

91-10

FILE NO. 100248

ORDINANCE NO.

1 [Creation of General Reserve and Budget Stabilization Reserve.]

2

3 **Ordinance amending the San Francisco Administrative Code by adding Section 10.60,**
4 **to adopt a binding financial policy under Charter Section 9.120 creating a General**
5 **Reserve and a Budget Stabilization Reserve and providing rules for deposits to and**
6 **withdrawals from such funds.**

7

NOTE: Additions are *single-underline italics Times New Roman*;
8 deletions are ~~*strike-through-italics Times New Roman*~~.
9 Board amendment additions are double-underlined;
Board amendment deletions are ~~strikethrough-normal~~.

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9

10 Be it ordained by the People of the City and County of San Francisco:

11

12 Section 1. **Binding Financial Policy.** This ordinance is a financial policy adopted
13 under Charter Section 9.120. As such, it must be adopted as an ordinance approved by the
14 Mayor and passed by a two-thirds' vote of the Board of Supervisors. The City may not adopt
15 a budget that the Controller determines is inconsistent with any of the provisions of this
16 ordinance. Upon a two-thirds' vote, the Board of Supervisors by resolution may suspend, in
17 whole or in part, this ordinance for the succeeding fiscal year.

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19 Section 2. The San Francisco Administrative Code is hereby amended by adding
20 Section 10.60, to read as follows:

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22 **CHAPTER 10: FINANCE, TAXATION, AND OTHER FISCAL MATTERS**

22

23 **ARTICLE X. FINANCIAL POLICIES**

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24

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Supervisor Chiu, Mayor Newsom, Supervisors Chu, Mirkarimi
Controller
BOARD OF SUPERVISORS

1 **SEC. 10.60. RESERVE POLICIES.**

2 (a) Rainy Day Reserve. To enable the public to find all City reserve policies in one place, this
3 ordinance includes a summary of the Charter-mandated Rainy Day Reserve. This summary is intended
4 only for convenience and does not modify or supersede the Charter provisions.

5 The City maintains a "Rainy Day" or economic stabilization reserve under Charter
6 Section 9.113.5. In any year when the Controller projects that total General Fund revenues for the
7 upcoming budget year are going to be more than 5 percent higher than the General Fund revenues for
8 the current year, the City automatically deposits one-half of the "excess revenues," meaning the
9 revenues above and beyond the current year plus 5 percent growth, in the Rainy Day Reserve. The
10 total amount of money in the Rainy Day Reserve may not exceed 10 percent of the City's actual total
11 General Fund revenues.

12 The City may spend money from the Rainy Day Reserve for any lawful governmental purpose,
13 but only in years when the Controller projects that total General Fund revenues for the upcoming year
14 will be less than the current year's total General Fund revenues, i.e., years when the City expects to
15 take in less money than it had taken in for the current year. In those years, the City may spend up to
16 half the money in the Rainy Day Reserve, but no more than is necessary to bring the City's total
17 available General Fund revenues up to the level of the current year. The City may also spend up to
18 25 percent of the balance of the Rainy Day Reserve to help the School District in years when certain
19 conditions are met.

20 (b) General Reserve. In addition to the Rainy Day Reserve, the City budget shall include a
21 General Reserve. The General Reserve is intended to address revenue weaknesses, expenditure
22 overages, or other programmatic goals not anticipated during the annual budget process. The Mayor
23 and the Board of Supervisors may, at any time following adoption of the annual budget, appropriate
24 monies from the General Reserve for any lawful governmental purpose through passage of a
25 supplemental appropriation ordinance by a simple majority vote.

1 For purposes of this Section, "regular General Fund revenues" shall mean total General Fund
2 sources less budgeted fund balances, budgeted uses of reserves, and net transfers, as determined by the
3 Controller. The City shall fund the General Reserve at no less than two percent of budgeted regular
4 General Fund revenues no later than fiscal year 2016-2017 2015-2016, according to the following
5 schedule:

6 1. The General Reserve shall be no less than \$25 million in the budget for fiscal
7 year 2010-11;

8 2. The General Reserve shall be no less than \$25 million 4.0 percent of budgeted
9 regular General Fund revenues in the budget for fiscal year 2011-12;

10 3. The General Reserve shall be no less than 1.0 4.25 percent of budgeted regular
11 General Fund revenues in fiscal year 2012-13;

12 4. The General Reserve shall be no less than 1.25 4.5 percent of budgeted regular
13 General Fund revenues in the budget for fiscal year 2013-14;

14 5. The General Reserve shall be no less than 1.5 4.75 percent of budgeted regular
15 General Fund revenues in the budget for fiscal year 2014-15; and,

16 6. The General Reserve shall be no less than 1.75 percent of budgeted regular
17 General Fund revenues in the budget for fiscal year 2015-16; and,

18 7.6. The General Reserve shall be no less than 2.0 percent of budgeted regular General
19 Fund revenues in the budget for fiscal year 2016-17 2015-16 and in the budget for each fiscal
20 year thereafter.

21 Year-end balances in the General Reserve shall be carried forward to subsequent years. When
22 necessary, the City shall appropriate sufficient funds to the General Reserve in the Annual
23 Appropriation Ordinance to restore the fund balance to the level this ordinance requires.

24 (c) **Budget Stabilization Reserve.** The City shall establish a Budget Stabilization Reserve to
25 augment the Rainy Day Reserve that the City maintains under Charter Section 9.113.5, and to further

1 mitigate the negative effects of significant economic downturns. The Controller shall deposit funds to
2 the Budget Stabilization Reserve as required under this Section.

3 The City may withdraw funds from the Budget Stabilization Reserve when the Controller
4 projects that budgeted regular General Fund revenues for the upcoming budget year will be less than
5 the current year's regular General Fund revenues, or less than the highest of any of the prior four
6 fiscal years' regular General Fund revenues plus two percent, for each intervening year. If the
7 Controller determines that either condition is met, the City may withdraw funds from the Budget
8 Stabilization Reserve according to the following guidelines:

9 1. The City may not withdraw funds from the Budget Stabilization Reserve in any given
10 year until it has withdrawn the maximum amount that the Controller determines is allowable
11 from the Rainy Day Reserve.

12 2. The City may not withdraw funds from the Budget Stabilization Reserve in any given
13 year in an amount exceeding the remaining shortfall in General Fund regular revenues, as
14 defined above, after any withdrawals from the Rainy Day Reserve for the benefit of the City.

15 3. If the Controller determines that a withdrawal trigger for the Budget Stabilization
16 Reserve was not met in the current fiscal year, but projects that it will be met for the upcoming
17 fiscal year, the City may withdraw from the Budget Stabilization Reserve up to 30 percent of the
18 combined value of the Budget Stabilization Reserve and Rainy Day Reserve less monies
19 withdrawn from the Rainy Day Reserve for any lawful governmental purpose in the upcoming
20 budget year.

21 4. If the Controller determines that a withdrawal trigger for the Budget Stabilization
22 Reserve was met in the current fiscal year and projects that it will also be met for the upcoming
23 fiscal year, the City may withdraw from the Budget Stabilization Reserve up to 50 percent of the
24 combined value of the Budget Stabilization Reserve and Rainy Day Reserve less monies
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1 withdrawn from the Rainy Day Reserve for any lawful governmental purpose in the upcoming
2 budget year.

3 5. If the Controller determines that the withdrawal trigger for the Budget Stabilization
4 Reserve was met in the current and prior fiscal year as well as the upcoming fiscal year, the
5 Board may withdraw up to the full balance of the Budget Stabilization Reserve for any lawful
6 governmental purpose in the upcoming budget year.

7 In order to fund the Budget Stabilization Reserve, the Controller shall deposit 75 percent of the
8 following revenue sources to the Budget Stabilization Reserve:

9 1. Real Property Transfer Tax proceeds in excess of the average annual actual receipts
10 level for the prior five fiscal years, adjusted for any transfer tax rate increases adopted by
11 the voters during the prior five year period;

12 2. Revenues from the sale of land or other fixed assets to the extent the transfer to the
13 Budget Stabilization Reserve does not violate the Charter, state or federal law, and the
14 Controller determines it does not conflict with any previously-adopted City policies affecting
15 such sales; and,

16 3. Ending unassigned General Fund balances in a given fiscal year as reported in the
17 City's most recent independent annual audit beyond those appropriated as a source in the
18 subsequent year's budget.

19 At the conclusion of the fiscal year, the Controller shall revise, if necessary, the balance in the
20 Budget Stabilization Reserve to reflect year-end actual revenue receipts, as stated in the City's most
21 recent independent annual audit.

22 There shall be no minimum fund balance for the Budget Stabilization Reserve. Notwithstanding
23 the above, the Controller shall not make deposit to the Budget Stabilization Reserve, including deposits
24 from the revenue sources identified above, if the combined fund balances of the Budget Stabilization
25

1 Reserve and the Rainy Day Reserve equal or exceed 10 percent of actual regular General Fund
2 revenues, as stated in the City's most recent independent annual audit.

3 The Controller shall not make deposits to the Budget Stabilization Reserve in years in which the
4 Controller determines that the City is eligible to make withdrawals from the Budget Stabilization
5 Reserve.

6 In the event that monies are deposited into the Rainy Day Reserve for any given year, any
7 amount which would otherwise be deposited into the Budget Stabilization Reserve shall be reduced by
8 the amount of the deposit to the Rainy Day Reserve.

9 The City, by a resolution of the Board of Supervisors adopted by a two-thirds' vote, may
10 temporarily suspend the provisions of this subsection (c) for the current or upcoming budget year. The
11 Board of Supervisors may suspend these provisions following a natural disaster that has caused the
12 Mayor or the Governor to declare an emergency, or for any other purpose.

13 (d) Annual Reporting on Reserves. The Controller shall submit to the Mayor and the Board of
14 Supervisors an annual report on the status of the General Reserve, the Rainy Day Reserve, and the
15 Budget Stabilization Reserve.

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18 RECOMMENDED:


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21 (See File for Signature)

22 BEN ROSENFELD
23 Controller

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

24
25
By:


THOMAS J. OWEN
Deputy City Attorney



City and County of San Francisco

Tails
Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 100248

Date Passed: April 20, 2010

Ordinance amending the San Francisco Administrative Code by adding Section 10.60, to adopt a binding financial policy under Charter Section 9.120 creating a General Reserve and a Budget Stabilization Reserve and providing rules for deposits to and withdrawals from such funds.

April 13, 2010 Board of Supervisors - PASSED ON FIRST READING

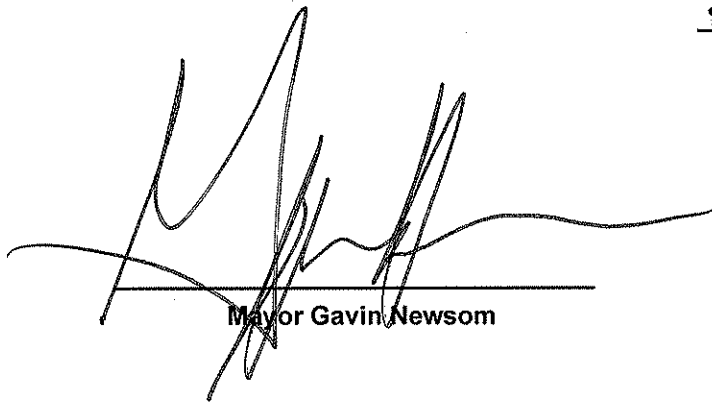
Ayes: 11 - Alioto-Pier, Avalos, Campos, Chiu, Chu, Daly, Dufty, Elsbernd, Mar, Maxwell and Mirkarimi

April 20, 2010 Board of Supervisors - FINALLY PASSED

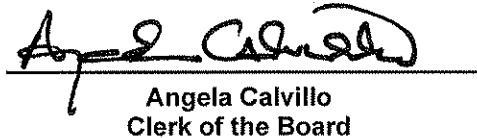
Ayes: 10 - Alioto-Pier, Avalos, Campos, Chiu, Chu, Daly, Dufty, Elsbernd, Mar and Mirkarimi
Excused: 1 - Maxwell

File No. 100248

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 4/20/2010 by the Board of Supervisors of the City and County of San Francisco.



Mayor Gavin Newsom



Angela Calvillo
Clerk of the Board

4-30-10

Date Approved