



Agenda Report

Fullerton City Council

MEETING DATE: SEPTEMBER 21, 2021

TO: CITY COUNCIL / SUCCESSOR AGENCY

FROM: STEVE DANLEY, ACTING CITY MANAGER

PREPARED BY: ELLIS CHANG, DIRECTOR OF ADMINISTRATIVE SERVICES
STEVEN AVALOS, BUDGET AND PURCHASING MANAGER

SUBJECT: FISCAL YEAR 2020-21 DESIGNATION OF CONTINGENCY RESERVES ABOVE TEN PERCENT MINIMUM

SUMMARY

Staff is preparing the FY 2020-21 audit and financial report and seeks City Council direction on designating any available unassigned General Fund balance above the ten percent minimum contingency reserve level as additional contingency reserve. This effectively assigns all available fund balance for FY 2020-21 as contingency reserve, increasing contingency reserves above the minimum required 10% level.

RECOMMENDATION

Adopt Resolution No. 2021-XX.

RESOLUTION NO. 2021-XX - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA APPROVING THE DESIGNATION OF AVAILABLE UNASSIGNED GENERAL FUND BALANCE ABOVE THE TEN PERCENT MINIMUM CONTINGENCY RESERVE LEVEL AS ASSIGNED CONTINGENCY RESERVES FOR FISCAL YEAR 2020-21

BUDGET POLICY PRIORITY STATEMENT

This item matches the following Budget Policy Priority Statement/s:

- Fiscal and Organizational Stability.

FISCAL IMPACT

The fiscal impact of all available unassigned fund balance above the ten percent minimum reserve level designated and reported as assigned General Fund balance for contingency reserves increases contingency reserve levels to approximately fifteen percent. Staff bases this impact on initial FY 2020-21 year-end projections for the General Fund presented at the Q3 Financial Report on July 20, 2021, which estimated that the General Fund will end the fiscal year with an operating surplus of approximately \$4.0 million.

These FY 2020-21 year-end projections are not final figures as staff will not complete final financial reports from the year-end audit until December 2021. Staff will base the final amount designated as assigned contingency reserve fund balance on the final FY 2020-21 audited General Fund balance.

DISCUSSION

Staff provided a General Fund update and initial year-end projections for FY 2020-21 to City Council during the July 2021 Fiscal Year 2020-21 Q3 Financial Report. As of the Q3 Financial Report, staff projects the General Fund to end FY 2020-21 with a fund balance of \$14.5 million resulting from an approximate \$4.0 million operating surplus. The projected operating surplus is primarily due to expenditure savings as a result of reduced programming resulting from COVID-19 restrictions as well as unanticipated Successor Agency-related residual receipts property tax revenue.

The FY 2020-21 year-end projections are not final figures. The City anticipates completing the audit and financial reports in December 2021. The completed audit and financial reports will provide final year-end figures and results. Staff will present the audit and financial reports to City Council in December 2021.

Staff requests that City Council consider designating any remaining unassigned fund balance above the minimum ten percent contingency reserve level as assigned contingency reserve fund balance. The City's General Fund reserve policy states that "the City shall maintain a minimum General Fund balance of 10% of annual General Fund expenditures and shall strive to increase the level to 17% (approximately two months of expenditures). Staff will designate the ten percent fund balance as 'assigned' for use in the event of a significant financial emergency." For FY 2020-21, the City can exceed the minimum ten percent reserve by City Council designation of remaining available fund balance as contingency reserves. This will assist the City in reaching its seventeen percent reserve goal as stated by policy. This request is consistent with budget study session discussions.

Next Steps

Staff will present the fourth quarter financial report for FY 2020-21 with the City's audited financial statements in December 2021. This agenda report will detail the City's Annual Comprehensive Financial Report for FY 2020-21 as well as include all year-end budget adjustments to ensure budget and accounting compliance.

Attachments:

- Attachment 1 – Draft Resolution No. 2021-XX