

ORDINANCE NO. 12502 C.M.S.

AN ORDINANCE ESTABLISHING A GENERAL FUND RESERVE POLICY; ESTABLISHING AND FUNDING A RESERVE FUND FOR THE CAPITAL IMPROVEMENT FUND; AND REPEALING THE PRIOR RESERVE POLICY OF THE CITY.

WHEREAS, the ability to maintain reasonable reserve funds is one of the key financial standards used by rating agencies to evaluate the financial condition of the City of Oakland (the "City"); and

WHEREAS, the lack of established reserve funds maintained by the City may have negative implications in the credit markets; and

WHEREAS, once a fiscal year has begun, the City has limited ability to significantly increase revenue or decrease expenditures in order to fund unanticipated expenditures during such fiscal year; and

WHEREAS, on March 22, 1994, the City Council of the City (the "Council") adopted Ordinance No. 11694 C.M.S. which established a five percent (5%) reserve goal with respect to the City's undesignated general fund balance to pay any unanticipated expenditures, and a one percent (1%) reserve goal to be used to pay claims arising from the City's insurance program;

WHEREAS, these amounts are considered to be reserve funds of the City and are unappropriated and identified to the City's creditors as the "Undesignated General Fund Balance;" and

WHEREAS, such amounts are insufficient to provide realistic reserves in the event of unanticipated expenditures; and

WHEREAS, the Council desires to increase the amounts to be deposited with respect to the existing reserve policies, set new policies with respect to the City's operating budget and the capital improvements budget, and establish a reserve fund with respect to the City's capital improvements budget into which the appropriate amounts are to be deposited;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF OAKLAND DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The Council finds and determines the foregoing recitals to be true and correct and hereby adopts and incorporates them into this Ordinance.

SECTION 2. General Fund Reserve Policy

1. Council hereby declares that it shall be the policy of the City of Oakland to provide in each fiscal year a reserve of undesignated fund balance equal to seven and one-half percent (7.5%) of the General Fund 1010 appropriations for such fiscal year (the "General Fund Reserve Policy").

2. Each year, upon completion of the City's financial audited statements, the City Manager will report the status of the General Fund Reserve to City Council. If in any fiscal year the General Fund Reserve Policy is not met, the City Manager shall present to Council a strategy to meet the General Fund Reserve Policy.

3. The amounts identified as the undesignated General Fund Reserve may be appropriated by Council only to fund unusual, unanticipated and seemingly insurmountable events of hardship of the City.

SECTION 3. Capital Improvements Reserve Fund

1. There is hereby established a fund in the Treasury of the City of Oakland to be known as the "Capital Improvements Reserve Fund" (the "Capital Improvements Contingency Fund").

2. Commencing with the 2003-05 budget, an amount equal to \$6,000,000 shall be deposited into the Capital Contingency Fund (the "Capital Improvements Reserve Requirement"). Revenues received from one-time activities, including the sale of real property, shall, unless otherwise directed by Council, be deposited into the Capital Improvements Reserve Fund. Interest earnings on monies on deposit in the Capital Improvements Reserve Fund shall accrue to said fund and be maintained therein.

3. Monies on deposit in the Capital Improvements Reserve Fund shall, unless otherwise directed by Council, be appropriated by Council to fund unexpected emergency or major capital maintenance or repair costs to City-owned facilities and to fund capital improvement projects that have not been included in the annual operating budget or in the City's Capital Improvement Program, only if not already allocated to a specific project.

SECTION 4. Prior to appropriating monies from the contingency or reserves established by this Ordinance, the Budget Office shall prepare an analysis of the proposed expenditure and present such analysis to the City Council. Upon review and approval of the proposed expenditure by the City Council, the City Manager will have the authority to allocate from the contingency or reserve.

SECTION 5. The City Manager shall annually as part of the budget process prepare and submit to the City Council a report detailing the activity and status of the contingency or reserves established pursuant to this Ordinance. Interim reports may be prepared as requested by the Council.

SECTION 6. Upon final adoption of this ordinance, Ordinance No. 11694 C.M.S. adopted by the City Council on March 22, 1994, is hereby repealed.

SECTION 7. After the second reading, this ordinance shall become effective immediately if approved by a two-thirds vote of all members of the City Council, and will become effective 7 days after approval if it is adopted by 5 affirmative votes of the members of the City Council.

JUN 17 2003

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

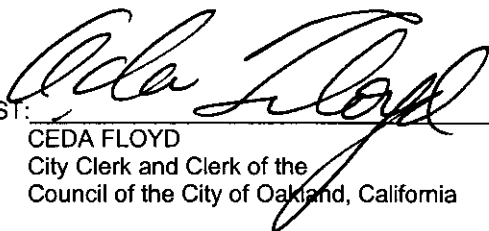
PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND
PRESIDENT DE LA FUENTE ~ 8

NOES- 0

ABSENT- 0

ABSTENTION- 0

ATTEST: 
CEDA FLOYD
City Clerk and Clerk of the
Council of the City of Oakland, California

Introduction Date: JUN 03 2003