

**RESOLUTION NO. 5902(14)**

**A Resolution of the Council of the City of Lompoc,  
County of Santa Barbara, State of California,  
Adopting a Set of Financial Principles, a General Fund Reserve Policy  
and Interim Operating Reserve Goals for the Water Utility, Wastewater Utility,  
Solid Waste Utility, and Workers' Compensation  
and General Liability Self-Insurance Programs**

**WHEREAS**, the City Council has set goals and objectives for the City, including economic development, public safety, accountability, code enforcement, graffiti abatement, and others; and

**WHEREAS**, the City Council desires to set financial principles to help guide decisions regarding City programs and functions; and

**WHEREAS**, the City Council desires to establish target levels of reserves in its primary funds to improve the City's financial stability to prepare for future economic cycles based on underlying financial principles; and

**WHEREAS**, the General Fund provides basic services to the community primarily using tax revenues, which fluctuate with economic cycles; and

**WHEREAS**, the City Council directed the establishment of a General Fund Reserve policy, based on the structured approach developed by Governmental Finance Officers Association (GFOA) in assessing risk; and

**WHEREAS**, the City contracted with William Statler, a recognized fiscal policy expert in California, to prepare a proposed General Fund Reserve Policy; and

**WHEREAS**, the City has a Reserve Policy adopted by Resolution No. 4348(94), establishing operating, leave, fixed asset, and stabilization reserve targets for the Electric Utility; and

**WHEREAS**, the City adopted Water and Wastewater Utility Rates on August 6, 2013 that provide for establishing three-month reserves in each utility by June 30, 2018; and

**WHEREAS**, the City is self-insured for Workers' Compensation and General Liability risks with excess insurance coverage purchased from the California State Association of Counties – Excess Insurance Authority (CSAC-EIA), based on program guidelines; and

**WHEREAS**, effective financial reserve policies and underlying financial principles are desirable to provide direction for financial planning to attain the goals set using financial principles with financial reserve policies.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LOMPOC, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1.** Financial principles are adopted as outlined in Exhibit A.

**SECTION 2.** A General Fund Reserve Policy is adopted as outlined in Exhibit B.

**SECTION 3.** Operating reserves are established in the following amounts for the following funds:

Water Utility – Fund 51 – three months of unrestricted working capital (current assets less current liabilities), based on annual budgeted operating expenditures for the following fiscal year to provide for cash flow fluctuations and to provide a buffer for the Utility for unanticipated reductions in revenues. This represents a 25-percent-level of reserves; a level to be attained during the course of the current rate structure period through June 30, 2018.

Wastewater Utility – Fund 53 – three months of unrestricted working capital (current assets less current liabilities), based on annual budgeted operating expenditures for the following fiscal year to provide for cash flow fluctuations and to provide a buffer for the Utility for unanticipated reductions in revenues. This represents a 25-percent-level of reserves; a level to be attained during the course of the current rate structure period through June 30, 2018.

Solid Waste Utility – Fund 59 – three months of unrestricted working capital (current assets less current liabilities), based on annual budgeted operating expenditures for the following fiscal year to provide for cash flow fluctuations and to provide a buffer for the Utility for unanticipated reductions in revenues. This represents a 25-percent-level of reserves; a level to be attained during the course of the proposed rate structure period through June 30, 2019.

**SECTION 4.** Loss reserves are established in the following amounts for the following programs:

General Liability self-insurance program – Program 71100 – unrestricted working capital (current assets less current liabilities), based on annual actuarially determined estimated liability for outstanding claims at the targeted confidence level of 80 percent. Membership in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) requires members to maintain reserves and to make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies. Funding the reserve at the 80 percent confidence level provides for the CSAC-EIA member requirements.

Workers' Compensation self-insurance program – Program 71500 – unrestricted working capital (current assets less current liabilities) based on annual actuarially determined estimated liability for outstanding claims at the Targeted confidence level of 80 percent. Membership in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) requires members to maintain reserves and to make funding contributions equal to or exceeding the present value of expected losses and a reasonable margin for contingencies. Funding the reserve at the 80 percent confidence level provides for the CSAC-EIA member requirements.

**SECTION 5.** Resolution No. 4348(94) establishing reserve levels for the Electric Utility (Fund 52) remains in effect until rescinded by resolution.

**SECTION 6.** Operating reserves and Loss reserves established in Sections 3 and 4 are deemed to be interim target levels. Operating and Loss reserves will be reevaluated over time as more comprehensive reserves policies are established for debt service, rate stabilization, infrastructure repairs and replacement and other categories within each Fund or Program identified in Sections 3, 4 and 5.

**SECTION 7.** Reserve policy levels established or reaffirmed as part of this Resolution shall remain in place until rescinded by resolution, in whole or by individual Fund or Program.

**SECTION 8.** Effective Date. This Resolution is effective on the day of its adoption.

The foregoing Resolution was proposed by Councilmember \_\_\_\_\_, seconded by Councilmember \_\_\_\_\_ and was duly passed and adopted by the Council of the City of Lompoc at its special meeting on March 25, 2014, by the following vote:

AYES: Councilmember(s):

NOES: Councilmember(s):

ABSENT: Councilmember(s):

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John H. Linn, Mayor  
City of Lompoc

ATTEST:

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Stacey Alvarez, City Clerk  
City of Lompoc

- Attachments: 1) [Exhibit A – General Financial Principles](#)  
2) [Exhibit B – General Fund Reserve Policy](#)