



Legislation Details (With Text)

File #: O-1819-10 **Version:** 1 **Name:** Rainy Day Fund amendments
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Title: CONSIDERATION OF ORDINANCE O-1819-10 UPON SECOND AND FINAL READING: AN ORDINANCE OF THE CITY OF NORMAN, OKLAHOMA AMENDING SECTION 8-103 OF THE CODE OF THE CITY OF NORMAN BY REDUCING THE REQUIRED PERCENTAGE OF ANNUALLY BUDGETED EXPENDITURES TO BE APPROPRIATED TO THE EMERGENCY RESERVE ACCOUNT FROM TWO PERCENT TO ONE PERCENT AND CHANGING THE MINIMUM AND MAXIMUM PERCENTAGE OF GENERAL FUND EXPENDITURES TO BE HELD IN THE NET REVENUE STABILIZATION FUND TO FOUR AND SEVEN PERCENT; AND AMENDING SECTION 8 -104 TO INCREASE THE MINIMUM AMOUNT IN THE NET REVENUE STABILIZATION FUND FROM THREE PERCENT TO FOUR PERCENT OF ANNUALLY BUDGETED GENERAL FUND EXPENDITURES; AND PROVIDING FOR THE SEVERABILITY THEREOF.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Text File, 2. O-1819-10, 3. O-1819-10 annotated

Date	Ver.	Action By	Action	Result
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CONSIDERATION OF ORDINANCE O-1819-10 UPON SECOND AND FINAL READING: AN ORDINANCE OF THE CITY OF NORMAN, OKLAHOMA AMENDING SECTION 8-103 OF THE CODE OF THE CITY OF NORMAN BY REDUCING THE REQUIRED PERCENTAGE OF ANNUALLY BUDGETED EXPENDITURES TO BE APPROPRIATED TO THE EMERGENCY RESERVE ACCOUNT FROM TWO PERCENT TO ONE PERCENT AND CHANGING THE MINIMUM AND MAXIMUM PERCENTAGE OF GENERAL FUND EXPENDITURES TO BE HELD IN THE NET REVENUE STABILIZATION FUND TO FOUR AND SEVEN PERCENT; AND AMENDING SECTION 8-104 TO INCREASE THE MINIMUM AMOUNT IN THE NET REVENUE STABILIZATION FUND FROM THREE PERCENT TO FOUR PERCENT OF ANNUALLY BUDGETED GENERAL FUND EXPENDITURES; AND PROVIDING FOR THE SEVERABILITY THEREOF.

BACKGROUND: On June 28, 2011, the City Council adopted Ordinance O-1011-58, which formalized the City of Norman's General Fund Reserve Policies. The Ordinance was codified in Sections 8-103 - 8-104 of the City Code. Generally speaking, the Policy requires that the City Council adopt a General Fund budget each fiscal year that has an Operating Reserve of Fund Balance of at least three percent (3%) of budgeted expenditures, a budgeted Emergency Reserve allocation of at least two percent (2%) of budgeted expenditures and a minimum balance of at least three percent (3%) of General Fund expenditures in a Net Revenue Stabilization Fund (also known as the "Rainy Day Fund"), which was established by Ordinance 1011-58.

The Reserve Policy also sets restrictions before the Council can appropriate any funds from the Rainy Day Fund. At least one of three circumstances must be met before Council can appropriate Rainy Day Fund balances for expenditure:

1. The General Fund Operating Reserve fund balance is projected to fall below one percent of budgeted expenditures; or
2. A natural or man-made disaster has occurred, resulting in a federal or state disaster declaration in Norman, AND

the City of Norman has spent or obligated to spend the two percent Emergency Reserve account in the General Fund; or

3. A major one-time or capital expenditure has been necessitated, such as for major repairs to or replacement of City of Norman facilities.

Since its inception, the 2% Emergency Reserve allocation has been most commonly used for quick response to extreme storm events in which City crews have needed additional help from outside contractors for debris removal on public and private property. The allocated funds enable the City Manager to immediately employ the services of debris removal or other private contractors without Council action. The costs have ranged from over \$6,000,000 for the ice storm of 2007, to less than \$200,000 for some storm events, as detailed on the attachment. In some cases the funds expended from the Emergency Reserve account are reimbursed from Federal Emergency Management Agency funds (up to 75% of eligible costs) and/or Oklahoma Office of Emergency Management funds (up to 12.5% of eligible costs). The reimbursements may take many months to be received after the storm event.

DISCUSSION: At the August 16, 2018 City Council Finance Committee meeting, staff was directed to prepare proposed revisions to the City's General Fund Reserve Policies. By Committee consensus, the proposed revisions would reduce the budgeted Emergency Reserve allocation requirement from two percent (2%) to one percent (1%) in each future budget year, and potentially use the fiscal year 2018-2019 (FYE 2019) Emergency Reserve allocation for other purposes. Based on the FYE 2019 2% Emergency Reserve allocation, this action could make \$723,677 available for other purposes or to build up the projected year-end General Fund balance, if it remains unspent. Council could adopt the revisions and consider any directions for the freed-up allocations at a future time, if desired. It is believed that the one percent (1%) Emergency Reserve budget would still be adequate to provide immediate emergency response when required, until Council could meet and authorize further emergency expenditures as required.

The proposed revisions are illustrated on the attached marked-up copy of City Code Sections 8-103 and 8-104. The proposed changes to the Net revenue Stabilization Fund's required minimum, targeted and maximum fund balances were discussed at the August 28, 2018 City Council Study Session and were moved forward to the proposed Ordinance, based on maintaining previous prudent reserve levels. As directed by the current Reserve Policy (City Code, Section 8-104.D, which is not proposed to be revised), Council will consider whether to make any deposits to or withdrawals from the Rainy Day Fund to maintain these levels as a part of the mid-fiscal year review mandated by the Reserve Policy.

RECOMMENDATION: If Council desires to make the changes to the City's Reserve Policies discussed at the August Finance Committee meeting and Council Study Session of August 28, 2018, the proposed Ordinance is recommended for approval.