

[Administrative Code – Financial Policy Regarding General Reserve Fund]

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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.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font. **Additions to Codes** are in *single-underline italics Times New Roman font*. **Deletions to Codes** are in ~~*strikethrough italics Times New Roman font*~~. **Board amendment additions** are in double-underlined Arial font. **Board amendment deletions** are in ~~strikethrough Arial font~~. **Asterisks (* * * *)** indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Binding Financial Policy. This ordinance is a financial policy adopted under Charter Section 9.120. As such, it must be adopted as an ordinance approved by the Mayor and passed by a two-thirds' vote of the Board of Supervisors. The City may not adopt a budget that the Controller determines is inconsistent with any of the provisions of this ordinance. Upon a two-thirds' vote, the Board of Supervisors by resolution may suspend, in whole or in part, this ordinance for the succeeding fiscal year.

Section 2. The Administrative Code is hereby amended by revising Section 10.60, to read as follows:

SEC. 10.60. RESERVE POLICIES.

(a) **Rainy Day Reserves ~~Reserve~~**. To enable the public to find all City reserve policies in one place, this ordinance includes a summary of the Charter-mandated Rainy Day Reserves

1 ~~Reserve~~. This summary is intended only for convenience and does not modify or supersede
2 the Charter provisions.

3 The City maintains City and School "Rainy Day Reserves a "Rainy Day" or economic
4 ~~stabilization reserve~~ under Charter Section 9.113.5. In any year when the Controller projects
5 that total General Fund revenues for the upcoming budget year are going to be more than 5
6 percent higher than the General Fund revenues for the current year, the City automatically
7 deposits one-half of the "excess revenues," meaning the revenues above and beyond the
8 current year plus 5 percent growth, in the Rainy Day Reserves Reserve. Seventy-five percent
9 (75%) of the excess revenues subject to deposit are deposited to the City Rainy Day Reserve and the
10 remaining 25 percent (25%) are deposited to the School Rainy Day Reserve. The total amount of
11 money in the City Rainy Day Reserve may not exceed 10 percent of the City's actual total
12 General Fund revenues.

13 The City may spend money from the City Rainy Day Reserve for any lawful
14 governmental purpose, but only in years when the Controller projects that total General Fund
15 revenues for the upcoming year will be less than the current year's total General Fund
16 revenues, i.e., years when the City expects to take in less money than it had taken in for the
17 current year. In those years, the City may spend up to half the money in the Rainy Day
18 Reserve, but no more than is necessary to bring the City's total available General Fund
19 revenues up to the level of the current year. If the City made an appropriation from the City
20 Reserve in the current year and in the immediately preceding budget year, the City is not required to
21 make deposits to the Rainy Day Reserves in the upcoming year.

22 The San Francisco Unified School District City may ~~also~~ spend up to 50 ~~25~~ percent of the
23 balance of the School Rainy Day Reserve ~~to help the School District~~ in years when certain
24 conditions are met.

1 (b) **General Reserve.** In addition to the Rainy Day Reserve, the City budget shall
2 include a General Reserve. The General Reserve is intended to address revenue
3 weaknesses, expenditure overages, or other programmatic goals not anticipated during the
4 annual budget process. The Mayor and the Board of Supervisors may, at any time following
5 adoption of the annual budget, appropriate monies from the General Reserve for any lawful
6 governmental purpose through passage of a supplemental appropriation ordinance ~~by a simple~~
7 ~~majority vote.~~

8 For purposes of this Section, "regular General Fund revenues" shall mean total
9 General Fund sources less budgeted fund balances, budgeted uses of reserves, and net
10 transfers, as determined by the Controller. The City shall increase the required funding level of the
11 General Reserve to 3 percent of budgeted regular General Fund revenues by fiscal year 2020-2021
12 2019-2020, according to the following schedule: The City shall fund the General Reserve at no less
13 than two percent of budgeted regular General Fund revenues no later than fiscal year 2016-2017
14 according to the following schedule:

- 15 1. The General Reserve shall be no less than \$25 million in the budget for fiscal
16 year 2010-11;
- 17 2. The General Reserve shall be no less than \$25 million in the budget for fiscal
18 year 2011-12;
- 19 3. The General Reserve shall be no less than 1.00 ~~1.0~~ percent of budgeted
20 regular General Fund revenues in fiscal year 2012-13;
- 21 4. The General Reserve shall be no less than 1.25 percent of budgeted regular
22 General Fund revenues in the budget for fiscal year 2013-14;
- 23 5. The General Reserve shall be no less than 1.50 ~~1.5~~ percent of budgeted
24 regular General Fund revenues in the budget for fiscal year 2014-15;

1 6. The General Reserve shall be no less than 1.75 percent of budgeted regular
2 General Fund revenues in the budget for fiscal year 2015-16; ~~and~~;

3 7. The General Reserve shall be no less than 2.00 ~~2.0~~ percent of budgeted
4 regular General Fund revenues in the budget for fiscal year 2016-17; ~~and in the budget for each~~
5 ~~fiscal year thereafter.~~

6 8. The General Reserve shall be no less than ~~2.25~~ ~~2.33~~ percent of budgeted regular
7 General Fund revenues in the budget for fiscal year 2017-18;

8 9. The General Reserve shall be no less than ~~2.50~~ ~~2.66~~ percent of budgeted regular
9 General Fund revenues in the budget for fiscal year 2018-19; and;

10 10. The General Reserve shall be no less than ~~2.75~~ ~~3.00~~ percent of budgeted regular
11 General Fund revenues in the budget for fiscal year 2019-20; and;

12 11. The General Reserve shall be no less than 3.00 percent of the budgeted
13 regular General Fund revenues in the budget for fiscal year 2020-21 and in the budget for each
14 fiscal year thereafter.

15 During any fiscal year in which a withdrawal from the City Rainy Day Reserve is appropriated,
16 the required level of the General Reserve Fund shall be reduced to 1.50 percent of budgeted regular
17 General Fund revenues in the budget for that fiscal year. The City shall increase the required funding
18 level of the General Reserve to 3 percent of budgeted regular General Fund revenues in the ~~five~~ six
19 fiscal years following such a reduction, according to the following schedule:

20 1. In the first fiscal year following the reduction, the General Reserve shall be no less
21 than 1.75 percent of budgeted regular General Fund revenues in the budget for that fiscal year;

22 2. In the second fiscal year following the reduction, the General Reserve shall be no
23 less than 2.00 percent of budgeted regular General Fund revenues in the budget for that fiscal year;

24 3. In the third fiscal year following the reduction, the General Reserve shall be no less
25 than ~~2.25~~ ~~2.33~~ percent of budgeted regular General Fund revenues in the budget for that fiscal year;

1 4. In the fourth fiscal year following the reduction, the General Reserve shall be no less
2 than ~~2.50~~ 2.66 percent of budgeted regular General Fund revenues in the budget for that fiscal year;

3 and,

4 5. In the fifth fiscal year following the reduction, the General Reserve shall be no less
5 than ~~2.75~~ 3.00 percent of budgeted regular General Fund revenues in the budget for that fiscal year;

6 and,

7 6. In the sixth fiscal year following the reduction, the General Reserve shall be
8 no less than 3.00 percent of budgeted regular General Fund revenues in the budget for that
9 fiscal year and in the budget for each fiscal year thereafter.

10 Year-end balances in the General Reserve shall be carried forward to subsequent
11 years. When necessary, the City shall appropriate sufficient funds to the General Reserve in
12 the Annual Appropriation Ordinance to restore the fund balance to the level this ordinance
13 requires.

14 The City, by a resolution of the Board of Supervisors adopted by a two-thirds' vote, may
15 temporarily suspend the provisions of this subsection (b) for the current or upcoming budget year. The
16 Board of Supervisors may suspend these provisions following a natural disaster that causes the Mayor
17 or the Governor to declare a state of emergency, or for any other purpose.

18 (c) **Budget Stabilization Reserve.** The City shall establish a Budget Stabilization
19 Reserve to augment the City Rainy Day Reserve that the City maintains under Charter
20 Section 9.113.5, and to further mitigate the negative effects of significant economic
21 downturns. The Controller shall deposit funds to the Budget Stabilization Reserve as required
22 under this Section.

23 The City may withdraw funds from the Budget Stabilization Reserve when the
24 Controller projects that budgeted regular General Fund revenues for the upcoming budget
25 year will be less than the current year's regular General Fund revenues, or less than the

1 highest of any of the prior four fiscal years' regular General Fund revenues plus two percent,
2 for each intervening year. If the Controller determines that either condition is met, the City
3 may withdraw funds from the Budget Stabilization Reserve according to the following
4 guidelines:

5 1. The City may not withdraw funds from the Budget Stabilization Reserve in
6 any given year until it has withdrawn the maximum amount that the Controller determines is
7 allowable from the City Rainy Day Reserve.

8 2. The City may not withdraw funds from the Budget Stabilization Reserve in
9 any given year in an amount exceeding the remaining shortfall in General Fund regular
10 revenues, as defined above, after any withdrawals from the City Rainy Day Reserve ~~for the~~
11 ~~benefit of the City~~.

12 3. If the Controller determines that a withdrawal trigger for the Budget
13 Stabilization Reserve was not met in the current fiscal year, but projects that it will be met for
14 the upcoming fiscal year, the City may withdraw from the Budget Stabilization Reserve up to
15 30 percent of the combined value of the Budget Stabilization Reserve and ~~the~~ City Rainy Day
16 Reserve less monies withdrawn from the City Rainy Day Reserve for any lawful governmental
17 purpose in the upcoming budget year.

18 4. If the Controller determines that a withdrawal trigger for the Budget
19 Stabilization Reserve was met in the current fiscal year and projects that it will also be met for
20 the upcoming fiscal year, the City may withdraw from the Budget Stabilization Reserve up to
21 50 percent of the combined value of the Budget Stabilization Reserve and City Rainy Day
22 Reserve less monies withdrawn from the City Rainy Day Reserve for any lawful governmental
23 purpose in the upcoming budget year.

24 5. If the Controller determines that the withdrawal trigger for the Budget
25 Stabilization Reserve was met in the current and prior fiscal year as well as the upcoming

1 fiscal year, the Board may withdraw up to the full balance of the Budget Stabilization Reserve
2 for any lawful governmental purpose in the upcoming budget year.

3 In order to fund the Budget Stabilization Reserve, the Controller shall deposit 75
4 percent of the following revenue sources to the Budget Stabilization Reserve:

5 1. Real Property Transfer Tax proceeds in excess of the average annual actual
6 receipts level for the prior five fiscal years, adjusted for any transfer tax rate increases
7 adopted by the voters during the prior five year period; and

8 2. Ending unassigned General Fund balances in a given fiscal year as reported
9 in the City's most recent independent annual audit beyond those appropriated as a source in
10 the subsequent year's budget.

11 At the conclusion of the fiscal year, the Controller shall revise, if necessary, the balance
12 in the Budget Stabilization Reserve to reflect year-end actual revenue receipts, as stated in
13 the City's most recent independent annual audit.

14 There shall be no minimum fund balance for the Budget Stabilization Reserve.
15 Notwithstanding the above, the Controller shall not make deposit to the Budget Stabilization
16 Reserve, including deposits from the revenue sources identified above, if the combined fund
17 balances of the Budget Stabilization Reserve and the City Rainy Day Reserve equal or
18 exceed 10 percent of actual regular General Fund revenues, as stated in the City's most
19 recent independent annual audit. If the combined fund balances of the Budget Stabilization
20 Reserve and the City Rainy Day Reserve equal 10 percent of actual regular General Fund
21 revenues, the Controller shall make deposits equivalent to the amount that would otherwise
22 have been deposited to the Budget Stabilization Reserve to a non-recurring expenditure
23 reserve. The Mayor and the Board of Supervisors may appropriate funds from this non-
24 recurring expenditure reserve through the annual budget or through passage of a
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1 supplemental appropriation for infrastructure expenditures, for the development of affordable
2 housing, for prepayment of future debts or liabilities, or for other non-recurring expenditures.

3 The Controller shall not make deposits to the Budget Stabilization Reserve in years in
4 which the Controller determines that the City is eligible to make withdrawals from the Budget
5 Stabilization Reserve.

6 In the event that monies are deposited into the Rainy Day ~~Reserves~~ Reserve for any
7 given year, any amount which would otherwise be deposited into the Budget Stabilization
8 Reserve shall be reduced by the amount of the deposit to the Rainy Day ~~Reserves~~ Reserve.

9 The City, by a resolution of the Board of Supervisors adopted by a two-thirds' vote,
10 may temporarily suspend the provisions of this subsection (c) for the current or upcoming
11 budget year. The Board of Supervisors may suspend these provisions following a natural
12 disaster that has caused the Mayor or the Governor to declare an emergency, or for any other
13 purpose. Following such a suspension, the City may appropriate funds from the Budget
14 Stabilization Reserve for non-recurring expenditures, for infrastructure expenditures, for
15 development of affordable housing, for prepayment of future debts or liabilities, for annual
16 operating costs, or for any other lawful governmental purpose.

17 (d) **Annual Reporting on Reserves.** The Controller shall submit to the Mayor and the
18 Board of Supervisors an annual report on the status of the General Reserve, the Rainy Day
19 ~~Reserves~~ Reserve, and the Budget Stabilization Reserve.

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21 Section 3. Effective Date. This ordinance shall become effective 30 days after
22 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
23 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
24 of Supervisors overrides the Mayor's veto of the ordinance.

1 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
2 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
3 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
4 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
5 additions, and Board amendment deletions in accordance with the "Note" that appears under
6 the official title of the ordinance.

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9 RECOMMENDED BY:

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11 _____
12 BEN ROSENFELD
13 Controller

14
15 APPROVED AS TO FORM:
16 DENNIS J. HERRERA, City Attorney

17
18 By: _____
19 THOMAS J. OWEN
20 Deputy City Attorney

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