



**CITY OF MODESTO
COMMITTEE AGENDA REPORT**

**Budget Workshops
May 17-21, 2010**

May 4, 2010

TO: Finance Committee
Brad Hawn, Chair
Garrad Marsh, Vice-Chair
David Geer, Member

FROM: Greg Nyhoff, City Manager

SUBJECT: General Fund Reserve Level

CONTACT: Gloriette Beck, Director of Finance, gbeck@modestogov.com, 577-5371

DESCRIPTION:

Consider making a recommendation to the City Council regarding the General Fund reserve level for fiscal year (FY) 2009-10 and FY 2010-11. (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 and FY 2009-10, Council lowered the required reserve to seven percent (7%) for those years. 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 2010-11 clearly outlines the continuing budget challenges faced by the City. 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 has recommended maintaining a flat \$7 million dollar reserve for the current fiscal year (2009-10) and upcoming fiscal year (2010-11) to prevent further erosion of these services.

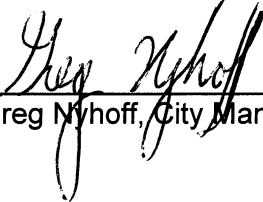
CEQA/NEPA REQUIREMENTS:

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