



# Finance Committee

*City of Arts & Innovation*

---

**TO: FINANCE COMMITTEE** **DATE: MARCH 13, 2019**  
**FROM: FINANCE DEPARTMENT** **WARDS: ALL**  
**SUBJECT: MEASURE Z – PROPOSED FUND BALANCE RESERVE POLICY - DIRECT SUBMITTAL**

## **ISSUES:**

Receive and provide input on the proposed Measure Z Reserve Policy and recommend that the City Council approve the proposed Measure Z Reserve Policy.

## **RECOMMENDATIONS:**

That the Finance Committee:

1. Receive and provide input on the proposed Measure Z Reserve Policy; and
2. Recommend that the City Council approve the proposed Measure Z Reserve Policy.

## **BACKGROUND:**

Measure Z, a one-cent Transaction and Use Tax (TUT), was approved by Riverside voters in November 2016. Tax collection began in April 2017 and will expire in March 2036. The stated intent of Measure Z is to restore critical General Fund services eliminated in June 2016 and address other critical unfunded needs, such as first responder staffing and vehicles, road and tree maintenance, and building repair and maintenance. The first Measure Z Five-Year Spending Plan was approved by City Council in May 2017.

## **DISCUSSION:**

It is important to recognize that Measure Z revenues are dependent upon consumer spending and are therefore subject to fluctuating economic conditions. Measure Z provides funding for a number of ongoing items, including debt obligations and personnel costs, which cannot be spontaneously reduced or terminated in the event of revenue contraction. Therefore, it is imperative that sufficient fund reserves are maintained to provide a buffer for an economic downturn as well as annual increases in ongoing escalating costs.

The proposed Measure Z Reserve Policy (attached) balances the intent of the Measure Z TUT with the need to maintain prudent reserve levels. The proposed policy requires that a 15% reserve

contingency be established to cover necessary expenses in order to provide time for a measured and thoughtful reduction of expenditures during time of economic downturn. Contingency reserve is calculated as 15% of the next fiscal year's adopted Measure Z budget (if available) or the next fiscal year's projected Measure Z expenditures if the budget has not yet been adopted. Other requirements such as the process for utilizing reserves, when a Replenishment Plan is required, how to adopt a Wind-Down plan and how to utilize surplus reserves are also discussed in the attached proposed policy.

**FISCAL IMPACT:**

There is no fiscal impact associated with this report.

|  |   |
|--|---|
| Prepared by:                             | Kristie Thomas, Budget & Revenue Manager                |
| Approved as to<br>availability of funds: | Edward Enriquez, Chief Financial Officer/City Treasurer |
| Approved by:                             | Carlie Myers, Deputy City Manager                       |
| Approved as to form:                     | Gary G. Geuss, City Attorney                            |

Attachments:

1. Proposed Measure Z Reserve Policy
2. Presentation