



POLICY AND PROCEDURE

Policy No: 105-101
Division: City Manager

Effective Date: November 6, 2018
Distribution: All Departments
Last Revision:

Subject: General Fund Reserve Policy

Purpose

To establish the targeted level of General Fund operating reserves, a basic component of a financially strong city. Adequate reserves help sustain City operations when adverse or unexpected circumstances affect the City, providing resources to minimize service disruption in the event of temporary revenue shortfalls or unpredicted one-time expenditures.

This policy establishes the minimum level of funding in the City’s General Fund reserves and outlines the methods the City will utilize to achieve the target reserve level, defines the conditions under which these funds can be used and provides a timeline for replenishment.

Name: Paul Navazio	Signature	Date
Title: City Manager		11/7/18

1. Reserve Level

The City will maintain a General Fund reserve equal to 20% of General Fund revenues (excluding one-time revenues and pass through revenues). The reserve funds are set aside to address potential needs in the following areas:

- Economic Uncertainty – Funds designated to mitigate periodic revenue shortfalls due to downturn in economic cycles, thereby avoiding the need for service level reductions within a fiscal year.
- Emergencies – Funds designated to mitigate costs of unforeseeable emergencies and natural disasters.

The appropriate level of General Fund reserves will be reviewed annually.

2. Use of Reserve Funds

The General Fund reserve is intended to contend with significant short-term issues, including unexpected revenue shortfalls, higher than anticipated expenditures, or declared emergencies.

It is the intent of the Council to limit use of the reserves to address unanticipated, non-recurring needs. Reserves shall not be applied to recurring annual operating expenditures. The reserve may, however, be used strategically to allow time for the City to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of a Council adopted long-term plan.

3. Excess Reserve Balance

At the end of each fiscal year, the Finance Department will report on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures, encumbrances and other carryover items, a year-end operating surplus shall be reported.

Any year-end operating surplus which results in the General Fund reserve balance exceeding the 20% level required by the reserve policy shall be deemed available for allocation in several areas, subject to Council approval. The order of priority for consideration of allocation of excess funds should generally be as follows:

1. Payments toward unfunded liabilities (i.e. PERS, OPEB), deferred maintenance and asset replacement, or other non-recurring needs.
2. Transfers to other funds, as appropriate, to offset year-end deficits within those funds.

3. Allocation to capital projects with shortfalls in funding sources, and/or to provide matching funds for awarded grants.
4. Re-appropriation within the subsequent year's operating budget to provide for one-time, non-recurring needs.

4. Replenishment of Reserve Balances

If the General Fund reserve is drawn down below the minimum level of 20% of revenues, a plan will be developed and implemented to replenish the reserve, generally from future surpluses. Replenishing the reserves will be a priority use of one-time resources, and minimum reserve levels will be restored within two budget cycles.