While the General Fund Reserves include the Appropriated Reserves and Unassigned General Fund balance, these reserves will only be considered in addition to the Emergency Reserve for purposes of calculating the General Fund Reserves levels. After the targeted General Fund Reserve levels are achieved, only the Emergency Reserve will be used for calculating the General Fund Reserves level for Charter Section 91 purposes, and the Appropriated Reserves and Unassigned General Fund balance will be considered as additional reserves. (See Section 1.2 - Emergency Reserve for additional information).

1.2 Emergency Reserve

An Emergency Reserve is to be maintained for the purpose of sustaining General Fund operations in the case of a natural disaster or unforeseen catastrophic event caused by human activity, such as a terrorist attack. The Emergency Reserve will not be accessed to meet operating shortfalls or to fund new programs or personnel. This reserve may be expended only in the event of a public emergency, as determined by a two-thirds vote of the City Council, when such expenditures are necessary to ensure the safety, lives, and property of the City and its inhabitants.

The Emergency Reserve target level will be 8% of General Fund Revenues. Until the City reaches the 8% Emergency Reserve target level, the balance in the Emergency Reserve will be combined with the balances in the Appropriated Reserve and Unassigned General Fund balance to calculate the reserve level. However, at no time will the balance in the Emergency Reserve fall below 5%, unless such requirement is specifically waived through an action of the City Council due to an unforeseen emergency requiring the use of the Emergency Reserve.

1.3 Appropriated Reserve

An Appropriated Reserve may be maintained for the purpose of paying for unanticipated operational needs that arise during the fiscal year, but which were not anticipated during the budget process. Funds appropriated to this reserve will be identified and appropriated to a single account within the General Fund annual budget. There will be no maximum or minimum amount appropriated to this Reserve in any given year. Any funds that are not expended in a given fiscal year will revert back to the General Fund unassigned fund balance and may then be re-appropriated in the subsequent year, consistent with the Reserve Policy. ~~Any expenditure of funds from this reserve will require the recommendation of the Mayor and approval by a majority of the City Council.~~Recommendations to use these funds would be brought forward by the Mayor or the City Council consistent with the Budget Principles agreed to by the Mayor and City Council, and would require approval by a majority of the City Council.

1.4 Unassigned General Fund Balance

The General Fund Unassigned Fund Balance includes all amounts not restricted, committed or assigned for a certain purpose. Unassigned amounts are available for any governmental purpose and can be appropriated in the event of an unanticipated requirement for additional funds where the Emergency Reserve would not be appropriate. Should the funds in the Appropriated Reserve be exhausted in a fiscal year, the Unassigned General Fund balance may be used. Recommendations to appropriate funds from the Unassigned General Fund balance will be initiated by the Mayor and will require approval by a majority of the City Council.

APPENDIX A - GLOSSARY

Appropriated Reserves

In addition to Emergency Reserves, certain funds may maintain reserves that may be appropriated by City Council and set aside during the budget process as a contingency for unanticipated, non-emergency needs that are identified during the fiscal year. These reserves may only be drawn upon to fund unexpected expenditures (such as a spike in energy prices or materials costs) and revenue shortfalls due to an unexpected economic slowdown or recession. The Appropriated Reserve may also be used for one-time, high priority programs or activities. In the case of Enterprise Funds, the reserves may be used to support operations due to unanticipated revenue shortfalls. Recommendations to use Appropriated Reserves will be made by the Mayor or City Council consistent with the Budget Principles agreed to by the Mayor and City Council, and will require approval by a majority of the City Council, with the exception of the Enterprise Funds.

Capital Reserves

Capital Reserves (or Capital Improvement Program [CIP] Reserves) are intended to provide funding for unanticipated capital expenses. The use of these funds will require City Council action.

Dedicated Reserves

Dedicated Reserves are similar to Appropriated Reserves, but are set aside for specific purposes for non-capital projects or activities that require multiple year funding. Dedicated Reserves may also be established for special one-time purchases or major activities that have been approved by the City Council. Use of the reserves is restricted to the identified purpose(s). City Council will review the Dedicated Reserves biennially during the budget process and such reserves will be carried over to future fiscal years until the project or activity is completed or closed, as authorized by the City Council.

Dedicated Reserve from Efficiency and Savings

A Dedicated Reserve from Efficiency and Savings ("DRES") for both the Water and the Sewer Fund is established to protect and preserve savings found by increasing efficiencies, changing priorities or other actions related to reducing costs of the Capital Improvements Program (CIP) or operations and maintenance of either system. The DRES will track funds that can be used for accelerating CIP project schedules and will help offset future rate increases.

Emergency Reserves

Certain funds, such as the General Fund, will maintain an Emergency Reserve which may only be used for qualifying emergencies, such as a natural disaster, terrorist attack, or other unforeseen catastrophic event caused by human activity. The Emergency Reserve may be expended only in the event of a public emergency, as determined by a two-thirds vote of the City Council.