

**CITY OF OBERLIN, OHIO**

**ORDINANCE No. 19-55 AC CMS**

**AN ORDINANCE ESTABLISHING A CASH RESERVES POLICY FOR THE CITY OF OBERLIN AND DECLARING AN EMERGENCY**

WHEREAS, it is prudent that the City have a policy to maintain a certain range of cash reserves to ensure the financial stability of the City and its various Utility Enterprise funds; and,

WHEREAS, maintaining healthy reserves allows the Administration and City Council to thoughtfully consider austerity measures and revenue enhancements when budgetary pressures occur from loss of jobs in the community, lost businesses, further state funding reductions, or cyclical economic downturns; and,

WHEREAS, reserves also allow the City to earn income to help offset operational costs, help the City maintain a strong bond rating, resulting in the reduction of future borrowing costs, and allows the City the ability to pay for capital improvements, particularly in the Enterprise funds, without issuing debt, or issuing less debt.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Oberlin, County of Lorain, State of Ohio, five-sevenths (5/7ths) of all members elected thereto concurring:

SECTION 1. That the City Council adopt the Cash Reserves Policy, attached hereto and incorporated herein by reference as **Exhibit A**, and further jointly authorizes the Finance Director and City Manager to amend the Cash Reserves Policy from time-to-time, as needed, for the City of Oberlin, Ohio.

SECTION 2. It is hereby found and determined that all formal actions of this Council concerning or relating to the adoption of this ordinance were adopted in an open meeting of this Council and that all deliberations of this Council and of any of its committees that resulted in such formal action, were in meetings open to the public in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code.


SECTION 3. That this ordinance is hereby declared to be an emergency measure necessary for the immediate preservation of the public peace, health and safety of the citizens of the City of Oberlin, Ohio, or to provide for the usual daily operation of a municipal department, to wit: to adopt a cash reserves policy as an additional tool to help ensure the financial stability of the City of Oberlin as soon as possible, and shall take effect immediately upon passage.

PASSED: 1<sup>st</sup> Reading: September 16, 2019 (E)

2<sup>nd</sup> Reading: \_\_\_\_\_

3<sup>rd</sup> Reading: \_\_\_\_\_

ATTEST:

  
BELINDA B. ANDERSON, MMC  
CLERK OF COUNCIL

  
BRYAN BURGESS  
PRESIDENT OF COUNCIL

POSTED: 09/17/2019

EFFECTIVE DATE: 09/16/2019

**EXHIBIT A**

**CITY OF OBERLIN  
CASH RESERVE POLICY**

**ADOPTED** \_\_\_\_\_

**REVISED** \_\_\_\_\_

**CITY OF OBERLIN  
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**CITY OF OBERLIN**  
**CASH RESERVE POLICY**

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**INTRODUCTION**

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The City of Oberlin City Council and Management have determined that it is in the best interest of the City to establish a Cash Reserve Policy (Policy) to endeavor to maintain adequate reserves (reserve) within the General Fund (GF), and the Water, Wastewater, Electric and Refuse/Recycling Enterprise Funds. Reserves are intended to maintain the City's financial stability during economic downturns and allow time for thoughtful consideration of austerity measures and revenue enhancements, should the economic downturn languish, the City permanently lose a large employer, experience a significant reduction in employment or reduction in other key sources of revenues. It is important to note, significant time lags exist between when revenue enhancements are received (increasing cash flows) or austerity measures can be fully implemented (reducing cash flow needs).

Establishing a minimum cash reserve helps ensure cash exists to pay expenses in a timely manner. The revenue stream for the City's GF is highly dependent on two large income taxpayers. The largest being the Federal Aviation Administration (FAA). In addition, other significant sources of revenue are subject to change based on various factors including, the actions of other governmental bodies, specifically the state legislature, and the status of the economic climate.

Cash reserve policies are often established to provide a guideline to determine the appropriate amount of cash reserves to maintain to help ensure:

1. adequate cash exists to make timely payment of bills, including payroll;
2. the short-term and long-term financial health of the City and various Utilities;
3. the stability of tax rates and Utility rates for taxpayers and customers;
4. adequate cash exists to fund unanticipated expenses and to maintain critical services; and
5. existing and future debt service payments and debt covenants are met.

In recent years, a sluggish economy, shrinking of state revenue sharing, rising capital improvement costs and other factors affecting electric (volatile energy markets), water/sewer (ongoing EPA unfunded mandates), refuse/recycling (sudden capital replacements and increasing recycling costs) have posed challenges to maintaining stable budgets, utility rates and in some cases, adequate cash reserves. It is important for the City to maintain the financial ability to mitigate the impacts of the factors noted above.

**CITY OF OBERLIN**  
**CASH RESERVE POLICY**

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**CASH RESERVE POLICY**

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To help ensure critical government services and utility operations are sustained, the ability to meet our debt commitments, our requirements for large unexpected expenditures and the ability to weather the loss of significant revenue source(s), a cash reserve policy is hereby established.

The minimums noted below, are just that, minimums. As described in this policy, Council and the Administration should endeavor to maintain balances towards the upper limit. During periods when revenue sources are stable, the balances are invested and provide revenue for ongoing operational expenses and to fund non-recurring expenses, i.e. additional capital improvements.

The minimum cash reserve calculation will not account for all unforeseen events. For example; catastrophic events can occur, and the amount may far exceed the amount reserved, in this case short and/or long-term financing may be necessary. Maintaining healthy reserves improves bond ratings, which results in lower borrowing costs when borrowing is needed.

In consideration of providing sufficient cash flows, consideration for unplanned events, meeting our debt service commitments, providing on-going investment income, and providing stable tax rates and utility rates, the City shall endeavor to maintain reserve balances and outlined below.

The adequacy of these guidelines should be reviewed periodically, and if appropriate, revised as needed.

The City Manager and Finance Director are jointly authorized to modify this policy, and any of its components, as needed. Modifications will be communicated to City Council along with the annual reporting of the calculation results as noted below.

The reserve amounts are based on the actual prior year-end non-GAAP unencumbered cash balance compared to current year projected revenues; for Enterprise funds the operating and capital reserve funds are combined when calculating reserves.

**CITY OF OBERLIN  
CASH RESERVE POLICY**

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**CASH RESERVE**

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**Minimum and Maximum Cash Reserves**

Based on the forgoing, the recommended minimum and maximum cash reserves are established as described below.

The Administration and Council shall attempt to maintain an unencumbered cash reserve, prior year-end actual non-GAAP unencumbered cash balance compared to current year projected revenues, within the following minimum and maximum ranges:

	<b>Minimum Percent</b>	<b>Maximum Percent (e)</b>
<b>General Fund</b>	45%	110%
<b>Water Fund</b>	65%	125%
<b>Wastewater Fund</b>	65%	125%
<b>Refuse/Recycling Fund</b>	45%	110%
<b>Electric Fund</b>	45%	110%

- a) The Water and Sanitary Sewer Funds are set at higher minimum and maximum percentages due to the higher proportion of capital/infrastructure expenses incorporated in their annual budget.
- b) If the cash reserves in any of the included funds are near, or below the minimum, the Administration and Council shall review austerity measures and/or revenue enhancements.
- c) Cash reserves below the minimum threshold are intended to be used only for emergencies as the Administration and Council designate.
- d) Cash reserves above the minimum but under the maximum are intended to maintain financial stability, including a strong bond rating for the City, in addition, these reserves will provide additional security for future repayment of debt, early retirement of debt, interest income for general government operations and other purpose(s) that will not cause a recurring annual reduction of the reserves. In the case of the Enterprise Funds, provide an avenue for rate stabilization and future capital needs.
- e) Cash reserves above the maximum may be judicially used by the Administration and Council for one-time expenses, i.e. capital purchases or infrastructure improvements. The Maximums for the Enterprise Funds may be surpassed when planning for significant capital equipment or capital project expenses, i.e. replacement of engine generators (OMLPS), plant renovations/upgrades (Water, Wastewater, OMLPS), etc.
- f) The Finance Director shall provide the City Council and Administration, during the first quarter of each calendar year, the reserves calculation based on prior year-end actual non-GAAP unencumbered cash balances compared to the projected current year revenues along with any modification(s) to this policy implemented by the City Manager and Finance Director.