



CORTE MADERA TOWN COUNCIL
STAFF REPORT

REPORT DATE: June 1, 2011
MEETING DATE: June 7, 2011

TO: TOWN MANAGER, MAYOR AND TOWN COUNCIL

FROM: GEORGE T. WARMAN, JR., DIRECTOR OF ADMINISTRATIVE
SERVICES/TOWN TREASURER

SUBJECT: ADOPTION OF A RESOLUTION UPDATING THE “TOWN GENERAL FUND
RESERVE” AND ESTABLISHING A “TOWN SALES TAX CONTIGENCY
RESERVE”

* * * * *

PURPOSE:

To update the “Town General Fund Reserve” and to establish a “Town Sales Tax Contingency Reserve”.

RECOMMENDATION:

Staff recommends that the Town Council adopt the Resolution in Attachment #1.

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF CORTE MADERA
UPDATING THE “TOWN GENERAL FUND RESERVE”
AND
ESTABLISHING A “TOWN SALES TAX CONTIGENCY RESERVE”

OPTIONS:

The Town Council can take any action on this they desire.

TOWN MANAGER'S RECOMMENDATION:

Support Staff's recommendation.

GENERAL PLAN:

Not applicable.



ENVIRONMENTAL IMPACT:

Not applicable.

FISCAL IMPACTS:

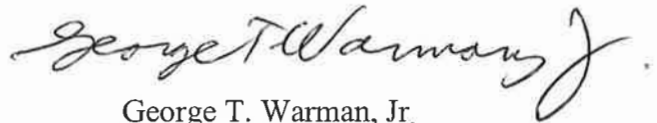
The reserves would be funded over a period of years with the first priority given to the “Town General Fund Reserve”. Unrestricted monies remaining at year end would be transferred on the accounting records to the reserves in order of priority until they would be fully funded. The amounts of the reserves would be adjusted upwards as called for in the attached resolution.

BACKGROUND & DISCUSSION:

Resolution No. 1895, a copy of which is included in Attachment #2, was adopted for the purpose of qualifying for “Bail-Out Funds” from the State of California following the enactment of Proposition 13 at the June 6, 1978 election, and for that purpose only. There is an account on our General Ledger titled “Town General Fund Reserve” with a positive amount of \$300,000. In very recent years, this has been offset by a deficit in other accounts.

Each year a surveillance review is done by the rating agencies on the Park Madera Center debt issue. There will also be an upcoming review on the pending FY 2011-2012 TRANs by the rating agency. At each review, the raters are “unhappy” that the Town does not have a current policy on unrestricted reserves. The attached resolution is before you at this time to assist in maintaining our current ratings on the PMC issue, which is a “BBB+” and the TRANs rating, which is “SP-1”. Fortunately, we are finishing FY 2010-2011 ahead of the mid-year estimate of \$265,000 by \$348,000 or a total of \$613,000 by the most current estimate. FY 2011-2012 looks to be further ahead by \$242,000, by the most recent estimate.

As indicated in the Resolution, these reserves would be funded as the flow of resources permit over future years.



George T. Warman, Jr.
Director of Administrative Services/
Town Treasurer

ATTACHMENTS:

- 1. Proposed Resolution
- 2. Resolution No. 1895

ATTACHMENT 1

PROPOSED RESOLUTION

RESOLUTION NO.

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF CORTE MADERA
UPDATING THE "TOWN GENERAL FUND RESERVE"
AND
ESTABLISHING A "TOWN SALES TAX CONTIGENCY RESERVE"

* * * * *

WHEREAS, Resolution No. 1895, adopted by the Town Council on April 16, 1979, established and set the "Town General Fund Reserve" in the amount of \$300,000; and

WHEREAS, nationally recognized standards call for an unrestricted reserve of at least ten percent; and

WHEREAS, during FY 2009-2010, the most recently completed fiscal year, had General Fund expenditures of approximately \$13,000,000; and

WHEREAS, the Town has been heavily dependent on sales taxes for over fifty years, which are an elastic revenue source fluctuating with the economy and subject to changes through relocations of businesses comprising the sales tax base; and

WHEREAS, the Town has averaged approximately \$5,500,000 in sales taxes between FY 2005-2006 and FY 2009-2010; and

WHEREAS, given the vulnerability of the elastic sales tax revenue base a twenty-five percent contingency reserve for sales taxes is deemed appropriate.

NOW THEREFORE, BE IT RESOLVED, that the "Town General Fund Reserve" is hereby increased to the amount of \$1,300,000; and

BE IT FURTHER RESOLVED, that a "Town Sales Tax Contingency Reserve" is hereby established in the amount of \$1,400,000; and

BE IT FURTHER RESOLVED, that these are minimum amounts and are to be adjusted upwards in increments of \$100,000 as General Fund expenditures and Sales Tax revenues may increase in future years; and

BE IT FURTHER RESOLVED, that the Town will endeavor to fund these reserves over future years, as the flow of resources permit, with first priority going to the "Town General Fund Reserve".

* * * * *

I hereby certify that the foregoing is a full, true and correct copy of Resolution No. ____ duly passed and adopted by the Town Council of the Town of Corte Madera, at a meeting thereof duly held on the 7th day of June, 2011, by the following vote:

AYES, and in favor thereof, Councilmembers:

NOES, Councilmembers:

ABSENT, Councilmembers:

Christine Green, Town Clerk

Alexandra Cock, Mayor

ATTACHMENT 2

RESOLUTION NO. 1895

RESOLUTION NO. 1895

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF CORTE MADERA CLARIFYING THE ORIGIN AND PRESENT STATUS OF THE TOWN'S GENERAL FUND RESERVE

RESOLVED, BY THE TOWN COUNCIL OF THE TOWN OF CORTE MADERA, as follows:

WHEREAS, on July 6, 1976, the Corte Madera Town Council adopted Resolution No. 1706, which among other things approved the 1976-77 Town Budget and established a General Fund Reserve in the amount of three hundred thousand dollars (\$300,000); and

WHEREAS, the purpose of the General Fund Reserve was and is to meet cash flow needs, unexpected emergencies and to provide matching funds for grant opportunities; and,

WHEREAS, at the time the General Fund Reserve was being considered, the Town was evaluating the feasibility of self-insuring in a number of areas in an effort to halt or retard premium costs; and,

WHEREAS, during the time since the creation of this fund and as a direct result thereof, the Town has self-insured in the areas of Workers' Compensation, General Liability, Unemployment Insurance and Property Damage; and

WHEREAS, Resolution No. 1865, which adopted the 1978-79 Town Budget, once again specifically reaffirmed the Town Council's policy to maintain a General Fund Reserve of \$300,000; and

WHEREAS, the Town has been contacted by the State Controller's Office relative to the Town's eligibility to receive State "bail-out" funds under SB-154 and SB-2212;

NOW, THEREFORE BE IT RESOLVED that the Corte Madera Town Council, as a matter of clarification for the State Controller's office, indicates the above is an accurate summary of the origin of the Town General Fund Reserve which was established in July of 1976; and,


BE IT FURTHER RESOLVED that the Town Clerk is hereby instructed to amend the budget adoption minutes for the fiscal years 1976-77, 1977-78 and 1978-79 to specifically refer to the establishment and continuance of the General Fund Reserve, ^{herein} as clarified/

* * * * *


I, the undersigned, hereby certify that the foregoing is a full, true and correct copy of Resolution No. 1895 of the Town of Corte Madera adopted at the regular meeting of April 16, 1979, by the following vote thereof:

AYES, and in favor thereof, Councilmembers: Flahive, Bohland, Haehl, Sullivan and Mayor Dunn
NOES, Councilmembers: None
ABSENT, Councilmembers: None

APPROVED:



Mayor



Betty Behel, Town Clerk