

AN ORDINANCE TO AMEND CHAPTER 2 OF THE CITY CODE TO CLARIFY THE FUNDING OF AND APPROPRIATIONS FROM THE BUDGET RESERVE ACCOUNT, THE TAX STABILIZATION RESERVE, THE WATER/SEWER FUND OPERATION AND MAINTENANCE RESERVE, AND THE WATER/SEWER FUND RATE STABILIZATION RESERVE

#0220

Sponsor:

Council
Member
Johnson

WHEREAS, the City established the budget reserve account, the tax stabilization reserve, the water/sewer fund operation maintenance reserve, and the water/sewer fund rate stabilization reserve (collectively, the “Reserves”) to (i) provide its citizens with essential and quality services without large tax or water/sewer rate increases and (ii) maintain the long-term financial stability of the City and its good bond rating; and

WHEREAS, the City would like to clarify (i) the calculation and order of the Reserves’ funding and (ii) the meaning of the term “appropriations” with respect to the Reserves; and

WHEREAS, the City would also like to perform certain housekeeping matters for consistency, clarity, and conciseness; and

WHEREAS, City Council deems it necessary and appropriate to (i) clarify the Reserves’ funding and appropriations provisions and (ii) perform related housekeeping matters.

**NOW, THEREFORE, THE COUNCIL OF THE CITY OF WILMINGTON
HEREBY ORDAINS:**

SECTION 1. Division 2 of Article VI of Chapter 2 of the City Code is hereby amended by adding the underlined language and deleting the stricken language to read as follows:

DIVISION 2. - BUDGET RESERVE ACCOUNT

Sec. 2-376. - Established.

There is hereby created a budget reserve account within the general fund. The account is to be recorded as a separate account in the general fund balance. The purpose of the account is to provide funding in the event of adverse economic conditions or a public emergency.

Sec. 2-376.1. - ~~Budget reserve account—Implementation and funding.~~

~~The budget reserve account shall be determined at the end of each fiscal year and shall be equal to ten percent of the following fiscal year's general fund operating budget (excluding extraordinary or one-time items), as authorized by city council as required by the City Code. The amount so designated as the budget reserve account shall only be accessed for adverse economic conditions or public emergency and when declared by council by ordinance enacted by a two-thirds vote (nine) of city council, following certification by the mayor of such economic conditions or public emergency.~~

Sec. 2-376.2. - ~~Budget reserve account—Appropriations, from budget reserve account.~~

~~The city council, may, by ordinance, adopted by a two-thirds majority (nine) of the president and all the members of the city council, appropriate funds from the budget reserve account to other annual operating budget accounts, in order to meet general operating fund expenses during the course of or at the end of any fiscal year, if funds are not available in the unrestricted fund balance.~~

(a) Appropriations. Appropriations from the budget reserve account may be made to other annual operating budget accounts in order to meet general operating fund expenses during the course of or at the end of any fiscal year if:

- (1) the mayor certifies the existence of adverse economic conditions or a public emergency requiring the use of the budget reserve account;
- (2) an ordinance is subsequently enacted by a two-thirds vote of city council, i.e., nine affirmative votes; and
- (3) funds are not available in the unrestricted fund balance.

(b) Exemptions. For purposes of this section, the term "appropriations" shall not include the following:

- (1) pension liability and related expense adjustments;
- (2) debt principal payments; and
- (3) the annual true-up provided for in the agreement between the city and new castle county concerning wastewater treatment.

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SECTION 2. Division 3 of Article VI of Chapter 2 of the City Code is hereby amended by adding the underlined language and deleting the stricken language to read as follows:

DIVISION 3. - TAX STABILIZATION RESERVE

Sec. 2-381. - Established.

There is hereby created a tax stabilization reserve within the general fund. The purpose of the reserve is to provide future tax stabilization for the general fund.

Sec. 2-381.1 - ~~Tax stabilization reserve~~—Funding.

The tax stabilization reserve shall be the net unrestricted general fund balance, after the satisfaction of city obligations and funding of the budget reserve account, as determined by the fiscal year end comprehensive annual financial report.

Sec. 2-381.2. - ~~Authorization to access and a~~Appropriations, ~~from the tax stabilization reserve.~~

~~The city shall be authorized to access~~ (a) Appropriations. Appropriations may be made from the tax stabilization reserve as ~~may be~~ necessary in order to pay city obligations and limit the need to increase taxes when authorized by city council by ordinance.

(b) Exemptions. For purposes of this section, the term “appropriations” shall not include the following:

- (1) pension liability and related expense adjustments;
- (2) debt principal payments; and
- (3) the annual true-up provided for in the agreement between the city and new castle county concerning wastewater treatment.

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SECTION 3. Division 4 of Article VI of Chapter 2 of the City Code is hereby amended by adding the underlined language and deleting the stricken language to read as follows:

DIVISION 4. - WATER/SEWER FUND OPERATION AND MAINTENANCE RESERVE

Sec. 2-386. - Established.

There is hereby created an water/sewer fund operation and maintenance reserve within the water/sewer fund. The reserve is to be recorded separately in the water/sewer fund balance net position. The purpose of the reserve is to provide funding in the event of adverse economic conditions or a public emergency that impacts the operations and maintenance of the water/sewer fund.

Sec. 2-386.1. - ~~Water/sewer fund operation and maintenance reserve~~—Funding.

The water/sewer fund operation and maintenance reserve shall be determined at the end of each fiscal year and shall be equal to 17 percent of the following fiscal year's water/sewer fund operating budget (excluding extraordinary or one-time items), ~~as authorized by city council by ordinance.~~

Sec. 2-386.2. - ~~Authorization to a~~Access and appropriations, ~~from the water/sewer fund operation and maintenance reserve.~~

(a) Access. The city shall be authorized to access the water/sewer fund operation and maintenance reserve as may be necessary in order to pay water/sewer obligations if the mayor certifies that adverse economic conditions or a public emergency has occurred that impacts the operations and maintenance of the water/sewer fund such that immediate action is required.

(b) Appropriations. After the occurrence of the events set forth in subsection (a), The city council shall, by ordinance, appropriate funds from the water/sewer fund operation and maintenance reserve to other annual operating budget accounts in order to meet water/sewer operating fund expenses at the end of any fiscal year, if funds are not available in the unrestricted fund balance.

(c) Exemptions. For purposes of this section, the term "appropriations" shall not include the following:

- (1) pension liability and related expense adjustments;
- (2) debt principal payments;
- (3) the annual true-up provided for in the agreement between the city and new castle county concerning wastewater treatment; and
- (4) reductions in net position due to changes in net investments in capital assets.

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SECTION 4. Division 5 of Article VI of Chapter 2 of the City Code is hereby amended by adding the underlined language and deleting the stricken language to read as follows:

DIVISION 5. - WATER/SEWER FUND RATE STABILIZATION RESERVE

Sec. 2-391. - Established.

There is hereby created a water/sewer fund rate stabilization reserve within the water/sewer fund. The reserve is to be recorded separately in the water/sewer ~~fund balance~~ net position. The purpose of the reserve is to provide future rate stabilization for the water/sewer fund.

Sec. 2-391.1. - ~~Water/sewer fund rate stabilization reserve~~ - Funding.

The water/sewer fund rate stabilization reserve shall be the net unrestricted water/sewer ~~fund balance~~ net position, after determining the net investment in capital assets and other restricted obligations and funding of the water/sewer operation and maintenance reserve, as determined by the fiscal year end comprehensive annual financial report.

Sec. 2-391.2. - ~~Authorization to access and a~~ Appropriations, ~~from the water/sewer fund rate stabilization reserve.~~

~~The city shall be authorized to access~~ (a) Appropriations. Appropriations may be made from the water/sewer fund rate stabilization reserve as ~~may~~ be necessary in order to pay city water/sewer obligations and limit the need to increase water/sewer rates when authorized by city council by ordinance.

(b) Exemptions. For purposes of this section, the term “appropriations” shall not include the following:

- (1) pension liability and related expense adjustments;
- (2) debt principal payments;
- (3) the annual true-up provided for in the agreement between the city and new castle county concerning wastewater treatment; and
- (4) reductions in net position due to changes in net investments in capital assets.

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SECTION 5. This Ordinance shall be deemed effective as of June 30, 2022.

First Reading..... September 1, 2022
Second Reading..... September 1, 2022
Third Reading.....

Passed by City Council,

President of City Council

ATTEST: _____
City Clerk

Approved this ___ day of _____, 2022.

Mayor

SYNOPSIS: This Ordinance amends Divisions 2, 3, 4, and 5 of Article VI of Chapter 2 of the City Code to clarify the funding and appropriations provisions of the budget reserve account, the tax stabilization reserve, the water/sewer fund operation maintenance reserve, and the water/sewer fund rate stabilization reserve regarding (i) their respective calculation, (ii) the respective order of their funding, and (iii) the meaning of the term “appropriations” with respect to the aforementioned reserves. It also provides for certain housekeeping matters for consistency, clarity, and conciseness.

FISCAL IMPACT STATEMENT: This Ordinance has no anticipated fiscal impact.

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