

**CITY OF STOCKTON, CALIFORNIA
CITY COUNCIL POLICY**

Subject: RESERVE POLICY – GENERAL FUND	Policy No.	Page No. 1 of 2
	Effective Date: TBD (Date will be inserted after Council approval)	

BACKGROUND

In order to prudently protect the fiscal solvency of the City, it is important to maintain a minimum level of reserves. Reserves are important in order to:

- Ensure that the City is able to respond to the challenges of a changing environment.
- Reduce the budgetary impacts of bad economic times.
- Insulate the city from actions of the State that may result in reduction of revenues.
- Mitigate exposure to natural disasters or other catastrophic events.
- Demonstrate continued creditworthiness to bond rating agencies and the financial community.

Although the City has acted prudently when arriving at budgetary decisions, a written policy establishing a target minimum reserve level assists both the Council and management in focusing on this important fiscal consideration.

PURPOSE

The purpose of this Policy is to establish a target minimum level of unreserved fund balance to be maintained in the General Fund for exposure to natural disaster and severe unforeseen emergencies (Catastrophic Reserve), and economic uncertainties (Economic Contingency / Budget Uncertainty Reserve).

POLICY

To ensure sound fiscal management and preserve City Council discretion in its resource allocation decisions, the City establishes the following General Fund fund balance designations and funding targets:

(A) Catastrophic Reserve

- equivalent to 5% of the General Fund annual appropriations and transfers out

(B) Economic Contingency / Budget Uncertainty Reserve

- equivalent to 5% of the General Fund annual appropriations and transfers out

**CITY OF STOCKTON, CALIFORNIA
CITY COUNCIL POLICY**

Subject: RESERVE POLICY – GENERAL FUND	Policy No.	Page No. 2 of 2
	Effective Date: TBD (Date will be inserted after Council approval)	

It is anticipated that the initial funding of these designations at these levels will take multiple years to be realized.

This reserve amount represents a level that bond rating agencies and bond insurance companies recommend cities maintain to deal with local disasters, emergencies, and /or unexpected economic changes that adversely impact revenues or expenditures.

Undesignated fund balances shall be used for one-time expenditures or uses, including the funding of capital projects.

PROCEDURE

1. A portion of fund balance is reserved as legally required by Generally Accepted Accounting principles (GAAP). These funds are not available for appropriation due to legal obligations.
2. Unreserved fund balances available for appropriation can be reserved through Council action or designated by the City Council or City Manager. A designation is defined as a government's self imposed limitation on the use of otherwise available expendable financial resources in governmental funds.
3. The City Council shall adopt a policy to establish the level of unreserved fund balance that should be maintained in each reserve with the target level being 5% of budgeted appropriations and transfers in the General Fund.
4. Council approval will be required before appropriating funds designated under the Catastrophic Reserve.
5. Once the budget reserve target has been met, if the reserve is deemed necessary for use by the City, the City Manager's office is to propose a plan for the replenishment of the reserve to the City Council.
6. The reserve policy is to be reviewed annually by the City Council during the budget review and adoption process.