

**COUNCIL POLICY
CITY OF CHULA VISTA**

SUBJECT: Measure A Reserve Fund Policy

**POLICY
NUMBER**

**EFFECTIVE
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ADOPTED BY: (Resolution No.)

DATED:

AMENDED BY: Resolution No. (date of resolution)

BACKGROUND

On June 15, 2018, Chula Vista voters approved Measure A Sales and Use Tax, a one-half (½) cent Public Safety General Transactions and Use Tax (Sales Tax) in the City of Chula Vista. The Measure A Reserve Fund policy is established to avoid any impacts to the General Fund due to temporary sales tax revenue shortfalls, and to establish the reserves necessary to meet known and unknown future obligations for the City's Police and Fire Departments.

PURPOSE

To establish a formal Measure A Sales Tax Reserve Fund Policy.

POLICY

This policy establishes s Measure A Fund Economic Contingency Reserve:

Measure A Fund Economic Contingency Reserve

The City shall maintain a Measure A Fund Economic Contingency Reserve levels of no less than ~~90~~ 60 days (approximately ~~25~~16% of the annual operating budget) of operations to provide for unexpected financial impacts related to a significant economic slowdown. The reserve level is defined as the number of days of operation in its normal course of business and shall be calculated based on the annual operating budget for the fiscal year, less any budgeted debt service. If funds are appropriated (spent) from the operating reserves due to unanticipated needs, the funds should be replenished by that department in the budget process during the subsequent fiscal year to maintain the minimum reserve balance. If the magnitude of the event caused the Measure A Fund Economic Contingency Reserve to be deeply reduced, the City Manager and Finance Director shall provide the City Council with a plan to incrementally replenish the reserves to the minimum level.

Authorized use (mid-year appropriations) of the Measure A Economic Contingency Reserve will require approval by a (4/5) vote of the City Council.

Calculation of Reserves

The reserves will be calculated using the following year's Adopted Measure A Fund budgeted operating expenditures. Reserves will be evaluated annually in conjunction with the development of the Annual Budget process. There is no maximum reserve level as any ~~additional~~ reserves above the required minimum would provide a greater level of fiscal security ~~and would in the case of an unexpected economic slowdown. Any reserves above the required minimum could also~~ be available used to support public safety, consistent with the Measure A Public Safety Expenditure Plan through the application of Measure A sales tax revenues that will ensure the best return on investment in terms

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of staffing improvements for the improved deployment of resources and include the used of these non-recurring funds for one-time <u>essential public safety</u> purchases (i.e., capital, consulting, software, etc.) supporting public safety.			