

RESOLUTION NO. 2023-103

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONA, CALIFORNIA, APPROVING THE CITY OF CORONA'S ADMINISTRATIVE POLICY NO. 01200.608, RESERVE POLICY FOR UTILITIES DEPARTMENT OPERATING FUNDS AND REPEALING RESOLUTION NO. 2022-039.

WHEREAS, the City Council of the City of Corona ("City Council") has considered Administrative Policy 01200.608 entitled "Reserve Policy for Utilities Department Operating Funds" ("Policy") which outlines the policy and procedures to maintain a prudent level of financial resources to protect Utilities Department customers against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures, and to maintain the credit worthiness of the City and the Utilities Department; and

WHEREAS, the Policy establishes a target reserve amount for the Utilities Department Operating Funds, which consists of the Water Utility Fund, the Reclaimed Water Utility Fund, the Sewer Utility Fund and the Electric Utility Fund, at ninety (90) days of operating expenses plus annual depreciation; and

WHEREAS, the Utilities Department has recommended to the City Council that the Policy be approved and established as a policy of the City; and

WHEREAS, on May 18, 2022, the City Council adopted Resolution No. 2022-039 to approve the Policy but it was inadvertently assigned policy number 01200.606 which was already assigned to another administrative policy; and

WHEREAS, the City Council desires to repeal Resolution No. 2022-039; and

WHEREAS, the City Council now desires to re-adopt the Policy as Administrative Policy No. 01200.608.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CORONA, CALIFORNIA, AS FOLLOWS:

SECTION 1. Adoption of Policy. The City Council hereby adopts Administrative Policy No. 01200.608 (Reserve Policy for Utilities Department Operating Funds) attached hereto as Exhibit "A" and incorporated herein by reference.

SECTION 2. Repeal of Resolution No. 2022-039 and Conflicting Resolutions. Resolution No. 2022-039 is hereby repealed and of no further force or effect. Additionally, all other prior resolutions or policies inconsistent with this Resolution are hereby repealed, but only to the extent that they conflict with this Resolution.

SECTION 3. Effective Date. This Resolution is effective upon its adoption

PASSED, APPROVED, AND ADOPTED this 1st day of November, 2023.

Mayor of the City of Corona, California

ATTEST:

City Clerk of the City of Corona, California

CERTIFICATION

I, Sylvia Edwards, City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 1st day of November, 2023 by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Corona, California, this 1st day of November, 2023.

Sylvia Edwards, City Clerk

(SEAL)

EXHIBIT "A"

**ADMINISTRATIVE POLICY NO. 01200.608
RESERVE POLICY FOR UTILITIES DEPARTMENT OPERATING FUNDS**

[SEE ATTACHED THREE (3) PAGES]



Administrative Policy

Title: Reserve Policy for Utilities Department Operating Funds					
Administered By: Utilities Department and Finance Department					
Policy No.	Issue Date	Revision Date	Dept. Head Approved	City Manager Approved	Mayor Approved
01200.608	11-01-23	N/A			

ARTICLE I - PURPOSE

Section 1.1 General Purpose

The purpose of this policy is to maintain a prudent level of financial resources to protect Utilities Department customers against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures, and to maintain the credit worthiness of the City and the department. This policy establishes the appropriate level of financial reserves in the Water Utility Fund (570), the Reclaimed Water Utility Fund (567), the Sewer Utility Fund (572) and the Electric Utility Fund (578). This policy also establishes a plan to build and replenish the reserves as needed and describes the conditions warranting the use of reserve funds.

Section 1.2 Superseded Policies

This policy supersedes and replaces the following policies, which are hereby eliminated in their entirety and are of no further force and effect:

- NONE

ARTICLE II - DEFINITIONS AND SCOPE

Section 2.1 Definitions

For purposes of this policy, the following definitions shall apply:

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- A. Actual Operating Expenses. The term “actual operating expenses” shall mean the actual amount of expenses and debt service incurred by each of the Utilities Department Operating Funds in a given fiscal year.
- B. Actual Operating Revenue. The term “actual operating revenue” shall mean the actual amount of revenue earned by each of the Utilities Department Operating Funds in a given fiscal year.
- C. Reserve, Reserve Amount or Reserve Funding. The terms “reserve”, “reserve amount” or “reserve funding” shall mean the funding set aside by the Utilities Department and reserved by the Finance Department in accordance with this policy.
- D. Target Reserve Amount. The term “target reserve amount” shall mean the desired amount of funding to be set aside and reserved in order to build a financial reserve for each of the Utilities Department Operating Funds.
- F. Utilities Department Operating Funds. The term “Utilities Department Operating Funds” shall mean the Water Utility Fund (570), the Reclaimed Water Utility Fund (567), the Sewer Utility Fund (572), and/or the Electric Utility Fund (578).

Section 2.2 General Scope

Unless otherwise stipulated herein, this policy applies to all City employees. All such employees shall comply with the provisions outlined in this policy. It is the responsibility of all supervision to ensure that the provisions outlined in this policy are enforced for those City employees under their authority.

Section 2.3 Exemptions from Scope

NONE

ARTICLE III – RESERVE POLICY

Section 3.1 Target Reserve Amount

Commencing with Fiscal Year 2022, the target reserve amount for each of the Utilities Department Operating Funds shall be set at ninety (90) days of operating expenses for each fund plus the current annual depreciation amount for each fund. The target reserve amount for each of the Utilities Department Operating Funds will be adjusted with each rate study process and incorporate a five-year review of operating expenses and depreciation amounts.

To build the target reserve amount, the Utilities Department shall annually contribute ten percent (10%) of the difference between actual operating revenues and actual operating expenses for each of the Utilities Department Operating Funds at the beginning of each fiscal year until the target reserve amount is met. If the reserve amount exceeds the target reserve amount, the additional funds shall remain in reserves.

Section 3.2 Permissible Use of Reserve Funding

Reserve funding may be use for the following purposes subject to the prior approval of the City Council and Corona Utility Authority, as applicable:

- As needed in the event of a declaration of a state or federal emergency or a local emergency as defined in Corona Municipal Code Section 2.52.020
- Emergency projects
- To fulfill debt obligations
- To phase in the impact of unforeseen cost increases, such as significant increases in imported water costs, wastewater treatment costs, changes in energy costs, and other significant expense fluctuations
- To address unexpected revenue shortfalls

Section 3.3 Replenishment of Reserve Funding

Whenever reserve funding is used, as provided in Section 3.2, the Utilities Department shall replenish the balance by contributing 10% of the difference between actual operating revenues and actual operating expenses for the applicable Utilities Department Operating Funds until the target reserve amount is met.

PRIOR VERSIONS
NONE