

CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM

DEPARTMENT: Office of the Comptroller
AGENDA DATE: May 6, 2014
CONTACT PERSON/PHONE: Mark Sutter, Comptroller, Office of the Comptroller, (915)212-1145
DISTRICT(S) AFFECTED: All

SUBJECT:

Discussion and action on an ordinance amending Title 3 (Revenue and Finance), Chapter 3.36 (Cash Reserves), Section 3.36.010 (Cash Reserve Fund) of the City Code to conform the required cash reserve fund amount to the revised City Charter requirement.

BACKGROUND / DISCUSSION:

On February 26, 2013, the City Council of the city of El Paso approved an ordinance calling for a special election on May 11, 2013, in the City for the purpose of submitting to the voters of the City certain amendments to the City of El Paso, authorizing, among other things, revising the amount of the City revenues to be maintained in a cash reserve fund in the operating fund of the City to an amount no less than five percent (5) of the prior year's adopted general fund operating expenditure budget. An election was held on May 11, 2013, and a majority of the resident qualified electors voting at the election voted in favor of the proposition.

This ordinance amends the City code to align with the change to the City Charter, specifically the amount of the required cash reserve fund. Instead of a minimum and maximum amount or percentage, the Code will now reflect the Charter requirement for a minimum cash reserve equal to five percent (5) of the prior year's general fund operating expenditure budget. The Code change also permits expenditure of interest earnings on capital improvements as specified in Section 7.4 of the Charter. The Finance and Audit Oversight Committee voted on April 28, 2014, to bring this amendment to the full Council.

PRIOR COUNCIL ACTION:

On February 26, 2013, the City Council approved an ordinance calling for a special election for the purpose of submitting to the voters amendments to the Charter. The last time City Code Section 3.36.010 (previously Section 8-1) was updated occurred on October 13, 1981.

AMOUNT AND SOURCE OF FUNDING:

N/A

BOARD / COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:



CITY CLERK DEPT.
2014 MAY -1 PM 3:09

ORDINANCE NO. _____

AN ORDINANCE AMENDING TITLE 3 (REVENUE AND FINANCE), CHAPTER 3.36 (CASH RESERVES), SECTION 3.36.010 (CASH RESERVE FUND) OF THE CITY CODE OF THE EL PASO TO CONFORM THE REQUIRED CASH RESERVE FUND AMOUNT TO THE REVISED CITY CHARTER REQUIREMENT

WHEREAS, on February 26, 2013, the City Council of the City of El Paso approved an ordinance calling for a special election on May 11, 2013, in the City, for the purpose of submitting to the voters of the city certain amendment to the City of El Paso, authorizing, among other things, revising the amount of City revenues to be maintained in a cash reserve fund in the operating fund of the City to an amount no less than five percent (5) of the prior year's adopted general fund operating expenditure budget.

WHEREAS, an election was held in the City of El Paso, Texas on May 11, 2013, for the purpose of submitting the proposition with respect to the financial operations of the City to the resident electors of the city; and

WHEREAS, on May 11, 2013 a majority of the resident qualified electors voting at said election voted in favor of the proposition with respect to the financial operations of the City; and

WHEREAS, the city desires to amend the city code to effectuate the voter approval of the proposition regarding the financial operations of the City, specifically the amount of the required cash reserve fund.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

SECTION 1: That Title 3 (Revenue and Finance), Chapter 3.36 (Cash Reserves), Section 3.36.010 (Cash Reserve Fund) of the City Code shall be amended as follows:

"3.36.010 Cash reserve fund.

A. Each year an amount equal to five percent (5%) of the prior year's adopted general fund operating expenditure budget shall be appropriated for the purpose of creating a cash reserve fund; provided the funds are maintained and may be used in accordance with Section 7.4. of the City Charter.

B. The cash reserve fund must be maintained as a separate entity in accounting records. Additionally, the balance on deposit in the cash reserve fund must be invested in accordance with state guidelines and income from such investments will remain within the fund, except as may be expended in accordance with Section 7.4 of the City Charter.

C. Withdrawals from the cash reserve fund, whether it has attained the required size or not, may be made from time to time to meet current expenses until sufficient taxes are collected. Such withdrawals must be approved by city council action. As soon as practical after collection of taxes, the amount so withdrawn shall be repaid to the cash reserve fund so as to keep the fund available for use in the following year.

SECTION 2: Except as herein enumerated, Title 3 (Revenue and Finance), Chapter 3.36 (Cash Reserves), Section 3.36.010 (Cash Reserve Fund) of the City Code shall remain in full force and effect.

PASSED AND ADOPTED this ____ day of _____, 2014

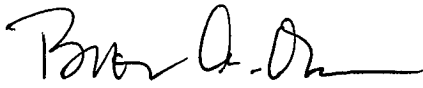
CITY OF EL PASO

Oscar Leaser, Mayor

ATTEST:


Richarda Duffy Momsen
Municipal Clerk

APPROVED AS TO FORM:



Bertha A. Ontiveros
Senior Assistant City Attorney

APPROVED AS TO CONTENT:



Mark Sutter, Comptroller
Office of the Comptroller

Charter and Municipal Code – Cash Reserve / Existing Provisions

Section 7.4 CASH RESERVE FUND.

A cash reserve fund in the general operating fund of the City shall be maintained in an amount no less than five percent (5%) of the prior year's adopted general fund operating expenditure budget. The cash reserve fund shall be maintained and reported as restricted under applicable Governmental Accounting Standards Board rules and must be invested in accordance with the laws of Texas. Short term borrowing from the cash reserve fund shall be for a period of no more than one calendar year and must be approved by the Council. Annual income from the cash reserve fund may be used only for capital improvements. "Capital improvements" shall be construed to include acquisition, construction, reconstruction, or improvement of facilities, equipment, or land for use by the City and all expense incidental thereto.

3.36.010 Cash reserve fund.

A.

Each year an amount equal to one percent of all appropriations in the general fund budget shall be appropriated for the purpose of creating a cash reserve fund; provided:

1.

No such appropriation shall be made in any year, when, by so doing, the balance of the reserve fund would exceed twenty percent of the general fund budget for that year;

2.

The cash reserve created by such balance and subsequent appropriations shall not be used in any year except to reduce the short-term borrowing that would otherwise be necessary.

B.

The cash reserve fund must be maintained as a separate entity in accounting records. Additionally, the balance on deposit in the cash reserve fund must be invested in accordance with state guidelines and income from such investments will remain within the fund. The requirement for a one percent annual contribution shall be offset by earnings of the fund.

C.

Withdrawals from the cash reserve fund, whether it has attained the required size or not, may be made from time to time to meet current expenses until sufficient taxes are collected. Such withdrawals must be approved by city council action. As soon as practical after collection of taxes, the amount so withdrawn shall be repaid to the cash reserve fund so as to keep the fund available for use in the following year.

Municipal Code - Cash Reserve / Proposed Revisions

3.36.010 Cash reserve fund.

A.

Each year an amount equal to one percent of all appropriations in the general fund budget five percent (5%) of the prior year's adopted general fund operating expenditure budget shall be appropriated for the purpose of creating a cash reserve fund; provided the funds are maintained and may be used in accordance with Section 7.4. of the City Charter.:

~~1.~~

~~No such appropriation shall be made in any year, when, by so doing, the balance of the reserve fund would exceed twenty percent of the general fund budget for that year;~~

~~2.~~

~~The cash reserve created by such balance and subsequent appropriations shall not be used in any year except to reduce the short term borrowing that would otherwise be necessary.~~

B.

The cash reserve fund must be maintained as a separate entity in accounting records. Additionally, the balance on deposit in the cash reserve fund must be invested in accordance with state guidelines and income from such investments will remain within the fund unless expended as permitted in Section 7.4 of the City Charter. ~~The requirement for a one percent annual contribution shall be offset by earnings of the fund.~~

C.

Withdrawals from the cash reserve fund, whether it has attained the required size or not, may be made from time to time to meet current expenses until sufficient taxes are collected. Such withdrawals must be approved by city council action. As soon as practical after collection of taxes, the amount so withdrawn shall be repaid to the cash reserve fund so as to keep the fund available for use in the following year.



Discussion and Action on Amending the City Code to Conform to Charter

May 6, 2014

Presented by:

Mark Sutter, Ph.D., CPA (NM)
Office of the Comptroller



Cash Reserve History

- **Municipal Code**
 - Historical fixed amount (\$16,000,000)
 - Growth impact not provided for
- **Charter amendment**
 - May 2013, voters passed amendment
 - Provides for 5% (amount can grow with budget)
- **Alignment options**
 - Mirror language in both
 - Remove conflicting Code reference



Charter Language

- **A cash reserve fund in the general operating fund of the City shall be maintained in an amount no less than 5% of the prior year's adopted general fund operating expenditure budget.**
- **And**
 - **Follow GASB reporting rules**
 - **Invest in accordance with PFIA**
 - **Short term borrowing for no more than one year and approved by Council**
 - **Annual income shall be used for capital improvements**



Revision to Municipal Code

Section 3.36.010

- A. Each year an amount equal to ~~one~~ five percent of ~~all appropriations in the the prior year's adopted~~ general fund operating expenditure budget shall be appropriated for the purpose of creating a cash reserve fund; provided the funds are maintained and may be used in accordance with Section 7.4. of the City Charter.
 - ~~1. No such appropriation shall be made in any year, when, by so doing, the balance of the reserve fund would exceed twenty percent of the general fund budget for that year;~~
 - ~~2. The cash reserve created by such balance and subsequent appropriations shall not be used in any year except to reduce the short term borrowing that would otherwise be necessary.~~



Revision to Municipal Code

Section 3.36.010

- **B. The cash reserve fund must be maintained as a separate entity in accounting records. Additionally, the balance on deposit in the cash reserve fund must be invested in accordance with state guidelines and income from such investments will remain within the fund unless expended as permitted in Section 7.4 of the City Charter. ~~The requirement for a one percent annual contribution shall be offset by earnings of the fund.~~**
- ***C. No changes proposed.***



Recommendation

- **Update subsection A. from Code Section 3.36.010**
 - Reserve is 5% of prior year GF operating expenditure, minimum
 - Align use to Charter 7.4 provision (short term borrowing/capital)
- **Update subsection B. from Code Section 3.36.010**
 - Permit expenditure of income in accord with Charter 7.4
 - Delete reference to one percent contribution
- **No change to subsection C.**



Questions?