



FINANCIAL RESERVES POLICY

COUNCIL POLICY

Adopted: 7/6/2004

Last Adopted: 6/4/2024

A. 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 Target

The City will maintain a minimum reserve equal to 50% of annual General Fund operating expenditures. At least 50% of the minimum reserve balance will be designated as the reserve for Financial and Economic Uncertainty.

D. Reserve for Financial and Economic Uncertainty

The City will maintain a Reserve for Financial and Economic Uncertainty equal to \$15 million. 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, 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. The City Council shall replenish the Reserve for Financial and Economic Uncertainty prior to expending unassigned fund balance for other purposes.

E. 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.

F. Reserve for Other Post-Employment Benefits

The City will maintain a Reserve for Other Post-Employment Benefits (OPEB) equal to 50% of the OPEB liability on June 30 of each fiscal year.

G. Reserve for Unfunded Pension Liability

The City will fund a Reserve for Unfunded Pension Liability, in the form of a Section 115 Pension Trust. The City will maintain a \$2 million target in this reserve; any excess funds will be considered as part of the annual budget process.

If the City's Unfunded Pension Liability is or becomes fully funded, as part of the annual budget process, the City will consider drawing down the Section 115 Pension Trust funds below the \$2 million target for authorized pension expenditures.

H. Reserve for Infrastructure Replacement and Deferred Maintenance

The City will maintain a Reserve for Infrastructure Replacement and Deferred Maintenance. After allocating General 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 Infrastructure Replacement and Deferred Maintenance.

I. 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.

J. 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 audited financial statements.

K. 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.

L. Comprehensive Annual Financial Report

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