

CITY OF VACAVILLE
GENERAL FUND RESERVE POLICY



CITY OF VACAVILLE
CITY MANAGER DEPARTMENT
650 MERCHANT STREET
VACAVILLE, CA 95688

Adopted: May 24, 2011
Amended: March 22, 2022

General Fund Reserve Policy

Adopted:

May 24, 2011

Resolution No. 2011-061; Resolution of the City Council of The City of Vacaville Adopting General Fund Reserve Policy

Amendments:

March 22, 2022

Resolution No. 2022-028 Adopting Updates to the General Fund Reserve Policy

RESOLUTION NO. 2011-61

RESOLUTION ADOPTING GENERAL FUND RESERVE POLICY

WHEREAS, the City Council of the City of Vacaville wishes to adopt a formal General Fund reserve policy to establish an appropriate reserve level as well as guidelines for the use of reserve funds and for the use of funds in excess of the reserve level; and

WHEREAS, a draft General Fund Reserve Policy was presented to the City Council on May 24, 2011;

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Vacaville hereby adopts the General Fund Reserve Policy (included herein as Attachment A).

I HEREBY CERTIFY that the foregoing resolution was introduced and passed at a regular meeting of the City Council of the City of Vacaville, held on the 24th day of May 2011, by the following vote:

AYES: Council members, Harris, Hunt, Mashburn, Vice-Mayor Rowlett and Mayor Hardy

NOES: None

ABSENT:

ATTEST:

By: 
Michelle A. Thornbrugh, City Clerk

General Fund Reserve Policy

Purpose

The City of Vacaville establishes its General Fund Reserve policy in order to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. The reserve can also serve as additional insurance against disasters and emergencies.

Reserve Level

The City hereby establishes the following minimum General Fund reserve targets:

- The City shall strive to maintain a General Fund operating reserve in the range of two months (16%) to three months (25%) of General Fund operating expenditures, with the target being 20% of General Fund expenditures. These funds are set aside to address potential needs in the following areas:
 - A Reserve for Economic Uncertainty – funds designated to mitigate periodic revenue shortfalls due to downturn in economic cycles, thus avoiding the need for service-level reductions within the fiscal year.
 - An Emergency Reserve – funds designated to mitigate costs of unforeseeable emergencies and natural disasters.
- The appropriate level of General Fund reserves shall be reviewed every two years.
- As appropriate, a Capital Improvement Program General Fund Reserve may be created and developed for capital improvement needs.

Use of Reserve Funds

Reserve for Economic Uncertainty – For use to mitigate annual revenue shortfalls (actual revenues less than projected revenues) due to a slowdown in general economic conditions as well as reductions in revenues caused by actions of the State or Federal governments. Should any unanticipated reductions in revenue be deemed to be recurring, adjustments will be made in the following budget so as to reflect the revised revenue expectations.

Emergency Reserves - For use to mitigate costs associated with unforeseen emergencies, including natural disasters. Should unforeseen and unavoidable events occur that require expenditure of City resources beyond the level provided for in the annual budget, the City Manager shall have the authority to approve the appropriation of Reserve Funds. The City Manager shall then present to the City Council – no later than its' first regularly scheduled meeting – a resolution confirming the nature of the emergency and formally authorizing the appropriation of reserve funds. If the reserve level falls below 15%, the City Council may restore funds over a multi-year period through establishment of a reserve recovery plan adopted by the City Council.

Excess Fund 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 and encumbrances, a year-end operating surplus shall be reported. Any year-end operating surplus which results in the General Fund balance exceeding the level required by the reserve policy shall be deemed available for allocation for the following, subject to Council approval:

- Reestablishing services or service levels, staffing, and/or concessions previously made by employees;
- Transfer to the General Fund CIP Fund for appropriation for general capital needs and/or deferred maintenance projects for which there is no other source of funding;
- Re-appropriation within the subsequent year's operating budget to provide for one-time, non-recurring needs.
- Use of General Fund excess balance shall not be used for new recurring expenses.

Other Funds

In conjunction with approving the General Fund Reserve Policy, the City Council expresses its intent to evaluate other Special Revenue, Enterprise and Internal Service funds to establish the appropriateness of developing formal fund-specific reserve policies.

Attachment B
League of California Cities—North Bay Division
Reserve Survey

Belvedere	50% of the City's General Fund Operating Expenses - present reserve for 2010/2011 is \$2.5 million.
Corte Madera	
Fairfax	Currently we have a reserve of \$769,465 out of a general fund-operating budget of \$6.901 million or an 11.15% reserve. I can tell you most cities have a much larger reserve than 11%.
Larkspur	
Mill Valley	<p>We here in Mill Valley have long maintained a variety of reserves (general, emergency, infrastructure, self-insurance, sick leave, etc. The City Council has an adopted policy of maintaining at a minimum a 15% general contingency reserve.</p> <p>Our current budget establishes an 11% general unrestricted reserve and a 15% emergency or catastrophic needs reserve and approximately 4% of other miscellaneous reserve funds.</p>
Novato	
Ross	
San Anselmo	San Anselmo does have a reserve; it is approximately 10% of our annual General Fund budget.
San Rafael	
Sausalito	
Tiburon	
American Canyon	<p>Starting Fiscal Year 2010-2011</p> <p>The City Council of American operates under a Fiscal Policy that is reviewed annually. The Policy has a number of reserve requirements. The General Fund Reserve may not drop below 20%. With a General Fund operating budget of \$15.0 million the City has "Reserves" of \$10.0 million. However for purposes of the Fiscal Policy \$4,287,304 is generally not available for discretionary use leaving over \$5.0 as "discretionally reserves"; or about 35% in "reserves". This exceeds the Fiscal Policy requirement by approximately 15%+. For more detail see the City's Web Page and go to page 59 of the City's FY 2010 Compressive Annual Financial Report (CAFR).</p>
Calistoga	The city of Calistoga has a 16% general fund reserve
Napa	
St. Helena	We currently have at a 20% reserve in the GF, but it's a moving target.

Yountville	The Town of Yountville has a \$1.050 million General Fund Reserve Fund and a \$100,000 annual economic uncertainty fund for use in the current budget year to address either new unanticipated expenses or revenue which was anticipated but did not materialize. The General Fund is approximately 20% of our annual General Fund operating budget.
Benicia	<p>The City of Benicia has been fiscally challenged time and again during this Great Recession and has successfully held on to a 20% General Fund Undesignated Fund Balance Reserve. The decisions have not been easy and have included reductions in services and employee compensation concessions.</p> <p>The City's Fund Balance Reserve Policy defines the requirement as 20% of the Budgeted Operating Expenditures for the Current Fiscal Year. As an example, if the City's Budget for Operating Expenditures is \$30 million, the Fiscal Year-Ending Undesignated Fund Balance Reserve shall be \$6 million. This allows the City substantial recovery room, should there be a dramatic and swift drop in revenues and/or increases in expenditures.</p>
Dixon	We are currently using \$585,000 in GF reserves to balance this year's budget. I project ending this fiscal year, June 30, 2011 with a 12% reserve in the General Fund.
Fairfield	Fairfield is currently operating with a 5% General Fund reserve, and is making cuts to keep the reserve at that level. We also have reserves in our non-General Fund accounts.
Rio Vista	
Suisun City	See below*
Vallejo	
Cotati	
Healdsburg	<p>Per Council policy we have 2 reserve accounts for the general fund:</p> <p>Contingency reserve - 25% of revenues (approximately \$1.8 million) Recession reserve - \$1,250,000</p> <p>We have not touched the recession reserve but anticipate a deficit of \$800K in fiscal year 2011-12; anticipate using reserves to balance the budget going forward.</p>
Rohnert Park	
Santa Rosa	
Petaluma	thirty two and ½ million general fund was adopted in Petaluma for FY2010/11, with a \$5,009 reserve
Sebastopol	We started the fiscal year with about a 3% General Fund Reserve. We are struggling to maintain that reserve through this year and it will likely be lower

Sonoma	<p>The following are the reserve levels for the City of Sonoma & Sonoma Community Development Agency for FY 2011:</p> <p>General Fund Operating Reserve: 23.6%</p> <p>General Fund Emergency Reserve: 18.2% [Emergency Reserve Funds are not included in the Operating Reserve]</p> <p>Total All City Funds including CDA: 10%</p>
Windsor	<p>Town of Windsor estimates a General Fund fund balance at June 30, 2011 of 61% of annual expenditures. The General Fund is required by Town policy to maintain 25%. Staff expects the Town Council will spend down the excess fund balance (~\$4.3 million) on capital projects and other one-time costs in the 2011-13 bienniums.</p>

*** Suisun City has the following Reserve Policies:**

Establishment of Contingencies & Reserves

General Fund Emergency Reserve - The City Council hereby establishes an Emergency Reserve of not less than 20% of the current fiscal year General Fund operating budget net of Transfers to Other Funds or Agencies. The specific purpose of the Emergency Reserve is to provide funding to meet operational appropriation requirements in the event that the City experiences shortfalls in the collection of General Fund revenues or major unanticipated increases in expenditures. Any transfer of funds from the Emergency Reserve may only be made upon City Council approval of an amendment to the Annual Appropriation Resolution.

General Fund General Contingency - The City Council hereby establishes a General Contingency. The specific purpose of the General Contingency is to provide funding to meet operational appropriation requirements in the event of minor or routine unanticipated increases in expenditures. Any transfer of funds from the General Contingency may only be made upon City Council approval of an amendment to the Annual Appropriation Resolution. The General Contingency will be equal to total General Fund reserves less the Emergency Reserve.

Self-Insurance Fund Reserves - The Workers' Compensation Self-Insurance Fund should have sufficient reserves to cover known claims, as well as the self-insurance retention (SIR) of \$250,000. The Liability Self-Insurance Fund should have reserves that would cover two times its SIR of \$25,000. The proposed reserves of both of these funds far exceed these minimum reserves.

Housing Authority Emergency Reserve - The Housing Authority hereby establishes an Emergency Reserve of not less than 20% of the current fiscal year HA Administrative Fund operating budget net of Transfers to Other Funds or Agencies. The specific purpose of the Emergency Reserve is to provide funding to meet operational appropriation requirements in the event that the City experiences shortfalls in the collection of HA Administrative Fund revenues or major unanticipated increases in expenditures. Any transfer of funds from the Emergency Reserve for use in the operating budget may only be made upon Housing Authority approval of an amendment to the Annual Appropriation Resolution.

Housing Authority General Contingency - The Housing Authority hereby establishes an HA Administrative Fund General Contingency. The specific purpose of the HA Administrative Fund General Contingency is to provide funding to meet operational appropriation requirements in the

event of minor or routine unanticipated increases in expenditures. The General Contingency will be equal to total 10% of the current fiscal year HA Administrative Fund operating budget net of Transfers to Other Funds or Agencies. Any transfer of funds from the General Contingency for use in the operating budget may only be made upon Housing Authority approval of an amendment to the Annual Appropriation Resolution.

Use of Contingencies & Reserves

The City's priorities for the utilization of contingencies and reserves are as follows:

- The use of reserves for a *one-time* expenditure that generates *ongoing* cost savings or cost avoidance.
- The use of reserves for a *one-time* expenditure that generates *ongoing* revenue enhancements.
- The use of reserves for a *one-time* expenditure that leverages the expenditure of significant public or private investment in the City by other entities.
- The use of reserves to offset shortfalls in the collection of revenues.
- The use of reserves to offset unanticipated increases in expenditures for current programs or projects.

Current General Fund Reserves:

The current General Fund Reserve for the FY 2010-11 is estimated to be just over 32% on June 30, 2011.

Bridging Strategy:

Because there is a private sector project that is nearing the completion of its entitlement process and because that project will generate approximately \$1 million per year in General Fund revenues, the City Council has approved a "bridging strategy" to utilize one-time resources to cover ongoing expenditures until the project comes on line, so long as General Fund Reserves do not fall below 25% of Operating Expenditures.

