

Study Session: Reserve Analysis and Policy Considerations

Presented by
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Agenda

1. Importance of Reserve
2. Reserve Policy and Best Practices
3. Projected 10-Year Cash Flow
4. Reserve Analysis
5. Options/Strategies to Consider
6. Long-Term Planning Solutions
7. Conclusion



Importance of Reserve Funds



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



How much is enough?

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

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

Reserve Policy Categories and Calcs 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
*For comparison only-amount is equal to 66% of our projected Fund Balance for 2025-26		Total FY 2025-26 Reserve Requirement	77,719,235

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Estimated Revenue	\$ 75,554,467	\$ 78,123,319	\$ 81,170,128	\$ 84,173,423	\$ 87,119,493	\$ 90,168,675	\$ 93,324,579	\$ 96,590,939
Estimated Expenditures	\$ 75,353,985	\$ 79,821,684	\$ 88,412,768	\$ 92,933,407	\$ 98,580,077	\$ 104,509,081	\$ 110,734,535	\$ 117,271,262
Revenue over (under) expenditures	\$ 200,482	\$ (1,698,365)	\$ (7,242,640)	\$ (8,759,984)	\$ (11,460,584)	\$ (14,340,406)	\$ (17,409,956)	\$ (20,680,323)
Est. General Fund Balance¹	\$ 120,878,040	\$ 100,121,862	\$ 81,349,310	\$ 60,361,807	\$ 33,901,222	\$ 4,560,816	\$ (12,849,140)	\$ (33,529,463)
Unfunded Requests (from Reserve)	\$ (19,057,813)	\$ (11,529,911)	\$ (12,227,520)	\$ (15,000,000)	\$ (15,000,000)	\$ -	\$ -	\$ -
LMS Implementation	\$ (2,006,375)							
Library Ops 23/24	\$ (1,321,527)							
Library Construction	\$ (800,000)							
North Sphere Community Park (\$10M) BONDS	(150,000)	(5,000,000)	(4,850,000)					
North Sphere Regional Park (\$30M) BONDS				(15,000,000)	(15,000,000)			
Fire Station 33/71 Renovations (\$12M/ea)			(1,300,000)					
August 2023 Weather Event Projects	(8,250,000)							
Deferred Facility Maint (from Reserve)	\$ (6,529,911)	\$ (6,529,911)	\$ (6,077,520)					
Est. General Fund Balance	101,820,227	88,591,951	69,121,790	45,361,807	18,901,222	4,560,816	(12,849,140)	(33,529,463)

A look back at 2023-24 Forecast

Pre Measure G Cash Flow Analysis as Presented

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
Estimated Revenue										
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
Combined GF Revenue	111,688,754	116,529,674	120,902,369	123,460,489	125,955,949	128,686,212	131,332,512	134,606,274	138,260,629	142,016,509
Estimated Expenditures										
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
Total Operational Expenditures	96,036,271	102,527,838	107,441,592	113,036,056	118,320,200	123,363,475	128,638,231	134,155,849	139,928,307	145,968,210
CIP Related Transfers										
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
Total GF Expenditures	110,610,298	118,444,356	122,871,429	118,964,793	124,288,578	135,045,504	140,818,995	146,863,250	153,191,900	159,819,306
Est. Beginning General Fund Balance	116,772,032	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
Revenue over (under) expenditures	1,078,456	(1,914,682)	(1,969,060)	4,495,696	1,667,370	(6,359,292)	(9,486,483)	(12,256,976)	(14,931,271)	(17,802,797)
Unfunded Requests (from Reserve)										
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>
Est. Ending General Fund Balance	\$ 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
<i>*Indicates it is Measure G Funded, Per the Spending Plan</i>										

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
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	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
Reserve Requirement - Per Current Policy										
ASSIGNED										
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
COMMITTED										
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
Emplmnt 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
Total Required Reserve	77,719,235	79,303,399	84,064,816	76,546,894	79,513,428	84,461,920	83,321,206	96,968,106	91,000,908	87,527,825
Reserve Requirement Overfunded/(Un	40,131,253	19,662,968	(4,062,488)	951,130	(348,034)	(11,655,818)	(20,001,587)	(45,905,464)	(54,869,536)	(69,199,250)

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 Net Income from ops



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

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
Estimated Revenue										
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
Combined GF Revenue	111,688,754	116,529,674	120,902,369	123,460,489	125,955,949	128,686,212	131,332,512	134,606,274	138,260,629	142,016,509
Estimated Expenditures										
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
Total Operational Expenditures	96,036,271	102,527,838	107,441,592	113,036,056	118,320,200	123,363,475	128,638,231	134,155,849	139,928,307	145,968,210
CIP Related Transfers										
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
Total GF Expenditures	110,610,298	118,444,356	122,871,429	118,964,793	124,288,578	135,045,504	140,818,995	146,863,250	153,191,900	159,819,306
Est. Beginning General Fund Balance	116,772,032	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
Revenue over (under) expenditures	1,078,456	(1,914,682)	(1,969,060)	4,495,696	1,667,370	(6,359,292)	(9,486,483)	(12,256,976)	(14,931,271)	(17,802,797)
Unfunded Requests (from Reserve)										
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>
Est. Ending General Fund Balance	\$ 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

Schedule 2 - 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
Reserve Requirement - Per Current Policy										
ASSIGNED										
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
COMMITTED										
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
Total Required Reserve	66,092,372	69,330,001	70,933,199	64,017,499	67,119,724	71,265,802	70,890,761	76,876,612	77,501,401	72,280,630
Reserve Requirement Overfunded/(Underfunded)	51,758,116	29,636,366	9,069,129	13,480,525	12,045,670	1,540,300	(7,571,142)	(25,813,970)	(41,370,030)	(53,952,056)

As Recommended

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
Estimated Revenue										
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
Combined GF Revenue	111,688,754	116,529,674	120,902,369	123,460,489	125,955,949	128,686,212	131,332,512	134,606,274	138,260,629	142,016,509
Estimated Expenditures										
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
Total Operational Expenditures	96,036,271	102,527,838	107,441,592	113,036,056	118,320,200	123,363,475	128,638,231	134,155,849	139,928,307	145,968,210
CIP Related Transfers										
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
Total GF Expenditures	110,610,298	118,444,356	122,871,429	118,964,793	124,288,578	135,045,504	140,818,995	146,863,250	153,191,900	159,819,306
Est. Beginning General Fund Balance	116,772,032	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
Revenue over (under) expenditures	1,078,456	(1,914,682)	(1,969,060)	4,495,696	1,667,370	(6,359,292)	(9,486,483)	(12,256,976)	(14,931,271)	(17,802,797)
Unfunded Requests (from Reserve)										
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)		(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)	(3,500,000)
North Sphere Regional Park (\$30M)										
North Sphere Stormwater - Channel Projects	(1,000,000)									
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>
Est. Ending General Fund Balance	\$ 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

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
Reserve Requirement - Per Current Policy										
ASSIGNED										
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
COMMITTED										
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
Total Required Reserve	66,092,372	69,330,001	70,933,199	64,017,499	67,119,724	71,265,802	70,890,761	76,876,612	77,501,401	72,280,630
Reserve Requirement Overfunded/(Underfunded)	51,758,116	55,136,366	59,569,129	67,480,525	62,545,670	48,540,300	35,928,858	14,186,030	(4,870,030)	(20,952,056)

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 (Reserve Requirement)

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

**10-Year Forecasts reflect that operations and current projects are met, but the reserve (rainy day funds) will be underfunded*

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?

