

# Study Session: Reserve Analysis and Policy Considerations

Presented by  
Veronica Chavez



# Agenda

1. Importance of Reserve
2. Projected 10-Year Cash Flow
3. Reserve Analysis
4. Options to Consider
5. Long-Term Planning Solutions
6. Conclusion



# Importance of Reserve Funds



1. Protecting Against Uncertainty
2. Ensuring Stability
3. Supporting Long-Term Planning
4. Right Sizing Expectations
5. Responsible Management of Public Funds

# Best Practices

The **Government Finance Officers Association (GFOA)** recommends that general-purpose governments maintain an unrestricted fund balance equal to at least two months, or 16.7%, percent, of General Fund operating revenues or expenditures. Fund Balance represents the resources accumulated in governmental funds and is defined as the difference between a fund's assets and its liabilities.

Since 2018, GFOA has expanded its best practice recommendations for reserve policies. Key concepts for cities to consider include:

- **Follow GFOA Guidelines:** Maintain an unrestricted General Fund balance equal to at least two months of operating revenues or expenditures (approximately 16.7%). percent).
- **Multiyear Forecasting:** Integrate reserve targets into long-range financial plans to help stabilize services during economic downturns.
- **Structured Use Policy:** Clearly define the circumstances under which reserves may be used, such as revenue shortfalls or natural disasters.
- **Transparent Reporting:** Regularly disclose reserve levels and any drawdowns to support accountability and public trust.

The City's current Reserve Policy incorporates three of these four recommendations. The only exception is the GFOA's 16.7% minimum threshold, which is not used in the current policy.

# Comparison Reserve Thresholds

<b>City</b>	<b>Total Reserve Requirement</b>
<b>Los Angeles</b>	5% of General Fund Revenue
<b>San Francisco</b>	16.7% of General Fund Expenditures
<b>Sacramento</b>	10% of General Fund Revenue
<b>San Diego</b>	16.7% of General Fund Revenue
<b>Fresno</b>	25% of General Fund Expenditures
<b>Santa Rosa</b>	20-25% of General Fund Revenue
<b>Long Beach</b>	10% of General Fund Expenditures
<b>Modesto</b>	22.5% of General Fund Expenditures
<b>La Quinta</b>	33% of General Fund Expenditures
<b>Rancho Mirage</b>	84% of Estimated Fund Balance

# Calculated Reserve Categories for FY 2025-26

Category	Requirement	Designation	FY 2025-26 Amount
General Fund Operating Reserve	25% of Projected GF Expenditures	Assigned - CM is delegated to determine use.	21,691,071
Contingency/Emergency Reserve	20% of Projected GF Revenue	Committed - Requires Council Action to use.	22,337,751
Facilities Maintenance Reserve	Amount equal to 70% of 2018 Replacement Reserve Study Annual Requirement.	Committed - Requires Council Action to use.	6,961,265
Capital Improvement Projects Reserve	20% of Total Five-Year CIP Plan	Committed - Requires Council Action to use. *May also be "Restricted" depending on project.	6,045,267
Liability Reserve	Pooled retention requirement for Liability and Workers' Comp-currently \$4 million	Committed - Requires Council Action to use.	4,000,000
Employment Benefits Reserve	50% of 1% Difference in the PERS discount rate	Committed - Requires Council Action to use.	10,697,122
Other Fund Stability Reserve	This amount is immediately transferred on July 1 to other funds so no reserve is necessary.	Committed - Requires Council Action to use.	-
Equipment Replacement Reserve	100% of Equipment Assets as noted in ACFR	Committed - Requires Council Action to use.	2,869,354
Economic Development Reserve	SARDA Land Sales - City Apportionment	Committed - Requires Council Action to use.	-
Leave Balance and Trust Funds	These balances are considered General Fund in Fund Balance but are not City Funds.	Non Spendable	3,117,405
		<b>Total FY 2025-26 Reserve Requirement</b>	<b>77,719,235</b>



# Schedule 1 – Current 10-Year Forecast

TEN-YEAR FORECAST	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
<b>Estimated Revenue</b>										
Property Tax	14,712,737	15,006,992	15,307,132	15,613,274	15,925,540	16,244,050	16,568,931	16,900,310	17,238,316	17,583,083
Sales Tax (General 1%)	25,274,315	25,598,778	26,045,477	26,447,033	26,795,972	27,088,751	27,339,875	28,160,071	29,004,873	29,875,020
TOT & STR's	22,755,000	25,940,700	28,534,770	29,390,813	30,272,537	31,180,714	32,116,135	33,079,619	34,072,008	35,094,168
Measure G *	25,887,322	26,416,518	26,929,837	27,394,342	27,805,342	28,462,695	29,031,949	29,612,588	30,500,966	31,415,994
All Other GF Revenue	23,059,380	23,566,686	24,085,153	24,615,027	25,156,557	25,710,002	26,275,622	26,853,685	27,444,466	28,048,245
<b>Combined GF Revenue</b>	<b>111,688,754</b>	<b>116,529,674</b>	<b>120,902,369</b>	<b>123,460,489</b>	<b>125,955,949</b>	<b>128,686,212</b>	<b>131,332,512</b>	<b>134,606,274</b>	<b>138,260,629</b>	<b>142,016,509</b>
<b>Estimated Expenditures</b>										
Salaries & Benefits	26,853,063	27,792,920	28,765,672	29,772,471	30,814,507	31,893,015	33,009,271	34,164,595	35,360,356	36,597,968
Professional Services	11,208,344	11,768,761	12,357,199	12,975,059	13,623,812	14,305,003	15,020,253	15,771,266	16,559,829	17,387,820
Public Safety	28,547,236	29,689,125	30,876,690	32,111,758	33,396,228	34,732,078	36,121,361	37,566,215	39,068,864	40,631,618
Other Ops	6,775,484	7,182,013	7,612,934	8,069,710	8,553,892	9,067,126	9,611,154	10,187,823	10,799,092	11,447,038
Repair & Maintenance	6,269,023	6,707,855	7,177,404	7,679,823	8,217,410	8,792,629	9,408,113	10,066,681	10,771,349	11,525,343
Events & Outside Agency Funding	2,111,135	2,237,803	2,372,071	2,514,396	2,665,259	2,825,175	2,994,685	3,174,366	3,364,828	3,566,718
Transfers to Other Funds (Leaves/AD's)	1,846,000	1,901,380	1,958,421	2,017,174	2,077,689	2,140,020	2,204,221	2,270,347	2,338,458	2,408,611
Transfer to Library Services	2,523,443	2,573,912	2,625,390	2,677,898	2,731,456	2,786,085	2,841,807	2,898,643	2,956,616	3,015,748
Transfer to Aquatic Facility Services	2,152,543	2,174,068	2,195,809	2,217,767	2,239,945	2,262,344	2,284,968	2,307,817	2,330,896	2,354,205
Transfer to Fire Services*	7,750,000	10,500,000	11,500,000	13,000,000	14,000,000	14,560,000	15,142,400	15,748,096	16,378,020	17,033,141
<b>Total Operational Expenditures</b>	<b>96,036,271</b>	<b>102,527,838</b>	<b>107,441,592</b>	<b>113,036,056</b>	<b>118,320,200</b>	<b>123,363,475</b>	<b>128,638,231</b>	<b>134,155,849</b>	<b>139,928,307</b>	<b>145,968,210</b>
<b>CIP Related Transfers</b>										
Transfer to Projects*	10,726,545	12,030,561	11,505,021	1,964,673	1,964,673	7,638,287	8,096,584	8,582,379	9,097,322	9,643,161
Transfers for Facilities *	3,847,482	3,885,957	3,924,816	3,964,065	4,003,705	4,043,742	4,084,180	4,125,021	4,166,272	4,207,934
<b>Total GF Expenditures</b>	<b>110,610,298</b>	<b>118,444,356</b>	<b>122,871,429</b>	<b>118,964,793</b>	<b>124,288,578</b>	<b>135,045,504</b>	<b>140,818,995</b>	<b>146,863,250</b>	<b>153,191,900</b>	<b>159,819,306</b>
<b>Est. Beginning General Fund Balance</b>	<b>116,772,032</b>	<b>117,850,488</b>	<b>98,966,367</b>	<b>80,002,328</b>	<b>77,498,024</b>	<b>79,165,394</b>	<b>72,806,102</b>	<b>63,319,619</b>	<b>51,062,643</b>	<b>36,131,372</b>
<b>Revenue over (under) expenditures</b>	<b>1,078,456</b>	<b>(1,914,682)</b>	<b>(1,969,060)</b>	<b>4,495,696</b>	<b>1,667,370</b>	<b>(6,359,292)</b>	<b>(9,486,483)</b>	<b>(12,256,976)</b>	<b>(14,931,271)</b>	<b>(17,802,797)</b>
<b>Unfunded Requests (from Reserve)</b>										
New Library (\$30M) \$20M RDA BOND PFI	(6,000,000)									
Station 33/71 Rehab/Rebuild \$23.6M RD	(2,400,000)									
North Sphere Community Park (\$19M)		(15,500,000)	(3,500,000)							
North Sphere Regional Park (\$30M)		(3,000,000)	(20,000,000)	(7,000,000)						
North Sphere Stormwater - Channel Prc	(1,000,000)	(8,500,000)	(5,000,000)							
Henderson Trailhead Improvements		(2,000,000)								
<i>Estimated Amount from Measure G</i>	<i>9,400,000</i>	<i>12,030,561</i>	<i>11,505,021</i>	<i>1,964,673</i>	<i>1,964,673</i>	<i>7,638,287</i>	<i>8,096,584</i>	<i>8,582,379</i>	<i>9,097,322</i>	<i>9,643,161</i>
<b>Est. Ending General Fund Balance</b>	<b>\$ 117,850,488</b>	<b>\$ 98,966,367</b>	<b>\$ 80,002,328</b>	<b>\$ 77,498,024</b>	<b>\$ 79,165,394</b>	<b>\$ 72,806,102</b>	<b>\$ 63,319,619</b>	<b>\$ 51,062,643</b>	<b>\$ 36,131,372</b>	<b>\$ 18,328,575</b>

# Schedule 1 - 10-Year Cash Flow Analysis – Reserves

## As Is

# Projected 10-Year Reserve Analysis

<i>Minimum Reserve per GFOA</i>	18,652,022	19,460,456	20,190,696	20,617,902	21,034,643	21,490,597	21,932,530	22,479,248	23,089,525	23,716,757
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
<b>Est. General Fund Bal</b>	\$ 117,850,488	\$ 98,966,367	\$ 80,002,328	\$ 77,498,024	\$ 79,165,394	\$ 72,806,102	\$ 63,319,619	\$ 51,062,643	\$ 36,131,372	\$ 18,328,575
<b>Annual Percentage Funded</b>	152%	125%	95%	101%	100%	86%	76%	53%	40%	21%
Non-Spendable (Leave Balances and Tru:	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405
<b>Reserve Requirement - Per Current Policy</b>										
<b>ASSIGNED</b>										
GF Operating Reserve (25% of Ops)	21,691,071	22,341,803	23,012,057	23,702,419	24,413,492	25,145,897	25,900,273	26,677,282	27,477,600	28,301,928
<b>COMMITTED</b>										
GF Emergency Reserve (20% of GF Rever	22,337,751	23,305,935	24,180,474	24,692,098	25,191,190	25,737,242	26,266,502	26,921,255	27,652,126	28,403,302
Liability Reserve (\$4M)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Emplymnt Bene Reserve (50% for chgin										
Disc Rate)	10,697,122	10,804,093	10,912,134	11,021,255	11,131,468	11,242,783	11,355,211	11,468,763	11,583,450	11,699,285
Other Fund Stability Reserve (equal to 25%	<i>This amount is included in Expenditures and Immediately Transferred</i>									
Facility Reserve (at 70% sensitivity)	6,961,265	5,459,114	9,005,713	6,485,361	8,037,456	8,331,572	7,032,306	14,169,390	7,050,049	8,252,353
CIP Reserve (20% of CIP)	6,045,267	7,319,615	6,792,935	392,935	392,935	3,657,538	2,387,729	7,319,615	6,792,935	392,935
Equip Replacement Reserve (100% cost										
of assets)	2,869,354	2,955,435	3,044,098	3,135,421	3,229,483	3,229,483	3,261,778	3,294,396	3,327,340	3,360,613
<b>Total Required Reserve</b>	<b>77,719,235</b>	<b>79,303,399</b>	<b>84,064,816</b>	<b>76,546,894</b>	<b>79,513,428</b>	<b>84,461,920</b>	<b>83,321,206</b>	<b>96,968,106</b>	<b>91,000,908</b>	<b>87,527,825</b>
<b>Reserve Requirement Overfunded/(Un</b>	<b>40,131,253</b>	<b>19,662,968</b>	<b>(4,062,488)</b>	<b>951,130</b>	<b>(348,034)</b>	<b>(11,655,818)</b>	<b>(20,001,587)</b>	<b>(45,905,464)</b>	<b>(54,869,536)</b>	<b>(69,199,250)</b>

As is

# Staff Recommendations for Policy Improvements



**Combine** Operating and Emergency Reserves (Totaling 25%).



**Simplify** Facilities Reserves: Use 4% of Replacement Value (25-Year Life)



**Strengthen** Economic/Community Investment Reserve (\$5M/Yr w ROI Requirement to Use).



**Consider** Housing Facility Reserve Upon Depletion of Housing Fund Balance (Currently \$40M): Use 4% of Replacement Value net of Annual NOI from ops



**Create** Productivity Savings/Innovation Reserve to support operational efficiency and continuous improvement



## **Schedule 2 – Revised 10-Year Forecast**

TEN-YEAR FORECAST	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
<b>Estimated Revenue</b>										
Property Tax	14,712,737	15,006,992	15,307,132	15,613,274	15,925,540	16,244,050	16,568,931	16,900,310	17,238,316	17,583,083
Sales Tax (General 1%)	25,274,315	25,598,778	26,045,477	26,447,033	26,795,972	27,088,751	27,339,875	28,160,071	29,004,873	29,875,020
TOT & STR's	22,755,000	25,940,700	28,534,770	29,390,813	30,272,537	31,180,714	32,116,135	33,079,619	34,072,008	35,094,168
Measure G *	25,887,322	26,416,518	26,929,837	27,394,342	27,805,342	28,462,695	29,031,949	29,612,588	30,500,966	31,415,994
All Other GF Revenue	23,059,380	23,566,686	24,085,153	24,615,027	25,156,557	25,710,002	26,275,622	26,853,685	27,444,466	28,048,245
<b>Combined GF Revenue</b>	<b>111,688,754</b>	<b>116,529,674</b>	<b>120,902,369</b>	<b>123,460,489</b>	<b>125,955,949</b>	<b>128,686,212</b>	<b>131,332,512</b>	<b>134,606,274</b>	<b>138,260,629</b>	<b>142,016,509</b>
<b>Estimated Expenditures</b>										
Salaries & Benefits	26,853,063	27,792,920	28,765,672	29,772,471	30,814,507	31,893,015	33,009,271	34,164,595	35,360,356	36,597,968
Professional Services	11,208,344	11,768,761	12,357,199	12,975,059	13,623,812	14,305,003	15,020,253	15,771,266	16,559,829	17,387,820
Public Safety	28,547,236	29,689,125	30,876,690	32,111,758	33,396,228	34,732,078	36,121,361	37,566,215	39,068,864	40,631,618
Other Ops	6,775,484	7,182,013	7,612,934	8,069,710	8,553,892	9,067,126	9,611,154	10,187,823	10,799,092	11,447,038
Repair & Maintenance	6,269,023	6,707,855	7,177,404	7,679,823	8,217,410	8,792,629	9,408,113	10,066,681	10,771,349	11,525,343
Events & Outside Agency Funding	2,111,135	2,237,803	2,372,071	2,514,396	2,665,259	2,825,175	2,994,685	3,174,366	3,364,828	3,566,718
Transfers to Other Funds (Leaves/AD's)	1,846,000	1,901,380	1,958,421	2,017,174	2,077,689	2,140,020	2,204,221	2,270,347	2,338,458	2,408,611
Transfer to Library Services	2,523,443	2,573,912	2,625,390	2,677,898	2,731,456	2,786,085	2,841,807	2,898,643	2,956,616	3,015,748
Transfer to Aquatic Facility Services	2,152,543	2,174,068	2,195,809	2,217,767	2,239,945	2,262,344	2,284,968	2,307,817	2,330,896	2,354,205
Transfer to Fire Services*	7,750,000	10,500,000	11,500,000	13,000,000	14,000,000	14,560,000	15,142,400	15,748,096	16,378,020	17,033,141
<b>Total Operational Expenditures</b>	<b>96,036,271</b>	<b>102,527,838</b>	<b>107,441,592</b>	<b>113,036,056</b>	<b>118,320,200</b>	<b>123,363,475</b>	<b>128,638,231</b>	<b>134,155,849</b>	<b>139,928,307</b>	<b>145,968,210</b>
<b>CIP Related Transfers</b>										
Transfer to Projects*	10,726,545	12,030,561	11,505,021	1,964,673	1,964,673	<b>7,638,287</b>	<b>8,096,584</b>	<b>8,582,379</b>	<b>9,097,322</b>	<b>9,643,161</b>
Transfers for Facilities *	3,847,482	3,885,957	3,924,816	3,964,065	4,003,705	<b>4,043,742</b>	<b>4,084,180</b>	<b>4,125,021</b>	<b>4,166,272</b>	<b>4,207,934</b>
<b>Total GF Expenditures</b>	<b>110,610,298</b>	<b>118,444,356</b>	<b>122,871,429</b>	<b>118,964,793</b>	<b>124,288,578</b>	<b>135,045,504</b>	<b>140,818,995</b>	<b>146,863,250</b>	<b>153,191,900</b>	<b>159,819,306</b>
<b>Est. Beginning General Fund Balance</b>	<b>116,772,032</b>	<b>117,850,488</b>	<b>98,966,367</b>	<b>80,002,328</b>	<b>77,498,024</b>	<b>79,165,394</b>	<b>72,806,102</b>	<b>63,319,619</b>	<b>51,062,643</b>	<b>36,131,372</b>
<b>Revenue over (under) expenditures</b>	<b>1,078,456</b>	<b>(1,914,682)</b>	<b>(1,969,060)</b>	<b>4,495,696</b>	<b>1,667,370</b>	<b>(6,359,292)</b>	<b>(9,486,483)</b>	<b>(12,256,976)</b>	<b>(14,931,271)</b>	<b>(17,802,797)</b>
<b>Unfunded Requests (from Reserve)</b>										
New Library (\$30M) \$20M RDA BOND PROCEEDS	(6,000,000)	-	-	-	-	-	-	-	-	-
Station 33/71 Rehab/Rebuild \$23.6M RDA BONDS	(2,400,000)	-	-	-	-	-	-	-	-	-
North Sphere Community Park (\$19M)	-	(15,500,000)	(3,500,000)	-	-	-	-	-	-	-
North Sphere Regional Park (\$30M)	-	(3,000,000)	(20,000,000)	(7,000,000)	-	-	-	-	-	-
North Sphere Stormwater - Channel Projects	(1,000,000)	(8,500,000)	(5,000,000)	-	-	-	-	-	-	-
Henderson Trailhead Improvements	-	(2,000,000)	-	-	-	-	-	-	-	-
<i>Estimated Amount from Measure G</i>	<i>9,400,000</i>	<i>12,030,561</i>	<i>11,505,021</i>	<i>1,964,673</i>	<i>1,964,673</i>	<i>7,638,287</i>	<i>8,096,584</i>	<i>8,582,379</i>	<i>9,097,322</i>	<i>9,643,161</i>
<b>Est. Ending General Fund Balance</b>	<b>\$ 117,850,488</b>	<b>\$ 98,966,367</b>	<b>\$ 80,002,328</b>	<b>\$ 77,498,024</b>	<b>\$ 79,165,394</b>	<b>\$ 72,806,102</b>	<b>\$ 63,319,619</b>	<b>\$ 51,062,643</b>	<b>\$ 36,131,372</b>	<b>\$ 18,328,575</b>

# Schedule 1 - 10-Year Cash Flow Analysis – Reserved with Recommended Changes

# Projected 10-Year Reserve Analysis

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
Est. General Fund Bal	\$ 117,850,488	\$ 98,966,367	\$ 80,002,328	\$ 77,498,024	\$ 79,165,394	\$ 72,806,102	\$ 63,319,619	\$ 51,062,643	\$ 36,131,372	\$ 18,328,575
Annual Percentage Funded	178%	143%	113%	121%	118%	102%	89%	66%	47%	25%
Non-Spendable (Leave Balances and Trust Accounts)	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405
<b>Reserve Requirement - Per Current Policy</b>										
<b>ASSIGNED</b>										
GF Operating Reserve (Innovation) (15% of Rev)	16,753,313	17,479,451	18,135,355	18,519,073	18,893,392	19,302,932	19,699,877	20,190,941	20,739,094	21,302,476
<b>COMMITTED</b>										
GF Emergency Reserve (10% of Rev)	11,168,875	11,652,967	12,090,237	12,346,049	12,595,595	12,868,621	13,133,251	13,460,627	13,826,063	14,201,651
Liability Reserve (\$4M)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Emplmnt Bene Reserve (50% for PERS chg in Disc Rate)	10,697,122	10,804,093	10,912,134	11,021,255	11,131,468	11,242,783	11,355,211	11,468,763	11,583,450	11,699,285
Other Fund Stability Reserve (equal to 25% T-fer Out)	<i>This amount is included in Expenditures and Immediately Transferred</i>									
Facility Reserve	6,441,035	7,001,035	7,841,035	6,485,361	8,759,446	8,847,040	8,935,511	9,024,866	9,115,114	9,206,266
CIP Reserve (20% of CIP)	6,045,267	7,319,615	6,792,935	392,935	392,935	3,657,538	2,387,729	7,319,615	6,792,935	392,935
Equip Replacement Reserve (100% of hist cost of assets)	2,869,354	2,955,435	3,044,098	3,135,421	3,229,483	3,229,483	3,261,778	3,294,396	3,327,340	3,360,613
Econ Development/Community Investment w/ROI	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<b>Total Required Reserve</b>	<b>66,092,372</b>	<b>69,330,001</b>	<b>70,933,199</b>	<b>64,017,499</b>	<b>67,119,724</b>	<b>71,265,802</b>	<b>70,890,761</b>	<b>76,876,612</b>	<b>77,501,401</b>	<b>72,280,630</b>
<b>Reserve Requirement Overfunded/(Underfunded)</b>	<b>51,758,116</b>	<b>29,636,366</b>	<b>9,069,129</b>	<b>13,480,525</b>	<b>12,045,670</b>	<b>1,540,300</b>	<b>(7,571,142)</b>	<b>(25,813,970)</b>	<b>(41,370,030)</b>	<b>(53,952,056)</b>

*As Recommended*



# **Schedule 3 – Revised w Financing 10-Year Forecast**

TEN-YEAR FORECAST	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
<b>Estimated Revenue</b>										
Property Tax	14,712,737	15,006,992	15,307,132	15,613,274	15,925,540	16,244,050	16,568,931	16,900,310	17,238,316	17,583,083
Sales Tax (General 1%)	25,274,315	25,598,778	26,045,477	26,447,033	26,795,972	27,088,751	27,339,875	28,160,071	29,004,873	29,875,020
TOT & STR's	22,755,000	25,940,700	28,534,770	29,390,813	30,272,537	31,180,714	32,116,135	33,079,619	34,072,008	35,094,168
Measure G *	25,887,322	26,416,518	26,929,837	27,394,342	27,805,342	28,462,695	29,031,949	29,612,588	30,500,966	31,415,994
All Other GF Revenue	23,059,380	23,566,686	24,085,153	24,615,027	25,156,557	25,710,002	26,275,622	26,853,685	27,444,466	28,048,245
<b>Combined GF Revenue</b>	<b>111,688,754</b>	<b>116,529,674</b>	<b>120,902,369</b>	<b>123,460,489</b>	<b>125,955,949</b>	<b>128,686,212</b>	<b>131,332,512</b>	<b>134,606,274</b>	<b>138,260,629</b>	<b>142,016,509</b>
<b>Estimated Expenditures</b>										
Salaries & Benefits	26,853,063	27,792,920	28,765,672	29,772,471	30,814,507	31,893,015	33,009,271	34,164,595	35,360,356	36,597,968
Professional Services	11,208,344	11,768,761	12,357,199	12,975,059	13,623,812	14,305,003	15,020,253	15,771,266	16,559,829	17,387,820
Public Safety	28,547,236	29,689,125	30,876,690	32,111,758	33,396,228	34,732,078	36,121,361	37,566,215	39,068,864	40,631,618
Other Ops	6,775,484	7,182,013	7,612,934	8,069,710	8,553,892	9,067,126	9,611,154	10,187,823	10,799,092	11,447,038
Repair & Maintenance	6,269,023	6,707,855	7,177,404	7,679,823	8,217,410	8,792,629	9,408,113	10,066,681	10,771,349	11,525,343
Events & Outside Agency Funding	2,111,135	2,237,803	2,372,071	2,514,396	2,665,259	2,825,175	2,994,685	3,174,366	3,364,828	3,566,718
Transfers to Other Funds (Leaves/AD's)	1,846,000	1,901,380	1,958,421	2,017,174	2,077,689	2,140,020	2,204,221	2,270,347	2,338,458	2,408,611
Transfer to Library Services	2,523,443	2,573,912	2,625,390	2,677,898	2,731,456	2,786,085	2,841,807	2,898,643	2,956,616	3,015,748
Transfer to Aquatic Facility Services	2,152,543	2,174,068	2,195,809	2,217,767	2,239,945	2,262,344	2,284,968	2,307,817	2,330,896	2,354,205
Transfer to Fire Services*	7,750,000	10,500,000	11,500,000	13,000,000	14,000,000	14,560,000	15,142,400	15,748,096	16,378,020	17,033,141
<b>Total Operational Expenditures</b>	<b>96,036,271</b>	<b>102,527,838</b>	<b>107,441,592</b>	<b>113,036,056</b>	<b>118,320,200</b>	<b>123,363,475</b>	<b>128,638,231</b>	<b>134,155,849</b>	<b>139,928,307</b>	<b>145,968,210</b>
<b>CIP Related Transfers</b>										
Transfer to Projects*	10,726,545	12,030,561	11,505,021	1,964,673	1,964,673	<b>7,638,287</b>	<b>8,096,584</b>	<b>8,582,379</b>	<b>9,097,322</b>	<b>9,643,161</b>
Transfers for Facilities *	3,847,482	3,885,957	3,924,816	3,964,065	4,003,705	<b>4,043,742</b>	<b>4,084,180</b>	<b>4,125,021</b>	<b>4,166,272</b>	<b>4,207,934</b>
<b>Total GF Expenditures</b>	<b>110,610,298</b>	<b>118,444,356</b>	<b>122,871,429</b>	<b>118,964,793</b>	<b>124,288,578</b>	<b>135,045,504</b>	<b>140,818,995</b>	<b>146,863,250</b>	<b>153,191,900</b>	<b>159,819,306</b>
<b>Est. Beginning General Fund Balance</b>	<b>116,772,032</b>	<b>117,850,488</b>	<b>124,466,367</b>	<b>130,502,328</b>	<b>131,498,024</b>	<b>129,665,394</b>	<b>119,806,102</b>	<b>106,819,619</b>	<b>91,062,643</b>	<b>72,631,372</b>
<b>Revenue over (under) expenditures</b>	<b>1,078,456</b>	<b>(1,914,682)</b>	<b>(1,969,060)</b>	<b>4,495,696</b>	<b>1,667,370</b>	<b>(6,359,292)</b>	<b>(9,486,483)</b>	<b>(12,256,976)</b>	<b>(14,931,271)</b>	<b>(17,802,797)</b>
<b>Unfunded Requests (from Reserve)</b>										
New Library (\$30M) <b>\$20M RDA BOND PROCEEDS</b>	<b>(6,000,000)</b>									
Station 33/71 Rehab/Rebuild <b>\$23.6M RDA BONDS</b>	<b>(2,400,000)</b>									
North Sphere Community Park (\$19M)		<b>(3,500,000)</b>	<b>(3,500,000)</b>	<b>(3,500,000)</b>	<b>(3,500,000)</b>	<b>(3,500,000)</b>	<b>(3,500,000)</b>	<b>(3,500,000)</b>	<b>(3,500,000)</b>	<b>(3,500,000)</b>
North Sphere Regional Park (\$30M)										
North Sphere Stormwater - Channel Projects	<b>(1,000,000)</b>									
Henderson Trailhead Improvements										
<i>Estimated Amount from Measure G</i>	<i>9,400,000</i>	<i>12,030,561</i>	<i>11,505,021</i>	<i>1,964,673</i>	<i>1,964,673</i>	<i>7,638,287</i>	<i>8,096,584</i>	<i>8,582,379</i>	<i>9,097,322</i>	<i>9,643,161</i>
<b>Est. Ending General Fund Balance</b>	<b>\$ 117,850,488</b>	<b>\$ 124,466,367</b>	<b>\$ 130,502,328</b>	<b>\$ 131,498,024</b>	<b>\$ 129,665,394</b>	<b>\$ 119,806,102</b>	<b>\$ 106,819,619</b>	<b>\$ 91,062,643</b>	<b>\$ 72,631,372</b>	<b>\$ 51,328,575</b>

## Schedule 3 - 10-Year Cash Flow Analysis – Revised with Financing Component

# Projected 10-Year Reserve Analysis

<i>Minimum Reserve per GFOA (16.7% of Rev)</i>	<i>18,652,022</i>	<i>19,460,456</i>	<i>20,190,696</i>	<i>20,617,902</i>	<i>21,034,643</i>	<i>21,490,597</i>	<i>21,932,530</i>	<i>22,479,248</i>	<i>23,089,525</i>	<i>23,716,757</i>
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
Est. General Fund Bal	\$ 117,850,488	\$ 124,466,367	\$ 130,502,328	\$ 131,498,024	\$ 129,665,394	\$ 119,806,102	\$ 106,819,619	\$ 91,062,643	\$ 72,631,372	\$ 51,328,575
Annual Percentage Funded	178%	180%	184%	205%	193%	168%	151%	118%	94%	71%
Non-Spendable (Leave Balances and Trust Accounts)	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405	3,117,405
<b>Reserve Requirement - Per Current Policy</b>										
<b>ASSIGNED</b>										
GF Operating Reserve (Innovation) (15% of Rev)	16,753,313	17,479,451	18,135,355	18,519,073	18,893,392	19,302,932	19,699,877	20,190,941	20,739,094	21,302,476
<b>COMMITTED</b>										
GF Emergency Reserve (10% of Rev)	11,168,875	11,652,967	12,090,237	12,346,049	12,595,595	12,868,621	13,133,251	13,460,627	13,826,063	14,201,651
Liability Reserve (\$4M)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Emplmnt Bene Reserve (50% for PERS chg in Disc Rate)	10,697,122	10,804,093	10,912,134	11,021,255	11,131,468	11,242,783	11,355,211	11,468,763	11,583,450	11,699,285
Other Fund Stability Reserve (equal to 25% T-fer Out)	<i>This amount is included in Expenditures and Immediately Transferred</i>									
Facility Reserve	6,441,035	7,001,035	7,841,035	6,485,361	8,759,446	8,847,040	8,935,511	9,024,866	9,115,114	9,206,266
CIP Reserve (20% of CIP)	6,045,267	7,319,615	6,792,935	392,935	392,935	3,657,538	2,387,729	7,319,615	6,792,935	392,935
Equip Replacement Reserve (100% of hist cost of assets)	2,869,354	2,955,435	3,044,098	3,135,421	3,229,483	3,229,483	3,261,778	3,294,396	3,327,340	3,360,613
Econ Development/Community Investment w/ROI	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<b>Total Required Reserve</b>	<b>66,092,372</b>	<b>69,330,001</b>	<b>70,933,199</b>	<b>64,017,499</b>	<b>67,119,724</b>	<b>71,265,802</b>	<b>70,890,761</b>	<b>76,876,612</b>	<b>77,501,401</b>	<b>72,280,630</b>
<b>Reserve Requirement Overfunded/(Underfunded)</b>	<b>51,758,116</b>	<b>55,136,366</b>	<b>59,569,129</b>	<b>67,480,525</b>	<b>62,545,670</b>	<b>48,540,300</b>	<b>35,928,858</b>	<b>14,186,030</b>	<b>(4,870,030)</b>	<b>(20,952,056)</b>

*As Recommended – with bond issuance*



# Reserve Policy Questions

## **How much is enough or too much?**

- GFOA minimum is 16.7% (or 2 months of revenue)
- Most city policies are anywhere from 15-25%
- Current policy may be over restrictive, but forecast reflects potential challenges in the future

## **What are some options and/or potential solutions?**

- Revise policy in alignment with best practices
- Revise policy to provide flexibility to support community growth, innovation, and leverage AI/automation to drive efficiency
- Identify other Revenue Sources
- Issue debt (Lease Revenue Bonds) to smooth out current capital needs

## **Risk mitigation (What is our absolute low?)**

To safeguard any changes to the policy, establish a minimum threshold that must be maintained annually (ie. emergency funds must be maintained at all times) and other categories may be used as needed and/or available.

# Big Picture/Bottom Line

<b>Current Policy</b>	<b>Year 1</b>	<b>Year 10</b>
Reserve Required	\$77.7M	\$87.5M
Percent Funded	152%	21%
Available Fund Balance	\$40.1M	(\$69.2M)
<b>Revised Policy</b>	<b>Year 1</b>	<b>Year 10</b>
Reserve Required	\$66.1M	\$72.2M
Percent Funded	178%	25%
Available Fund Balance	\$51.7M	(\$53.9M)
<b>Revised Policy w/Bond</b>	<b>Year 1</b>	<b>Year 10</b>
Reserve Required	\$66.1M	\$72.2M
Percent Funded	178%	71%
Available Fund Balance	\$51.7M	(\$20.9M)

# Ultimate Goal:

*Move forward strategically and with confidence*



## **Financial stability**

We remain committed to strong financial management.



## **Strategic investments**

Our next steps focus on long-term value creation.



## **Sustained growth**

We're positioned to proactively support growth in the coming years.

**Staff is seeking direction and if recommendations are approved, staff will return to the January meeting with a formal request to revise the reserve policy.**

Questions?

