

City of San Leandro  
General Fund Reserve Policy  
June 2021  
(Draft Revision September 2025)

## **Purpose**

The reserve policy of the City of San Leandro establishes the foundation for 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
- Maintain operations during and in response to natural disasters
- Ensure available funding for major emergencies

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 unassigned 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:

- Emergency and Economic Uncertainty Reserve
- Undesignated Fund Balance

## **Reserve for Emergency and Economic Uncertainty**

The Reserve for Emergency and 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 Emergency and 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.
- Recovery from a natural disaster, including, but not limited to, earthquakes, firestorms, and other disasters

Should the Emergency and 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. Any one-time revenues should be evaluated and considered to be put towards replenishing reserves until the reserves meet the policy requirements.

### **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 is the residual portion of the fund balance after accounting for non-spendable, restricted, committed and assigned funds. 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 any time review and modify this reserve policy.