



Budget and Finance Committee

City of San Diego Revised Reserve Policy

October 19, 2011



PURPOSE OF THE RESERVE POLICY:

- Identify City operations and functions for which reserves should be established and maintained
- Establish target reserve levels and methodology for calculating reserve levels
- Provide a time-frame for meeting reserve targets using phased approach where necessary
- Establish criteria for use of reserves and process to replenish reserves



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REVISED RESERVE POLICY:

- Amends previous policy revision approved (by Resolution No. R-303941) on July 29, 2008
- Incorporates changes to timing of contributions to reserves:
 - Development Services Fund
 - Public Liability Fund
 - Workers' Compensation Fund
 - Long-Term Disability Fund
- Includes current information and updated terminology



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REVISED RESERVE POLICY (cont'd):

- Document format changed from a memorandum to City Council Policy
- Includes biennial review of Reserve Policy
- Changes to be presented to Budget & Finance Committee and to City Council for consideration and approval



RECOMMENDED POLICY CHANGES:

■ General Fund Reserves:

- Removal of Annual Reserve Target Schedule; targeted reserve level of 8% achieved
- Language added to indicate process for restoring any funds withdrawn that result in year-end reserve balance below established policy level
- Use of Appropriated Reserve initiated by Mayor and approved by City Council
- Unappropriated Reserve redefined as Unassigned General Fund Balance per new GASB 54



RECOMMENDED POLICY CHANGES (cont'd):

- **Development Services Fund Reserve:**
 - Operating Reserve reclassified as an Appropriated Reserve
 - Target of 7% reserve level to be achieved by FY 2016, previously FY 2013
 - Language added to state that Department Director will be responsible for approving use of reserve
 - Removal of Subdivision Account Liability and Work-in-Progress Liability sections



RECOMMENDED POLICY CHANGES (cont'd):

■ Risk Management Reserves:

- Target and cumulative contribution amounts by fiscal year were added
- Smooths contributions based on annual actuarial liability for prior three fiscal years

A. Public Liability Fund Reserve Revisions

- Contributions were deferred in FY 2011 and FY 2012
- Target of 50% to be achieved by FY 2019, previously FY 2014
- General Fund contribution to be reassessed every two years



RECOMMENDED POLICY CHANGES (cont'd):

■ Risk Management Reserves (cont'd):

B. Workers' Compensation Fund Reserve Revisions

- Contributions were deferred in FY 2011 and FY 2012
- Target of 50% to be achieved by FY 2019, previously FY 2014
- Contribution to be reassessed every two years

C. Long-Term Disability Fund Reserve

- \$614,000 contributed in FY 2012
- Target of \$12 million to be achieved by FY 2014, previously FY 2012



RECOMMENDED POLICY CHANGES (cont'd):

■ **Water/Sewer Enterprise Fund Reserves:**

1. Target funding levels for Operating Reserve updated based on current operating costs
2. Capital Reserve may be used in case of emergency with CFO or COO approval
3. Rate Stabilization Fund Reserve used only for operation and maintenance of water/sewer system to maintain required legal coverage ratios
4. Independent Rates Oversight Committee (IROC) oversees the use of Dedicated Reserve from Efficiency and Savings (DRES)
 - City Council approval is required for use



RECOMMENDED POLICY CHANGES (cont'd):

- **Refuse Disposal & Recycling Enterprise Funds Reserves:**
 - Appropriated Reserves established with targets set at 15% of Operating Revenues to be achieved by FY 2015
 - Refuse Disposal Fund target: \$4.6 million
 - Recycling Fund target: \$2.4 million



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Questions?