



Financial Reserves Policy

Council Policy

June 7, 2016

Last Rev: 6/7/2016

Adopted: 7/6/2004

A. Purpose

Fiscal stability is an important factor for all cities. Sound financial management includes the practice and discipline of maintaining adequate reserve funds for known and unknown contingencies. Such contingencies and occurrences include, but are not limited to:

- Cash flow requirements
- Economic uncertainties including downturns in the local, state or national economy
- Local emergencies and natural disasters
- Loss of major revenue source
- Unanticipated operating or capital expenditures
- Uninsured losses
- Tax refunds
- Future capital projects
- Vehicle and equipment replacement
- Capital asset and infrastructure repair and replacement

The establishment of prudent financial reserve policies is important to ensure the long-term financial health of the City.

B. Applicability

This policy will apply to the City General Fund.

C. Reserve for Financial and Economic Uncertainty

The City will maintain a Reserve for Financial and Economic Uncertainty equal to no less than 50% of annual General Fund operating expenditures and transfers. City Council approval shall be required before expending any portion of the Reserve for Financial and Economic Uncertainty. Unforeseen circumstances that may require an expenditure of such amounts include, but are not limited to natural disasters, unforeseen deficiencies of a major revenue source, or unexpected operating or capital expenditures.

If any circumstances noted above occur, and the Reserve for Financial and Economic Certainty falls below the City Council policy designated level of 50% of annual General Fund operating expenditures and transfers, all excess Unassigned fund balance in future years shall first be used to replenish the Reserve for Financial and Economic Uncertainty until it reaches the policy designated level of 50% of General Fund operating expenditures and transfers. The City Council shall replenish the Reserve for Financial and Economic Uncertainty prior to expending Unassigned fund balance for other purposes.

D. Reserve for Compensable Accrued Unused Vacation and Sick Leave

The City will maintain a Reserve for Compensable Accrued Unused Vacation and Sick Leave based on estimated long-term liabilities on June 30 of each fiscal year.

E. Reserve for Other Post-Employment Benefits

The City will maintain a Reserve for Other Post-Employment Benefits (OPEB) equal to 60% of the OPEB liability on June 30 of each fiscal year.

F. Reserve for Capital Assets and Infrastructure Replacement

The City will maintain a Reserve for Capital Assets and Infrastructure Replacement. After allocating General Fund fund balance to the Reserve for Financial and Economic Uncertainty and City Council designated projects and purposes, any remaining fund balance shall be apportioned to the Reserve for Capital Assets and Infrastructure Repair and Replacement as follows: 75% to Streets and 25% to Other Capital Assets and Infrastructure. It is the long-term goal of the City to build and maintain this reserve in an amount equal to the estimated replacement cost of all City capital assets at the end of their design life and to use this reserve for such replacement.

Allocations to the Reserve for Capital Assets and Infrastructure Replacement will be suspended for FY 2014-15 through FY 2018-19. Allocations that would have been made at the end of those fiscal years shall instead be allocated to the Reserve for Crown Valley Community Park Master Plan Improvements until such time that budgeted appropriations and reserves are determined by the City Council to be sufficient to fund the Crown Valley Community Park Master Plan Improvements on an all-cash basis.

G. Reserve for Crown Valley Community Park Master Plan Improvements

The City will fund a Reserve for Crown Valley Community Park Master Plan Improvements until such time that budgeted appropriations and reserves are determined by the City Council to be sufficient to fund the Crown Valley Community Park Master Plan Improvements on an all-cash basis.

H. City Council Designation of Reserves

The City Council may designate portions of General Fund unreserved fund balance for future capital projects, continuing or carry-over appropriations from prior fiscal years for operating or capital expenditures, or any other municipal purpose that the City Council deems prudent or necessary.

I. Annual Adjustment of Reserve Levels

Reserve levels will be adjusted annually in accordance with this policy. Reserve levels will be set at the end of each fiscal year in conjunction with the preparation of the City annual financial statements.

J. Annual Review of Policy

The City Council shall annually review the Financial Reserve Policy, and consider such changes, if any, that it deems appropriate. Such review shall occur in conjunction with the review and adoption of the annual City Budget and Capital Improvement Program.

K. Comprehensive Annual Financial Report

In accordance with generally accepted accounting principles and practices, all classifications of General Fund fund balance will appear in the Notes to Financial Statements of the Comprehensive Annual Financial Report and be classified in accordance with GASB 54.