

COMMERCE CITY COUNCIL

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMMERCE, CALIFORNIA,
ADOPTING A GENERAL FUND RESERVES POLICY**

WHEREAS, the City Council of the City of Commerce recognizes the importance of maintaining adequate financial reserves to mitigate risks, ensure long-term fiscal stability, and promote responsible financial stewardship; and

WHEREAS, establishing a formal General Fund Reserves Policy supports transparency, accountability, and alignment with best practices as recommended by the Government Finance Officers Association (GFOA); and

WHEREAS, this Reserves Policy outlines reserve targets for operational contingencies, emergencies, and economic uncertainty, and establishes parameters for the use and replenishment of reserves; and

WHEREAS, the policy also creates a Project Management Fund to receive any unassigned fund balance in excess of 100% of General Fund budgeted expenditures, restricted for one-time expenditures only;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMMERCE DOES HEREBY RESOLVE AS FOLLOWS:

1. The General Fund Reserves Policy, attached hereto as Exhibit A, is hereby adopted.
2. The City Manager or designee is authorized and directed to implement the policy and incorporate it into financial planning and budget practices.
3. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED and ADOPTED this 24th day of June, 2025.

Ivan Altamirano, Mayor

ATTEST:

Lena Shumway, City Clerk

City of Commerce

General Fund Reserves Policy



The City Council, as the legislative body of the City, is committed to prudent fiscal practices and to maintaining adequate General Fund reserves to ensure consistent, uninterrupted municipal services in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures, as well as upholding the credit worthiness of the City. The General Fund is the City's primary operating fund. It is not supported by one revenue source only and funds general services provided by the City. As such, it is imperative to have appropriate reserve levels.

Purpose

The purpose of this policy is to establish a framework for maintaining a prudent level of financial reserves in the City of Commerce's General Fund. Fund balance reserves help ensure the City's financial stability, mitigate fiscal risks, and provide resources for emergencies, economic uncertainties, and unforeseen expenditure requirements.

Scope

This policy applies to the General Fund and establishes targets and conditions under which fund balance reserves may be used or replenished. This policy is intended to guide decision-making and demonstrate sound financial management in accordance with Government Finance Officers Association (GFOA) best practices.

Fund Balance Classifications

In the context of financial reporting, the term *fund balance* is used to describe the difference between the assets and liabilities reported in a governmental fund. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *fund balance* in the City's General Fund is classified into the following categories:

- **Nonspendable** – Amounts not in spendable for or are legally or contractually required to be maintained intact. Examples include inventory, notes and loans, prepaid items and/or advances.
- **Restricted** – Amounts constrained to specific purposes by granting agencies, contributors, or laws or regulations of state or federal governments, or imposed by law through constitutional provisions or enabling legislation. Examples include federal and state grants for a specific purpose and/or restricted donations or contributions.
- **Committed** – Amounts constrained to specific purposes by formal action of the City Council. Examples include capital projects and/or contractual obligations.
- **Assigned** – Amounts intended to be used for specific purposes but not restricted or committed. Examples include Stability Reserves, Economic Contingency Reserves, Project Management Fund, Unfunded Liability Reserve.
- **Unassigned** – Amounts available for any governmental purpose.



Reserve Category and Targets

The City shall maintain the following category of reserves within the **Assigned Fund Balance** of the General Fund:

1. Stability Reserve ("Rainy Day Fund")

To protect against unforeseen revenue shortfalls, natural disasters, or other catastrophic events and to safeguard against volatility in major revenue sources such as sales tax and card club license fees.

Minimum Target Reserve Level: 50% - or six months' worth of annual General Fund budgeted expenditure.

Target Reserve Level Goal: 100% - or twelve months' worth of annual General Fund budgeted expenditure.

Methodology to Meet Target Reserve Levels

During the development of the annual or biennial City budget, the Finance Director shall determine the target reserve level and whether the minimum target reserve level has been met. If it is determined that the minimum target reserve level has not been met, the Finance Director shall include appropriations in the budget to increase the reserves to at least the minimum target level, subject to available resources and revenue performance.

Project Management Fund

To manage surplus General Fund balances in a transparent and fiscally responsible manner, the City hereby establishes a Project Management Fund.

Purpose:

The Project Management Fund will hold any unassigned General Fund balance in excess of 100% of annual General Fund budgeted expenditure after the required reserve categories are funded at their target levels.

Use of Funds:

Resources in the Project Management Fund shall be considered one-time in nature and may only be used for:

- Capital improvement projects
- Technology or infrastructure upgrades
- Special studies or time-limited initiatives
- One-time equipment purchases
- Other non-recurring expenditures as approved by the City Council



GENERAL FUND RESERVES POLICY

Restrictions:

The Project Management Fund shall not be used for ongoing operational costs, staffing, or baseline service delivery.

Use of Reserves

Use of reserves or Project Management Fund appropriations must be authorized by the City Council. Reserve funds and one-time funds shall not be used to subsidize recurring expenditures, except in the case of City Council-declared emergencies or extraordinary events.

Replenishment of Reserves

If reserves fall below the minimum target level and resources are not available, a replenishment plan shall be developed. The plan shall aim to restore the reserves to minimum target levels within **five years**.

Annual Review and Reporting

This policy shall be reviewed annually during the budget process. Reserve balances and Project Management Fund activity shall be reported in the City's annual budget and audited financial statements, with clear designation of any uses of one-time funds.

