Resolution urging the Controller to review current City and County budget reserve and fund balance practices and best practices in other local jurisdictions, review historic changes in City revenues and one-time expenditures during periods of greater than average growth in City revenues and best practices in other jurisdictions, review and analyze the feasibility of establishing a revenue stabilization fund for use during economic downturns funded by extraordinary growth in City revenues, and recommend to the Mayor and the Board of Supervisors best practices for budget reserves and fund balances and recommendations for allocation of greater than average growth in General Fund revenues for a revenue stabilization fund, prevention programs, one-time capital spending and spending on deferred maintenance.

WHEREAS, The current fiscal crisis facing the State of California and the City and County of San Francisco necessitates that the City review its basic budget practices to ensure that the City is in line with best practices with local jurisdictions in the State of California and elsewhere; and

WHEREAS, Budget reserve and fund balance policies provide jurisdictions with the flexibility to weather fiscal crises and are an important part of the review of independent bond rating agencies that determine the City’s bond ratings and impact the subsequent cost of debt; and

WHEREAS, The City currently maintains various balance sheet and budgetary reserves, including the Cash Reserve mandated by the City Charter, the General Fund reserve, and (in the FY 02-03 budget), a one-time state revenue stabilization reserve to provide a buffer in the event of state budget cuts; and
WHEREAS, According to the Government Finance Officers Association *An Elected Official's Guide to Fund Balance*, recommended standards for unreserved fund balances are 5% to 15% of general fund operating revenues or 8% to 17% of operating expenditures; and

WHEREAS, After factoring in San Francisco's Cash Reserve, the Controller's Office calculates projected General Fund balances for the City and County of San Francisco of between 5% to 6% for FY 2002-03; and

WHEREAS, During the period from FY 1997-98 through FY 2000-01, the City and County of San Francisco realized higher than average growth in General Fund revenues; and

WHEREAS, The Mayor and the Board of Supervisors, pursuant to Charter mandate and in consultation with the Controller, set aside substantial increases in cash reserves during this same period; and

WHEREAS, Strong growth in City revenues provides an opportunity to mitigate underfunding of City services which must be balanced with the need to plan for future downturns; and

WHEREAS, Creation of a revenue stabilization fund for economic downturns may be a way to balance growth in spending during periods of strong growth and foster better planning for expenditure of resources, create a softer landing during economic downturns and avoid the prospect of layoffs and cuts in vital City services, and improve the overall fiscal stability of the City; and

WHEREAS, Spending on prevention or preventive planning programs designed to minimize more expensive crisis intervention at a later date, one-time spending on capital projects and equipment, and spending to address deferred maintenance during periods of extraordinary growth are budget strategies that can also assist during economic downturns; now, therefore, be it
RESOLVED, That the Board of Supervisors urges the City Controller, in consultation with the Board of Supervisors Budget Analyst, the Mayor’s Office of Public Finance and the Mayor’s Budget Office, to review current City and County budget reserve and fund balance practices and best practices in other local jurisdictions inside and outside of California; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges the Controller to review historic changes in City revenues and one-time expenditures during periods of greater than average growth in City revenues and best practices in other jurisdictions; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges the Controller, in consultation with the Board of Supervisors Budget Analyst, the Mayor’s Office of Public Finance and the Mayor’s Budget Office, to review and analyze the feasibility of establishing a revenue stabilization fund for use during economic downturns funded by strong growth in City revenues; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges the Controller to recommend to the Mayor and the Board of Supervisors best practices for budget reserves and recommendations for allocation of a portion of greater than average growth in General Fund revenues for a revenue stabilization fund, prevention or preventive planning programs, one-time capital or equipment spending, spending on deferred maintenance and/or other purposes.

Supervisors Ammiano, Ma, McGoldrick and Peskin
Resolution urging the Controller to review current City and County budget reserve and fund balance practices and best practices in other local jurisdictions, review historic changes in City revenues and one-time expenditures during periods of greater than average growth in City revenues and best practices in other jurisdictions, review and analyze the feasibility of establishing a revenue stabilization fund for use during economic downturns funded by extraordinary growth in City revenues, and recommend to the Mayor and the Board of Supervisors best practices for budget reserves and fund balances and recommendations for allocation of greater than average growth in General Fund revenues for a revenue stabilization fund, prevention programs, one-time capital spending and spending on deferred maintenance.

April 8, 2003 Board of Supervisors — ADOPTED
Ayes: 11 - Ammiano, Daly, Dufty, Gonzalez, Hall, Ma, Maxwell, McGoldrick, Newsom, Peskin, Sandoval
I hereby certify that the foregoing Resolution was ADOPTED on April 8, 2003 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

Mayor Willie L. Brown Jr.