

1 [Charter Amendment - Rainy Day Reserves]

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3 **Describing and setting forth a proposal to the voters to amend the Charter of the City and**
4 **County of San Francisco to create a City Rainy Day Reserve and a School Rainy Day**
5 **Reserve out of the existing Rainy Day Reserve at an election to be held on November 4,**
6 **2014.**

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8 Section 1. The Board of Supervisors hereby submits to the qualified voters of the City
9 and County, at an election to be held on November 4, 2014, a proposal to amend the Charter of
10 the City and County by revising Section 9.113.5, to read as follows:

11 NOTE: **Unchanged Charter text and uncodified text** are in plain font.
12 **Additions** are *single-underline italics Times New Roman font*.
13 **Deletions** are ~~*strike-through italics Times New Roman font*~~.
14 **Asterisks (* * * *)** indicate the omission of unchanged Charter
15 subsections.

16 **SEC. 9.113.5. RAINY DAY RESERVES~~RESERVE~~.**

17 (a) *Beginning January 1, 2015, there*~~There~~ shall be a City Rainy Day Reserve (the City
18 Reserve) and a School Rainy Day Reserve (the School Reserve), collectively referred to as the
19 Rainy Day Reserves~~which may also be known as an economic stabilization reserve.~~

20 **Allocations to the Reserves~~Reserve~~**

21 (b) If the Controller projects that total General Fund revenues for the upcoming budget
22 year will exceed total General Fund revenues for the current year by more than five percent, the
23 budget shall allocate the anticipated General Fund revenues in excess of that five percent growth
(the excess revenues) as follows:

- 24 1. 50 percent of the excess revenues to the Rainy Day Reserves~~Reserve~~, with 75
25 percent of that amount deposited to the City Reserve and 25 percent to the School Reserve;

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2 2. 25 percent of the excess revenues to capital and other one-time expenditures;
3 and,

4 3. 25 percent of the excess revenues to any lawful governmental purpose.

5 (c) Total monies in the City Reserve may not exceed 10 percent of actual total general
6 fund revenues, as stated in the City's most recent independent annual audit. The budget shall
7 allocate excess revenues that would otherwise be allocated to the City Reserve above the 10
8 percent cap instead to capital and other one-time expenditures.

9 (d) The Mayor and the Board of Supervisors may, at any time, appropriate monies from
10 the capital and other one-time expenditures allocation for capital projects or for expenditures
11 such as, but not limited to, acquisition of equipment or information systems.

12 (e) The Mayor and the Board of Supervisors may, at any time, appropriate monies from
13 the general purpose allocation for any lawful governmental purpose.

14 **Withdrawals from the City Reserve**

15 (f) If the Controller projects that total General Fund revenues for the upcoming budget
16 year will be less than the current year's total General Fund revenues, or the highest of any other
17 previous year's total General Fund revenues, the budget may appropriate up to 50 percent of the
18 current balance in the City Reserve, but no more than the shortfall in total General Fund
19 revenues, for any lawful governmental purpose in the upcoming budget year.

20 1. If the trigger for withdrawals from the City Reserve was not met in the current
21 year, the Controller shall calculate the shortfall for the upcoming budget year by subtracting the
22 total projected General Fund revenues for the upcoming budget year from the total projected
23 General Fund revenues for the current year.

24 2. If the trigger for withdrawals from the City Reserve was met in the current
25 year, the shortfall shall be calculated by subtracting the total projected General Fund revenues

1 for the upcoming budget year from the highest of any previous year's total General Fund
2 revenues, plus two percent for each intervening year.

3 ***Adjustments***

4 (g) If the City made appropriations from the City Reserve in the current year and in the
5 immediately preceding budget year pursuant to subsection (f), the City is not required to allocate
6 any anticipated excess revenues to the Rainy Day Reserves~~Reserve~~ or to capital and other one-
7 time expenditures for the upcoming budget year.

8 (h) If the Controller projects that the Consumer Price Index for the upcoming budget
9 year shall exceed the index for the current year by more than five percent, the trigger for
10 allocations to the Reserve as set forth in Subparagraph (b) above shall instead be the percentage
11 of growth in the index plus two percent. If the Controller projects that the Consumer Price Index
12 for the upcoming budget year shall be less than the index for the current year, the trigger for
13 withdrawals from the Reserve as set forth in Subparagraph (f) above shall instead be the
14 percentage of negative growth in the index. The Controller shall use for these purposes the San
15 Francisco All Items Consumer Price Index for All Urban Consumers (CPI-U), or its successor, as
16 reported by the U.S. Department of Labor's Bureau of Labor Statistics.

17 (i) If the Board of Supervisors or the voters take an action that changes the amount of
18 total General Fund revenues in any material manner, such as reducing a tax or imposing a new
19 fee, the revenue changes caused by that action will not be counted as part of the triggers for
20 allocations to the Rainy Day Reserves or withdrawals from the City Reserve during the year or
21 years in which the action is first implemented.

22 (j) In conjunction with the year-end close of the budget, the Controller shall reconcile the
23 revenue projections triggering any budgeted allocations to or withdrawals from the Rainy Day
24 Reserves~~Reserve~~ with actual revenue results, as stated in the City's independent annual audit for
25

1 the years in question, and rebalance the Rainy Day Reserves~~Reserve~~, the capital and other one-
2 time expenditures allocation, and the general purpose allocation accordingly.

3 **Withdrawals from the School Reserve for the Benefit of the Unified School District**

4 (k) If the San Francisco Unified School District (SFUSD) projects that inflation-adjusted
5 per-pupil discretionary revenues for the upcoming fiscal year will be reduced and that a
6 significant number of layoffs would be required to balance its budget, the SFUSD Board of
7 Education may approve, by majority vote, a draw from the School Reserve of up to 50 percent of
8 the current balance in the School Reserve but no more than the shortfall in inflation-adjusted
9 per-pupil discretionary revenues. Such action shall be transmitted to the Controller, who upon
10 certification of the SFUSD calculation shall transfer such funds to the SFUSD. For purposes of
11 this Section, allocations provided from the City to the SFUSD through the Public Education
12 Enrichment Fund shall not be deemed discretionary.

13 (l) If the triggers for withdrawal from the School Reserve were met in the current fiscal
14 year, the decline in per-pupil discretionary spending shall be calculated by subtracting the
15 inflation-adjusted per-pupil discretionary revenues for the upcoming budget year from the
16 highest of any previous year's inflation-adjusted per-pupil discretionary revenues.

17 (m) In conjunction with the year-end close of the SFUSD budget, the SFUSD shall
18 reconcile the revenue projections triggering a budgeted withdrawal from the School Reserve
19 with actual revenue results, as stated in the SFUSD's independent audit for the years in
20 question. The SFUSD shall rebalance the withdrawal allocation and, if necessary, return funds
21 required to rebalance the Reserve.

22 (n) Given possible changes in State school funding formulae, changes in local
23 demographic or economic conditions, or other factors, the SFUSD may for a given fiscal year
24 draw from the School Reserve amounts in excess of the limitations in subsection (k) or to offset
25 revenue losses that are less than those that would otherwise permit a draw under subsections (k)

1 and (l) . Such action shall become operative for that fiscal year following approval of two-thirds
2 of the SFUSD School Board and certification of the School Board's approval by the Controller.

3 ~~(k) If the Controller projects that inflation-adjusted per pupil revenues for the San~~
4 ~~Francisco Unified School District will be reduced in the upcoming budget year and the School~~
5 ~~District has noticed a significant number of layoffs, the Board of Supervisors and the Mayor~~
6 ~~may, in their discretion, appropriate funds from the Reserve to the School District to offset the~~
7 ~~costs of maintaining education during the upcoming budget year. Such appropriations may not~~
8 ~~exceed the dollar value of the total decline in inflation-adjusted per pupil revenues for the year,~~
9 ~~or 25 percent of the Reserve balance, whichever is lower. If the triggers for withdrawals from~~
10 ~~the Reserve for the benefit of the School District were met in the current year, the decline in per-~~
11 ~~pupil revenues shall be calculated by subtracting the inflation-adjusted per pupil revenues for~~
12 ~~the upcoming budget year from the highest of any previous year's inflation-adjusted per pupil~~
13 ~~revenues, plus two percent for each intervening year.~~

14 **Transition to New Reserve Structure**

15 (o) No later than January 1, 2015, the Controller shall transfers 50 percent of the Rainy
16 Day Reserve existing as of that date to the City Reserve and 50 percent to the School Reserve.

17 **Two-Year Budget**

18 ~~(p)(t)~~ The Controller shall promulgate procedures modifying the Rainy Day Reserve
19 system, as necessary, to be consistent with the City's adoption of biennial rather than annual
20 budgets.

21 APPROVED AS TO FORM:
22 DENNIS J. HERRERA, City Attorney

23 By: _____
24 THOMAS J. OWEN
25 Deputy City Attorney

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