

1 [Urging the Controller to Review Current City Budget Reserve and Fund Balance Practices]

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3 **Resolution urging the Controller to review current City and County budget reserve and**
4 **fund balance practices and best practices in other local jurisdictions, review historic**
5 **changes in City revenues and one-time expenditures during periods of greater than**
6 **average growth in City revenues and best practices in other jurisdictions, review and**
7 **analyze the feasibility of establishing a revenue stabilization fund for use during**
8 **economic downturns funded by extraordinary growth in City revenues, and recommend**
9 **to the Mayor and the Board of Supervisors best practices for budget reserves and fund**
10 **balances and recommendations for allocation of greater than average growth in**
11 **General Fund revenues for a revenue stabilization fund, prevention programs, one-time**
12 **capital spending and spending on deferred maintenance.**

13

14 WHEREAS, The current fiscal crisis facing the State of California and the City and
15 County of San Francisco necessitates that the City review its basic budget practices to ensure
16 that the City is in line with best practices with local jurisdictions in the State of California and
17 elsewhere; and

18 WHEREAS, Budget reserve and fund balance policies provide jurisdictions with the
19 flexibility to weather fiscal crises and are an important part of the review of independent bond
20 rating agencies that determine the City's bond ratings and impact the subsequent cost of debt;
21 and

22 WHEREAS, The City currently maintains various balance sheet and budgetary
23 reserves, including the Cash Reserve mandated by the City Charter, the General Fund
24 reserve, and (in the FY 02-03 budget), a one-time state revenue stabilization reserve to
25 provide a buffer in the event of state budget cuts; and

1 WHEREAS, According to the Government Finance Officers Association *An Elected*
2 *Official's Guide to Fund Balance*, recommended standards for unreserved fund balances are
3 5% to 15% of general fund operating revenues or 8% to 17% of operating expenditures; and

4 WHEREAS, After factoring in San Francisco's Cash Reserve, the Controller's Office
5 calculates projected General Fund balances for the City and County of San Francisco of
6 between 5% to 6% for FY 2002-03; and

7 WHEREAS, During the period from FY 1997-98 through FY 2000-01, the City and
8 County fo San Francisco realized higher than average growth in General Fund revenues; and

9 WHEREAS, The Mayor and the Board of Supervisors, pursuanmt to Charter mandate
10 and in consultation with the Controller, set aside substantial increases in cash reserves during
11 this same period; and

12 WHEREAS, Strong growth In City revenues provides an opportunity to mitigate
13 underfunding of City services which must be balanced with the need to plan for future
14 downturns; and

15 WHEREAS, Creation of a revenue stabilization fund for economic downturns may be a
16 way to balance growth in spending during periods of strong growth and foster better planning
17 for expenditure of resources, create a softer landing during economic downturns and avoid the
18 prospect of layoffs and cuts in vital City services, and improve the overall fiscal stability of the
19 City; and

20 WHEREAS, Spending on prevention or preventive planning programs designed to
21 minimize more expensive crisis intervention at a later date, one-time spending on capital
22 projects and equipment, and spending to address deferred maintenance during periods of
23 extraordinary growth are budget strategies that can also assist during economic downturns;
24 now, therefore, be it

1 RESOLVED, That the Board of Supervisors urges the City Controller, in consultation
2 with the Board of Supervisors Budget Analyst, the Mayor's Office of Public Finance and the
3 Mayor's Budget Office, to review current City and County budget reserve and fund balance
4 practices and best practices in other local jurisdictions inside and outside of California; and, be
5 it

6 FURTHER RESOLVED, That the Board of Supervisors urges the Controller to review
7 historic changes in City revenues and one-time expenditures during periods of greater than
8 average growth in City revenues and best practices in other jurisdictions; and, be it

9 FURTHER RESOLVED, That the Board of Supervisors urges the Controller, in
10 consultation with the Board of Supervisors Budget Analyst, the Mayor's Office of Public
11 Finance and the Mayor's Budget Office, to review and analyze the feasibility of establishing a
12 revenue stabilization fund for use during economic downturns funded by strong growth in City
13 revenues; and, be it

14 FURTHER RESOLVED, That the Board of Supervisors urges the Controller to
15 recommend to the Mayor and the Board of Supervisors best practices for budget reserves and
16 recommendations for allocation of a portion of greater than average growth in General Fund
17 revenues for a revenue stabilization fund, prevention or preventive planning programs, one-
18 time capital or equipment spending, spending on deferred maintenance and/or other
19 purposes.



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails Resolution

File Number: 030141

Date Passed:

Resolution urging the Controller to review current City and County budget reserve and fund balance practices and best practices in other local jurisdictions, review historic changes in City revenues and one-time expenditures during periods of greater than average growth in City revenues and best practices in other jurisdictions, review and analyze the feasibility of establishing a revenue stabilization fund for use during economic downturns funded by extraordinary growth in City revenues, and recommend to the Mayor and the Board of Supervisors best practices for budget reserves and fund balances and recommendations for allocation of greater than average growth in General Fund revenues for a revenue stabilization fund, prevention programs, one-time capital spending and spending on deferred maintenance.

April 8, 2003 Board of Supervisors — ADOPTED

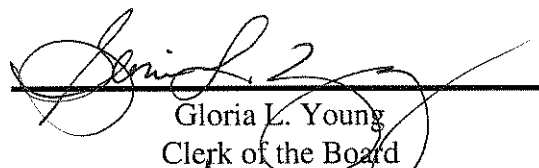
Ayes: 11 - Ammiano, Daly, Dufty, Gonzalez, Hall, Ma, Maxwell, McGoldrick,
Newsom, Peskin, Sandoval

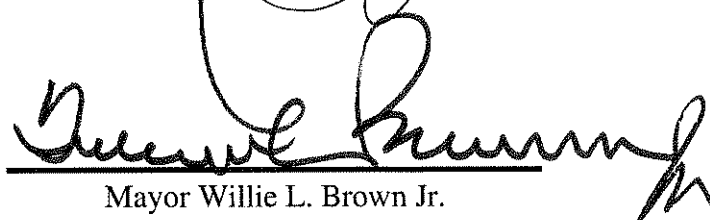
File No. 030141

I hereby certify that the foregoing Resolution was ADOPTED on April 8, 2003 by the Board of Supervisors of the City and County of San Francisco.

APR 18 2003

Date Approved


Gloria L. Young
Clerk of the Board


Mayor Willie L. Brown Jr.