

## **RESOLUTION NO. 2011-56**

### **RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ROHNERT PARK ADOPTING FISCAL POLICIES FOR USE OF RESTRICTED RESERVE FUNDS; FOR USE OF CAPITAL RESERVE FUNDS FOR INFRASTRUCTURE, FACILITIES AND EQUIPMENT AND USE OF GENERAL FUND SURPLUS; AND FOR VEHICLE REPLACEMENT**

**WHEREAS**, the City of Rohnert Park has established a number of Restricted Reserve Funds enabling carryover of funds from year to year to help meet long-term goals, but has no consistent criteria designating when these funds may be used for purposes other than those for which they were established; and

**WHEREAS**, the City of Rohnert Park has no mechanism in place to assure capital costs for infrastructure, facilities and equipment are funded in a timely manner; and

**WHEREAS**, the City of Rohnert Park at times realizes an operating (General Fund) surplus at fiscal year-end due to cost-cutting measures, revenue in excess of projections, and/or operational modifications, and inconsistent criteria have been applied regarding the use of these surpluses; and

**WHEREAS**, the City of Rohnert Park has fallen behind in vehicle replacement funded through the General Fund, and a Vehicle Replacement Fund and Schedule will ensure vehicles are replaced according to their anticipated lifecycle, reduce maintenance costs and eliminate reliance on large cash outlays from the operating budget; and

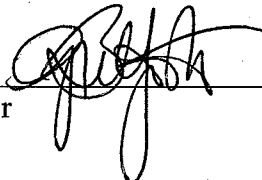
**WHEREAS**, the City Council of the City of Rohnert Park has determined it is in the public interest to: 1) establish policies regarding guiding use of Restricted Reserve Fund accounts; 2) apply any significant operational (General Fund) surpluses to contingency and restricted reserve fund accounts; and 3) establish a Vehicle Replacement Fund and Vehicle Replacement Schedule.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Rohnert Park adopts the following City of Rohnert Park Fiscal Policies, attached hereto as Exhibits A, B and C respectively:

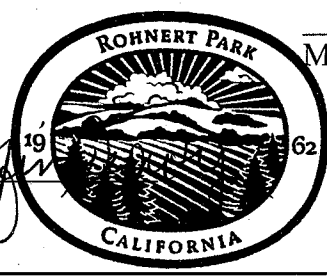
- **City Of Rohnert Park Fiscal Policy: Use of Restricted Reserve Funds**
- **City of Rohnert Park Fiscal Policy: Use of Restricted Capital Reserve Funds for Infrastructure, Facilities and Equipment, and Use of General Fund Surplus**
- **City of Rohnert Park Fiscal Policy: Vehicle Replacement**

**DULY AND REGULARLY ADOPTED** by the City Council of the City of Rohnert Park this 28<sup>th</sup> day of June, 2011.

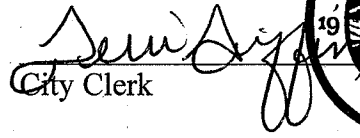
**CITY OF ROHNERT PARK**



\_\_\_\_\_  
Mayor



**ATTEST:**

  
\_\_\_\_\_  
City Clerk

<p>AHANOTU: <u>AYE</u> CALLINAN: <u>AYE</u> MACKENZIE: <u>AYE</u> STAFFORD: <u>AYE</u> BELFORTE: <u>AYE</u> AYES: (5) NOES: (0) ABSENT: (0) ABSTAIN: (0)</p>
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**CITY OF ROHNERT PARK**  
**CITY COUNCIL POLICY**



SUBJECT	POLICY NO.	RESO. NO.	EFF. DATE	PAGE
<b>FISCAL POLICY: USE OF RESTRICTED RESERVE FUNDS</b>	415.35	2011-56	6/28/2011	1 OF 1

**PURPOSE**

The City of Rohnert Park has established a number of Restricted Reserve Funds enabling carryover of funds from year to year, to help meet long-term financial goals. The below policy establishes criteria for use of these Funds, to help ensure consistency in fund allocation and long-term financial sustainability.

**POLICY**

Effective with the 2011-2012 fiscal year, the City shall establish the following Restricted Reserve Funds:

1. General Fund Reserve
2. Capital Vehicle Replacement
3. Facility Improvements
4. Capital Improvement Infrastructure

Restricted Reserve Funds may be accessed for purposes other than those for which they were established only under extraordinary circumstances, which include:

- Costs related to natural or human-made disasters;
- Costs associated with major and extended economic downturns;
- Needs resulting from significant reductions in State budget allocations; and
- Significant unexpected and unbudgeted operational costs that cannot be met with current General Fund allocations.

The City Manager will first evaluate the City's financial condition and circumstances indicating a possible need to access Restricted Reserve Funds, and make a recommendation to City Council. A four-fifths affirmative vote by City Council is then required prior to use of Restricted Reserve Funds for any purpose other than those for which they were established. Funds shall be replenished at the rate of 50% the following fiscal year and 50% the subsequent fiscal year, unless otherwise determined by City Council.

**CITY OF ROHNERT PARK**  
**CITY COUNCIL POLICY**



SUBJECT	POLICY NO.	RESO. NO.	EFF. DATE	PAGE
<b>FISCAL POLICY: USE OF RESTRICTED CAPITAL RESERVE FUNDS FOR INFRASTRUCTURE, FACILITIES AND EQUIPMENT, AND USE OF GENERAL FUND SURPLUS</b>	415.36	2011-56	6/28/2011	1 OF 2

**PURPOSE**

*Capital Reserve:* Restricted Capital Reserve Fund accounts can be established to accumulate resources for ongoing or future capital expenditures. Capital costs include, e.g., deferred maintenance, streets and landscaping, vehicles, and complex facility projects generally taking more than one fiscal year to complete and/or not part of the City's recurring operations and expenditures.

Reserve accounts help to ensure appropriate infrastructure is in place, costly equipment can be purchased and replaced, and facility construction and rehabilitation completed when needed. Through annual budgeting, capital costs can be managed according to a predetermined priority system that facilitates better planning and integration with the City's operating budget. Project interrelationships can be better recognized, and the timing of projects coordinated to minimize expenditures.

*General Fund Surplus:* The City at times realizes an operating (General Fund) surplus at fiscal year end, due to cost-cutting measures, revenue in excess of projections, and/or operational modifications. Inconsistent criteria have been applied regarding use of these surpluses.

**POLICY**

Restricted Capital Reserve Fund accounts may be established for either governmental or enterprise capital purposes; however, the purpose must be stated when the fund is created. Restricted Capital Reserve Fund accounts must originate through a City Council-adopted resolution or ordinance.

Capital projects identified for funding through Restricted Capital Reserve Fund accounts may be financed in whole or part by bond proceeds, notes, or other debt instruments as approved by the City Council, individually by project or through the annual budget process. Restricted Capital Reserve Fund accounts may also be funded through appropriations from any other fund, when consistent with limitations imposed by this and other applicable governmental fiscal policies and procedures, and the City's Municipal Code.

Budgets for projects or equipment identified for funding through Restricted Capital Reserve Fund accounts will be adopted one time, and should include all necessary expenditures. Projects and expenditures will be reviewed on an annual basis in conjunction with the City's regular budget

**CITY OF ROHNERT PARK**  
**CITY COUNCIL POLICY**



SUBJECT	POLICY NO.	RESO. NO.	EFF. DATE	PAGE
<b>FISCAL POLICY: USE OF RESTRICTED CAPITAL RESERVE FUNDS FOR INFRASTRUCTURE, FACILITIES AND EQUIPMENT, AND USE OF GENERAL FUND SURPLUS</b>	415.36	2011-56	6/28/2011	2 OF 2

process. At that time, new projects may be added, and projects determined to be less critical or unnecessary may be postponed or deleted, subject to City Council approval.

City Council may authorize use of Restricted Capital Reserve funds for a different purpose at a later date by amending the appropriate resolution or ordinance; however, the funds must still be used for capital purposes.

Transfers from a Restricted Capital Reserve Fund account must be authorized by the City Council through an ordinance or resolution. City Council authorizes a transfer only for a purpose specified in the original resolution or ordinance establishing the fund, or in an amendment to the original resolution or ordinance. The resolution or ordinance should authorize the withdrawal in the form of an appropriation from the reserve fund to another capital fund. Transfers to other funds are the only types of appropriations that may be made to a restricted capital reserve fund, and cannot exceed the amount of available funds in the reserve fund.

The cash balance of Restricted Capital Reserve Fund accounts may be deposited or invested as consistent with the City's Municipal Code and other applicable governmental fiscal policies and procedures.

If, at the close of any fiscal year, an operating (General Fund) surplus exceeds \$500,000, surplus funds are to be allocated as follows:

- 50% to the City's Contingency Fund
- 50% to the City's Restricted Reserve Funds, apportioned as indicated below
  - 20% General Fund
  - 10% Capital Replacement
  - 10% Facility Maintenance
  - 10% Infrastructure

General Fund surpluses below \$500,000 may be distributed to other City funds and accounts at the discretion of the City Manager, in accordance with other financial policies and procedures.

**CITY OF ROHNERT PARK**  
**CITY COUNCIL POLICY**



SUBJECT	POLICY NO.	RESO. NO.	EFF. DATE	PAGE
<b>FISCAL POLICY: VEHICLE REPLACEMENT</b>	415.37	2011-56	6/28/2011	1 OF 2

**PURPOSE**

The purpose of the Vehicle Replacement Policy is to establish a Vehicle Replacement Fund and criteria for a Vehicle Replacement Schedule, which will ensure vehicles are funded and replaced according to their anticipated lifecycle, reduce maintenance costs, and eliminate reliance on the operating budget and large cash outlays for vehicle purchases.

**DEFINITIONS**

**Depreciation:** means the decrease in value due to wear and tear, decay, decline in price, etc.

**Capital Replacement Fund:** means a plan for capital expenditures and the means of financing them, to be incurred each year over a fixed period of years, to meet capital needs arising from long-term work program.

**Fleet Manager:** means the staff person responsible for managing the repair, replacement and maintenance of the City's vehicle fleet and equipment inventory.

**Operating Fund:** means a programmatic, financial, and organizational plan for furthering the goals of the City Council through departments of the City, which does not include capital improvement projects.

**Straight-Line Depreciation:** means the depreciation of an asset by a fixed percentage of its original cost based on its estimated life

**Vehicle Depreciation Schedule:** means the programmatic plan used to calculate the replacement of City vehicles and equipment.

**POLICY**

The City of Rohnert Park's vehicle replacement and depreciation schedule is maintained by the Department of Public Works and specifically managed by the Director and Fleet Manager.

Vehicle Replacement criteria are determined by anticipated useful service life. Typically, this is based upon the type of vehicle and its usage. A vehicle will be replaced according to these established criteria unless the Department Head(s) and Fleet Manager determine that: 1) mechanical failure or vehicle damage warrants earlier replacement, or 2) the vehicle is still serviceable and may serve additional years beyond its original anticipated service life.

Funding for vehicle replacement shall be incrementally allocated from department operating funds to a restricted capital replacement fund – the Vehicle and Equipment Replacement Fund. Future vehicle replacements will be funded from the Vehicle Replacement Fund, which receives accumulated operating fund transfers based on the Vehicle Depreciation Schedule.

**CITY OF ROHNERT PARK**  
**CITY COUNCIL POLICY**



SUBJECT	POLICY NO.	RESO. NO.	EFF. DATE	PAGE
<b>FISCAL POLICY: VEHICLE REPLACEMENT</b>	415.37	2011-56	6/28/2011	2 OF 2

Funding will consist of an annual set-aside based upon a straight-line depreciation for each vehicle over the course of its lifecycle and budgeted as part of the annual budget development process.

Depreciation fees shall commence the same fiscal year of each new and replacement vehicle purchase. Depreciation expenses shall be expensed from the respective department operating budget and deposited into the Vehicle Replacement Fund. Depreciation expenses shall continue through the service life of the new vehicle and shall cease upon retirement of said vehicle.

**Calculating the Annual Set-aside**

The annual set-aside is calculated by determining the future value of a vehicle and using straight-line depreciation. This method determines the dollar amount that will be set aside each year throughout the vehicle's lifecycle.

For example, a Crown Victoria costing \$26,000 in 2003 has a useful life of 10 years. It is scheduled to be replaced in 2013 and is estimated to cost approximately \$35,000. The annual set-aside amount for this vehicle would be \$3,500. Funding will be allocated to the Vehicle Replacement Fund each year and will be used to purchase the new vehicle when it reaches the end of its lifecycle.

**Retired Vehicles**

All replaced vehicles shall be removed from the Vehicle Depreciation Schedule and removed from the active City Fleet. Retired Vehicles shall be disposed of through surplus sale by Resolution of the City Council of the City of Rohnert Park

**Surplus Property**

Funds received through the resale of any vehicle removed from City services will be deposited in the Vehicle Replacement Fund to help defray unanticipated new vehicle cost increases.