

**COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY**

Subject

Fund Balance and Reserves

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Purpose

To establish guidelines regarding the maintenance of fund balance and reserve levels and the use of one-time revenues that will help to protect the fiscal health and stability of the County.

Background

The County of San Diego is committed to managing the public's business in a prudent, responsible way through the adherence to management disciplines in order to ensure fiscal stability. This stability is demonstrated, in part, through the County's maintenance of a structurally balanced budget in which ongoing expenditures are supported by ongoing revenues.

In support of this discipline, the County must also plan for and be prepared to mitigate fluctuations in demand for services as well as changes in revenues influenced by the economy and budgetary decisions made by the State of California and the federal government. The County must be prepared for unforeseen events or economic uncertainties that could result in additional expenditure requirements or loss of revenue by establishing and maintaining prudent levels of fund balance and reserves.

Policy

It is the policy of the Board of Supervisors that the County will maintain fund balances and reserves in the General Fund to support fiscal health and stability as follows:

1. *Fund Balance Committed for Unforeseen Catastrophic Events:* The amount of fund balance committed for unforeseen catastrophic events shall be targeted at the equivalent of 5% of the total amount of budgeted general purpose revenue. The establishment of this fund balance commitment is governed by Government Code §29085-29086, which allows the amount to be increased or decreased at the time the budget is adopted, but once the budget is adopted, it may only be used for legally declared emergencies as defined in Government Code §29127.
2. *General Fund Contingency Reserve:* The General Fund appropriated Contingency Reserve shall be targeted at the equivalent of 2% of the total amount of budgeted general purpose revenue. The Contingency Reserve provides a source of funding for unanticipated needs or to offset revenue shortfalls during the year. Transfers from the Contingency Reserve require a 4/5ths vote of the Board.
3. *General Fund Minimum Fund Balance:* In order to be prepared for broader levels of economic uncertainty, the minimum level of unassigned fund balance in the General Fund shall be targeted at the equivalent of 10% of the total amount of budgeted general purpose revenue. To the extent that fund balance is available in excess of that amount, the Chief Administrative Officer may recommend the appropriation or commitment of the available balance for one time purposes. The recommendations may appear in the CAO Recommended Operational Plan or as an agenda item for a regularly scheduled meeting of the Board.

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4. *Management Reserves*: There shall be no targeted level for management reserves. These reserves are appropriations that may be held at either the group or department level for unforeseen needs or one-time purposes that would enhance or support services provided by the group or department. These reserves may be established as part of the budget development process or through mid-year budget adjustments approved by the Board. Establishment of management reserves shall not be permitted if the action would result in the amount of unassigned fund balance falling below the targeted level.
5. *Other Commitments and Assignments of Fund Balance*: From time to time fund balance may be committed by the Board and/or assigned by the Chief Administrative Officer for specific purposes. With the exception of fund balance commitments established because of restrictions on the use of certain revenues (e.g., those generated by services provided by the departments of Planning and Land Use and Environmental Health), such commitments and/or assignments shall not be approved if they would result in the amount of unassigned fund balance falling below the targeted level.
6. *Waiving the targeted levels*: The Board may waive the requirement to maintain the fund balance and reserve amounts at the targeted levels specified in paragraphs 1 – 3 above if it finds that it is in the best interest of the residents of the County to so do.
7. *Restoration of Fund Balances and Reserves*: In the event that the fund balance Commitment for Unforeseen Catastrophic Events, the Contingency Reserve or the General Fund Minimum unassigned fund balance falls below targeted levels, the Chief Administrative Officer will present a plan to the Board for restoration of those targeted levels.
8. *Use of One-time Revenues*: All one-time resources generated by the County are appropriated for one-time expenditures only.

Responsible Departments

Deputy Chief Administrative Officer/Auditor and Controller

Sunset Date

This policy will be reviewed for continuance by 12-31-2020.

References

Board Action 4-24-07 (13)
Board Action 12-09-08 (33)
Board Action 12-08-09 (32)
Board Action 05-10-11 (23)
Board Action 11-05-13 (19)