



- Future Capital Projects Reserve\* Allocated on an annual basis
- City Manager's Contingency Account\*\* 1% of total Operating Funds

\* One-time funds for allocation by the City Council for specific operational programs and projects

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### **New Casino Revenue Sustainability Reserve**

The City's General Fund is heavily dependent on revenues from Casino San Pablo representing nearly 60% of the City's total General Fund Operating Revenues, and would be impacted significantly if the Casino closed, either temporarily or permanently. In order to take a long-term, cautious but proactive approach, staff proposes to update the Fiscal Resiliency Reserve Policy to establish a new discretionary reserve, the *Casino Revenue Sustainability Reserve*, to give the City the ability to save up to maximum of 50% of unused audited fund balance annually to mitigate the potential loss of future casino revenues, as follows:

*Casino Revenue Sustainability Reserve (Fund 180): At the completion of each annual audit, and following certification of the Comprehensive Annual Financial Report (CAFR) by the City's independent auditor for that particular fiscal year, a percentage of the net change in year-end audited fund balance-up to a maximum 50.0 percent-may be deposited into 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, but require approval by the Budget, Fiscal & Legislative Standing Committee and a majority approval by resolution of the City Council.*

### **Casino Ad Hoc Standing Committee**

On May 11, 2016, the Casino Ad Hoc SubCommittee (Kinney/Valdez) reviewed the proposed Casino Revenue Sustainability Reserve Fund in concept as presented by the City Manager and staff. Following their initial review, the Standing Committee recommended its approval by the entire City Council beginning in FY 2016/17.

### **Other Administrative Changes**

Other proposed changes to the Fiscal Resiliency Reserve Policy are primarily clean-up in nature and do not significantly alter the policy's original intent.

### **Summary**

Staff believes that proactive financial management, strong budgetary reserves and conservative spending will prepare the City well for any financial storm that may arise. Additionally, as the City moves forward with contemplation of future bond financings for specific City initiated projects, the ongoing practice of establishing fund reserves in addition to an existing operating or catastrophic reserve policy provides rating agencies with good financial indicators that the City maintains prudent fiscal management practices, and results in favorable financing and interest rates at time of bond issuance.

### **FISCAL IMPACT**

This action does not involve the expenditure of funds or the creation of new budgets; hence, there is

no associated fiscal impact. The action does, however, create a new reserve fund, which would have the impact of allowing the City Council to redirect up to 50% of the net change in year-end audited fund balance to a special “rainy day” reserve related to the loss of any future Casino revenues, further demonstrating the City’s continued commitment to prudent financial management and protecting the City’s financial future.