



City of Alameda

One-Time Revenue, Excess Property Transfer Tax, and General Fund Surplus Policy

Purpose and Introduction

It is the intent of the City of Alameda ("City") to establish sound financial policies that will serve as guidelines for responsible and prudent decision making related to financial matters. The City of Alameda has a longstanding practice of allocating one-time revenues, whether derived from year-end budget surpluses or one-time events, for purposes of funding one-time expenses to maintain a structurally balanced budget.

The purpose of this One-Time Revenue, Excess Property Transfer Tax ("PTT"), and General Fund Surplus Policy ("Policy") is to (1) repeal the 2017 Pension Rate Stabilization Program and Other Post-Employment Benefits (OPEB) Funding Policy, (2) identify excess Property Transfer Tax ("Excess PTT"), and (3) establish a formal process for funding by which one-time revenues, including Excess PTT, are to be allocated and used for funding one-time needs in support of overall City goals and priorities.

Adoption and Implementation

The City Council is responsible for adopting the Policy and for approving any significant revision. The City Manager, or his/her designee, is responsible for developing administrative procedures, as needed, to implement the Policy. In this role, the City Manager, or his/her designee, is authorized to make minor administrative changes in the Policy as long as they are intended to carry out the purpose of this Policy and will not have any significant policy impact. The City Council will review and approve this Policy via resolution, as needed, to ensure it meets the current and future needs of the City.

Scope

This Policy shall be subordinate to fulfilling the City's established goal of maintaining available General Fund reserves of at least 25 percent of annual expenditures, and shall supersede the Pension Rate Stabilization Program and OPEB Funding Policy. The scope of this Policy is limited to annual General Fund budget surpluses and one-time sources of non-recurring revenue, such as excess PTT. This Policy does not include one-time grants or restricted funding, which by their nature are designated for specific purposes.

Definitions

General Fund Tax Revenue – The total revenues presented under the General Fund in the City's Annual Comprehensive Financial Report (ACFR) Statement of Revenues, Expenditures and Changes in Fund Balances.

One-Time Revenues – One-time or non-recurring revenues are defined as resources that the City cannot reasonably expect to receive on an ongoing basis, such as proceeds from asset sales, litigation settlements, and development agreements.

One-Time Expenses – Non-recurring and non-operational expenses related to short-

duration activities or one-time projects, which may include, but are not limited to, the following:

- Unmet needs in the City's Capital Budget
- Equipment replacements
- Technology replacements or upgrades
- Emergency repairs of City infrastructure
- Pension, OPEB, or other long-term liabilities

The examples of One-Time Revenues and One-Time Expenses provided in this Policy do not preclude the City Council from identifying other appropriate one-time revenue sources or one-time funding needs.

General Fund Surplus – General Fund Surplus, as defined by this policy, is the difference between the current year and prior year General Fund “Residual fund balance in excess of policy or fund balance deficits,” found under the Net Position and Fund Balances footnote of the Annual Comprehensive Financial Report (ACFR). The amount is considered Surplus only if the current year is greater than the prior year. This amount comprises unassigned residual fund balance after meeting all annual auditing and financial reporting requirements and complying with the City's General Fund Reserve Policy.

Excess Property Transfer Tax – The City's PTT rate on residential and commercial real property sales is 1.2% of value of each real estate transaction. As a revenue source, this tax is volatile and subject to fluctuations based on a handful of high value transfers in any given year. The Excess PTT revenue is defined as any amount of actual PTT revenues that exceed 14% of General Fund Tax Revenues (inclusive of PTT) at fiscal year-end. It is the intent of this Policy that Excess PTT revenues reduce unfunded liabilities.

General Fund Reserve Policy – The City Council has committed to maintaining General Fund reserve balances at appropriate levels to protect City assets, assure availability of cash to meet short-term obligations, address unforeseen events, and avoid future debt. In accordance with the City's existing General Fund Reserve Policy, the City currently maintains a fund balance reserve of at least 25 percent of annual operating expenditures.

Responsibility

Implementation of the Policy is the responsibility of the Finance Department.

Procedure for Use of General Fund Surplus due to One-Time Revenues

At fiscal year close, the Finance Department shall determine if a General Fund Surplus exists. If General Fund Surplus exists, the Finance Department will then calculate One-Time Revenues, including Excess PTT, received. City staff will then propose allocations of the One-Time Revenues, up to the amount of the General Fund Surplus. Of the One-

Time Revenues identified for allocation, 75% shall be used to reduce CalPERS unfunded liability and 25% shall be contributed into the City's Public Agency Retirement Services (PARS) Section 115 Irrevocable Trust.

DRAFT