



# OFFICE OF THE COUNTY ADMINISTRATOR

## COUNTY OF SONOMA

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DATE: June 2, 2023  
TO: Members of the Board of Supervisors  
FROM: M. Christina Rivera, County Administrator  
SUBJECT: General Fund Reserves

Sonoma County enters Fiscal Year (FY) 2023-24 with \$59,413,008 in General Fund Reserves, which equals 9.2% of operating revenues. No use of reserves is recommended in FY 2023-24. The County Administrator recommends that \$6,440,172 in FY 2022-23 Year End available fund balance be added to General Fund Reserves to increase the balance to 10.2% of General Fund sources.

### Current General Fund Reserve Policies

[County Financial Policies](#) set a target for General Fund Reserves of two months operating expenses (16.7% of budget). During the FY 2018-19 budget hearings, the Board adopted the establishment of a General Fund Reserve minimum funding level (one month's general fund revenues or 8.3%) and a Replenishment plan. The policy states:

- *The Board will maintain a minimum level of unassigned General Fund Reserve balance equal to 1/12 (8.3%) or 1 month of annual General Fund revenues.*
- *Replenishing General Fund Reserve- Anytime the Board authorizes drawdown of Reserves, staff will present a re-payment schedule which shall include the amount of state/federal reimbursements expected to be received.*

This policy was put in place to ensure the County would have capacity to deal with future emergencies and to maintain the County's credit rating.

For purposes of the FY 2023-24 Budget, the targeted reserve amount of two months' general fund revenues equal \$107.4 million, and one month is \$53.7 million.

### History and Projections

Prior to the 2017 wildfires, Sonoma County had been steadily increasing reserves toward the target of two-months of operating costs. At the start of FY 2017-18, on the eve of the fires, reserves stood at \$53.1 million, or 11.3% of FY 2017-18 operating revenues. In the FY 2018-19

adopted budget, the Board designated \$8.5 million of the reserve balance for recovery and resiliency projects, with a focus on grant matches, as well as designating a \$3.9 million FEMA audit reserve. This left reserves at \$40.7 million, or 8.7% of operating revenues.

Since then, the Board has gradually added funds to ensure that the balance did not dip below the one-month minimum.

- At budget hearings in FY 2020-21, the Board dedicated \$8.5 million in PG&E Settlement funds to replenish the \$8.5 million that was drawn down following the 2017 Wildfires, bringing the total to \$52.8 million or 9.2% of General Fund sources.
- A total of \$1.18 million was directed to reserves in FY 2021-22 based on Board direction at budget hearings.
- In FY 2022-23 the Board added an additional \$5.5 million.

This brings reserves to the current total of \$59.4 million, or 9.2% of General Fund operating revenues.

Because the reserve is calculated as a percent of General Fund operating revenues, it is a moving target that must be increased as revenues increase. Absent additional increases in balance, the Reserves will gradually decline toward the one-month minimum over the next several years.

### **Recommendations**

During FY 2022-23 Budget Hearings, the County Administrator recommended that, when available, the Board begin setting aside year-end fund balance totaling 1% of General Fund operating revenues each year until the reserve reaches the target of 16.7%. The Board agreed to consider this proposal on a yearly basis. With sufficient year-end savings anticipated to be available, staff are recommending increasing reserves by \$6.4 million, which will move total reserves from 9.2% to 10.2% of operating revenues, bringing the County closer to the two-month target for General Fund Reserves. Figure 1 below shows the future status of reserves if the current amount is held flat and if the 1% policy is implemented.

Figure 1: Current Reseres and Recommendations



