



Legislation Text

File #: 0178X-2009, Version: 1

Background: The City of Columbus established the Economic Stabilization Fund (or "Rainy Day Fund") in 1988 to provide for the continuation of basic services during times of economic recession or unexpected revenue loss. Though significant investments have been deposited into this Fund in the years since 1988 the current balance is less than optimal.

With the passage of Issue 1, the City Income Tax rate is now 2.5%. Despite ongoing and immediate needs, it is important that the City budget and plan for the possibility of future fiscal challenges because one of the responsibilities of the City is to maintain and continue basic services during an economic downturn, natural disaster, or catastrophe. By adoption of this resolution both the Mayor and City Council reaffirm the goals, purposes and objectives of establishing, maintaining and protecting the Economic Stabilization ("Rainy Day") Fund.

In addition, this resolution conveys the intent of the City to establish the goal to achieve a balance of \$50 million in the fund by the end of 2014.

Fiscal Impact: Based upon the Third Quarter Financial Review, this Fund is projected to have a 2009 year end balance of \$9,866,739. Assuming no additional deposits are made to this fund in 2009, no less than \$40,135,261 will need to be transferred to the fund by the end of 2014 to achieve the \$50 million goal.

To reaffirm the role of the Economic Stabilization Fund ("Rainy Day Fund") in allowing the City to maintain and continue basic services during an economic downturn, natural disaster, or catastrophe and to establish as a goal a balance of \$50 million in the fund by the end of 2014.

WHEREAS, the City of Columbus established the Economic Stabilization Fund (or "Rainy Day Fund") in 1988 (Ordinance 0860-1988, passed April 11, 1988) to provide for the continuation of basic services during times of economic recession or unexpected revenue loss; and

WHEREAS, to further its commitment to enhancing this Fund, Ordinance 1590-94 (passed July 25, 1994) stipulated that the investment income attributed to the cash within this fund to be added to the balance of the Fund; and

WHEREAS, at different times during the past decade these funds have been utilized due to continuing deteriorating national, state and local economic conditions; and

WHEREAS, the Economic Advisory Committee Report (issued in March 2009) recommends that replenishing the fund be a top priority; and

WHEREAS, the Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of the fund balance that should be maintained, and though the adequacy of the fund balance should be based upon our own specific circumstances that a fund of no less than five percent of regular general fund operating revenues be established; and

WHEREAS, the City of Columbus is the only large city in the United States to have consistently maintained a AAA bond rating from the three major bond rating agencies, the highest rating given by such agencies; and

WHEREAS, the maintenance of adequate general fund reserves is a key factor used by these rating agencies in determining the overall credit worthiness of a city; now therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLUMBUS:

Section 1. That the cash balance of the Economic Stabilization Fund shall reach \$50 million by the end of 2014.

Section 2. That this resolution shall take effect and be in force from and after the earliest period allowed by law.