

**CITY OF FOSTER CITY/ESTERO MUNICIPAL IMPROVEMENT DISTRICT
GENERAL FUND RESERVE POLICY (DRAFT ONLY)**

PURPOSE

This General Fund Reserve Policy (“Policy”) establishes a safety net for the City of Foster City/Estero Municipal Improvement District (“City) to respond to unexpected fiscal hardships such as local disasters, economic downturns (revenue shortfalls), external revenue attacks (California budget takeaways), and unforeseen operating or capital needs.

This Policy is intended to guide the City in setting aside General Fund Reserves and its use thereof. Should circumstances arise which will cause the City to deviate from any aspect of the Policy, City staff shall return to the City Council/District Board (“Governing Board”) for policy direction.

The Governing Board may amend this Policy from time to time.

AMOUNT HELD IN RESERVE

The City will strive to a minimum reserve threshold of 33-1/3% of budgeted annual operating expenditures with a target range of 33-1/3% to 50% for purposes of the Five-Year Financial Plan. The Finance Director shall record the minimum reserve threshold in the City's financial records based upon the annual budgeted expenditures in the most recently adopted annual budget for the General Fund.

FUNDING OF GENERAL FUND RESERVES

Funding of General Fund Reserve targets will generally come from excess revenues over expenditures or one-time revenues.

USE OF GENERAL FUND RESERVES

The use of reserves shall be limited to unanticipated, non-recurring needs, or unanticipated future obligations. General Fund Reserves shall not be used for normal or recurring annual operating expenditures. The City Manager is authorized to make recommendations to the City Council for use of General Fund Reserves. A majority vote of the City Council will be required to use reserves. Any recommendation shall be accompanied by a proposal for the replenishment of the reserves to the City Council.

USE OF UNASSIGNED GENERAL FUND BALANCE

From time to time, the City may hold Unassigned General Fund Balance in excess of the upper end of the General Fund Reserve target range (i.e. 50% Reserve level). Such Unassigned General Fund Balance may be used for:

- 1) Carrying over the current year’s operating surplus to the following year to fund one-time expenditures such as Capital Improvement Program projects (CIP) as necessary to achieve a balanced General Fund budget for that year.

- 2) Making investments to promote staff retention and recruitment (e.g. workforce housing), liability reductions (e.g. pension and other post-employment benefit obligations), economic development and other strategies that will strengthen City revenues or reduce future costs, and unforeseen expenditures (e.g. replacement of infrastructure due to emergencies such as earthquakes, floods, and other disasters).
- 3) Maintenance of municipal services during periods of reduced revenues (e.g. economic downturn, loss of revenues due to a disaster, etc.) to the City.

The City Manager is authorized to make recommendations to the City Council to appropriate Unassigned General Fund Balance transfers. A majority vote of the City Council will be required to appropriate Unassigned General Fund Balance (excess reserves) transfers/uses.