

RESOLUTION NO. 2014-_____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING THE CATEGORIZATION OF \$3.6 MILLION IN THE ECONOMIC CONTINGENCY RESERVE AS A COMMITTED FUND BALANCE FOR FISCAL YEAR 2013/14, IN ACCORDANCE WITH GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54 AND COUNCIL POLICY 159-04

WHEREAS, in February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions; and

WHEREAS this new standard does not change the total amount of a given fund balance, but it substantially altered the categories and terminology used to describe the components that make up a fund balance; and

WHEREAS, the Economic Contingency Reserve (ECR) or “rainy day fund” provides the General Fund with the financial resiliency to weather economic downturns, and

WHEREAS, the ECR represents funds set aside to assist in stabilizing fluctuations in the City’s discretionary revenue streams, and

WHEREAS, several of the City’s major revenue sources, such as Sales Tax, Property Tax, Motor Vehicle License Fees and Transient Occupancy Tax are sensitive to the economic climate of the region, and

WHEREAS, evidenced by the Great Recession, the volatility of these revenue streams had a significant impact on the City’s ability to maintain service levels for essential City services, and

WHEREAS, the ECR will assist in minimizing impacts to service levels during a significant downturn in the economy by backfilling significant revenue shortfalls in the General Fund, and

WHEREAS, City Council Policy 220-03 recommends an ECR minimum level of 5% of the General Fund operating budget, and.

WHEREAS, committing \$3.6 million will bring the ECR to 2.7% of fiscal year 2014/15 General Fund operating budget and will provide progress towards meeting the 5% goal, and

WHEREAS, the reserve will be funded from Fiscal Year 2013/14 budgetary savings; and

WHEREAS, the funding of the Economic Contingency reserve is considered a commitment of fund balance and therefore requires City Council action to approve the designation in accordance with GASB 54 and be in compliance with Council Policy 159-04, and

WHEREAS, the approval of the resolution will enable the classification of \$3.6 million to Committed Fund Balance in the City's Fiscal Year 2013/14 audited financial statements.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Chula Vista does hereby approve the categorization of \$3.6 million in the Economic Contingency Reserve as a Committed Fund balance for Fiscal Year 2013/14, in accordance with Governmental Accounting Standards Board Statement No. 54 and Council Policy 159-04.

Presented by

Approved as to form by

Maria Kachadoorian
Deputy City Manager/CFO

Glen R. Goggins
City Attorney