

LEGISLATIVE DIGEST

[Administrative Code - Financial Policy Regarding General Reserve Fund]

Ordinance amending the Administrative Code to revise the binding financial policy under Charter Section 9.120 regarding a general reserve and required funding levels, and to update provisions regarding the Rainy Day Reserve Fund.

Existing Law

General Reserves. The City maintains a General Reserve is save money to offset revenue weaknesses, expenditure overages, or other programmatic goals not anticipated during the annual budget process. The City currently sets aside 1.5 percent of General Fund revenues for the General Reserve; that amount is set to increase annually to 2 percent in fiscal year 2016-17 and thereafter.

Rainy Day Reserves. Charter Section 9.113.5 establishes a Rainy Day Reserve to collect money when the City receives greater-than-usual revenues, for use in years when the City experiences a revenue shortfall. The Charter specifies how the reserve is to be funded and when money may be spent from the reserve. Administrative Code Section 10.60(a) includes a description of the Rainy Day Reserve so that the public may find all the City's reserve policies in one place, but the terms of the Charter control over the Administrative Code.

Amendments to Current Law

General Reserves. The proposed ordinance would amend the Administrative Code to increase funding for the General Reserve to 3 percent of General Fund revenues by fiscal year 2019-20 and thereafter. The proposal would add a provision reducing the funding level to 1.5 percent in years in which the City withdraws funds from the City Rainy Day Reserve; the funding level would gradually increase back to 3 percent over the five fiscal years following the reduction.

Rainy Day Reserves. Proposition C, adopted at the November 2014 election, divided the existing Rainy Day Reserve into a City Rainy Day Reserve and a School Rainy Day Reserve, and made other changes in how the two reserves are funded and spent. The proposed ordinance would make conforming changes in the description of the Rainy Day Reserve in Administrative Code Section 10.60 (a).

Background Information

Proposition A, adopted by the voters in November 2009, added Section 9.120 to the City Charter. Section 9.120 requires the Controller to propose, and the Mayor and the Board of Supervisors to adopt, long-range financial policies for the City. The policies must be in the form of ordinances approved by the Mayor and passed by a two-thirds' vote of the Board of Supervisors. The proposal would be such an ordinance.

The City may not adopt a budget that the Controller determines is inconsistent with any of the provisions of such an ordinance. Upon a two-thirds' vote, the Board of Supervisors by resolution may suspend, in whole or in part, a financial policy ordinance, including the proposal, for the succeeding fiscal year.

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