



Agenda Report

June 27, 2016

TO: Honorable Mayor and City Council

FROM: Finance Department

SUBJECT: APPROVAL OF COMMITMENT OF GENERAL FUND BALANCE FOR THE GENERAL FUND EMERGENCY CONTINGENCY COMMITMENT FOR FISCAL YEAR 2016

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the recommended action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3); and
2. Adopt a resolution approving the City of Pasadena General Fund Emergency Contingency commitment of fund balance of the General Fund for Fiscal Year 2016 in the amount of \$33,451,483.

BACKGROUND:

From fiscal years 2011 to 2014, the City Council approved a 10 percent commitment of General Fund Balance for an Emergency Contingency Commitment of the General Fund to be used for unforeseen emergencies such as the 2011 wind storm event. On August 15, 2011, the City Council approved enhancements to the City's Fund Balance Policy which increased the Emergency Contingency Commitment to 20 percent after Fiscal Year 2014, with a phase-in plan if the pace of the economic recovery is slower than required to achieve the 20 percent goal in one year. Based on the preliminary FY 16 results, it is anticipated that there is a surplus to support an increase to the FY 2016 General Fund Emergency Contingency.

The City's Fund Balance Policy implemented Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. GASB Statement No. 54 divides fund balance into five categories: nonspendable, restricted, committed, assigned, and unassigned. It also requires formal action by the City Council to commit fund balance annually.

This action formally commits a fund balance of approximately 15.2 percent of the FY 2016 appropriations as General Fund Emergency Contingency Committed fund balance for Fiscal Year 2016, or \$33,451,483. This increases the commitment by \$2,500,000 which is based on an estimated anticipated surplus for FY 2016. The recommendation is consistent with the current City Fund Balance Policy goal of increasing reserves until a 20 percent General Fund Emergency Contingency fund balance is attained. Upon completion of the City annual audit and presentation of the City's Comprehensive Annual Financial Report, staff will return with information on ending General Fund balance for consideration of additional funding of the Emergency Contingency Commitment.

The commitment levels since the implementation of GASB Statement No. 54 are:

FY 2011	\$21,719,242
FY 2012	\$21,584,326
FY 2013	\$21,565,607
FY 2014	\$20,266,176
FY 2015	\$30,951,483
FY 2016	\$33,451,483

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by the commitment of General Fund Balance for Emergency Contingency.

ENVIRONMENTAL ANALYSIS:

The proposed action has been determined to be exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3), the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with the certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Such is the case with the proposed commitment of funds to the General Fund Emergency Contingency, which does not propose any physical changes to the environment and does not involve any commitment to any specific project.

FISCAL IMPACT:

There is no direct fiscal impact as a result of this action, and this action will not have indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action. While there is no direct fiscal impact of committing fund balance and the amounts reported as total fund balance are not altered, the reporting of the individual components that make up total fund balance are changed.

Respectfully submitted,



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Direct of Finance

Prepared by:



ROBERT S. RIDLEY
Controller

Approved by:



STEVE MERMELL
Interim City Manager

General Fund Emergency Contingency Commitment Reserve
As of 6/30/2016

Fiscal Year 2016 General Fund Total Deduction Budget:	\$ 219,795,987
10% of the Total Deduction Budget:	21,979,599
Greater of 10% of the Total Deduction Budget or \$2,500,000:	2,500,000
Current balance for the General Fund Emergency Contingency Commitment Reserve	30,951,483
Recommended Balance	<u><u>33,451,483</u></u>
Current balance for the General Fund Emergency Contingency Commitment Reserve	30,951,483
Adjustment Needed	<u><u>\$ 2,500,000</u></u>