City Council Meeting
11-28-11
Item
3.B.7.

Council Agenda Report

To: Mayor Zahn Rosenthal and the Honorable Members of the City Council

Prepared by: Reva Feldman, Assistant City Manager

Approved by: Jim Thorsen, City Manager

Date prepared: November 16, 2011 Meeting date: November 28, 2011

Subject: General Fund Undesignated Reserve Policy

RECOMMENDED ACTION: 1) Adopt Revised Council Policy #2 establishing budget basic principles; and 2) adopt Revised Council Policy #3 establishing a General Fund Undesignated Reserve policy.

FISCAL IMPACT: The fiscal impact depends on the amount of funding needed to achieve the reserve amount.

DISCUSSION: In 1997, Council Policy # 3 was adopted to establish a General Fund Reserve equal to the annual discretionary general fund revenue. In 2000, the City established an informal policy to maintain a General Fund Undesignated Reserve in the amount of $8 million. The $8 million was established in Fiscal Year 2000-2001 as a City Council Goal, at which time the City's General Fund operating budget was $11 million. The City achieved the $8 million reserve goal in Fiscal Year 2004-2005, at which time the City's General Fund operating budget was $16 million. The City's General Fund operating budget for Fiscal Year 2011-2012 is $22.2 million.

The Administration and Finance Subcommittee discussed the General Fund Undesignated Reserve policy on March 3, 2011 and recommended that the Council establish a formal reserve policy at no less than 50% of the City's annual General Fund operating budget. On April 27, 2011, the Council discussed establishing a formal General Fund Undesignated Reserve policy of fifty percent of the annual General Fund operating budget and directed staff to return to Council with such a policy.

Council Policy #2 establishes the principles for the preparation of the City's annual budget and references the accumulation of a General Fund reserve equal to the annual discretionary General Fund revenue. Section 1 of Council Policy #2 is hereby amended to read "the City shall accumulate an unrestricted general fund reserve equal to fifty percent of the City's annual General Fund operating budget."

ATTACHMENTS: 1) Council Policy #2
2) Council Policy #3

City of Malibu

City Council Policy

Policy #2

Title: Budget Basic Principles

Purpose: To establish a set of principles which will guide the City in the preparation of its annual budget as a basic policy document for the City.

Policy Statement:

1. The City shall accumulate an unrestricted general fund reserve equal to fifty percent of the City's annual General Fund operating budget.
2. The Council shall be kept fully informed of the budget status at all times in a clear and concise manner.
3. The City shall avail itself of available extra ordinary income.
4. The cost of services which are subsidized by the general fund and are not of community-wide benefit (e.g. planning approvals, building services) shall be reviewed annually to be fully recouped.
5. Charges for use of City-operated facilities which are subsidized by the general fund shall be reviewed annually to offset costs except for residents who cannot afford them.

Implementation:

Most of these principles will act as a guide for the preparation of the City's draft budget documents by the staff along with other specific policies which relate to the budget. The City Council shall receive regular reports on the fund balances of all city funds. A mid-year budget review report will be prepared and presented to the City Council for action each January.

Date Adopted:

April 8, 1997

Date Amended:

November 28, 2011

Recycled Paper

Attachment 1

City of Malibu

City Council Policy

Policy #3

Title: General Fund Undesignated Reserve Policy

Purpose: To establish a General Fund Undesignated Reserve Policy for the Malibu City Government.

Policy Statement:

The City of Malibu shall maintain a minimum amount in the General Fund of at least fifty (50) percent of budgeted fiscal year expenditures for its General Fund.

Implementation:

Each fiscal year, during the budgeting process, the minimum reserve will be re-evaluated by the City Council to determine if the reserve amount is adequate based on economic conditions of the City and/or region.

The City Council shall receive regular reports on the fund balances of all city funds.

Should the fund balance of the General Fund fall below the minimum reserve level, the City Manager shall prepare a plan for consideration by the City Council to rebuild the fund balance during the next budgeting process.

Date Adopted:

May 6, 1997

Date Amended:

November 28, 2011

Recycled Paper