



News from

## Interim Mayor Todd Gloria

City of San Diego

### NEWS RELEASE

For immediate release: January 29, 2014

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### San Diego Increases Financial Reserves

*City Council Committee Recommends 14% Reserve Policy Instead of 8%*

*SAN DIEGO (January 29, 2014)* – Demonstrating that San Diego has turned a corner financially, the City Council Budget and Government Efficiency Committee, chaired by Interim Mayor Todd Gloria, today recommended the city's Reserve Policy be strengthened to require 14% financial reserves.

**“While the current Reserve Policy calls for 8% reserves, the city’s fiscal discipline has resulted in a reserve level of more than 14%. These revisions would require that level going forward and will help ensure long-term stability for San Diego’s ability to serve our citizens with necessary services,”** said Interim Mayor Gloria.

The proposed revisions to the policy affect the General Fund, Public Liability, Workers' Compensation, and Long-Term Liability Reserves. The revised Reserve Policy describes the General Fund Reserves as the Emergency Reserve and Stability Reserve, which shall not be less than 14% of General Fund operating revenues, based on the most recent three year average of annual revenue. This would result in an increase in the reserve amount from \$86 million to \$150 million.

The revisions also add greater clarity and transparency to the reserve calculation and incorporate the budgetary and fiscal principles and policies adopted by the City Council.

The purpose of the Emergency Reserve is to sustain General Fund operations in the event of a public emergency such as a natural disaster or other unforeseen catastrophic occurrence. The Stability Reserve is maintained to mitigate extraordinary financial and service delivery risk due to unexpected revenue shortfalls in an economic downturn or from unanticipated one-time expenditures. The reserves are not meant to pay for non-emergency ongoing needs.

**“Thanks to the ongoing focus and discipline of City leaders, San Diego has come a long way since the financial challenges of the past decade,”** said Interim Mayor Gloria. **“This is a strong policy that balances our need to mitigate service delivery risk while maintaining good bond ratings. The Reserve Policy will help guide the discussion of the City’s Mid-Year Financial Report next month.”**

The Reserve Policy will be considered for approval by the full City Council in February.

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