

RESOLUTION 2025-###

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN PABLO AMENDING THE FISCAL RESILIENCY RESERVE POLICY (LAST REVISED ON APRIL 15, 2024) FORMALLY ESTABLISHING THREE (3) NEW RESERVE FUNDS (FUND 103, 104, 105) AND MAINTING TWO (2) INTERNAL SERVICE FUNDS (FUND 130, 140) FOR FISCAL YEAR 2024-25 WITH A ONE-TIME APPROPRIATION FROM UNASSIGNED FUND BALANCE FOR FISCAL YEAR 2024-25, EFFECTIVE MARCH 3, 2025

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 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 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 below:

CITY OF SAN PABLO FISCAL RESILIENCY RESERVE POLICY (FRRP)	
(Adopted 10/21/2013 via Resolution 2013-159; Amended 06/20/2016 via Resolution 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 was 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 2023-167;

WHEREAS, the City Council of the City of San Pablo adopted Resolution 2024-156, on April 15, 2024. The action established 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. The action assigned a one-time allocation from the City's Unassigned Fund Balance based on a percentage of GF Operating Funds for the FY 2024-25 period only, effective July 1, 2024. Future one-time appropriation from these three (3) new Internal Service Funds (excluding the City Manager's Contingency Fund No.190) shall be utilized 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:

CITY OF SAN PABLO FISCAL RESILIENCY RESERVE POLICY FRAMEWORK (PROPOSED AMENDMENT FOR FY 2024-2025 ONLY) <u>Effective:</u> 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). Building & Facilities Maintenance Reserve (Fund 130) b). Asset & Vehicle Replacement Reserve (Fund 140) c). City Manager Operating Reserve (Fund 190) <div style="text-align: right;">Total:</div> 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>	3% of GF Operating Funds 2% of GF Operating Funds 1% of GF Operating Funds <hr/> = 61% of Adopted GF Operating Funds
CASINO REVENUE SHORTFALL RESERVE (FUND 180):	NO CHANGES; DISCRETIONARY ACTION

WHEREAS, on January 15, 2025, the Budget, Fiscal & Legislative Standing Committee (Pabon-Alvarado; Ponce) reviewed the Fiscal Resiliency Reserve Policy (FRRP) to be formally considered and approved by the City Council on January 21, 2025. On January 21, 2025, the FY 2024-25 FRRP City Council agenda item was pulled by the City Manager to be reviewed at a later time.

WHEREAS, on February 27, 2025 the Budget, Fiscal & Legislative Standing Committee (Pabon-Alvarado/Ponce) reviewed the revised proposed Amendment No. 3 to the Fiscal Resiliency Reserve Policy (FRRP) for FY 2024-27, presented by the City Manager and Finance Department staff in establishing three (3) NEW Reserve Funds (103, 104, 105) and maintaining two (2) ISF Funds (130 & 140). The new and current reserve funds were presented, as follows:

CITY OF SAN PABLO FISCAL RESILIENCY RESERVE POLICY FRAMEWORK (PROPOSED AMENDMENT FOR FY 2024-2025) <u>Effective: March 3, 2025</u>	
<u>CURRENT RESERVE FUNDS:</u>	
a) Catastrophic Reserve (Fund: 150)	-50% of Annual Total Operating Funds Budget
b) Budget Stabilization Reserve (Fund 170).	-5 % of Annual Total Operating Funds Budget
c) City Manager's Contingency Reserve (Fund 190)	-1 % of Annual Total Operating Funds Budget
d) Building, Facilities, & Parks Maintenance (Fund 130)	-3% of Annual Total Operating Funds Budget
e) Asset and Vehicle Replacement Reserve (Fund 140)	-2% of Annual Total Operating Funds Budget
<u>NEW RESERVE FUNDS:</u>	
f) Sales Tax Revenue Sustainability Reserve (Fund: 103)	-up to a maximum of 10% of Unassigned Audited Fund Balance
g) General Liability Sustainability Reserve (Fund: 104)	-up to a maximum of 5% of Unassigned Audited Fund Balance
h) Pension (CalPERS) Liability Sustainability Reserve (Fund: 105)	-up to a maximum of 5% of Unassigned Audited Fund Balance
<u>REVISED RESERVE FUNDS:</u>	
i) General Fund Designated Reserve (Fund 110)	-up to a maximum of 10% of Unassigned Audited Fund Balance
j) Casino Revenue Sustainability Reserve (Fund 180)	-discretionary - Unassigned Audited Fund Balance
	NOTE: ALL YEAR-END AUDITED FUND BALANCE WILL BE ALLOCATED BY CITY MANAGER TO FRRP FUNDS NOTED ABOVE.

WHEREAS, all current and future allocations of the reserve funds would be from Year-end Audited Fund Balance following completion of ACFR for the preceding fiscal year periods to be allocated by City Manager recommendation, with Budget, Fiscal & Legislative Standing Committee review and City Council approval by Resolution.

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of San Pablo does hereby amend the Fiscal Resiliency Reserve Policy (FRRP) established on October 21, 2013 via Resolution 2013-159, Resolution 2016-218 approved on June 20, 2016, Resolution 2024-156 approved on April 15, 2024, and subsequently amended 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 allocations detailed above 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 2024-25 as the new reserve funds will be formally established effective March 3, 2025.
4. This proposed action is a one-time allocation from the City's Unassigned Fund Balance from General Fund Operating Funds for the FY 2024-25 period, effective March 3, 2025.
5. 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.

* * * * *

ADOPTED this 3rd day of March, 2025, by the following votes:

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

ATTEST:

APPROVED:

Dorothy Gantt, City Clerk

Arturo Cruz, Mayor