

RESERVE POLICY UPDATES

October 19, 2021

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2021-2022
TACOMA
OPERATING & CAPITAL
BUDGET

RESERVE RECOMMENDATIONS

Creation of 3 reserve sub-funds:

- **General Fund Reserve** (at 16.7% of General Fund expenditures or 2 months of General Fund expenditures - GFOA best practice)
- **Emergency Reserve** (target of 5% of General Fund expenditures)
- **Contingency Reserve** (target of 5% of General Fund expenditures)

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GENERAL FUND RESERVE

- Set the minimum level for the General Fund Reserve at 16.7% of General Fund expenditures to respond to catastrophic events
- Use of this reserve requires Super Majority Plus one vote of the City Council
- No more than 1/3 of the required minimum amount shall be expended within any single year.
- Replenish within 2 years when the reserve fall below its required minimum

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EMERGENCY RESERVE

- Establish an Emergency Reserve Fund with a target of 5% of the General Fund expenditures.
- Use of this reserve is to respond to economic cycles or downturns, adverse weather conditions, other emergencies that could not have been predicted in addition to catastrophic events
- Requires Super Majority vote of the City Council members present at the meeting for which the proposed use is voted

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CONTINGENCY RESERVE

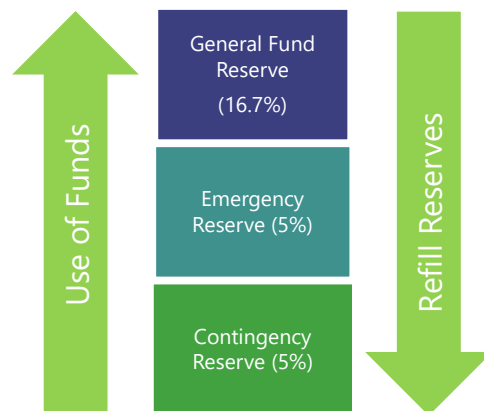
- Establish a Contingency Reserve with a target of 5% of the General Fund expenditures.
- Use of this fund shall be limited to one-time expenditures such as:
 - Identified deferred maintenance needs, specific capital projects that may otherwise not be accomplished through other funding sources, legal judgments or settlements, unanticipated expenditures, other such one-time uses as may be determined in addition to Emergency or catastrophic events.*
- Requires majority vote of City Council members present at the meeting for which the proposed used is voted
- Focus should be given to projects that have high equity impacts and support the needs of vulnerable residents



USE AND REPLENISHMENT OF RESERVES

1. Funds shall first be drawn from the Contingency Reserve until there are no longer any remaining funds.
2. Next, funds may be drawn from the Emergency Reserve until there are no longer any remaining funds available.
3. If additional funding is still required, funds may be withdrawn from the General Fund Reserve.

All funding withdraws must meet the use and voting requirements previously discussed. Funding of the Reserves will be done using excess revenues or savings accumulated in the General Fund.



INITIAL FUNDING OF RESERVES

- General Fund Position
 - Positive positions at the end of 2020 (\$20M in One-time funding above 16.7% reserve)
 - Additional resources available at Modification due to updated revenue projections (\$16M in reprojected revenues)
 - ARPA and positive General Fund position has provided funding for immediate needs
- 5% of General Fund Annual Expenses is \$13M in 2022
- Based on today's Council Action, staff will bring forward funding approach

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