Call to Order
Roll Call

Committee Members: Pete McCracken, Chair
Charles Webber, Member
Maria Bemis, Member
Julia Lew, Member
John Lollis, Member

ORAL COMMUNICATIONS
This is the opportunity to address the Audit Committee on any scheduled matter. Unless additional time is authorized by the Committee, all commentary shall be limited to three minutes per individual and no more than fifteen minutes total.

REPORTS
City Attorney
City Manager
City Finance Director

SCHEDULED MATTERS
1. Approval of Minutes of January 10, 2012

Carryover Business

New Business
3. Future Agenda Items

OTHER MATTERS

ADJOURNMENT

In compliance with the Americans with Disabilities Act and the California Ralph M. Brown Act, if you need special assistance to participate in this meeting, or to be able to access this agenda and documents in the agenda packet, please contact the Office of City Clerk at (559) 782-7464. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting and/or provision of an appropriate alternative format of the agenda and documents in the agenda packet.

Materials related to an item on this Agenda submitted to the Audit Committee after distribution of the Agenda packet are available for public inspection during normal business hours at the Office of City Clerk, 291 N. Main Street, Porterville, CA 93257, and on the City’s website at www.ci.porterville.ca.us.
Call to Order at 3:25 p.m.

Roll Call

Committee Members: Pete McCracken, Chair
Charles Webber, Member
Maria Bemis, Member
Julia Lew, Member
John Lollis, Member

ORAL COMMUNICATIONS
None

REPORTS
None

SCHEDULED MATTERS
1. APPROVAL OF MINUTES OF NOVEMBER 1, 2011

This item was removed.

Carryover Business
2. CONSIDERATION OF RECOMMENDING A DRAFT ORDINANCE CREATING A GENERAL FUND RESERVE POLICY; AUTHORIZING THE ESTABLISHMENT OF “BUDGET STABILIZATION”; CATASTROPHIC/EMERGENCY”, CAPITAL MAINTENANCE”, “CAPITAL CONSTRUCTION/IMPROVEMENT”, “INFRASTRUCTURE MAINTENANCE/IMPROVEMENT” AND “SPECIAL PURPOSES” DEDICATED AND RESERVE FUNDS.

Member Lollis provided a draft ordinance for the committee’s review. A flow chart was also provided, which illustrated the allocation of general fund reserves. City Manager Lollis briefly spoke of the differences between the proposed funds and provided various examples or scenarios which would apply to each. He then inquired of Member Bemis if the proposed minimum balance of 15% of General Fund annual budgeted operating expenditures was sufficient for the Budget Stabilization Fund, to which she replied that she did not think it was sufficient. Member Lew noted a voting issue within the ordinance, and the committee discussed Formal City Council Action requirements. City Attorney Lew referred to the City’s Charter and Municipal Code for verification regarding votes required for approval of resolutions, ordinances and appropriations.

Chair McCracken voiced concerns regarding Council use of the Budget Stabilization Fund to balance the City’s budget. The committee explored the use of voting requirements and requiring a determination of a finding by the Council as ways of addressing those concerns.
They also reviewed language and identified areas where language could be tightened up. Member Lollis indicated that the purpose of the Budget Stabilization Fund was to mitigate revenue shortfalls, not to balance a budget with excess expenditures; and noted that all of the proposed funds had specific uses. Use of the proposed funds via inter-fund loans was also discussed, and Member Lew recommended that an inter-fund loan policy be explored by the committee.

Following it’s discussion the committee concurred that the following revisions needed to be incorporated into the draft ordinance: a 4/5 of members present voting requirement to access Budget Stabilization and Catastrophic/Emergency Funds; the need for a determination of a finding by the Council to access said funds, and what constitutes a finding; and amending the language “changes in the economic environment”. The committee would review the revised draft ordinance at its next meeting, which was schedule to take place on Tuesday, January 24, 2012, at 3:00 p.m. in City Hall.

New Business
3. FUTURE AGENDA ITEMS

No future items were discussed.

OTHER MATTERS
None

ADJOURNMENT
The Committee adjourned at 4:47 p.m.

Patrice Hildreth, Committee Secretary
By: Luisa Herrera

Pete V. McCracken, Chair
ORDINANCE NO.__________

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PORTERVILLE,
CREATING A GENERAL FUND RESERVE POLICY; AUTHORIZING THE
ESTABLISHMENT OF “BUDGET STABILIZATION”, “CATASTROPHIC/EMERGENCY”,
“CAPITAL MAINTENANCE”, “CAPITAL CONSTRUCTION/IMPROVEMENT”,
“INFRASTRUCTURE MAINTENANCE/IMPROVEMENT”, AND
“SPECIAL PURPOSES” DEDICATED AND RESERVE FUNDS

WHEREAS, the City Council of the City of Porterville deems it prudent financial
management to establish a General Fund Reserve Policy to require the accumulation of
General Fund revenues to address future community needs; and

WHEREAS, adequate General Fund balance and Reserve levels are an
important factor in an external agencies’ measurement of the City of Porterville’s
creditworthiness and financial strength; and

WHEREAS, General Fund Reserve funds can assist in mitigating the effects of
economic and financial crisis; and

WHEREAS, General Fund Reserve funds are necessary for cash flow
management, and to enable the City of Porterville to manage unforeseen emergencies
or changes in condition; and

NOW, THEREFORE, BE IT ORDAINED, that the City Council of the City of
Porterville hereby creates a General Fund Reserve Policy, and authorizes the
establishment of the following dedicated Reserve funds as follows:

“Budget Stabilization” Reserve Fund

It shall be the policy of the City of Porterville to establish Reserve funds that shall
be used for the purpose to mitigate, should it occur, one-time annual budget
revenue shortfalls (actual revenues less than projected revenues) due to
changes in the economic environment, actions by the county/state/federal
government, and/or expenditures that will result in future efficiencies and/or
budgetary savings. The “Budget Stabilization” Reserve Fund shall be maintained
at a minimum of fifteen percent (15%) of General Fund annual budgeted
operating expenditures (excluding one-time expenditures), and may only be
appropriated by formal City Council action with not less than 2/3s of those
voting in agreement. Should the Fund’s balance fall below 10% of annual
budgeted operating expenditures, then a plan will be established to replenish the
Fund to the required level within three (3) fiscal years. An initial balance shall
be appropriated from the current unallocated reserve as of the date of
adoption of this Ordinance in an amount equal to fifteen percent (15%) of
the Budgeted General Fund Expenditures for fiscal 2011-2012.
“Catastrophic/Emergency” Reserve Fund

It shall be the policy of the City of Porterville to establish Reserve funds that shall be used for the purpose to mitigate costs associated with unforeseen emergencies, including natural disasters or catastrophic events. Should unforeseen and unavoidable events occur that require the expenditure of City resources beyond those provided for in the annual budget, formal City Council action with not less than 2/3s of those voting in agreement is required of a budget amendment confirming the nature of the emergency and authorizing the appropriation of Reserve funds. The “Catastrophic/Emergency” Reserve Fund shall be maintained at a minimum of ten percent (10%) of General Fund annual budgeted operating expenditures (less one-time expenditures). Should the Fund’s balance fall below 10% of annual budgeted operating expenditures, then a plan will be established to replenish the Fund to the required level within five (5) fiscal years. An initial balance shall be appropriated from the current unallocated reserve as of the date of adoption of this Ordinance in an amount equal to ten percent (10%) of the Budgeted General Fund Expenditures for fiscal 2011-2012.

“Facility Deferred Maintenance/Equipment Replacement” Designated Fund

It shall be the policy of the City of Porterville to establish Designated funds that shall be used for the exclusive purpose of providing funds to support one-time City facility deferred maintenance and/or equipment replacement costs (excluding vehicles), such as, but not limited to, HVAC units, roofing, parking lot overlays, painting, plumbing, electrical, and doors/windows. The City Council, by means of a Resolution, may add, modify, or delete specific deferred maintenance or equipment replacement categories. The “Facility Deferred Maintenance/Equipment Replacement” Designated Fund shall have no minimum balance, but shall accumulate funds until appropriated by formal City Council action. The Fund shall receive an allocation of twenty-five percent (25%) one third (1/3) of audited General Fund unassigned fund balance (actual revenues more than actual expenditures). An initial balance shall be appropriated from the current unallocated reserve as of the date of adoption of this Ordinance in an amount equal to one-third (1/3) of the current unallocated reserve balance as of the date of adoption of this Ordinance after the funding of the Budget Stabilization Reserve Fund, the Catastrophic/Emergency Reserve Fund, and the initial funding of the Special Purpose Designated Fund, have been deducted from the initial unallocated reserve fund balance.

“Capital Construction/Improvement” Designated Fund
It shall be the policy of the City of Porterville to establish Designated funds that shall be used for the exclusive purpose of providing funds to support new capital construction and/or improvement projects as identified in the City’s 10-year Capital Improvement Plan. The “Capital Construction/Improvement” Designated Fund shall have no minimum balance, but shall accumulate funds until appropriated by formal City Council action. The Fund shall receive an allocation of twenty-five percent (25%) one third (1/3) of audited General Fund unassigned fund balance (actual revenues more than actual expenditures). An initial balance shall be appropriated from the current unallocated reserve as of the date of adoption of this Ordinance in an amount equal to one-third (1/3) of the current unallocated reserve balance as of the date of adoption of this Ordinance after the funding of the Budget Stabilization Reserve Fund, the Catastrophic/Emergency Reserve Fund, and the initial funding of the Special Purpose Designated Fund, have been deducted from the initial unallocated reserve fund balance.

“Ifrastructure Deferred Maintenance/Improvement” Designated Fund

It shall be the policy of the City of Porterville to establish Designated funds that shall be used for the exclusive purpose of providing funds to support one-time City infrastructure deferred maintenance and/or improvement costs, such as, but not limited to, streets/alleys, bridges, sewer, water, storm drain, and curb/gutter/sidewalk. The City Council, by means of a Resolution, may add, modify, or delete specific infrastructure deferred maintenance/improvement categories. The “Infrastructure Deferred Maintenance/Improvement” Designated Fund shall have no minimum balance, but shall accumulate funds until appropriated by formal City Council action. The Fund shall receive an allocation of twenty-five percent (25%) one third (1/3) of audited General Fund unassigned fund balance (actual revenues more than actual expenditures). An initial balance shall be appropriated from the current unallocated reserve as of the date of adoption of this Ordinance in an amount equal to one-third (1/3) of the current unallocated reserve balance as of the date of adoption of this Ordinance after the funding of the Budget Stabilization Reserve Fund, the Catastrophic/Emergency Reserve Fund, and the initial funding of the Special Purpose Designated Fund, have been deducted from the initial unallocated reserve fund balance.

“Special Purposes” Reserve Fund

It shall be the policy of the City of Porterville to establish Reserve funds as a line item of the annual City Council budget that shall be used for the purpose of providing funds to support one-time City special events, projects, and/or purposes that benefit the community. The “Special Purposes” Reserve Fund shall be maintained at a minimum of $100,000, and may only be appropriated by
formal City Council action. Should the Fund’s balance fall below $100,000 in a fiscal year, then the General Fund will replenish the Fund to the minimum required level at the beginning of the following fiscal year. **An initial balance in the amount of One Hundred Thousand and no/100 dollars ($100,000.00) shall be appropriated from the current unallocated reserve as of the date of adoption of this Ordinance.**

**“Formal City Council Action” for appropriations**

For the purposes of this ordinance, formal City Council action shall be defined as adopting a Resolution making finding(s) that the appropriation is within the intent and purpose of the Designated Fund including, where appropriate, one or more findings that the purpose of the appropriation is within the defined purpose of the Designated Fund whether or not explicitly stated in this Ordinance.

This Ordinance shall be in full force and effect thirty (30) days from and after its publication and passage.

PASSED, APPROVED, AND ADOPTED this _____ day of __________, 2011.

________________________________________
Ronald L. Irish, Mayor

ATTEST:
John D. Lollis, City Clerk

By: ________________________________
Patrice Hildreth, Chief Deputy City Clerk