

RESOLUTION NO 4004

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COALINGA ADOPTING THE ANNUAL CITY OF COALINGA RESERVE POLICY FOR THE GENERAL FUND AND THE ENTERPRISE FUNDS FOR FISCAL YEAR 2020-2021

WHEREAS, It is essential that governments maintain adequate levels of fund balance to mitigate risks, and provide a back-up for revenue shortfalls, working capital, budgetary stabilization, and responding to extreme events; and

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Coalinga as follows:

1. the City Council authorized the creation of a General Fund Reserve Fund that serves as a “savings account” of the general fund reserves and can only be spent with City Council authority; and
2. the City has not previously established a formal fund balance policy for the City’s General Fund or General Fund Reserve; and
3. the Government Finance Officers Association (GFOA) recommends at a minimum, that general-purpose governments, regardless of size, incorporate in its financial policies that unrestricted fund balance in their general fund be no less than two months of regular general fund operating revenues or regular general fund operating expenditures; and
4. the City Council of the City of Coalinga in the exercise of its discretion, as follows:

Section 1. Establish a target amount of ‘cash on hand’ in the General Fund Reserve fund of no less than six months (180 days) of regular general fund operating expenditures. The value of six months of operating expenditures to be held in the General Fund Reserve fund shall be re-calculated annually every July, at the close of the previous fiscal year. The ‘cash on hand’ in the General Fund Reserve fund shall be the valuation measure used to determine the reserve fund balance.

Section 2. Typical resources that are appropriate to add to or replenish fund balance include non-recurring revenues and budget surpluses. Year-end surpluses are an especially appropriate source for replenishing fund balance. However, depending upon the City’s current or projected financial status, it may be appropriate to defer utilizing these additional resources (for adding to or replenishing the fund balance) if an imminent budgetary shortfall is projected in the current or following fiscal year.

Section 3. All contributions to and uses of the General Fund Reserve shall continue to be approved by the City Council using the annual budget or mid-year budget amendment process.

Section 4. The value of six months (180 days) of operating expenditures is

established only as a minimum fund balance reserve. The addition or accumulation of future resources that exceed this target is encouraged, subject to current and projected budgetary status of the City at any given time. Staff and future councils should review this policy periodically to ensure it is meeting expectations and consider relevant economic factors influencing fund balance reserve levels.

Section 5. In the event that the cash on hand in the General Fund Reserve fund falls below the established minimum threshold, staff will develop and present to the Council a plan to replenish the deficit as soon as possible. Generally, fund balances should be replenished within one to three years of use, or as soon as economic conditions allow.

Section 6. Funds in the General Fund Reserve fund cannot be spent without Council approval; however this policy acknowledges and allows the continued use of the Reserve fund balance as a financing “bridge” to ensure stable cash flow in the General Fund during specific months of the fiscal year leading up to the receipt of anticipated/budgeted revenue allocations (e.g. Property Tax, Vehicle License Fees).

Section 7. 100% of interest earnings in the General Fund Reserve fund shall now remain in the fund.

Section 8. This Resolution and resulting Financial Policy shall take effect immediately after its adoption and shall remain in effect until amended by the City Council by future resolution.

This foregoing resolution was duly passed, approved and adopted by the City Council of the City of Coalinga at its regular meeting on this **21st day of January 2021**, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

Ron Ramsey, Mayor

ATTEST:

Shannon Jensen, City Clerk