



Agenda Report

June 19, 2017

TO: Honorable Mayor and City Council

FROM: Finance Department

SUBJECT: APPROVAL OF COMMITMENT OF GENERAL FUND BALANCE FOR THE GENERAL FUND EMERGENCY CONTINGENCY COMMITMENT AND GENERAL FUND OPERATING RESERVE FOR FISCAL YEAR 2017

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 \$35,672,250 and General Fund Operating Reserve commitment of \$11,890,750 from fund balance of the General Fund for Fiscal Year 2017.

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. Pursuant to City Council discussions on June 12, 2017 and preliminary FY 17 results, it is anticipated that there is sufficient surplus and unassigned fund balance to support the overall commitment of 20 percent, split between the General Fund Emergency Contingency and a General Fund Operating Reserve.

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 combined fund balance of 20 percent of the FY 2017 appropriations split between the General Fund Emergency Contingency Committed fund balance for \$35,672,250 (15%) and the General Fund Operating Reserve for \$11,890,750 (5%). This increases the combined commitment by \$11,111,517 which is based on anticipated surplus for FY 2017 and unassigned fund balance. It should be noted that on December 12, 2016 the City Council took action to add \$3,000,000 to the Fiscal Year 2017 Emergency Contingency Committed fund balance, based on FY 2016 anticipated surplus. The recommended action realigns the Committed fund balance to achieve the 15 percent and 5 percent split.

As discussed on June 12, 2017, staff will return to City Council with a revised Fund Balance Policy reflecting these two components of General Fund committed fund balance.

The combined commitment levels and percent of General Fund appropriations since the implementation of GASB Statement No. 54 are:

| | | |
|---------|--------------|---------------------|
| FY 2011 | \$21,719,242 | 10.0% |
| FY 2012 | \$21,584,326 | 10.0% |
| FY 2013 | \$21,565,607 | 10.0% |
| FY 2014 | \$20,266,176 | 10.0% |
| FY 2015 | \$30,951,483 | 14.7% |
| FY 2016 | \$33,451,483 | 15.3% |
| FY 2017 | \$47,563,000 | 20.0% (Recommended) |

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 and commitment of General Fund Balance for Operating Reserve.

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,



MATTHEW E. HAWKESWORTH
Director of Finance

Prepared by:



ROBERT S. RIDLEY
Controller

Approved by:



STEVE MERMELL
City Manager