



# CITY OF MOORPARK

ADMINISTRATIVE SERVICES DEPARTMENT | 799 Moorpark Avenue, Moorpark, California 93021  
Main City Phone Number (805) 517-6200 | Fax (805) 532-2520 | moorpark@moorparkca.gov

*Pursuant to Governor Newsom's Executive Order N-29-20 et seq., members of the City of Moorpark's Administration, Finance and Public Safety Standing Committee will participate in this meeting via a teleconference from separate locations.*

*Members of the public who want to participate in the meeting are encouraged to participate electronically. To speak at the meeting, please use the Zoom Meeting Participant Registration.*

*Zoom Meeting Participant Registration:*

<https://us02web.zoom.us/j/85384920791?pwd=dWZENUxaYmt3M1k1VmpidmNLcU1lQT09>

*Following registration, you will receive a link to join the Zoom meeting.*

**NOTICE AND CALL OF A  
REGULAR MEETING OF THE  
ADMINISTRATION, FINANCE & PUBLIC SAFETY STANDING COMMITTEE  
(Mayor Parvin and Mayor Pro Tem Pollock)  
Wednesday, October 7, 2020, at 5:45 p.m.**

**TO THE MEMBERS OF THE ADMINISTRATION, FINANCE AND PUBLIC SAFETY  
STANDING COMMITTEE OF THE CITY OF MOORPARK:**

**NOTICE IS HEREBY GIVEN** that a **Regular Meeting** of the Administration, Finance and Public Safety Standing Committee is hereby called to be held on **Wednesday, October 7, 2020**, commencing at **5:45 p.m.** Said meeting will be held in the Moorpark Development Services Conference Room, 799 Moorpark Avenue, Moorpark, California.

Said Regular Meeting shall be for the purpose of considering the following items:

- 1. CALL TO ORDER:**
- 2. ROLL CALL:**
- 3. PUBLIC COMMENT:**
- 4. DISCUSSION ITEMS:**
  - A. Consider Revised City Council Policy 5.2: Fund Balance Reserve Policy. Staff Recommendation: Recommend approval of the Council Policy 5.2 – Fund Balance Reserve to the City Council. **(Staff: Kambiz Borhani)**

**5. ADJOURNMENT:**

Posted: October 2, 2020

All writings and documents provided to the members of the Finance, Administration and Public Safety Standing Committee of the City of Moorpark regarding all agenda items are available for public inspection at the City Hall public counter located at 799 Moorpark Avenue during regular business hours. The agendas and agenda reports for City Council Standing Committee meetings are available on the City's website at [www.moorparkca.gov](http://www.moorparkca.gov).

In compliance with the Americans with Disabilities Act, if you need special assistance to review an agenda or participate in this meeting, including auxiliary aids or services, please contact the City Clerk's Division at (805) 517-6223. Upon request, the agenda can be made available in appropriate alternative formats to persons with a disability. Any request for disability-related modification or accommodation should be made at least 48 hours prior to the scheduled meeting to assist the City staff in assuring reasonable arrangements can be made to provide accessibility to the meeting (28 CFR 35.102-35.104; ADA Title II).

**ADMINISTRATION, FINANCE AND PUBLIC SAFETY COMMITTEE  
AGENDA REPORT**

**TO: Administration, Finance and Public Safety Committee (AFPS)  
(Mayor Parvin and Mayor Pro Tem Pollock)**

**FROM: Kambiz Borhani, Finance Director**

**DATE: 10/07/2020 Regular Meeting**

**SUBJECT: Consider Revised City Council Policy 5.2: Fund Balance Reserve Policy**

**SUMMARY**

On September 2, 2020, the Finance, Administration and Public Safety (AFPS) committee reviewed changes proposed to Council Policy 5.2, “Fund Balance Reserve” (Policy 5.2) and requested further clarifications be made on what constitutes as Emergency/Contingency listed in Policy 5.2.

Policy 5.2 changes are shown in legislative format as an attachment to this report.

**BACKGROUND**

The City Council approved revisions to Policy 5.2, Fund Balance Reserve, on May 16, 2018, to promote sound financial management practices. The policy set a minimum Emergency/Contingency reserve level to be based on 20% of General Fund expenditures, plus \$1 million of the General Fund unreserved fund balance to be set aside for budget adjustments during the fiscal year before any excess were to be transferred to Special Projects Fund.

After meeting with the AFPS committee on September 2, 2020, the following updates and clarifications are being recommended:

1. The purpose of the **Emergency/Contingency** reserve is to minimize the financial impact or quickly respond to unexpected situations such as local event or natural disaster or declared emergency and/or claims which will not be reimbursable from insurance or Federal, State or County government. Best practices recommends maintaining an amount equal to 20% of General Fund’s operating expenditures.

The term **Emergency** in this policy is defined as a catastrophic earthquake, sinkholes, flood, hurricane, wildfire, tsunami, tornado, thunderstorm, lightning,

landslide, volcano, avalanche, drought, heat wave, cold wave, hail storm, ice storm, pandemic, active shooter, attacks in public places, chemical emergencies, hazardous materials incidents, home fires, power outages, cybersecurity, explosions, asteroid, plane/helicopter crashing, fuel/oil truck spill, road emergency, structural failure, or similar natural event causing widespread damage or emergency in the City of Moorpark as declared by vote of the City Council, or by proclamation of the President of the United States or the Governor of the state of California.

2. Create a new **Economic Uncertainty** reserve in the General Fund to help provide resources to minimize service disruption in the event of fiscal stress such as unexpected revenue shortfalls or unpredicted one-time expenditures or operating changes that occur outside of the planned annual budget. Reserves shall not normally be applied to recurring annual operating expenditures. This fund will provide the City resources to weather short-term and other cyclical revenue downturns while avoiding large variations in taxes and fees or variations in the type and quality of municipal services provided.

As of June 30, 2020, there is \$1 million in the General Fund unreserved fund balance. Staff recommends using \$500 thousand of this amount to establish this reserve fund. Subsequent replenishment will be recommended by the City Manager each year.

3. Designate both Emergency/Contingency and Economic Uncertainty reserves as committed fund balances and the \$1 million of General Fund unreserved as *unassigned* fund balance, as the applicable classified fund types prescribed by Governmental Accounting Standards Board ("GASB") Statement No. 54.
4. Further, for the Emergency/Contingency reserve, the policy didn't specify which operating expenditure was to be used for the 20% calculation. Since the policy requires the reserves to be adjusted annually in conjunction with the year-end analysis and preparation of the City's Comprehensive Annual Financial Report ("CAFR"), which timing is after the adoption of the subsequent year's budget, staff recommends using General Fund adopted budget operating expenditures for the purpose of this calculation. For example, for fiscal year ending ("FYE") June 30, 2020, staff will adjust the ending fund balance amount for the Emergency/Contingency reserve based on FYE June 30, 2021 General Fund adopted budget operating expenditures. This clarifying change to the policy will match the beginning fund balance of the Emergency/Contingency reserve for a fiscal year to the budgeted operating expenditures adopted by the City Council for the same fiscal year.
5. To promote sound financial management practices, staff is also recommending establishing a priority list for allocating year-end General Fund Surplus to replenishment among the three reserves and toward reduction of liabilities

associated with post-employment employee benefits. This list, in order of priority, requires the Emergency/Contingency reserve to be replenished first, followed by Economic Uncertainty reserve (amount to be determined each year by the City Manager), and the \$1 million unassigned reserve to be restored third, then proceed with payments for maintaining a minimum 95% funding for Pension Unfunded Accrued Liability (“UAL”) and also Other Post-Employment Benefits (“OPEB”) UAL.

In the last decade, to maintain fiscal sustainability, the City Council approved three separate payments made to CalPERS in order to address the rising costs associated with changes made to actuarial assumptions. These actions have saved the City millions of dollars in Pension UAL. Conversely, CalPERS has also taken actions that would further impact and increase employers’ contributions. One of those decisions was lowering the discount rate from 7.5% to 7.0% which as it got implemented; City’s Pension UAL increased in excess of a million dollars. As of June 30, 2019, CalPERS’ latest actuarial valuation, the City Pension UAL was \$1,341,661. During the FY 2020-2021 budget presentation, staff expressed concerns about the growing Pension UAL due to the investment losses CalPERS experienced from the global pandemic resulting from coronavirus. As such, this liability may have escalated to approximately \$4.3 million. To address this growing concern, staff recommends establishing a policy whereby a portion of the General Fund surplus is set aside to be later appropriated towards paying down these UALs and maintaining an overall minimum of 95% funding.

Other revisions are to help comply with best practices and parse out language that can be confusing or have alternative meanings so that it can be clear, concise and easy to follow. The revisions we are proposing outline a clear vision of how the City will manage its financial resources to provide the best value to the community. It helps to promote long-term and strategic thinking, and help manage and reduce risks to the City’s fiscal health.

### **FISCAL IMPACT**

Staff recommends using \$500 thousand of the FYE June 30, 2020, \$1 million General Fund unreserved fund balance to establish the Economic Uncertainty Reserve.

### **STAFF RECOMMENDATION**

Recommend approval of the Council Policy 5.2 – Fund Balance Reserve to the City Council.

Attachment: Exhibit A – Draft City of Moorpark Council Policy 5.2 – Fund Balance Reserve

## EXHIBIT A

### Policy 5.2: Fund Balance Reserve

Fiscal stability is an important factor to any city. Sound financial management includes the practice and discipline of maintaining adequate reserve funds for known and unknown contingencies. Such contingencies and occurrences include, but are not limited to:

- Cash flow requirements
- Economic uncertainties and other financial hardships or downturns in the local, state or national economy
- Local disasters or catastrophic events
- Loss of major revenue source
- Unanticipated operating or capital expenditures
- Capital asset and infrastructure repair and replacement

The establishment of prudent financial reserve policies is important to ensure the long-term financial health of the City.

The City will fund annually, to the extent of available General Fund unassigned budgetary surplus, and endeavor to maintain a ~~minimum~~ General Fund ~~reserved~~ committed fund balance for an Emergency/Contingency reserve in the minimum amount of 20% of adopted budget expenditures, plus ~~an unreserved~~ a minimum General Fund unassigned fund balance of \$1 million. Additionally, an Economic Uncertainty reserve will also be funded in General Fund committed fund balance to help provide resources to minimize service disruption in the event of fiscal stress such as unexpected revenue shortfalls or unpredicted one-time expenditures or operating changes that occur outside of the planned annual budget. Reserves shall not normally be applied to recurring annual operating expenditures. This fund will provide the City resources to weather short-term and other cyclical revenue downturns while avoiding large variations in taxes and fees or variations in the type and quality of municipal services provided. The amount of the Economic Uncertainty fund shall be a minimum of \$1 million. Funding the Economic Uncertainty reserve can only be appropriated and used for budgetary purposes by an affirmative vote of the City Council. ~~An~~ The Emergency/Contingency ~~R~~reserve will be maintained for the purpose of minimizing the financial impact or quickly respond to unexpected situations such as local event or natural disaster or declared emergency and/or claims which will not be reimbursable from insurance or Federal, State or County Government. ~~sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event. The Emergency/Contingency Reserve can be used to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures. This reserve will not be used to fund new programs or personnel. The \$1 million of General Fund unassigned fund balance may be used for budget adjustments during the fiscal year and/or Economic Uncertainty reserve replenishment, as recommended by the City Manager from time to time.~~

Reserve levels will be adjusted annually in accordance with this policy. Annually, in conjunction with the year-end analysis and preparation of the City's Comprehensive Annual Financial Report (CAFR) for a completed fiscal year, any remaining General Fund unassigned fund balance from that fiscal year shall be applied as follows, in order of priority: (1) if needed, to increase the fund balance of the Emergency/Contingency Reserve to 20% of the subsequent fiscal year's adopted budget expenditures; (2) if needed, to reserve or replenish General Fund Economic Uncertainty to \$1 million; (3) if needed, to reserve or replenish General Fund unassigned fund balance to \$1 million; (4) to pay down Unfunded Accrued Liability (UAL), if any, with respect to the City's pension plans in an effort to maintain a minimum of 95% funding; and (5) to pay down UAL, if any, with respect to the City's Other Post-Employment Benefits (OPEB) plan (i.e., post-employment healthcare plan) in an effort to maintain a minimum of 95% funding.

Annually, Any excess General Fund unreserved unassigned fund balance remaining after the four items required by the immediately preceding paragraph above have been fully funded will be transferred ~~out~~ to the Special Projects Fund. Pursuant to California Government Code Section 53647, interest generated from the Special Projects Fund will be posted to the General Fund as interest income, which is vital to the City's General Fund operating budget. The Special Projects Fund will be used to maintain and build new projects including major rehabilitation of streets, parks and facilities (e.g. Construction of Civic Center Complex, Moorpark Library, Street Capital Improvement Projects, etc.). These funds may also be used for any other purpose as deemed appropriate by the City Council by a separate vote.

~~Reserve levels will be adjusted annually in accordance with this policy. After the Emergency/Contingency reserve has been fully funded and the \$1 million General Fund unreserved fund balance, then any excess will be transferred by the Finance Director to the Special Projects Fund in conjunction with the year-end analysis and preparation of the City's Comprehensive Annual Financial Report (CAFR).~~

## Grant Funds

Most grant awards are reimbursement, whereby the City spends the money first and applies for reimbursement from the granting agency. The City usually has a negative fund balance in the grant funds until the grant money is actually received. Therefore, there is no minimum reserve requirement for grant funds. Grant funds shall be used to procure materials, supplies, and capital as may be permitted by the grant rules. No recurring costs shall be funded by a grant unless the City Council pre- approves the recurring costs.

## All Other Funds

Except as otherwise described above, The City will maintain a minimum reserve of 10% of the annual revenue in each fund. Annual revenue is calculated based on the average of the three prior year's revenue for the fund.