

RESOLUTION 2024-__

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN PABLO AMENDING THE FISCAL RESILIENCY RESERVE POLICY (LAST REVISED ON JUNE 20, 2016) BY FORMALLY ESTABLISHING THREE (3) NEW INTERNAL SERVICE FUNDS (FUNDS: 130, 140 & 190) WITH A ONE-TIME APPROPRIATION FROM UNASSIGNED FUND BALANCE RESERVES FOR FY 2024-25 PERIOD ONLY, EFFECTIVE JULY 1, 2024

WHEREAS, On October 21, 2013, in order to protect the fiscal solvency of the City and to achieve greater fiscal resiliency, the City Council took the important step of establishing the *Fiscal Resiliency Reserve Policy* (via Resolution No. 2013-159), and established several new reserves and funded each at the recommended levels;

WHEREAS, on June 20, 2016, the Fiscal Resiliency Reserve Policy (FRRP) was first amended by the City Council (via Resolution No. 2016-218) which formally established the *Casino Revenue Sustainability Reserve* (Fund: 180). The purpose of the reserve is to mitigate against the potential impact that a sudden shutdown or loss of casino revenue would have on the City’s ability to maintain current operations and service levels. All deposits and withdrawals from the fund are discretionary by the City Council, and not formulaic as other FRRP reserves noted above:

CITY OF SAN PABLO FISCAL RESILIENCY RESERVE POLICY (FRRP)	
(Adopted 10/21/2013 via Resolution No. 2013-159; Amended 06/20/2016 via Resolution No. 2016-218)	
Catastrophic Reserve (Fund: 150)	50% of total Adopted GF Operating Funds
Budget Stabilization Reserve (Fund: 170)	5% of total Adopted GF Operating Funds
City Manager Contingency Account (Fund: 190)*	1% of total Adopted GF Operating Funds
General Fund Designated Reserves (Fund: 100)**	Allocated on an annual basis
Future Capital Projects Reserve*	Allocated on an annual basis
Casino Revenue Sustainability Reserve* (Fund: 180)	Allocated on an annual basis; Up to max. 50% of Unused Audited Fund Balance on discretionary basis.
<u>Notes:</u>	
* One-time funds for allocation by the City Council for specific operational programs and projects.	
**One-time funds for allocation by the City Manager for specific operational programs and projects.	

WHEREAS, a second amendment is being proposed by the City Manager to amend the FRRP due to the City’s new financial condition as reported with presentation of the City’s 10-year Long-Range Financial Forecast on December 13, 2023. Additionally, the City Council adopted a total of eight (8) new Strategic Budget Initiatives to assist the City Manager with elimination of forecasted deficits (-\$8.7M) for the FY 2025 – 2027 period per Resolution No. 2023-167;

WHEREAS, specifically, the City Manager wishes to address the implementation of Strategic Budget Initiative No. 6, as follows:

Strategic Budget Initiative No.6: Re-tool & revise adopted Fiscal Resiliency Reserve Policy requirements to reverse forecasted structural deficits as one-time balancing measures (for FY 2025-2027 period only)

WHEREAS, to assist in reducing City annual spending for ongoing operational expenses during the upcoming FY 2025-2027 period, City staff proposes to amend the FRRP for FY 2024-25 period only, to include the formal establishment of three (3) new Internal Service Funds (ISFs), and to pre-fund these ISFs (i.e. Funds: 130, 140 & 190) based on a percentage of adopted GF Operating Funds using a one-time allocation from the City’s Unassigned Reserves (Fund Balance), effective July 1, 2024 (See Table below):

CITY OF SAN PABLO FISCAL RESILIENCY RESERVE POLICY FRAMEWORK (PROPOSED AMENDMENT FOR FY 2024-2025 ONLY) Effective: July 1, 2024	
CATASTROPHIC RESERVE (FUND 150)	50% of GF Operating Funds
BUDGET STABILIZATION RESERVE (FUND 170)	5% of GF Operating Funds
<u>NEW INTERNAL RESERVE FUNDS:</u> <i>Allocated as a percentage of the adopted GF Operating Budget (via ONE-TIME ALLOCATION for FY 2024-25)</i> a). <i>Building & Facilities Maintenance Reserve (Fund 130)</i> b). <i>Asset & Vehicle Replacement Reserve (Fund 140)</i> c). <i>City Manager Operating Reserve (Fund 190)</i> <div style="text-align: right;">Total:</div>	3% of GF Operating Funds 2% of GF Operating Funds 1% of GF Operating Funds <hr style="border: 0.5px solid black;"/> = 61% of Adopted GF Operating Funds
NOTE: ALL FUTURE YEAR-END AUDITED FUND BALANCE WILL BE ALLOCATED BY CITY MANAGER TO NEW INTERNAL SERVICE FUNDS (i.e. Fund 130, 140 & 190) AS NOTED ABOVE. <i>(*Note: Removed as an annual, recurring GF Budget Annual Operating Expense)</i>	
CASINO REVENUE SHORTFALL RESERVE (FUND 180):	NO CHANGES; DISCRETIONARY ACTION

WHEREAS, on February 26, 2024, the Budget, Fiscal & Legislative Standing Committee members (Pabon-Alvarado/Ponce) reviewed the proposed Second Amendment to the FRRP policy for FY 2024-25 only, presented by the City Manager and Finance Director in concept using a percentage of GF Operating Funds from the City's Unassigned Reserves Fund Balance to establish three (3) new Special Revenue Funds. Following their initial review, the BFLSC members recommended the full proposed policy amendment for the FRRP for FY 2024-25 only, for approval by the entire City Council prior to adoption of the new FY 2025-2027 GF Operating Budget, effective July 1, 2024;

WHEREAS, other proposed changes to the FRRP being presented to the City Council for formal adoption include changing the "Special Revenue Funds" to "Internal Service Funds" for better accountability, functionality and tracking purposes for expenses related to these types of funds; and

WHEREAS, all future allocations to the new ISFs (Funds: 130, 140, and 190) would be from Year-end Audited Fund Balance following completion of ACFR for the preceding fiscal year period to be allocated by City Manager recommendation, with BFLSC review and City Council approval by Resolution. Future extension of this one-time policy amendment may also be authorized by City Council Resolution. Finally, other minor clean-up language is also proposed which does not significantly alter the revised FRRP's intent.

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of San Pablo does hereby amend the Fiscal Resiliency Reserve Policy established on October 21, 2013 via Resolution No. 2013-159, subsequently amended on June 20, 2026 via Resolution No. 2016-218, and as more specifically described above. The FRRP, as amended by this Resolution, is shown on the attached Exhibit A. In addition:

1. This proposed action does not involve the expenditure of funds.
2. The action creates new Internal Service Funds (ISFs) (Funds: 130, 140 and 190) for specific related expenses which would have the impact of further demonstrating the City's continued commitment to prudent financial management, and protecting the City's financial future.
3. There is no associated fiscal impact for FY 2023-24 as the three (3) new Internal Service Funds will be formally established commensurate with adoption of the FY 2025-2027 GF Operating Budget, effective July 1, 2024.
4. This proposed action is a one-time allocation from the City's Unassigned Reserves Fund Balance based on percentage of GF Operating Funds for the FY 2024-25 period only, effective July 1, 2024.
5. Future one-time appropriation from these three (3) new Internal Service Funds (excluding the City Manager's Contingency Fund No.190) shall generally be

budgeted to cover expenses within the City's operating budget for planned repair and replacement of capital assets. Funds may also be used for unplanned expenses if all other methods of funding have been exhausted. Use of the funds shall follow the City's established spending authority limits as approved in the City's Purchasing Policy.

BE IT FURTHER RESOLVED that the foregoing recitations are true and correct and are included herein by reference as findings.

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ADOPTED this 15th day of April 2024, by the following votes:

AYES: COUNCILMEMBERS:
NOES: COUNCILMEMBERS:
ABSENT: COUNCILMEMBERS:
ABSTAIN: COUNCILMEMBERS:

ATTEST:

APPROVED:

Dorothy Gantt, City Clerk

Patricia Ponce, Mayor