



## Legislation Details (With Text)

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**Title:** Review the City's Current Reserve Policies

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**Attachments:** 1. Electric and Water/Wastewater 30-day working capital reserve, 2. General fund reserve policy

Date	Ver.	Action By	Action	Result
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### FINANCIAL ADVISORY BOARD AGENDA ITEM

#### **ACTION REQUESTED:**

Review the City's Current Reserve Policies

**DEPARTMENT:** Finance Department

**SUBMITTED BY:** Rachel Mayer, Finance Director

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

The City has in place emergency reserve funds for its three largest operating funds; the General Fund, the Electric Utility Fund, and the Water/Wastewater Utility Fund.

These reserve policies exist to ensure the City's ability to fund the provision of critical services to the public. The stated practice for calculating the reserve requirement amount is comparing the subsequent years' annual budgeted expenditures less inter-fund transfers at the fiscal year end.

On April 15, 2003, City Council adopted a resolution establishing a policy for a 30-day designated working capital reserve for the utility funds. The Electric and Water/Wastewater Funds will maintain a designated reserve equal to 30 days of operating expenditures excluding capital and debt service payments.

On December 19, 2011, City Council adopted an ordinance creating a revised emergency reserve for the General Fund. The General Fund is the general operating fund of the city. It houses the expenditure budgets for all the core city service departments. The General Fund reserve is equal to 20% of the General Fund. Additionally, as part of the City's Financial Principles adopted in 2015, the City is seeking to increase the reserve level from the existing 20% to 25%.

Below are the reserves stated at the end of 2016, utilizing the last audited figures.

<b>Fund</b>	<b>Policy</b>	<b>Policy Value</b>	<b>Actual Value</b>	<b>Difference</b>
General Fund	20% Current	23,931,415	26,857,931	2,926,516
General Fund	25% Goal	29,914,269	26,857,931	(3,056,338)
Electric Utility	30-Day	12,428,359	6,627,256	(5,801,103)
Water Utility	30-Day	5,148,573	933,704	(4,214,869)

**DISCUSSION:**

At its January 29, 2018 meeting, the FAB discussed revisiting both the General Fund and utility funds reserve policies.