

BEFORE THE CITY COUNCIL OF THE CITY OF PITTSBURG

In the Matter of:

An Ordinance of the City of Pittsburg Amending)
Chapter 3.26.030 of the Pittsburg Municipal)
Code Relating to Fiscal Sustainability and)
Reserve Funds)

ORDINANCE NO. 18-1455

The City Council of the City of Pittsburg DOES ORDAIN as follows:

SECTION 1. Recitals.

- A. In order to ensure the fiscal sustainability of the City, the City desires to protect its revenues and ensure proper fiscal responsibility; and
- B. The City desires to maintain a reserve funds in case of an emergency; and
- C. The City desires to maintain a minimum balance in the City's Budget Stabilization Fund; and
- D. By ensuring minimum funding levels for reserve funds, the City desires to minimize the need to rely on one-time measures and funding sources to balance its budget, while protecting the City from major deficits and over spending.

SECTION 2. Adding Chapter 3.26 "Fiscal Sustainability and Reserve Funds" to Title 3 "Revenue and Finance" of the Pittsburg Municipal Code

Title 3 "Revenue and Finance" of the Pittsburg Municipal Code is hereby amended to include Chapter 3.26 "Fiscal Sustainability and Reserve Funds," which shall read as follows:

Section 3.26.010 Purpose and Definitions.

A. The purpose of this chapter is to establish policies and procedures to ensure the City maintains unappropriated fund balances, "Reserves" in the City's funds.

B. For purposes of this Ordinance, the following terms shall have the following meanings:

1. "City's Operating Expenses" shall mean the City's General Fund operating expenses of the City as set forth in the City's annual budget which generally includes staff costs and operating expenses of the City and excludes the capital project appropriations.

2. "One-time Revenues" shall mean those revenues that the City receives on a one-time or non-regular basis. For example, such revenues may include, but are not limited to, proceeds from the sale of surplus land, one-time unexpected sales tax allocations associated with capital improvements from local retailers, grants, lump sum payments of project fees, non-reoccurring sales tax of fee revenue, etc.

3. "Unappropriated Reserves" shall mean unappropriated operating revenues excluding capital project and program appropriations which originate from funding sources that are restricted to projects or programs.

Section 3.26.020 General Fund Account

There is established a "General Fund" into which all sums of money collected by the City for any purpose whatsoever shall be deposited, unless otherwise provided by ordinance or resolution directing the deposit into a specific fund other than the General Fund.

Section 3.26.030 General Fund Reserves

- A. There is established within the General Fund, a "General Fund Reserve", which shall be used for emergencies, including for example, natural disasters and costs associated with such natural disasters.
- B. At each and every budget cycle, commencing with FY 2013-14, and every year thereafter, money from the General Fund shall be unappropriated, and shall be deposited into the General Fund Reserve. The minimum funding level within the General Fund Reserve shall be thirty percent (30%) of the City's General Fund Operating Expenses. However, the City Council shall, on a best efforts basis, take such steps as necessary to achieve the minimum General Fund Reserve level during the budget process each year through fiscal year 2017/18. Afterward, the minimum funding levels will become mandatory as defined by this ordinance.
- C. The thirty percent (30%) minimum funding level within the General Fund Reserve of the City's General Fund Operating Expenses shall consist of the following and be restricted as per the City's policy:
 - A Reserve for Economic Uncertainty (20% of the 30% minimum funding level within the General Fund Reserve) – funds designated to mitigate periodic revenue shortfalls due to downturn in economic cycles, thereby avoiding the need for service-level reductions within the fiscal year, and
 - An Emergency Reserve (10% of the 30% minimum funding level within the General Fund Reserve) – funds designated to mitigate costs of unforeseeable emergencies and natural disasters.

The composition of the reserves shall consist of:

1. A minimum of two-thirds of the 30% (i.e., 20%) shall be held in cash and liquid investments consistent with the City's Investment Policy; and
2. An amount not to exceed one-third of the 30% (i.e., up to 10%) may be held in real property owned and designated by the City, where such real property has an appraised value of at least 125% of the dollar amount which the real property constitutes within the City's General Fund Reserve.

- D. Before the City sells, or otherwise encumbers in such a manner as to significantly impair the value of, any real property referenced in Section C.2 above, the City shall comply with Section E hereof and:
1. Identify replacement real property prior to the sale or encumbrance of the current designated property, provided that the City Council approves such replacement;
 2. Direct proceeds from the sale or encumbrance of the current designated property into the General Fund Reserve to maintain the minimum required funding;
 3. Increase the amount held in cash or liquid investments to maintain the minimum required funding; or
 4. Take any combination of the above actions, such that the City maintains the minimum required funding.
 5. Should the sale of any property result in the General Fund Reserve balance being greater than the 30% minimum funding level, the proceeds in excess of the 30% minimum funding level will be deposited into the Budget Stabilization Fund or handled in accordance with the requirements of the Ordinance.
- E. To designate real property as being held to satisfy the City's minimum General Fund Reserve requirement under Section C.2 above, the City shall identify the property by APN and/or address by a resolution adopted at a public hearing at a duly noticed regular City Council meeting. The City may remove the real property from this designation only by a subsequent resolution adopted at a public hearing at a duly noticed regular City Council meeting.

Section 3.26.040 Budget Stabilization Fund

- A. There is established a "Budget Stabilization Fund" which shall provide the City a cushion to help absorb costs during economic downturns and/or budget shortfalls.
- B. The target minimum funding level within the Budget Stabilization Fund shall be no less than \$2.0 million dollars or five percent (5%) of the City's General Fund Operating Expenses, whichever is greater. The City Council shall, on a best efforts basis, take such steps as necessary to meet the minimum funding level during the budget process each year.
- C. The target maximum funding level for the Budget Stabilization Fund shall be no more than \$7.5 million dollars or twenty-five percent (25%) of the annual City's General Fund Operating Expenses, whichever is greater.
- D. Additional Deposits into the Budget Stabilization Fund shall include:

1. One-time General Fund Revenues and/or projected recurring revenues that exceed ten percent (10%) or more from the previous fiscal year shall be deposited into the Budget Stabilization Fund.
 2. Fiscal year-end General Fund surpluses shall also be deposited into the Budget Stabilization Fund.
- E. Appropriations from the Budget Stabilization Fund require a majority vote of the City Council and may be made in order to balance the General Fund budget.

Section 3.26.050 Infrastructure Repair and Replacement Fund

- A. There is established an “Infrastructure Repair and Replacement Fund” which shall provide funding for additional repairs and capital improvements projects related to the City’s infrastructure including streets, roads, parking lots, and storm drains.
- B. Once the Budget Stabilization Fund reaches the maximum funding level, seventy five percent (75%) of the available, excess revenues that would normally be placed into the Budget Stabilization Fund shall be deposited into the Infrastructure Repair and Replacement Fund.
- C. Appropriations from the Infrastructure Repair and Replacement Fund shall require a majority vote of the City Council.

Section 3.26.060 Other Post-employment Benefits (OPEB) Fund

- A. There is established an “Other Post-employment Benefits (“OPEB”) Fund” which shall be available to provide funding to reduce the City’s General Fund’s portion of unfunded OPEB liabilities, including for example, retiree health benefits.
- B. Once the Budget Stabilization Fund reaches the maximum funding level, twenty five percent (25%) of the available, excess revenues that would normally be placed into the Budget Stabilization Fund shall be deposited into the OPEB Fund.
- C. Appropriations from the OPEB Fund shall require a majority vote of the City Council.

Section 3.26.070 Internal Service Fund Reserves

- A. The City maintains the following Internal Service Funds which provides funding to allocate costs for services provided to all City departments:
 1. Information and Communication Systems
 2. Fleet Maintenance
 3. Building Maintenance
 4. Fringe Benefits
 5. Liability Insurance
- B. It is established within each of these Internal Services Funds an Unappropriated Reserve which shall be used for emergencies, including for example, natural

disasters and costs associated with such natural disasters. At each and every budget cycle, commencing with FY 2013-14, and every year thereafter, the unappropriated reserve level within Internal Services Funds shall be thirty percent (30%) of the Internal Services Funds' annual budget excluding capital project and equipment appropriations. However, the City Council shall, on a best efforts basis, take such steps as necessary to achieve the minimum Internal Services Funds' Reserve levels during the budget process each year through fiscal year 2017/18. Afterward, the minimum funding levels will become mandatory as defined by this ordinance. The thirty percent (30%) reserve level may be exceeded.

Section 3.26.080 Enterprise Fund Reserves

A. The City maintains the following enterprise funds for enterprise operations:

1. Water
2. Sewer
3. Waterfront Operations
4. Marina

B. It is established within each of these Enterprise Funds an Unappropriated Reserve which shall be used for emergencies, including for example, natural disasters and costs associated with such natural disasters. At each and every budget cycle, commencing with FY 2013-14, and every year thereafter, the target unappropriated reserve level within each Enterprise Fund Reserves shall be thirty percent (30%) of each Enterprise Fund's fiscal year operating expenses, excluding capital project appropriations. However, the City Council shall, on a best efforts basis, take such steps as necessary to achieve the minimum Enterprise Funds' Reserve levels during the budget process each year through fiscal year 2017/18. Afterward, the minimum funding levels will become mandatory as defined by this ordinance. The thirty percent (30%) reserve level may be exceeded.

Section 3.26.090 Council Action Required

Except as otherwise stated in this Chapter, any variance from the policies established within this Ordinance, shall require adoption of a City Council resolution by a 4/5 vote of the City Council. The Council resolution shall set forth the following:

- A. A statement of findings supporting the appropriation of reserves or temporary modification of funding levels required by this ordinance; and
- B. A plan for replenishing the reserves within a reasonable time period when the appropriation causes a reserve to fall below minimum funding levels; and
- C. A description of the circumstances or event constituting an emergency.

SECTION 3. Effective Date

This ordinance shall be in full force and effective thirty (30) days after its adoption.

SECTION 4. Publication

The City Clerk shall either (a) have this ordinance published once within 15 days after adoption in a newspaper of general circulation or (b) have a summary of the ordinance published twice in a newspaper of general circulation, once 5 days before its adoption and again 20 days after adoption.

The foregoing ordinance was introduced at a meeting of the City Council of the City of Pittsburg held on September 17, 2018 and was adopted and ordered published at a meeting of the City Council held on October 1, 2018 by the following vote:

AYES: Banales, Craft, Evola, Killings

NOES: None

ABSTAINED: None

ABSENT: Longmire

Dwaine "Pete" Longmire, Mayor

ATTEST:

Alice E. Evenson, City Clerk