

# General Fund Reserves



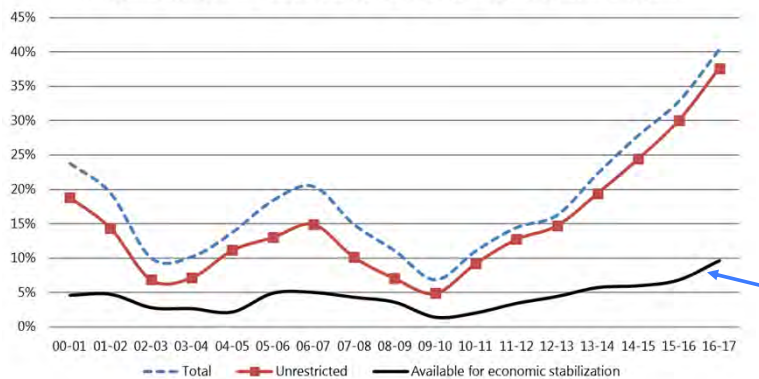
CITY & COUNTY OF SAN FRANCISCO

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## Reserve History

Fund Balance as a Percent of General Fund Revenues



## Dot com / 9-11: The City Draws Down Reserves

\$ Millions

<b>Fiscal Year</b>	<b>Reserved for</b>	
	<b>Cash Requirements</b>	<b>% of GF Revenues</b>
2000-01	93.3	4.6%
2001-02	93.3	4.8%
2002-03	55.1	2.8%

## Nov. 2003: Voters Approve Rainy Day Reserve

- Deposits required when revenues increase from prior year by 5% or more. Amount >5% threshold is allocated:
  - 50% to economic stabilization
  - 25% to capital and other one-time use
  - 25% for any purpose
- Withdrawals permitted when budgeted revenues for upcoming fiscal year are less than prior year or prior peak +2% per intervening year.
- City may withdraw lesser of 50% of reserve balance or the amount of the projected revenue shortfall.

## Reserve Levels Recover with the Economy...Until the Global Financial Crisis

\$ Millions

Fiscal Year	Reserved for Cash Requirements	Rainy Day Reserve - Economic Stabilization	Rainy Day Reserve - One Time	Economic Stabilization Reserve Total	% of GF Revenues
2000-01	93.3	n/a	-	93.3	4.6%
2001-02	93.3	n/a	-	93.3	4.8%
2002-03	55.1	n/a	-	55.1	2.8%
2003-04	n/a	55.1	-	55.1	2.7%
2004-05	n/a	48.1	-	48.1	2.2%
2005-06	n/a	<b>97.9</b>	<b>24.1</b>	<b>122.0</b>	<b>4.9%</b>
2006-07	n/a	<b>117.6</b>	<b>16.1</b>	<b>133.6</b>	<b>5.0%</b>
2007-08	n/a	<b>117.6</b>	<b>0.2</b>	<b>117.8</b>	<b>4.3%</b>
2008-09	n/a	<b>98.3</b>	-	<b>98.3</b>	<b>3.6%</b>
2009-10	n/a	<b>39.6</b>	-	<b>39.6</b>	<b>1.4%</b>

## Nov. 2009: Voters Approve Charter Amendment to Stabilize Spending through Two-Year Budgeting and Financial Planning

- Specifies a two-year budget, some fixed (enterprises), others rolling.
- Requires a five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them.
- Charges the Controller's Office with proposing financial policies on reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery. Controller may recommend additional policies or amendments to existing policies annually.

## 2010...We realize the City's reserve practices suffer from a number of weaknesses

- Too small to provide meaningful multi-year budget relief.
- Inadequate size to absorb significant mid-year revenue losses.
- Tend to be largely depleted in the first year of a downturn.
- No practice or policy governing the use of volatile revenues.

## Board of Supervisors Adopts Financial Policies

### April 2010

- Codify practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated in the budget; double the size of the General Reserve by FY 2015-16.
- Create a new Budget Stabilization Reserve funded by volatile revenue streams (transfer tax >5-year average and fund balance above budget assumption) to augment the Rainy Day Reserve.
- Policies may be suspended for one year by 8 of 11 Supervisors.

**November 2011:** COPs and other long-term obligations limited to 3.25% of discretionary revenue.

**December 2014:** Increase the size of the General Reserve from 2% to 3% of revenues and reduce deposit requirements during a recession.

## Reserves Are Now Close to 10% Target \$ Millions

Fiscal Year	Reserved for	Rainy Day	Rainy Day	Budget	Economic	% of GF	Economic		
	Cash	Reserve -	Reserve - One	Stabilization	Stabilization		General	+ General	% of GF
	Requirements	Economic	Time	Reserve	Reserve Total	Revenues	Reserve	Reserve	Revenues
2000-01	93.3	n/a	-	n/a	93.3	4.6%	30.0	93.3	4.6%
2001-02	93.3	n/a	-	n/a	93.3	4.8%	28.1	93.3	4.8%
2002-03	55.1	n/a	-	n/a	55.1	2.8%	27.1	55.1	2.8%
2003-04	n/a	55.1	-	n/a	55.1	2.7%	33.5	55.1	2.7%
2004-05	n/a	48.1	-	n/a	48.1	2.2%	30.0	48.1	2.2%
2005-06	n/a	97.9	24.1	n/a	122.0	4.9%	24.3	122.0	4.9%
2006-07	n/a	117.6	16.1	n/a	133.6	5.0%	24.7	133.6	5.0%
2007-08	n/a	117.6	0.2	n/a	117.8	4.3%	21.0	117.8	4.3%
2008-09	n/a	98.3	-	n/a	98.3	3.6%	20.1	98.3	3.6%
2009-10	n/a	39.6	-	n/a	39.6	1.4%	25.0	39.6	1.4%
2010-11	n/a	33.4	-	27.2	60.6	2.0%	25.0	60.6	2.0%
2011-12	n/a	31.1	3.0	74.3	108.4	3.4%	25.0	108.4	3.4%
2012-13	n/a	23.3	3.0	121.6	147.9	4.4%	22.3	147.9	4.4%
2013-14	n/a	60.3	22.9	132.3	215.5	5.7%	44.7	215.5	5.7%
2014-15	n/a	71.9	43.1	132.3	247.2	6.0%	58.0	305.3	7.4%
2015-16	n/a	75.0	45.1	178.4	298.5	6.9%	73.4	371.9	8.5%
2016-17	n/a	78.3	47.4	323.2	448.9	9.7%	90.4	539.3	11.6%

## How Will Reserves Perform in the Next Recession?



## Building a Culture of Long Term Planning

Three planning documents issued every other year:

- 5 Year IT Plan 10 Year Capital Plan ensure:
  - + Needs of all agencies are known and prioritized by the entire group
  - + Spending thoroughly vetted before reaching Board of Supervisors.
- 5 Year Financial Plan helps policymakers understand:
  - + Expenditures are growing faster than revenue
  - + What the cost drivers are (pension, OPEB, health, etc)
  - + Actions needed to balance (control FTE growth, spend one-time revenue on one-time uses; revenue growth alone is not enough)
  - + Potential for risks/volatility (economic, intergovernmental)