



General Fund General Reserve and Contingency Policies Update

- Adopt updated General Fund General Reserve and Contingency policies

Presented to the Board of Supervisors
March 11, 2025
County Administrator's Office



Background

Current General Fund (GF) General Reserve Contingency Policies

- Established by the Board in 2007 and revised in 2011.
- Minimum levels were recommended to provide the County with sufficient working capital to support one-time costs for the following:
 - ♦ When the County faces economic recession / depression and the County must take budget action.
 - ♦ When the County is impacted by a natural disaster or any other emergency.
 - ♦ When the County experiences unexpected declines in revenues and/or when unpredicted large one-time expenditures arise.
- GF General Reserve Level: 10% of the County's **total** budget excluding transfers with minimum balance of \$20 million.
- GF Contingency Level: 10% of GF total budget.



Current GF General Reserve Policy

- Government Finance Officer Association's (GFOA) recommendation:
"at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance (general reserve) in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."
- County's current target level unattainable without impacting County's operating budget.
- Presents challenges with bond rating agencies when evaluating credit worthiness.
- Does not take into account changes to Board adopted financial policies and established reserves (e.g. CalPERS Rate Reserve, IRS 115 Trust Account).



Current GF Contingency Policy

- GFOA recommends that agencies establish an amount based on:

“expectations for the potential of unplanned, unavoidable costs in the normal course of doing business during the year.”
- County’s current target fixed.
- Lacks flexibility to respond to current economic conditions.



Recommendation

The following recommendations were approved by the Pension and Debt Advisory Committee on January 30, 2025, and reviewed by the County's financial advisor, KNN:

- Revise GF Reserve Policy to maintain reserves equal to two to three months of GF operating revenues.

- ♦ Based on FY2024/25 GF Budget, this would equate to between \$58 and \$87 million. The current GF Reserve is \$48 million.

Total GF operating revenue = \$350 million/12 months = \$29 million per month

Two months = \$29 million * 2 = \$58 million

Three months = \$29 million * 3 = \$87 million

- Revise GF Contingency Policy to require a fixed range between \$10 and \$25 million.
 - ♦ The current GF Contingency is \$14 million.