

**CITY OF VICTORVILLE
COUNCIL POLICY**

SUBJECT: GENERAL FUND RESERVE POLICY	POLICY NO.: CP-10-04
	DATE: June 1, 2010

BACKGROUND

Fiscal stability is an important factor for all cities to mitigate current and future risks and to ensure long-term financial planning. Sound fiscal management practices include the discipline of maintaining adequate reserve funds for known and unknown contingencies. Such contingencies and occurrences may include, but are not limited to:

1. Cash flow requirements
2. Economic uncertainties including downturns in the local, state or national economies
3. Local emergencies and disasters
4. Loss of major revenue sources
5. Unanticipated operating or capital expenditures
6. Uninsured losses
7. Future capital projects
8. Vehicle and equipment replacement
9. Capital asset and infrastructure repair and replacement

In addition, minimum levels of reserves are important to:

1. Insulate the city from actions of the state that may result in a reduction of revenues
2. Demonstrate creditworthiness to bond rating agencies and the financial community
3. Promote both short and long term financial planning and stabilization

APPLICABILITY

This policy will apply to the City General Fund.

PURPOSE

The purpose of this Policy is to establish a target and minimum levels of unreserved fund balance to be maintained in the General Fund.

POLICY

To ensure sound fiscal management, the City establishes the following General Fund fund balance designations and funding targets:

1. **General Fund Reserve** – A target of fifteen percent (15%) of the General Fund annual appropriations and transfers out shall be held in reserve.
2. **Minimum Reserve** – During times of fiscal hardship, a minimum of five percent (5%) of the General Fund annual appropriations and transfers out shall be maintained to provide provision for cash flow requirements, economic uncertainties, uninsured losses, local emergencies/disasters, or other unknown financial hardships.
3. **Replenishment of Fund Reserves** - If reserves are used below the target fifteen percent (15%), the City Manager shall develop a plan to rebuild the reserve fund to the target level. Said plan shall be presented and/or updated on an annual basis for review and approval by the City Council during the annual budget review and adoption process until the fund reaches the target level.

Upon the adoption of this policy, it is anticipated that the initial funding of the target designation may take multiple years to realize. Therefore, the City Manager shall prepare and submit a plan to fund the Reserve Fund for review and approval by the City Council during the annual budget review and adoption process.

USE OF GENERAL FUND RESERVES

In the event that there are anticipated expenses or revenue shortfalls during the annual budget approval process, funds may be appropriated by the City Council from the General Fund Reserve fund to balance the annual operating budget. However, the General Fund Reserve fund shall not be used to fund new programs or positions. Funds may also be appropriated by the City Council in case of a local emergency/disaster or financial hardship after the annual operating budget is adopted.