

CITY OF BELVEDERE

RESOLUTION NO. 2023-10

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELVEDERE
AMENDING BELVEDERE ADMINISTRATIVE POLICY MANUAL,
POLICY 2.2 "FUND BALANCE AND RESERVE POLICIES"

WHEREAS, Belvedere Administrative Policy Manual Section 2.2 "Fund Balance and Reserve Policies" provides policies establishing fund balance classifications; and

WHEREAS, on March 13, 2023, the City Council held a public meeting to consider the Administrative Policy Amendments; and

WHEREAS, the City Council finds that the Administrative Policy Amendments are categorically exempt from the California Environmental Quality Act ("CEQA") under CEQA Guideline section 15061(b)(3) (the "common sense exemption") as it can be seen with certainty that there is no possibility of a significant adverse environmental effect.

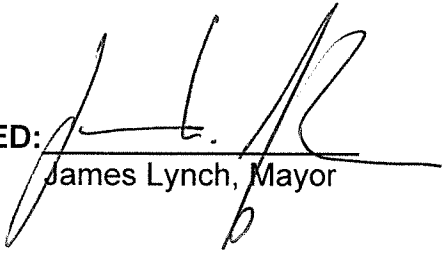
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Belvedere that Part 2, Finance, of the City of Belvedere Administrative Policy Manual, Section 2.2 is hereby adopted as set forth in Exhibit A.

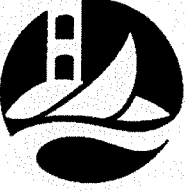
PASSED AND ADOPTED at a regular meeting of the City Council of the City of Belvedere on March 13, 2023, by the following vote:

AYES: Cooper, Mark, Wilkinson, Lynch
NOES: None
ABSTAIN: None
ABSENT: Kemnitzer

ATTEST: 
Interim City Clerk

APPROVED:


James Lynch, Mayor

	CITY OF BELVEDERE – ADMINISTRATIVE POLICY MANUAL POLICY 2.2 FUND BALANCE AND RESERVE POLICIES		
	Adoption Date: 2007	Adopted by: Budget document	
Revised Date: 11/13/2018 6/8/2020 4/12/2021 6/14/2021 12/13/2021 9/12/2022	Revised by: City Council Resolution No. 2018-32 FY 2020-21 Budget Document City Council Resolution No. 20210-10 FY 2021-22 Budget Document City Council Resolution No. 2021-46 City Council Resolution No. 2022-47		
Authority: City Council			

2.2.1 FUND BALANCE – CLASSIFICATIONS

The City has adopted the provisions of GASB Statement No. 54, Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification.

The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

Nonspendable: Items that cannot be spent because they are not in spendable form, such as prepaid items, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City and can commit funds through resolutions.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest

level of decision making or by a committee or official designated for that purpose. The City Council has the authority to assign funds in Belvedere and can assign funds through the budgetary process.

Unassigned: This category is for any balances that have no restrictions placed upon them. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

2.2.2 FUND RESERVES

The City Council may elect to establish General Fund Reserve Policy/Guidelines. These Policy/Guidelines may be updated, modified and revised as determined by the Council. At the time of adoption of this Finance Policy, there are four such Policies/Guidelines: General Fund Reserve, 115 Pension Trust Reserve, Insurance Reserve, and Seawall Reserve.

A. General Fund Reserve:

- Target: The City shall endeavor to achieve at year end a General Fund Reserve that totals one half of the General Fund expenditures, plus one half of the General Fund transfer to the Fire Fund, plus one half of annual debt service payments. For the purposes of this calculation, the expenditures from the 2nd year of the 5-year budget projection shall be used. For example, when calculating the General Fund reserve of fiscal year 2021-2022, the expenditures forecast in the fiscal year 2022-2023 shall be used. In addition, the transfers to the City’s 115 Pension Trust and/or any additional discretionary payments made to CalPERS will not be included in this calculation because they are discretionary in nature.

- Purpose: Funds reserved under this category shall be used in case of catastrophic events, for budget stabilization purposes, or for capital and special projects:
 - Catastrophic events: Funds reserved shall be used to mitigate costs associated with unforeseen emergencies, including natural disasters or catastrophic events. Should unforeseen and unavoidable events occur that require the expenditure of City resources beyond those provided for in the annual budget, the City Manager or designee shall have authority to approve Catastrophic General Fund Reserve appropriations. The City Manager or designee shall then present to the City Council a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds.

 - Budget stabilization: Funds reserved shall be used to mitigate, should they occur, annual budget revenue shortfalls (actual revenues less than projected

revenues) due to changes in the economic environment and/or one-time expenditures that will result in future efficiencies and/or budgetary savings. Examples of “economic triggers” and one-time uses include, but are not limited to:

- Significant decrease in property tax, or other economically sensitive revenues;
 - Reductions in revenue due to actions by the state/federal government;
 - Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
 - One-time maintenance of service levels due to significant economic/budget constraints; and
 - One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.
- Capital and Special Projects: Funds reserved may be designated by the City Council for key infrastructure and capital/special projects as identified in the City 5-year Capital Improvement Plan, as there is no ongoing funding source to support the City’s capital needs.
- Classification: The General Fund Reserve is classified as “Assigned” in the City’s financial statements.

B. 115 Pension Trust Reserve:

- Target: An annual amount as determined by the funding calculation prescribed in Policy 2.3.1.5.
- Purpose: The purpose of the 115 Pension Trust is to set aside an appropriate level of funds to fully fund accrued pension obligations at a more prudential rate. City Council approval is required to transfer accumulated funds in the 115 Pension Trust to CalPERS as an additional discretionary payment or to offset a portion of the actuarially determined contribution.
- Classification: The 115 Pension Trust Reserve Fund is classified as “Restricted” in the City’s financial statements.

C. Insurance & Legal Reserve:

- Target: Reserves shall be maintained between \$250,000 and \$350,000 to cover deductibles and claims related to property and casualty insurance claims and litigation risk that would require additional resources outside of the City’s insured risk. Reserves shall be replenished through subsequent charges to the appropriate user departments and/or by utilizing revenue from Construction Time Limit (CTL) fines.
- Purpose: This Fund is designed to cover claims and deductibles related to property

and casualty insurance claims in addition to legal defense, damages, and settlements.

- Classification: The Insurance and Legal Reserve Fund is classified as “Assigned” in the City’s financial statements.

D. Critical Infrastructure Reserve:

- Target: This reserve does not have a specific dollar target.
- Purpose: The Critical Infrastructure Reserve is available to provide resources for potential future critical infrastructure capital projects in the City; both planned and emergency repair projects. The reserve is designed to reduce the City’s future needs for borrowing or bonding on these projects and could also be used as required grant matching funds.
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- Classification: The Critical Infrastructure Reserve Fund is classified as “Assigned” in the City’s financial statements.

2.2.3 EXCESS FUND RESERVE

~~At the end of the fiscal year, any unassigned funds that remain in the City’s General Fund after all other funds have been classified as Nonspendable, restricted, committed or assigned in accordance with GAAP and City Policy are considered excess fund reserves. These excess fund reserves shall be transferred to the Critical Infrastructure Reserve and classified as assigned.~~