



San Pablo | CA

Fiscal Resiliency Reserve Policy (FRRP):

RE-CONSIDERATION of Revised FY 2024-25

Amendment No. 3

Administrative Services - Finance

March 3, 2025

History: FRRP Amendments Approved by previous City Council Action (2013 - Current)

- 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 (FRRP)*** (via Resolution No. 2013-159), and established several new reserves and funded each at the recommended levels.
- 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.
- On April 15, 2024, the **Fiscal Resiliency Reserve Policy (FRRP)** received a second amendment approved by the City Council (via Resolution No. 2024-156). The action created new ***Internal Service Funds (ISFs)*** (Funds: 130, 140 and 190). The action assigned 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.

FY 2023/24 ACFR: Unassigned GF Fund Balance (as of 01/31/25)

Fund	Types of Reserves	Balance as of 02/18/2025	YTD Actuals 02/18/2025	Remaining	CURRENT Methodology
Current Reserve Funds					
130	Building, Facilities & Parks Maintenance Reserve	\$2,175,636	\$544,600	\$1,631,036	<i>3% of Annual Total Operating Funds Budget ONE time allocation FY 25</i>
140	Asset & Vehicle Replacement Reserve	\$2,061,966	\$974,609	\$1,087,357	<i>2% of Annual Total Operating Funds Budget ONE time allocation FY 25</i>
150	Catastrophic Reserve	\$27,183,937	\$0	\$27,183,937	<i>50% of Annual Total Operating Funds Budget</i>
170	Budget Stabilization Reserve	\$2,718,394	\$0	\$2,718,394	<i>5 % of Annual Total Operating Funds Budget</i>
180	Casino Revenue Sustainability Reserve	\$0	\$0	\$0	<i>up to a maximum of 50% of Unassigned Audited Fund Balance</i>
190	City Manager Contingency Reserve	\$543,679	\$275,283	\$268,396	<i>1% of Annual Total Operating Funds Budget</i>
100	General Fund Designated Reserve	\$6,671,279	\$1,612,000	\$5,059,279	<i>discretionary - Unassigned Audited Fund Balance</i>
Total General Fund Assigned Fund Balance		\$41,354,891	\$3,406,492	\$37,948,399	
Unassigned Fund Balances					
100	General Fund	\$19,828,720	\$0	\$19,828,720	<i>* Estimated GF Unassigned Fund Balance (\$10,414,859 REDUCTION)</i>
Total General Fund Unassigned Fund Balance		\$19,828,720	\$0	\$19,828,720	

UPDATE: FY 2023/24 Unassigned General Fund Balance **(CORRECTION MADE 01/31/25)**

- 06/30/2024 - \$30,682,574 (ACFR FY 2023/24)
- 01/31/2025 - \$19,828,270 (*Reduced Balance*)
 - ▶ Internal Accounting Procedure Error:
 - On 02/21/2023 GFDR Reso 2023-024 appropriated \$10,414,859 from FY 2022/23 GFDR Fund Balance to CIP Project Code GFD-422 Fund 320-0104-3999 for SPPD HQ Project.
 - The \$10,414,859 was not acted upon after Reso 2023-24 was approved for FY 2022/23 (remained in Unassigned Fund Balance)
 - ▶ CORRECTIVE ACTION: Per GFDR Reso #2023-24, all \$10,414,859 GFDR funds have been transferred to SPPD HQ Project GFD-422 in fund 320-0104-3999.

FRRP Policy Amendment #3: (BFLSC 01/15/25; REVISED)

RECOMMENDATION #1: Establish (3) New Operating Reserve Funds using Unassigned Fund Balance

- (1) *Due to City's ongoing financial condition as of 12/13/2023; and*
- (2) *Implement Best Management Fiscal Practices (Assign Operating Reserves) to mitigate any unforeseen financial crisis or depletion of one-time funds*

► **Sales Tax Revenue Sustainability Reserve (Fund: 103)**

- ❖ *up to a maximum of 10% of Unassigned Audited Fund Balance*

The purpose of the reserve is to mitigate against the potential impact that a sudden shutdown or unforeseen decline/loss of annual sales tax revenue (i.e., Measure K passed on 2012, Measure S passed in November 2020, or any future sales tax measure passed by local voters for funding general municipal services) would have on the City's ability to maintain current City operations and service levels.

► **General Liability Sustainability Reserve (Fund: 104)**

- ❖ *up to a maximum of 5% of Unassigned Audited Fund Balance*

The purpose of the reserve is to mitigate against the potential impact that a sudden shutdown and/or unforeseen increases of the City's ability to cover annual premium costs for sustaining current City general liability coverage.

► **Pension (CalPERS) Liability Sustainability Reserve (Fund: 105)**

- ❖ *up to a maximum of 5% of Unassigned Audited Fund Balance*

The purpose of the reserve is to mitigate against the potential impact that a sudden shutdown or unforeseen decline/loss of available general fund revenue would have on any unforeseen Pension Liabilities associated with contracted CalPERS Retirement Service Plans.

FRRP Policy Amendment #3: (BFLSC 01/15/25; REVISED)

RECOMMENDATION #II: Revise (2) Reserve Funds

(1) Re-define existing Reserve Funds to meet operational requirements; and
(2) Assign a new Fund #110 to replace Fund #100 - GFDR Reserve

► **General Fund Designated Reserve (Fund 110)**

- ❖ *up to a maximum of 10% of Unassigned Audited Fund Balance*

Future one-time expenses related to any unforeseen expenses, including but not limited to, the following: augment capital projects; information technology systems and infrastructure upgrades; large capital equipment; facilities, professional contract services to support current or enhanced City operations/service delivery, and other infrastructure maintenance and replacement costs; etc.

► **Casino Revenue Sustainability Reserve (Fund 180)**

- ❖ *discretionary - Unassigned Audited Fund Balance*

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.

Current Operating Reserve Funds:

- **Catastrophic Reserve (150)**
 - ▶ 50% of Annual Total Operating Funds Budget
- **Budget Stabilization Reserve (Fund 170)**
 - ▶ 5% of Annual Total Operating Funds
- **City Manager's Contingency Reserve (Fund 190)**
 - ▶ 1% of Annual Total Operating Funds Budget
- **Building, Facilities, & Parks Maintenance (Fund 130) ONLY FY 2024-25**
 - ▶ 3% of Annual Total Operating Funds Budget; fund balance may be augmented by City Manager annually
- **Asset and Vehicle Replacement Reserve(Fund 140) ONLY FY 2024-25**
 - ▶ 2% of Annual Total Operating Funds Budget; fund balance may be augmented by City Manager annually

FY 2024/25 General Fund Balance Reserve Details

Fund	Types of Reserves	Balances as of 03/03/2025	YTD Actuals 3/03/2025	Remaining	Methodology
Current Reserve Funds					
130	Building, Facilities & Parks Maintenance Reserve	\$2,175,636	\$544,600	\$1,631,036	3% of Annual Total Operating Funds Budget
140	Asset & Vehicle Replacement Reserve	\$2,061,966	\$974,609	\$1,087,357	2% of Annual Total Operating Funds Budget
150	Catastrophic Reserve	\$27,183,937	\$0	\$27,183,937	50% of Annual Total Operating Funds Budget
170	Budget Stabilization Reserve	\$2,718,394	\$0	\$2,718,394	5 % of Annual Total Operating Funds Budget
190	City Manager Contingency Reserve	\$543,679	\$275,283	\$268,396	1% of Annual Total Operating Funds Budget
NEW Reserve Funds					
103	Sales Tax Revenue Sustainability Reserve	\$2,026,771	\$0	\$2,026,771	up to a maximum of 10% of Unassigned Audited Fund Balance
104	General Liability Sustainability Reserve	\$1,013,386	\$0	\$1,013,386	up to a maximum of 5% of Unassigned Audited Fund Balance
105	Pension (CalPERS) Liability Sustainability Reserve	\$1,013,386	\$0	\$1,013,386	up to a maximum of 5% of Unassigned Audited Fund Balance
REVISED Reserve Funds					
110	General Fund Designated Reserve	\$8,698,050	\$1,612,000	\$7,086,050	up to a maximum of 10% of Unassigned Audited Fund Balance
180	Casino Revenue Sustainability Reserve	\$12,682,993	\$0	\$12,682,993	discretionary - Unassigned Audited Fund Balance
FY 2025/26 Budget					
150	Catastrophic Reserve FY 25/26 Budget	\$968,558	\$0	\$968,558	Added to FY 2025-26 Balance per FRRP formula
170	Budget Stabilization Reserve FY 25/26 Budget	\$96,855	\$0	\$96,855	Added to FY 2025-26 Balance per FRRP formula
Total General Fund Reserve Fund Allocations		\$61,183,612	\$3,406,492	\$57,777,119	

GFDR Fund Balance (FY 2024-25): New Methodology

Under new **Fund #110 - GFDR Fund Remaining Balance = \$7,086,050** (per adoption of FRRP Revised Policy Amendment #3 (BFLSC and City Council Approval))

Included in this new Fund #110 GFDR Fund Balance:

- New discretionary, one-time funding available under new methodology: **+\$2,026,771**
- Programmable for one-time capital expenses and non-recurring, one-time operational expenses to include, but not limited to, the following:

CIP PROJECT NEEDS:	OPERATIONAL NEEDS:
1). <u>McNeil Park Project Shortfall: (-\$2M)</u> <u>(Other funds: US NPS Grant; State CA Funds; Value Engineering)</u>	1). <u>Tripepi Smith & Associates (New Marketing & Branding 2-year Contract): (\$100,000 GFDR Fund #110 allocation on March 3, 2025)</u>
2). <u>SPDR Re-Paving & Street Median Project: (\$2M)</u> <u>(Other funds: RMRA funds; ADA Funds)</u>	2). Any new City program or service (one-time allocation of GFDR Fund #110 Balance) following City Council Priority-Setting Workshop on 03/24/25
	3). <u>FY 2025-26 GF Budget Augmentation: (TBD)</u>

Staff Recommendation & Action:

For the Budget, Finance, and Legislative Standing Committee (BFLSC) to recommend that the City Council:

1. Review and approve the **REVISED** Fiscal Resiliency Reserve Policy (FRRP) Amendment No. 3; and
2. Establish three (3) new reserve funds: (Funds 103, 104, and 105); and maintain two (2) internal services funds (Fund 130 & 140) with a one-time appropriation from unassigned fund balance from FY 2024/25 reserves.

Thank you!

Questions & Comments?