

**RESOLUTION NO. 2009-37**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE TO ADOPT THE FUND BALANCE RESERVE POLICY**

**WHEREAS**, it is fiscally responsible to adopt policies to guide long-term planning of resources; and

**WHEREAS**, the City has informally maintained reserve levels for times of economic uncertainty but has not established minimum reserve levels to be maintained; and

**WHEREAS**, the City Council desires to provide direction for future fund balance reserves.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Elk Grove hereby adopts a Fund Balance Reserve Policy, attached hereto as Exhibit "A".

**PASSED AND ADOPTED** by the City Council of the City of Elk Grove this 11<sup>th</sup> day of February 2009.



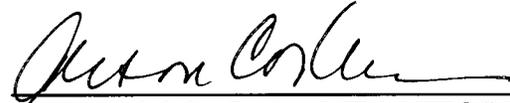
PATRICK HUME, MAYOR of the  
CITY OF ELK GROVE

ATTEST:



SUSAN J. BLACKSTON, CITY CLERK

APPROVED AS TO FORM:



SUSAN COCHRAN, CITY ATTORNEY



# City of Elk Grove Fund Balance Reserve Policy

Date: 2/11/09  
Revised:

Department: Finance  
Division: Budget

Authority:  
Resolution No. 2009-37

## Table of Contents

<b>SUMMARY OF THE FUND BALANCE RESERVE POLICY</b> .....	1
1.0 SCOPE:.....	1
1.1 PURPOSE:.....	1
1.2 POLICY:.....	1
1.3 DEFINITIONS:.....	1
1.3.1 "Adjusted Appropriations" .....	1
1.3.2 "CAFR".....	1
1.3.3 "Capital Projects Reserve" .....	1
1.3.4 "Contingency Reserves" .....	1
1.3.5 "Other Operating Fund Reserves" .....	1
1.3.6 "Other Restricted Reserves".....	1
1.3.7 "Restricted Reserves".....	1
1.3.8 "Unrestricted Reserves" .....	1
<b>GENERAL FUND CONTINGENCY RESERVES</b> .....	2
2.0 PROCEDURES:.....	2
2.0.1 Contingency Reserve Levels.....	2
2.0.2 Plan to Replenish Contingency Reserves .....	2
2.0.3 Use of Contingency Reserves.....	2
2.0.4 Allocation of Excess Contingency Reserves .....	3
<b>OTHER RESTRICTED RESERVES</b> .....	4
3.0 PROCEDURES:.....	4
3.0.1 Other Operating Funds Reserves .....	4
3.0.2 Capital Projects Reserves.....	4
3.0.3 Use of Other Restricted Reserves .....	4
3.0.4 Plan to Replenish Other Restricted Reserves .....	4
3.0.5 Allocation of Excess Other Restricted Reserves .....	4
<b>UNRESTRICTED RESERVES</b> .....	5
4.0 PROCEDURES:.....	5
4.0.1 Unrestricted Reserves .....	5
4.0.2 Use of Unrestricted Reserves.....	5

# ***Summary of the Fund Balance Reserve Policy***

- 1.0 **SCOPE:** To establish policies for budgeting for and spending from Fund Reserves.
- 1.1 **PURPOSE:** This Policy is intended to provide a framework for establishing annual reserve levels during the budget process that will provide the City with flexibility to adapt to local, regional and state wide economic changes and to stabilize the delivery of City services during periods of operational budget deficits while continuing to maintain sufficient balance for emergency spending.
- 1.2 **POLICY:** The Fund Reserve Policy establishes guidelines governing budgeted reserve balances in all perpetual funds as well as procedures for spending such balances and allocating excess reserves.
- 1.3 **DEFINITIONS:** When appearing in this policy, the following terms shall have the corresponding definitions.
  - 1.3.1 **“Adjusted Appropriations”** shall mean total appropriations minus appropriations for one-time activity, debt service and non-operating transfers to other funds.
  - 1.3.2 **“CAFR”** shall mean the Comprehensive Annual Financial Report of the City of Elk Grove.
  - 1.3.3 **“Capital Projects Reserve”** shall mean the reserve specifically designated to fund long term capital projects, including repair of such projects.
  - 1.3.4 **“Contingency Reserves”** shall mean budget stabilization reserves established for the purpose of providing consistent delivery of City services during periods of economic emergency, disaster response or unforeseen events or needs.
  - 1.3.5 **“Other Operating Fund Reserves”** shall mean the Contingency Reserves of operating funds other than the general fund.
  - 1.3.6 **“Other Restricted Reserves”** shall mean together the Other Operating Fund Reserves, the Capital Projects Reserve and the Gas Tax Reserve.
  - 1.3.7 **“Restricted Reserves”** shall mean Restricted Reserves as reported on the City’s CAFR. Generally, these are reserves designated for a specific purpose, not available for general use within a specific fund.
  - 1.3.8 **“Unrestricted Reserves”** shall mean Unrestricted Reserves as reported on the City’s CAFR. Generally, these are reserves are not designated for a specific purpose, and are available for general use within a specific fund.

# **General Fund Contingency Reserves**

**2.0 PROCEDURES:** When creating the annual budget each year, the City Council will adhere at a minimum to the following guidelines when considering the General Fund Contingency Reserve.

## **2.0.1 Contingency Reserve Levels**

The City deems it desirable to retain a Contingency Reserve level of 20% of the Adjusted Appropriations for any given Budget Year. The Contingency Reserve balance as a percentage of Adjusted Appropriations shall be no less than 15% of General Fund Adjusted Appropriations. The City Council will approve any fund balance between 15% and 20% of Adjusted Appropriations as part of the Annual Budget resolution, provided that the level of Contingency Reserves is not reduced below 15%. These reserves will be reported as part of the Restricted Reserve Balance in the City's CAFR.

The Contingency Reserve will be allocated to two categories as follows as a percent of overall Contingency Reserve balance:

- a.) Economic Uncertainty Reserve (75%). An Economic Uncertainty Reserve will be maintained to minimize the effects of major economic uncertainties, including local disasters, State budget difficulties and other severe financial hardships or unforeseen changes in revenues and/or expenditures and will be available for budget stabilization.
- b.) Exposure and Emergency Reserves (25%). An Exposure Reserve will be maintained to minimize the immediate financial impact of potential costs not covered by the City's insurance programs, such as claim costs within the City's deductibles, self-insured retentions and/or major costs associated with disasters and other events which will not be reimbursable from insurance or from the Federal or State Government. An Emergency Reserve will be maintained to minimize all unforeseen events not covered in the Economic Uncertainty Reserve and Exposure Reserves.

## **2.0.2 Plan to Replenish Contingency Reserves**

Any appropriation of the Contingency Reserves below the 15% minimum shall be accompanied by findings articulating the need for the use of the Contingency Reserves and a plan for the replenishment of the Contingency Reserves within a reasonable period not to exceed three (3) budget years.

## **2.0.3 Use of Contingency Reserves**

All Contingency Reserve expenditures must be approved by a majority (three votes) of the City Council. The exception is the event that a disaster situation is declared. In the event of a declared emergency, the City Manager may expend Contingency Reserves without prior City Council approval. After the emergency, the City Council shall evaluate the current Contingency Reserve level, and if necessary, publish, as an amendment to the current Budget resolution, findings for the replenishment of the reserves within a reasonable period not to exceed three (3) budget years.

#### **2.0.4 Allocation of Excess Contingency Reserves**

In the event the City successfully retains a Contingency Reserve amount beyond 20% Adjusted Appropriations for a given Budget Year, the excess balance shall be transferred to the Capital Projects Reserve fund as defined in Section 3.0.2 of this policy to fund long term capital projects, as directed by the City Council in future budget years. In the budget year subsequent to the accrual of excess Contingency Reserves, the City Council may allocate the excess reserves to a specific fund or leave the balance available and classified as Unrestricted Reserves (Section 4.0).

# ***Other Restricted Reserves***

**3.0 PROCEDURES:** When creating the annual budget each year, the City Council shall adhere, at a minimum, to the following guidelines when considering Other Restricted Reserves.

## **3.0.1 Other Operating Funds Reserves**

The City deems it desirable to retain a Contingency Reserve level of 20% of revenues in other operating funds for any given budget year. Contingency Reserves will be set aside each Budget Year to provide budget stabilization or to fund unanticipated projects deemed necessary. The Contingency Reserve in each other operating fund shall be no less than 10% of on-going operating revenues. The City Council will approve any fund balance between 10% and 20% of other on-going operating revenues as part of the Annual Budget resolution, provided that the level of Contingency Reserves is not reduced below 10%. These reserves will be reported as part of the Restricted Reserve Balance in the City's CAFR.

## **3.0.2 Capital Projects Reserves**

The City deems it desirable to accrue to the Capital Projects Reserves a level of 100% of the remainder of total general fund appropriations minus Adjusted Appropriations and Unreserved Fund Balance for any given budget year. These reserves will be reported as part of the Restricted Reserve Balance in the City's CAFR.

Capital Reserves may be used to fund long term capital projects, including repair of such projects, at the discretion of the City Council. Expenditures from Capital Reserves will be approved, if desired by the City Council, in each Budget resolution provided.

## **3.0.3 Use of Other Restricted Reserves**

The Other Operating Fund Reserves and the Capital Reserve (together the "Other Restricted Reserves") expenditures shall meet the requirements of Section 2.0.3.

## **3.0.4 Plan to Replenish Other Restricted Reserves**

Any appropriation of the Other Restricted Reserves below their respected stated minimums shall be accompanied by findings articulating the need for the use of the Other Restricted Reserves and a plan for the replenishment of the Other Restricted Reserves within a reasonable period not to exceed three (3) budget years.

## **3.0.5 Allocation of Excess Other Restricted Reserves**

In the event the City successfully retains Other Reserves amounts beyond their respected maximums for a given budget year, the excess balance shall remain in the given fund to be appropriated by the City Council for use in future budget years.

# ***Unrestricted Reserves***

**4.0 PROCEDURES:** When creating the annual budget each year, the City Council will adhere at a minimum to the following guidelines when considering Unrestricted Reserves.

## **4.0.1 Unrestricted Reserves**

The City deems it desirable to retain an Unrestricted Reserves to be monitored annually at the discretion of the City Council. These reserves will be available for City Council consideration for unforeseen projects or events that are requested to be brought forth for consideration.

## **4.0.2 Use of Unrestricted Reserves**

All Unrestricted Reserves expenditures must be approved by a majority vote of the City Council.

**CERTIFICATION**  
**ELK GROVE CITY COUNCIL RESOLUTION NO. 2009-37**

**STATE OF CALIFORNIA            )**  
**COUNTY OF SACRAMENTO        )**        **ss**  
**CITY OF ELK GROVE             )**

***I, Susan J. Blackston, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on February 11, 2009 by the following vote:***

**AYES :            COUNCILMEMBERS:        *Hume, Scherman, Cooper, Davis***

**NOES:            COUNCILMEMBERS:        *None***

**ABSTAIN :        COUNCILMEMBERS:        *None***

**ABSENT:         COUNCILMEMBERS:        *Detrick***



***Susan J. Blackston, City Clerk***  
***City of Elk Grove, California***