



CITY OF SAN RAMON

GENERAL FUND RESERVE POLICY

JULY 2010

CITY OF SAN RAMON



ADMINISTRATIVE POLICY

Revised: June 30, 2010
Effective Date: July 1, 2010

SUBJECT: GENERAL FUND RESERVE POLICY

PURPOSE:

There are several reasons for the City to maintain General Fund Reserve funds: 1) to protect the City in the event that revenues fall short of projections; 2) to have funds available for use in emergencies or disaster; and 3) to cover unanticipated costs. The Reserve Policy is an integral part of the City's multi-year financial business plan. The City General Fund Reserve Policy was approved by City Council Resolution No. 2010-078 on June 30, 2010.

The General Fund Reserve Policy herein stated shall become effective upon the date of approval and signature by the City Manager, pursuant to the adoption of Resolution by the City Council. All prior City General Fund Reserve policies shall be deemed canceled as of this date.

A handwritten signature in black ink, appearing to read "Greg Rogers", written over a horizontal line.

Greg Rogers, Director
Administrative Services Department

A handwritten signature in blue ink, appearing to read "Herb Moniz", written over a horizontal line.

Herb Moniz, City Manager

*Original Date: February 24, 2004
Effective Date: March 1, 2004
Amended: June 30, 2010
Effective Date: July 1, 2010*

INTRODUCTION

Formal adopted General Fund Reserve policies are common for California municipalities. Municipalities have created reserve policies, in part, to provide a reserve cushion to be drawn upon during tough budget years. Section 2.4-I-18 for the General Plan states that the City shall “seek to maintain an operating reserve of not less than fifty percent (50%) of projected operating expenses for the following fiscal year to assure that sufficient financial resources will be available in the event of sudden economic dislocations or general economic slowdowns.” Although a statement of a target is a positive step, the General Plan target does not substitute for the adoption of a formal reserve policy. The Policy Statement that follows is intended to implement a key element of sound City financial planning.

POLICY STATEMENT

The City will continue to maintain reserve funds to:

- a) Stabilize the fiscal base by anticipating fluctuations in revenues and expenditures; and
- b) Provide for non-recurring, unanticipated expenditures; and
- c) Provide for innovative opportunities for the betterment of the community.

The General Plan provides for a target of fifty percent (50%) reserves. The fifty percent (50%) target represents fifty percent (50%) of the General Fund operating expenditures. To meet this target the City will establish a Reserve Policy of fifty percent (50%). Such reserves shall consist of a combination of unallocated General Fund reserves, Dougherty Valley Fund reserves, Certificate of Participation Debt Sinking Fund reserves, and Healthcare Fund reserves designated for Retiree Healthcare liability. Use of these reserves would be restricted unless approved by resolution of the full City Council. No less than one-fifth (1/5th) of the fifty percent (50%) reserve level shall be maintained as General Fund unallocated reserves, and the City Council may reallocate reserves to maintain the unallocated General Fund reserve minimum.

Reserves

The fifty percent (50%) Reserve may be used in times of natural disasters or severe economic downturns and to respond to unplanned or unforeseen projects or service demands. The purpose of this reserve is to protect the General Fund against unpredictable fluctuations in the major revenues.

Monitoring and Maintenance of Reserves

- 1) General Fund Reserve Levels are to be monitored at three (3) different time periods during the fiscal year as follows:
 - a) Actual Reserve Levels as of the end of each fiscal year are to be reported to the City Council at the time that audited financial statements are published.
 - b) Budgeted Reserve Levels are to be projected as part of the annual budget adoption process and projected ending reserve levels shall be measured against the Reserve Policy thresholds.
 - c) Estimated Reserve Levels are to be projected as part of the annual mid-year financial review presented to the City Council and projected ending reserve levels shall be measured against the Reserve Policy.
- 2) If, at any of the three (3) monitoring time periods, total ending reserves actually fall below, or are estimated to fall below fifty percent (50%), the City Manager is required to report the amount of reserves remaining below the fifty percent (50%) level to the City Council. This report shall be presented to the City Council within thirty (30) days of determining the total combined reserve level is estimated to be below fifty percent (50%).
- 3) If, at any of the three (3) monitoring time periods, total ending reserves actually fall below, or are estimated to fall below fifty percent (50%), the City Manager is required to prepare an action plan to restore reserves to greater than fifty percent (50%). This action plan shall be presented to the City Council within thirty (30) days of determining that the fifty percent (50%) threshold is projected to be breached. The City Council will consider the City Manager's recommended corrective actions.