City of Riverside
MEASURE Z RESERVE POLICY

Approved by the City Council on April 2, 2019

PURPOSE:

To maintain a prudent level of fund balance reserves in the City's Measure Z Operating Fund to ensure adequate funding for approved spending items in times of fluctuating revenues.

MEASURE Z 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 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. The Five-Year Spending Plan is updated and approved by City Council with each new budget, and is also updated as necessary to reflect supplemental appropriations approved by Council during the fiscal year, changes in revenue forecasts or expenditure projections, or other pertinent matters.

POLICY:

This reserve policy balances the stated intent of the Measure Z Transaction and Use Tax with the need to maintain a prudent reserve level. Specific risks related to Measure Z include the effects of an economic downturn on Measure Z revenues, and the potential that the annual increase in ongoing escalating costs (e.g., personnel costs and debt obligations) will outpace annual revenue growth. Fund balance reserves will be calculated on an annual basis and will not be considered final until the annual financial audit is completed.

Contingency Reserve

Measure Z operates similarly to the General Fund, funding personnel, debt obligations, infrastructure maintenance, and other critical City services. As with the General Fund, a measured and thoughtful reduction in expenditures during times of economic downturn should take place, rather than making immediate and drastic budget cuts without the time for proper evaluation. A $5 million Contingency Reserve is established to provide for this process.

Utilization of reserves, including specification of the maximum dollar amount to be used, requires the affirmative votes of at least five members of the City Council. Once utilization of the reserve has been terminated, staff must present a Replenishment Plan to the City Council to return the reserve to the $5 million minimum level over no more than a two-year period. The Replenishment Plan may include a proposed reduction in funding for previously approved spending items. Additionally, the adoption of new spending items may not conflict with the Replenishment Plan.

A Wind-Down Plan that includes the strategic depletion of the Contingency Reserve over the final three years of the Measure Z TUT may be adopted by the affirmative votes of at least five members of the City Council.

Surplus Reserves

Surplus Reserves shall not be considered available for spending if any future year of the Twenty-Year Spending Plan is projected to fall below the minimum $ million reserve requirement. If the $5 million minimum reserve requirement is projected to be met, City staff shall present a plan to the City Council to allocate Surplus Reserves to new spending initiatives.