

GENERAL FUND SURPLUS UTILIZATION

PURPOSE

To establish a City Council policy for the use of surplus funds resulting from unrestricted General Fund annual revenues exceeding total actual expenditures, encumbrances, and commitments for a given fiscal year.

BACKGROUND

Due to a variety of factors, such as economic expansion, frugal operations, or changes to various projects and programs, the City of Newport Beach may end a fiscal year with a surplus of revenues over expenditures, encumbrances and commitments. Budget Surplus Funds are those surplus funds that result after closing the City's accounting records for a fiscal year.

From time to time, the City Manager may recommend allocations to the City Council on the use of Budget Surplus Funds consistent with the uses identified in this policy.

POLICY

- A. One-time funds, such as grant proceeds, should be used for one-time expenditures; therefore, the City Council should not use one-time and Budget Surplus Funds in a way that creates new on-going expenditure requirements unless the City Council can demonstrate that adequate resources exist to support the on-going expenditure requirements.
- B. After addressing approved budget amendments, reserve deficiencies and other matters of fiscal concern, the City Manager or his/her designee may recommend that Budget Surplus Funds be used to fund City needs in the manner described in this policy, as approved by the City Council, at a public meeting.
- C. Roughly fifty percent (50%) of the Budget Surplus Funds shall be used to address long-term obligations such as pension liabilities, other post-employment benefits, bonded debt, lease obligations and other long-term needs. Unlike ongoing needs such as salaries, long-term needs do not require ongoing funding over an indeterminable period of time.
- D. Roughly fifty percent (50%) of the Budget Surplus Funds shall be used to address infrastructure or neighborhood capital improvements, guided by a philosophy that these expenditures should seek to improve the community's safety, aesthetics, transportation, and/or quality of life.

Adopted - June 14, 2016