

RESOLUTION NO. 53-18

RESOLUTION OF THE COUNCIL OF THE CITY OF RICHMOND, CALIFORNIA,
ADOPTING THE CASH RESERVE POLICY

WHEREAS, the City of Richmond has determined that an appropriate level of the General Fund reserves is a policy decision; and

WHEREAS, the Governmental Finance Officers Association recommends that reserve levels be directly related to the degree of uncertainty the local government faces; and

WHEREAS, Cash Reserves Policy identifies an ending cash balance equal to fifteen percent (15%) of the General Fund expenditures as the minimum needed to provide stability against potential volatility of revenues and uneven cash flows; and

WHEREAS, the adoption of the financial policies listed in this document is consistent with "best practices" and the City Council's fiduciary oversight of fiscal policies;

NOW, THEREFORE, BE IT RESOLVED, that the City Council hereby adopts the Cash Reserves Policy for the City of Richmond that is attached hereto as Exhibit A.

I certify that the foregoing resolution was passed and adopted by the Council of the City of Richmond at a regular meeting thereof held June 26, 2018, by the following vote:

AYES:	Councilmembers Beckles, Choi, Martinez, Myrick, Recinos, Vice Mayor Willis, and Mayor Butt.
NOES:	None.
ABSTENTIONS:	None.
ABSENT:	None.

PAMELA CHRISTIAN
CLERK OF THE CITY OF RICHMOND
(SEAL)

Approved:
TOM BUTT

Mayor

Approved as to form:
BRUCE GOODMILLER

City Attorney

State of California }
County of Contra Costa } : ss.
City of Richmond }

I certify that the foregoing is a true copy of Resolution No. 53-18, finally passed and adopted by the City Council of the City of Richmond at a regular meeting held on June 26, 2018.

Certified as a True Copy

PAMELA CHRISTIAN
CLERK OF THE CITY OF RICHMOND, CALIFORNIA

BY *Patricia Kandy*
ASSISTANT

City of Richmond Cash Reserve Policy

Municipal governments provide a wide range of services that have an impact on public safety and quality of life for community members. Prudent use of resources helps determine how effectively these services are provided on an ongoing basis. In addition to managing revenues and expenditures, it is also the municipal finance official's responsibility to focus on the General Fund balance and maintain cash reserves. In particular, to maintain operations in case of any significant event that could cause disruptions in cash flow, such as an economic downturn or natural disaster.

The City of Richmond endeavors to maintain adequate reserves in its General Fund as a matter of fiscal prudence and sound financial management: This policy will guide the City in:

- Planning for contingencies and unexpected events;
- Ensuring cash availability to stabilize cash flow;
- Maintaining creditworthiness;
- Long-range financial planning; and
- Deciding when to use reserves and how to replenish reserves should they fall below the minimum threshold

Policy Guidelines

Per Statement No. 54 of the Governmental Accounting Standards Board (GASB 54), fund balances of governmental funds are divided into five categories in the financial statements:

Category	Description
Non-Spendable	Cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to remain intact
Restricted	Restricted either externally imposed or imposed by law through constitutional provisions or enabling legislation
Committed	Reserved for specific purposes pursuant to constraints imposed by formal action of the City Council
Assigned	Reserved by the City Council or City Manager for specific purposes, but neither restricted nor committed
Unassigned	Residual balance not classified in any of the above categories and has not been restricted, committed, nor assigned to specific purposes

For purposes of this policy document, cash reserves refer to the sum of the Committed, Assigned, and Unassigned portions of the fund balance the General Fund.

The City shall maintain year end contingency reserve balances in the General Fund of a minimum fifteen percent (15%) of next year's budgeted General Fund expenditures including transfers out. This is the minimum needed to maintain the City's creditworthiness and to

adequately provide for economic and legislative uncertainties, cash flow needs and contingencies. A policy based upon percentage assures that the reserve will remain a prudent cushion as the City's budgets grow over time. City Council approval is required before any withdrawals from the reserve fund. The City Council shall have the discretion to use the reserve for one time emergencies only and not to be used for ongoing expenses. As the City experiences net revenue gains in future years, the reserve balance must grow back to a minimum fifteen percent (15%) of total expenditures, in order to allow the City to build up its capacity to handle future short term economic downturns or emergencies without cutting services.

The Finance Director/Treasurer will review the Cash Reserve Policy annually in connection with the City's annual budget process to ensure that the City is in compliance with the policy. Additionally, the City Manager will review the policy at regular intervals and will make recommendations for modification as deemed appropriate.