



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: APRIL 2, 2019**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: MEASURE Z CONTINGENCY RESERVE POLICY

ISSUE:

Approve the proposed Measure Z Contingency Reserve Policy.

RECOMMENDATIONS:

That the City Council approve the proposed Measure Z Contingency Reserve Policy.

COMMITTEE RECOMMENDATION:

The Finance Committee met on March 13, 2019, with Chair Adams, Vice Chair Conder, and Member Soubrouse present, to consider the proposed Measure Z Reserve Policy which recommended a 15% fund balance reserve. Following discussion, the Committee unanimously voted to recommend that the City Council adopt a \$5 million contingency reserve policy for the Measure Z Fund.

BUDGET ENGAGEMENT COMMISSION RECOMMENDATION:

On February 28, 2019, the Budget Engagement Commission (BEC) voted, with 11 ayes and 1 abstention, to recommend the proposed Measure Z Reserve Policy that established a 15% fund balance reserve.

BACKGROUND:

Measure Z, a one-cent Transaction and Use Tax (TUT), was approved by Riverside voters in November 2016 for a period of 20 years. 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.

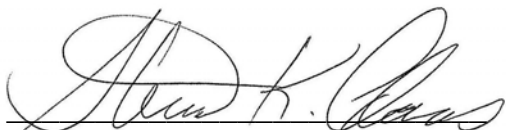
The proposed Measure Z Reserve Policy (Attachment 1) balances the intent of the Measure Z TUT with the need to maintain prudent reserve levels. In accordance with the recommendation of the Finance Committee, the proposed Policy requires a \$5 million reserve contingency be established to cover necessary expenses in order to provide time for a measured and thoughtful reduction of expenditures during times of economic downturn. 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
Certified as to
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

Concurs with



Steven K. Adams, Chair
Finance Committee

Attachments:

1. Proposed Measure Z Policy
2. BEC Meeting Minutes