

One-Time Revenues/General Fund Operating Surplus Policy

Objectives

Provide policy guidelines to current and future City Staff and Councils so there is:

- A. A consistent focus on priorities needing long-term resolution that supports the City's Long Range Financial Plan – e.g. capital improvements, pension funding, Parklands, etc. with approximate percentage allocations provided to guide Council discussion and decision making.
- B. Reduction or elimination of funding allocation of non-strategic investments (e.g. “pet projects”) that are not aligned with priorities identified in the City Council's annual workplan and budget, or the City's Long Range Financial Plan.
- C. Flexibility for adjustment and updating by City Council direction.

Policy Approach/Scope

Develop one policy for both one-time revenue and annual General Fund operating surpluses. Although they may have different sources, both sources result in the same economic benefit that should be consistently allocated.

Policy

Absent any financial needs associated with a City Council declaration of fiscal emergency, one-time resources, to include one-time revenues, operating surplus funds, and fund balances, will not be used to fund ongoing operations. They will be used for one-time uses, including capital improvements, Parklands, transitional funding of operations (for a limited time-period with a planned ending date), increasing reserves, paying down unfunded liabilities, and/or other one-time expenditures.

One-Time Revenues

Occasionally, the City will receive one-time revenues (e.g., Drug Asset Forfeiture Funds, American Rescue Plan Act).

- A. City staff will notify City Council within 30 days of receipt of one-time revenues in excess of \$200,000.
- B. One-time revenues in excess of \$200,000 shall be placed in Assigned Fund Balance and depending upon when revenues are received be:
 - Discussed by City Council in a Regular meeting within 90 days of receipt, or
 - Discussed by City Council during the annual budget process.

It is expected the City Council will act in an expeditious manner to designate or appropriate funds in accordance with this policy. One-time revenues below \$200,000 will be recorded as operating revenue.

- C. Any assigned one-time revenues placed in an Assigned Fund Balance, available at fiscal year end shall be deducted from the General Fund Operating Surplus in the fiscal year it was received, so as not to be double counted.

General Fund Operating Surplus

A fiscal year-end General Fund Operating Surplus may occur when there is a net increase in fund balance or when there is a positive budget variance.

- A. City staff will notify City Council within 30 days of receipt of the Annual Comprehensive Financial Report (ACFR) of the General Fund Operating Surplus for the previous fiscal year (net of any one-time revenue that has been placed in Assigned Fund Balance).
- B. Allocation of the General Fund Operating Surplus will be decided by Council by November 30 after the close of the prior fiscal year. It is expected the City Council will act in an expeditious manner to designate or appropriate funds in accordance with this policy.

Uses of One-Time Revenue and General Fund Operating Surplus

A. Designated

- 1. A specific purpose is designated by donor or as permitted by law

B. Undesignated (in order of priority)

- 1. Ensure City's General Fund Emergency Reserve is fully funded as adopted by the General Fund Reserve Policy
- 2. Allocate to General Fund Operating Reserve if below target level as adopted by the General Fund Reserve Policy
- 3. Fund One-time Expenditures or Projects*
 - a. Any required payments related to Unfunded Accrued Liability per City's adopted Pension Funding Policy (30%)
 - b. Capital improvement projects (30%)
 - c. Parklands uses (e.g. special projects and deferred maintenance as directed by Council) (30%)
 - d. Any annual unfunded City Council priorities or other one-time uses as identified by Staff and approved by Council (10%)

* Considerations for the allocation of excess revenues for one-time expenditures or projects shall include recommendations of the City Manager after review of the City's outstanding obligations, approved City Council goals, or level of City reserves. This recommended allocation also applies to one-time revenue as allowed.