the amounts have been revised to reflect updated information recently provided by Finance. FY17 Adopted calculation was completed by Council Staff.

Note: These amounts represent what the Unassigned Fund Balance will be if Ord. 2016-181 is adopted.