

FY 2023-2024 BUDGET QUESTION
Response to Request for Information

DEPARTMENT(S): Financial Services Department

CBQ NO.: 132

REQUESTED BY: Vela

DATE REQUESTED: 07/25/2023

DATE POSTED: 08/09/2023

REQUEST: Can you provide historical data on the City's reserves funds?

RESPONSE:

The City currently maintains two General Fund reserves, the Emergency Reserve Fund and the Budget Stabilization Reserve Fund. Current financial policies require that the Emergency Reserve Fund maintain a balance of 8% of ongoing General Fund expenditures, and that the combined balance of the two reserve Funds meet or exceeds 14% of ongoing General Fund expenditures. Budget Stabilization Reserve Fund balance in excess of this threshold may be expended on non-recurring items, subject to the additional requirement that no more than one third of the Budget Stabilization Reserve Fund balance may be expended in any one fiscal year.

The fiscal year 2023-24 Proposed Budget includes an amendment to these financial policies to increase the required Emergency Reserve Fund balance to 10% of ongoing General Fund expenditures and the required combined General Fund reserve balance to 17% of ongoing General Fund expenditures. It maintains the additional requirement that no more than one third of the Budget Stabilization Reserve Fund balance may be expended in any one fiscal year. This proposed increase in required reserve levels reflects the City's recent experience in utilizing reserves to address emergencies, and aligns the City's policy with best practices as outlined by the Government Finance Officers Association and recommended in a recent report by the City Auditor.

Prior to fiscal year 2015-16, the City maintained three General Fund reserves: an Emergency Reserve of \$40 million; a Contingency Reserve of 1% of budgeted General Fund departmental expenditures, with a minimum of \$2 million; and the Budget Stabilization Reserve. There was no financial policy requirement for the total level of reserves across all three of these Funds. In fiscal year 2015-16, the Contingency Reserve was merged with the Emergency Reserve Fund, and financial policies were amended to set a required balance of 6% of ongoing General Fund expenditures for this new Emergency Reserve Fund. Financial policies were also amended to require a combined General Fund reserve balance of 12% of ongoing General Fund expenditures. In fiscal year 2020-21, financial policies were amended to increase the required Emergency Reserve Fund balance to 8% of ongoing General Fund expenditures, and the combined General Fund reserves threshold to 14% of ongoing General Fund expenditures.

The table below displays a ten-year history of budgeted General Fund reserve balances and levels, as well as year-end actual reserve balances and levels. When year-end reserve levels exceed the balance required by financial policy, the City typically budgets one-time expenditures from the Budget Stabilization Reserve Fund in the subsequent year.

Fiscal Year	Budgeted Reserve Balance	Budgeted Reserve Level	Year-end Reserve Balance	Year-end Reserve Level
FY23	\$174,800,904	14.0%	\$202,951,071*	16.3%*
FY22	\$165,755,937	14.3%	\$207,043,857	17.9%
FY21	\$133,595,438	12.0%	\$156,501,300	14.3%
FY20	\$128,671,047	12.0%	\$159,205,063	15.3%
FY19	\$123,527,066	12.0%	\$167,400,660	16.4%
FY18	\$123,368,157	12.0%	\$161,523,013	16.2%
FY17	\$116,462,191	12.0%	\$134,258,832	13.9%
FY16	\$109,955,457	12.1%	\$125,525,081	13.8%
FY15	\$111,874,439	13.1%	\$147,372,684	17.3%
FY14	\$96,083,820	12.0%	\$155,075,356	18.6%

*Estimated