

City of San Leandro
Reserve Policy
DATE

Purpose

The reserve policy of the City of San Leandro establishes the foundation designating funds to reserves that support the City Council's goal of ensuring fiscal stability and the sustainability of operations. Establishing designated reserve funds is an important step in shaping the long-term financial plan.

Creating this reserve policy meets the following objectives of the City:

- Ensure financial stability
- Maintain operations in times of economic uncertainty

The City shall establish reserve funds in accordance with the above objectives. The fund level is a goal, and it is the City's intent to maintain the targeted fund balance. Compliance with the policy will be evaluated annually upon closing the City's financial books at fiscal year-end.

The General Fund reserves are categorized as follows:

- Economic Uncertainty Reserve
- Major Emergency Reserve
- Undesignated Fund Balance

Reserve for Economic Uncertainty

The Reserve for Economic Uncertainty shall be established with a goal of maintaining a target fund balance of 20% of budgeted General Fund operating expenditures, excluding any significant one-time expenditures. The Reserve for Economic Uncertainty may be utilized with a resolution of the City Council. Appropriation of these funds may occur in the following circumstances:

- A decrease in General Fund operating revenues exceeding 5% of the total budgeted revenues in a 12-month period.
- Economic uncertainties, local disasters and other hardships or downturns in the local economy.
- Loss of significant revenues from another governmental agency or budgeted revenue taken by another government entity that would result in a significant reduction in critical city services.

Should the Economic Uncertainty reserve be used and its level falls below the target amount of 20%, the goal is to replenish the reserve within three fiscal years. In addition,

one-time revenues should be evaluated for the reserve to the extent required in the event the 20% goal is not being met.

Major Emergency Reserve

The Major Emergencies reserve is set aside for recovery from an earthquake, firestorm, and other disasters. The Major Emergency reserve shall be established with a goal of maintaining a target balance of \$5,000,000.

Undesignated Fund Balance

General Fund Undesignated Fund Balance is the cumulative recording of year-to-year revenue/expenditure balances. A General Fund surplus at year end increases the total fund balance. The Undesignated Fund Balance remains in the General Fund until allocation by the City Council to another designated reserve or fund (i.e. Capital Improvement Fund).

This reserve policy shall be reviewed annually to ensure its consistency with the overall objectives and review of target funding levels. Modifying amendments shall be approved by the City Council. The City Council may at anytime review and modify this reserve policy.