

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: ALAN ALTON, ACTING CHIEF FINANCIAL OFFICER  
FINANCE DEPARTMENT  
SUBJECT: FISCAL STRATEGIES AND POLICIES FOR THE GENERAL  
FUND

AGENDA ACTION: NO ACTION REQUIRED

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RECOMMENDATION

The Finance Department recommends that the City Council hold a Study Session intended to provide City Council the opportunity to receive information, and to ask questions related to establishing long-term financial strategies and fiscal policies for the General Fund. No action is required.

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EXECUTIVE SUMMARY

One of the City Council Goals relates to Fiscal Stability. The Council committed \$40 million of PG&E settlement funds to the General Fund reserves to stabilize that fund. The Finance Department is evaluating financial strategies and corresponding policies that will provide long-term stability to the General Fund. The strategies include creating funds to address pension costs and large capital replacements outside the normal Equipment and Replacement funds. The policies would formalize these funds and the methodology for contributing to them.

BACKGROUND

The City currently has a General Fund reserve policy requiring reserves at 15% to 17% of General Fund operating expenditures. This essentially equates to two months of operating expenses. While we know there are large operating expenditures in the future, there are no formal policies for saving for them. Instead, the approach has been to accumulate funds in possible, and then draw down on General Fund reserves when the expense can no longer be put off.

Fiscal Stability has been a Council Goal for several years, and this year the Finance Department committed to establishing strategies and policies that would take a more proactive approach to addressing upcoming financial issues facing the General Fund.

Prior to the 2017 Tubbs Fire, Finance staff met with the Long-Term Financial Policy and Audit Subcommittee regarding this subject. This was during a period where there were

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General Fund reserves over the Council-mandated policy amount. However, when the fires came, the City drew down on available reserves to support initial response and recovery missions, and establishing financial strategies and policies were paused.

#### PRIOR CITY COUNCIL REVIEW

Not Applicable

#### ANALYSIS

The \$40 million of PG&E settlement funds for fiscal stability provides the source of funds from which to fund reserves that would allow the City to proactively address known financial impacts to the General Fund. Such reserves could address rising pension costs, establish a replacement fund for large capital purchases that fall outside the City's existing Equipment Replacement fund, or mitigate revenue volatility.

After an initial infusion of cash, Council policies would address how to provide ongoing funding for the reserves.

#### FISCAL IMPACT

The study session, itself, does not create a fiscal impact to the General Fund.

#### ENVIRONMENTAL IMPACT

This Study Session is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment. No further environmental review is required.

#### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

These policies were reviewed at the November 18, 2021, special meeting of the Long-Term Financial Policy and Audit Subcommittee

#### NOTIFICATION

Not applicable.

#### ATTACHMENTS

- Presentation

#### CONTACT

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