

	POLICIES AND PROCEDURES	
	<i>Subject</i>	Use of One-Time Revenues and General Fund Surpluses
	<i>Policy #</i>	302
	<i>Date</i>	Issued:6/19/2012 Amended: N/A
	<i>Approved by</i>	City Council
	<i>Authored by</i>	City Manager's Office / Administrative Services Department

1. POLICY STATEMENT AND PURPOSE

It is the policy of the City of Walnut Creek ("City") to establish sound financial policies that will serve as guidelines for responsible and prudent decision-making related to financial matters. The purpose of this Policy is to establish a formal process by which one-time revenues and General Fund budget surpluses are to be allocated and used for funding one-time needs in support of overall City goals and priorities.

2. SCOPE

This Policy shall apply and be subordinate to fulfilling the City established General Fund reserve requirements and obligations as outlined in the City's Classification of Fund Balances Policy, identified in Resolution No. 11-30, adopted by the City Council on June 7, 2011, and as amended. The scope of this Policy is limited to annual General Fund budget surpluses, and one-time sources of non-recurring revenue. This Policy does not include one-time grants, which by their nature are designated for specific purposes.

3. DEFINITIONS

General Fund Surplus – The City's budget is a financial plan based on the best information available at the time. Budgeted revenue and expenditure projections are therefore not exact and may change over time. Through strict monitoring and prudent financial management, the City periodically realizes a General Fund Surplus. A General Fund Surplus, under this Policy, occurs when actual General Fund revenues exceed expenditures, after fulfilling all annual auditing and financial reporting requirements and compliance with the City's Classification of Fund Balances Policy.

One-Time Revenues – Non-recurring resources generated by one-time events, which may include, but are not limited to, the following:

- Sale of City-owned assets or property
- Litigation settlements
- Development agreements

One-Time Expenses – Non-recurring and non-operational expenses, typically related to short-duration activities or one-time projects, which may include, but are not limited to,

the following:

- Unmet needs in the City’s Capital Budget, identified as Asset Management or Discretionary Projects. These include, but are not limited to, the following:
 - Right of Way Projects (streets, sidewalks, curb and gutters)
 - Storm Drains
 - Major facility maintenance, upgrades or renovations
 - Acquisition, design and construction of new facilities
- Equipment replacements
- Technology replacements or upgrades
- Emergency repairs of City infrastructure

The examples of One-Time Revenues and One-Time Expenses provided in this Policy are merely examples and do not preclude the City Council from identifying other appropriate one-time revenue sources or one-time funding needs, consistent with this Policy.

Existing Fund Balance Reserve Categories – The City Council has committed to maintaining General Fund reserve balances at appropriate levels to protect City assets, assure availability of cash to meet short-term obligations, address unforeseen events and avoid future debt. In accordance with the City’s existing Classification of Fund Balance Policy, the City currently establishes reserves into a number of categories to address unforeseen emergencies or disasters, legal claims, workers compensation, and significant changes in the economic environment. Pursuant to Governmental Accounting and Standards Board (GASB) Statement No. 54, the City’s existing General Fund reserve balances are organized within five classifications, which include: Nonspendable, Restricted, Committed, Assigned and Unassigned.

4. RESPONSIBILITY

Implementation of the Policy is the responsibility of the Finance Division of the Administrative Services Department.

5. BACKGROUND

The City of Walnut Creek is committed to maintaining a structurally balanced budget, in which ongoing expenditures are aligned and supported by ongoing revenues.

In 2009, through the Center for Priority based Budgeting, the City began to implement a series of initiatives in order to achieve better long-term fiscal health and wellness. Part of the Fiscal Health and Wellness Model adopted in 2009 included the premise of matching one-time resources with one-time needs. This Model included a series of policies, one of which codified the City’s past practice of using year-end budget surpluses to fund capital needs.

By their nature, one-time revenues cannot be relied on to support future budget

development. Furthermore, use of one-time revenues to fund ongoing programs jeopardizes the City's ability to meet continued service demands and undermines the organization's commitment to fiscal discipline. It has been a longstanding practice of the City of Walnut Creek to allocate one-time revenues, whether derived from year-end budget surpluses or one-time events, for purposes of paying for one-time expenses.

A. Community Blue Ribbon Task Force Recommendations

In 2011, the Community Blue Ribbon Task Force developed and recommended viable financial strategies that could be implemented to meet future operational and capital budgets. Their final report included specific direction regarding the use of General Fund surplus, including the following:

RECOMMENDATIONS:

- 8.a. The City should develop or amend specific policies to guide the allocation and use of any surplus operating budget funds in some proportion to the following:*
 - 8.a.i. The existing Capital Equipment/Facilities Reserve Fund;*
 - 8.a.ii. PERS Reserve Fund;***
 - 8.a.iii. Unfunded or underfunded Projects in the CIP; and*
 - 8.a.iv. The existing Technology Replacement Reserve Fund"*

*** - With respect to item 8.a.ii noted above, the City established a PERS reserve fund in 2010.*

B. One-Time Resources and Revenues

In the course of regular City business, a variety of one-time events may occur, such as the sale of City property or approval of a development agreement, resulting in One-Time Revenues to the City. Depending upon the source and nature of these funds, they may be restricted to some purposes, or unrestricted and available to further City and community goals.

Given our past practices, and recent recommendations, this Policy affirms current financial practices of aligning one-time resources with one-time needs. In doing so, this policy helps ensure sufficient resources are set aside for purposes of funding future one-time capital, infrastructure and technology needs.

6. PROCEDURE

A. Use of General Fund Surplus

In keeping with the principles outlined in this Policy, at the end of each fiscal year, the Finance Division staff of the Administrative Services Department shall determine if any excess General Fund Surplus exists. If so, the City Manager shall have discretion to

transfer General Fund Surpluses up to \$250,000 to the following City Funds to be used for One-Time Expenses.

- Equipment Replacement-IT Fund (#640)
- Capital Improvements Fund (#210)
- Facilities Improvement and Replacement Fund (#670)

If the General Fund Surplus exceeds \$250,000, allocations will be presented to the City Council as part of the six-month and eighteen-month budget updates, including specific appropriation recommendations as warranted.

B. Use of One-Time Revenues

As part of the six-month and eighteen-month budget updates (and at additional intervals as determined by the City Manager), Finance Division staff shall report any One-Time Revenues to the City Council. At that time, the City Council may authorize specific allocations of One-Time Revenues for purposes of funding One-Time Expenses. Allocations of One-Time Revenues may include, but not be limited to, the following funds:

- Capital Improvements Fund (#210)
- Downtown Parking and Enhancement Enterprise Fund (#180)

Appropriations would be based upon a number of considerations, including the City's established Work Plan, General Plan priorities, Long-Term Financial Plan and on-going capital investment and infrastructure needs.

7. POLICY HISTORY AND CITATIONS

This Policy is new to the City, and is to be reviewed by the City Council as part of the bi-annual budget development and adoption process. Any changes to this Policy would require formal Council authorization.

8. ADOPTION

This policy and procedure was adopted on June 19, 2012 by formal action of the City Council at its regular meeting via Resolution No. 12-37.