



Review General Fund Reserve Policy

City Council Finance Committee
September 24, 2025



What is Fund Balance?

➤ What is Fund Balance?

- Represents the difference between the City's totals assets and current/future liabilities. It essentially shows the net available resources in that fund at a given point in time.
- Categories of Fund Balance:
 - **Nonspendable** – Resources that cannot be spent.
 - **Restricted** – Resources with external restrictions (i.e. grants).
 - **Committed** – Set aside for specific purposes by formal government action.
 - **Assigned** – Intended for specific purposes but not legally restricted (i.e. encumbrances).
 - **Unassigned** – Available for any purpose.

What is Fund Balance? (cont.)

➤ What is a Targeted Fund Balance?

- A targeted fund balance percentage refers to the desired level of reserves a government or organization aims to maintain in its General Fund.
- The Government Finance Officers Association (GFOA) recommends that general-purpose governments maintain unrestricted fund balance in their General Fund of at least two months (or approximately 16.7%) of regular operating expenditures (excluding transfers).

➤ Why is a targeted 20% fund balance important?

- Ability to pivot for unexpected expenses without resulting in direct to significant service reductions or borrowing.
- Improved ability to weather economic downturns.
- Ability to remain operational during natural disasters.
- May impact / improve credit ratings, leading to lower borrowing cost.
- Enhanced financial stability and resilience.

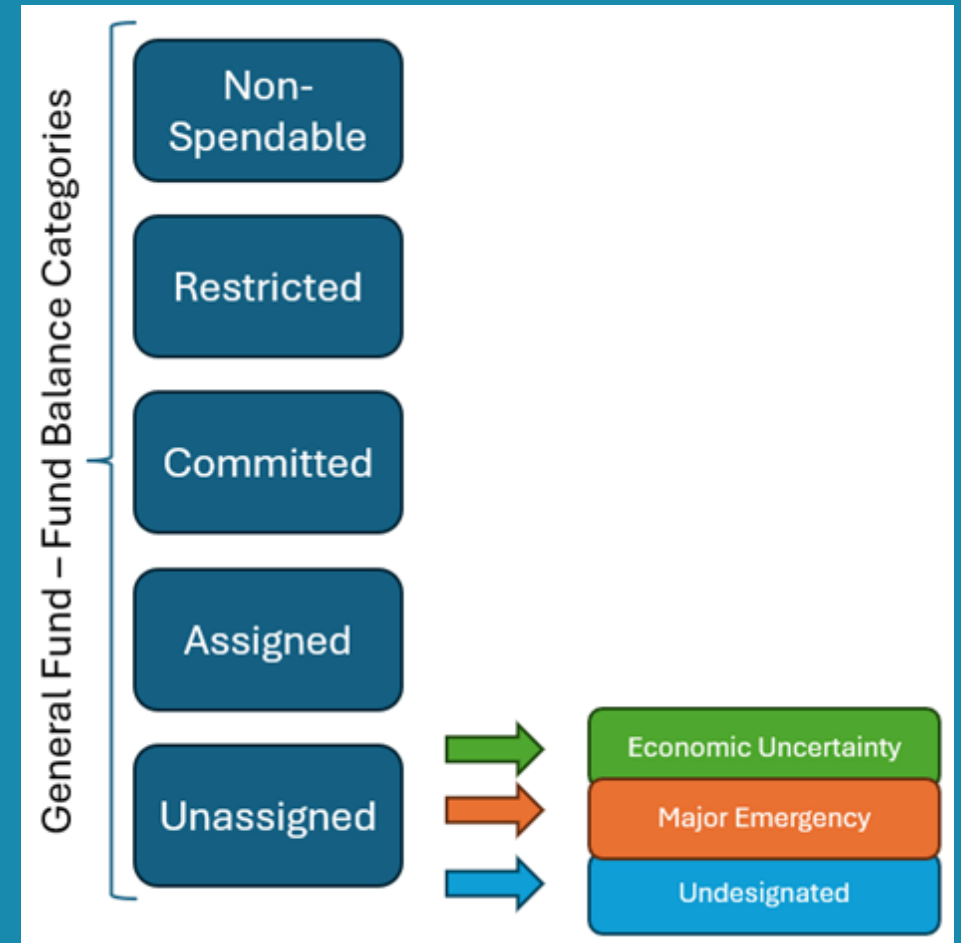
Updated General Fund 5-Year Forecast

(\$ in thousands)

	A	B	C	D	E	F
	Fund Balance by Category	FY 2024-25 Adjusted Budget	FY 2025-26 Adjusted	FY 2026-27 Adjusted	FY 2027-28 Projected	FY 2028-29 Projected
1	Beginning Balance	\$75,454	\$54,732	\$46,839	\$35,468	\$25,180
2						
3	Revenue	\$143,404	\$148,798	\$152,345	\$155,882	\$159,494
4	Expenditures	\$158,236	\$149,085	\$155,931	\$158,181	\$163,360
5	Transfers	\$5,890	\$6,976	\$4,875	\$5,021	\$5,172
6	Mulford Library and Potential Acquisition		\$630	\$2,910	\$2,968	\$3,028
7						
8	Net / Use of Fund Balance	(\$20,722)	(\$7,893)	(\$11,372)	(\$10,288)	(\$12,066)
9						
10	Ending Fund Balance	\$54,732	\$46,839	\$35,468	\$25,180	\$13,114
11	Ending Balance as % of Expenditure	34.6%	31.4%	22.7%	15.9%	8.0%
12						
13	Fund Balance by Category					
14	Non-spendable	(\$6,455)	(\$6,455)	(\$6,455)	(\$6,455)	(\$6,455)
15	Restricted	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)
16	Committed	(\$500)	(\$500)	(\$500)	(\$500)	(\$500)
17	Assigned	(\$6,050)	(\$6,050)	(\$6,050)	(\$6,050)	(\$6,050)
18						
19						
20	Unassigned	\$41,677	\$33,785	\$22,413	\$12,125	\$59
21	Compensated Absences	(\$708)	(\$708)	(\$708)	(\$708)	(\$708)
22	Major Emergencies	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)
23	Available Economic Uncertainties	\$35,968	\$28,076	\$16,705	\$6,417	(\$5,649)
24						
25	% of Expenditures for Economic Uncertainties	22.7%	18.8%	10.7%	4.1%	-3.5%

General Fund Reserve Policy - Current

- The current reserve policy meets the following objectives of the City:
 - Ensure financial stability
 - Maintain operations in times of economic uncertainty
- The City's current reserve policy sets the following targeted reserve levels:
 - Economic Uncertainty - 20% of budgeted General Fund expenditures, excluding any significant one-time expenditures; and
 - Major Emergency – Establish a goal of maintaining a target balance of \$5,000,000; and
 - Undesignated Fund Balance - The Undesignated Fund Balance remains in the General Fund until allocation by the City Council to another designated reserve or fund



Best Practices & Comparable Policy Levels

Agency	Reserve Fund Level
Dublin	N/A
Oakland	7.5%
Berkeley	16.7%
Fremont*	16.7%
Pleasanton	16.7%-25.0%
Emeryville	20.0%
Hayward	20.0%
Piedmont	20.0%
San Leandro**	20.0%
Union City	20.0%
Alameda***	20.0%
Albany	25.0%
Livermore	30.0%
Newark	30.0%
GFOA (Recommendation)	16.7%

Notes:

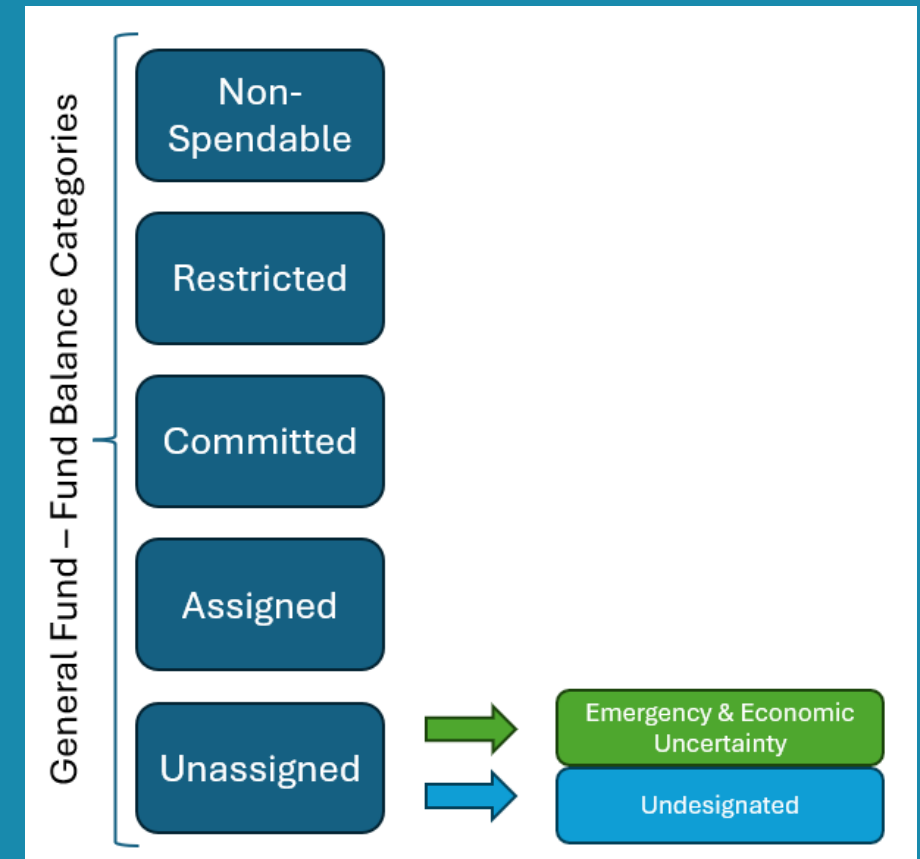
*City of Fremont – Policy also includes a Budget Uncertainty Reserve with no set reserve level

**City of San Leandro – Policy also includes \$5M for Major Emergencies

***City of Alameda – Policy also includes 5% for Economic Uncertainty

General Fund Reserve Policy - Proposed

- The objectives of the economic uncertainty reserve fund would be expanded to allow for the following:
 - Ensure financial stability
 - Maintain operations in times of economic uncertainty
 - Maintain operations during and in response to natural disasters
 - Ensure available funding for major emergencies
- The proposed reserve policy sets the following targeted reserve levels:
 - Retain a fund balance level of 20% for economic uncertainty
 - Eliminate the funding level of \$5,000,000 in the major emergency reserve fund.
 - Undesignated Fund Balance - The Undesignated Fund Balance remains in the General Fund until allocation by the City Council to another designated reserve or fund
- Retitle Fund: “Emergency and Economic Uncertainty Reserve Fund”.



General Fund 5-Year Forecast w/ Policy Update

(\$ in thousands)

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22	Major Emergencies					
23	Available Economic Uncertainties	\$40,968	\$33,076	\$21,705	\$11,417	(\$649)
24						
25	% of Expenditures for Economic Uncertainties	25.9%	22.2%	13.9%	7.2%	-0.4%

Discussion & Feedback



Provide
Feedback on Proposed Policy
Changes

Recommend
Proposed Policy Changes to
the Full Council for Adoption