ITEM NO. 14

STAFF REPORT

CITY OF OCEANSIDE

DATE: September 8, 2010

TO: Honorable Mayor and City Councilmembers

FROM: City Treasurer's Office

SUBJECT: **NEW CITY COUNCIL POLICY 200-11, INTEREST EARNED ALLOCATIONS**

SYNOPSIS

Staff recommends that the City Council adopt new City Council Policy 200-11, Interest Earned Allocations, establishing which City funds are to receive allocations of interest earned on invested funds.

BACKGROUND

The interest earned on the City's investments, net of banking and investment expenses, has been historically allocated to the respective City funds based on a number of factors. Such factors include restrictions for interest earnings on revenues based on federal or state laws, conditions included in contracts, grants and endowments, pledges of revenue for bonded debt and past Council actions. Interest earnings that are not subject to specific restrictions, conditions, revenue pledges and Council direction are allocated to the General Fund. With the exception of past City Council actions to allocate interest to specific funds, there has not been a formal policy established.

ANALYSIS

Council Policy 200-11 will formalize the policy under which interest earned on the City's investments are allocated. The policy states that all interest earned on City investments will be allocated to the General Fund unless certain restrictions apply as set by State and Federal law, contractual agreements, pledges of revenue for bonded debt, or as otherwise directed by City Council. The current unrestricted funds that are being allocated to the General Fund are listed as follows:

- General Fund revenues
- All private grant funds that are not federal or state grants.
- The City Debt Service Fund (420)
- The General Fund Community Facilities CIP Fund (581)

- Solid Waste Disposal Fund (731)
- All Internal Service Funds (800 series)
- All Trust Funds (900 series) except endowments

FISCAL IMPACT

The adoption of Council Policy is revenue-neutral unless Council desires to change the allocation of non-restricted General Funds.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council adopt new City Council Policy 200-11, Interest Earned Allocations, establishing which City funds are to receive allocations of interest earned on invested funds.

PREPARED BY:

Michele C. Lund, CCMT
Treasury Manager

SUBMITTED BY:

Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
Gary Felien, City Treasurer
Teri Ferro, Director of Financial Services

DRAFT

SUBJECT:	**POLICY NUMBER**	**200-11**
Interest Earned Allocations	**ADOPTED**	**09-08-10**

It is the policy of the City Council that the General Fund will be allocated all interest earned on City investments, net of expenses, except where interest has been pledged for bonded debt, where contracts or grants require interest to be retained, where required by State or Federal law, or where otherwise directed by City Council.

The funds that do not have restrictions and are therefore allocated to the General Fund are as follows:

- General Fund revenues
- All private grant funds that are not federal or state grants.
- The City Debt Service Fund (420)
- The General Fund Community Facilities CIP Fund (581)
- Solid Waste Disposal Fund (731)
- All Internal Service Funds (800 series)
- All Trust Funds that are not endowments (900 series)