

RESOLUTION NO. 2024-222

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
AMENDING THE FUND BALANCE RESERVE POLICY AND
FISCAL YEAR 2024-2025 BUDGET**

WHEREAS, the City of Elk Grove (City) adopted the Fund Balance Reserve Policy on February 11, 2009 (Resolution No. 2009-37), to establish General Fund Reserve levels to provide the City with flexibility to adapt to economic changes and emergencies; and

WHEREAS, in April 2019, the City Council established the General Fund Reserve for Economic Uncertainty target level to be between 20% and 25% of budgeted appropriations to assist with economic uncertainty, emergencies, and cash flow needs, and established an Opportunity Reserve fund with a target level of 0% to 5% of budgeted appropriations to add budget flexibility for the purpose of providing funding for projects, acquisitions, or unforeseen events or need; and

WHEREAS, in February 2024, the City established the Public Agencies Post-Employment Benefits Trust (Pension Trust) to help prefund its pension obligations and have more control over when and how prepayment funds are used; and

WHEREAS, in September 2024, the City Council adopted the Pension Funding Policy, which established a goal to accumulate an amount in its Pension Trust Fund sufficient to generate investment earnings to cover the City’s Unfunded Accrued Liability payment to CalPERS; and

WHEREAS, the City Council wishes to add an option to the Fund Balance Reserve Policy to contribute to the Pension Trust.

WHEREAS, staff has proposed amendments to the Fiscal Year 2024-25 budget to reflect increased demand for Development Services’ services in the Development Fund (Fund 295).

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Elk Grove hereby:

- 1) Amends the Fiscal Year 2024-25 Operating Budget as presented in Exhibit B attached hereto;
- 2) Adopts the Amended Fund Balance Reserve Policy, attached hereto as Exhibit A; and
- 3) Authorizes the City Manager to allocate the Fiscal Year End 2023-24 reserves according to the following table:

GENERAL FUND RESERVE BALANCE - 6/30/2024		
Category	Amount	% of Adjusted Appropriations
Reserve for Economic Uncertainty	\$ 21,039,482	25%
Opportunity Reserve	\$ 4,207,896	5%
Subsequent Year Expenditures	\$ 219,820	0.3%
Transfer to Capital Reserve	\$ 7,254,333	9%
Transfer to Economic Development	\$ 7,254,333	9%
Transfer to Pension Trust	\$ 5,822,550	7%
Total Fund Balance	\$ 45,798,414	54%

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 13th day of November 2024




BOBBIE SINGH-ALLEN, MAYOR of the
CITY OF ELK GROVE

ATTEST:



JASON LINDGREN, CITY CLERK

APPROVED AS TO FORM:



JONATHAN P. HOBBS,
CITY ATTORNEY



City of Elk Grove Fund Balance Reserve Policy

Date: 4/24/19 Revised: 11/13/24	Department: Finance Division: Budget	Authority: Resolution No. 2024-XXX
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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 statewide 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 “ACFR”** shall mean the Annual Comprehensive Financial Report of the City of Elk Grove.
 - 1.3.2 “Adjusted Appropriations”** shall mean total appropriations minus appropriations for one-time activity, debt service and non-operating transfers to other funds.
 - 1.3.3 “Capital Projects Reserve”** shall mean the portion of fund balance specifically designated to fund long term capital projects, including repair of such projects.
 - 1.3.4 “Reserve for Economic Uncertainty”** shall mean a portion of fund balance established for the purpose of providing consistent delivery of City services during periods of economic recession or disaster response.
 - 1.3.5 “Opportunity Reserve”** shall mean a portion of the fund balance for the purpose of providing funding for projects or acquisitions or for an unforeseen event or need.
 - 1.3.6 “Other Operating Fund Reserves”** shall mean the Stabilization Reserves fund balance of operating funds other than the General Fund.
 - 1.3.7 “Other Restricted Reserves”** shall mean together the Other Operating fund balance, the Capital Projects fund balance and the Gas Tax fund balance.
 - 1.3.8 “Restricted Reserves”** shall mean Restricted fund balance as reported on the City’s ACFR. Generally, these are reserves designated for a specific purpose, not available for general use within a specific fund.
 - 1.3.9 “Unrestricted Reserves”** shall mean Unrestricted fund balance as reported on the City’s ACFR. 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 Reserves.

2.0.1 Reserve for Economic Uncertainty (REU) Levels

The City deems it desirable to retain a Reserve for Economic Uncertainty level of 25% of the Adjusted Appropriations for any given Budget Year. The Reserve balance as a percentage of Adjusted Appropriations shall be no less than 20% of General Fund Adjusted Appropriations. The City Council will approve any fund balance between 20% and 25% of Adjusted Appropriations as part of the Annual Budget Resolution, provided that the level of Reserves is not reduced below 20%. These reserves will be reported as part of the Committed Reserve Balance in the City's ACFR.

The Reserve for Economic Uncertainty:

- a.) Economic Uncertainty Reserve. 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. The Reserves is also available to minimize the immediate financial impact of disasters and claims which will not be reimbursable from insurance or Federal or State Government.

2.0.2 Plan to Replenish Reserve for Economic Uncertainty

Any appropriation of the REU below the 20% minimum shall be accompanied by findings articulating the need for the use of the REU and a plan for the replenishment of the REU within a reasonable period not to exceed three (3) budget years.

2.0.3 Use of Reserve for Economic Uncertainty

All use of the REU 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 REU without prior City Council approval. After the emergency, the City Council shall evaluate the current REU 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 budget years.

2.0.4 Opportunity Reserve

The City deems it desirable to retain an Opportunity Reserve level of a maximum 5% of the Adjusted Appropriations for any given Budget Year to be used for special projects, acquisitions, or other need. In addition, the Opportunity Reserve may be utilized for unanticipated projects, acquisitions, or other needs identified during the course of a fiscal year.

2.0.5 Allocation of Reserves above the REU and Opportunity Reserves

When the City successfully retains a Reserve for Economic Uncertainty amount beyond 25% and an Opportunity Reserve beyond 5% of Adjusted Appropriations for a given Budget Year the close out of the Fiscal Year will generally include the reallocation of reserves over the 30% to two purposes: one half to Capital Reserves and one half to Economic Development Programs. Maintaining the target level funding for the projected fund balance amounts in the next Fiscal Year will be considered before a transfer of reserves is initiated. Contributions to the City's Pension Trust may also be considered as the City sets aside funds to prefund its pension liabilities.

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 Stabilization Reserve level of between 10% to 25% of revenues in other operating funds for any given budget year. Stabilization Reserves will be set aside each Budget Year to provide budget stabilization or to fund unanticipated projects deemed necessary. 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. If the level of Stabilization Reserves falls below 10%, the City may over several Fiscal Years restore the level of Reserve to the desirable level of over 10%. These reserves will be reported as part of the Committed Reserve Balance in the City's ACFR.

3.0.2 Capital Reserves

These reserves will be reported as part of the Committed Reserve Balance in the City's ACFR.

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 in the Budget and/or Capital Improvement Program.

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 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.

EXHIBIT B
Quarterly Budget Update Amendment - November
Fiscal Year 2024-25

Account Number	Account Description	Current Revised Budget	Amendments	Proposed Revised Budget
295 - Development				
Revenue Adjustment:				
	Transfer from Fund Balance		\$ 600,000	\$ 600,000
	Total Revenue Adjustments	\$ -	\$ 600,000	\$ 600,000
Expense Adjustment:				
	2953120-5202104	\$ 674,034	\$ 600,000	\$ 1,274,034
	Total Expense Adjustments	\$ 674,034	\$ 600,000	\$ 1,274,034

Fund Balance Projection - November
Fiscal Year 2024-25

Fund	Fund Balance on July 01, 2024	Current Revised Budget	Amendments	Proposed Revised Budget
295 - Development Fund				
	Revenues	\$ 11,504,728		\$ 11,504,728
	Expenditures	\$ 11,905,125	\$ 600,000	\$ 12,505,125
	Surplus / (Deficit)	\$ (400,397)	\$ (600,000)	\$ (1,000,397)
Available Fund Balance	\$ 7,199,463	\$ 6,799,066		\$ 6,199,066

CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2024-222

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

I, Jason Lindgren, 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 November 13, 2024 by the following vote:

AYES: COUNCILMEMBERS: Singh-Allen, Brewer, Robles, Spease, Suen

NOES: COUNCILMEMBERS: None

ABSTAIN: COUNCILMEMBERS: None

ABSENT: COUNCILMEMBERS: None



Jason Lindgren, City Clerk
City of Elk Grove, California