



**CITY OF MODESTO
COMMITTEE AGENDA REPORT**

**Budget Workshops
May 18-22, 2009**

April 21, 2009

TO: Finance Committee
Brad Hawn, Chair
Kristin Olsen, Vice-Chair
Garrad Marsh, Member

FROM: Greg Nyhoff, City Manager

SUBJECT: Equipment Replacement Sub-fund Reserves

CONTACT: Wayne Padilla, Director of Finance, wpadilla@modestogov.com, 577-5371

DESCRIPTION:

Consider making a recommendation to the City Council regarding the maintenance of the new equipment replacement sub-fund reserve amounts. (Funding Source: Various Funds)

FISCAL IMPACT:

There is no new fiscal impact as a result of this change. The normal practice for identifying equipment to be replaced and programming the actual replacement will be followed.

BACKGROUND:

The fleet replacement fund was established to handle the accumulation of monies for the future replacement of rolling stock. Since that time the fund has accounted for the purchase of numerous pieces of equipment. During the 2008-2009 fiscal year, the replacement monies that had been accumulated for the various funds that participated in this program, except the General Fund, were returned. Each fund now has a new sub-fund that will track the replacement cash balance, accumulate future replacement monies and track the actual purchase of new and replacement equipment pieces. A schedule showing the distribution of these monies is provided as an attachment.

In order to ensure that the monies set-aside in these sub-funds is retained for equipment replacement in the future, staff is requesting a policy to govern their use, similar to the following; *Before any monies are withdrawn from a replacement program for another use, the City Council must first give its authorization based on a finding that the replacement program is the only possible source of funding available for the intended use of these monies.*

CEQA/NEPA REQUIREMENTS:

Not applicable.

STRATEGIC PLAN ELEMENT:

This action supports Strategic Plan Element No. VII. - The City has balanced budgets with healthy reserves and highly efficient, cost-effective systems, leveraging private capital investment for public benefit.

Approved by:

Wayne Padilla, Finance Director

Approved by:

Greg Nyhoff, City Manager