



**CITY OF MODESTO
COMMITTEE AGENDA REPORT**

**Budget Workshops
May 18-22, 2009**

April 21, 2009

TO: Finance Committee
Brad Hawn, Chair
Kristin Olsen, Vice-Chair
Garrad Marsh, Member

FROM: Greg Nyhoff, City Manager

SUBJECT: General Fund Reserve Level for Fiscal Year (FY) 2009-10

CONTACT: Wayne Padilla, Director of Finance, wpadilla@modestogov.com, 577-5371

DESCRIPTION:

Consider making a recommendation to the City Council regarding the General Fund reserve level for FY 2009-10. (Funding Source: General Fund)

FISCAL IMPACT:

By Council policy, the General Fund reserve is set at eight percent (8%) of the Fund's total operating expenses. In adopting the budget for FY 2008-09, Council lowered the required reserve to seven percent (7%) for that FY only. While the actual dollar amount fluctuates depending on total operating expenses, one percent is roughly the equivalent of \$1 million.

BACKGROUND:

The City Council establishes the reserve level for various funds based on the needs of the City. In the utility funds, the adopted reserve level is equal to 25% of operating costs to ensure sufficient funds are available to handle fluctuations in utility billing amounts. On the other hand, the General Fund's reserve level for years was set at five percent (5%) and more recently, at eight percent (8%).

The Mayor's Budget Message for FY 2009-10 clearly outlines the budget challenges ahead. Dwindling revenues in two of the City's major General Fund revenues – sales tax and property tax - have significantly stretched the City resources and caused reductions in every General Fund program area including public safety. Understanding the need to maintain core City services during these poor economic times, the Mayor, as part of the Proposed Budget for FY 2009-10, has recommended maintaining a seven percent reserve for the upcoming fiscal year to prevent further erosion of these services.

CEQA/NEPA REQUIREMENTS:

Not applicable.

STRATEGIC PLAN ELEMENT:

This action supports Strategic Plan Element No. VII. - The City has balanced budgets with healthy reserves and highly efficient, cost-effective systems, leveraging private capital investment for public benefit.

Approved by:

Greg Nyhoff, City Manager