

City of Albany

**CAPITAL RESERVE
FUND POLICY**



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SECTION 1: PURPOSE

The purpose of this policy is to establish adequate financial reserves to appropriately repair and replace City assets such as vehicles, equipment, and buildings. These funds are reserved specifically for capital needs and are not to be used for generally operating purchases. Capital Reserves are restricted funds that are not part of the City’s unreserved fund balance as dictated in the City’s Fund Balance Reserve Fund Policy.

SECTION 2: TYPE OF RESERVES

The following Reserve Funds are established by this Policy:

- Community Development Reserve Fund
- Emergency Medical Services (EMS) Reserve Fund
- Fire Department Reserve Fund
- General City Building Reserve Fund
- IT Equipment Reserve Fund
- KALB Equipment Reserve Fund
- Police Department Reserve Fund
- Public Works Reserve Fund
- Recreation Reserve Fund

SECTION 3: RESERVE FUNDING LEVELS

Reserve funding levels are directly tied to planned capital needs, with an estimated allowance for emergency repairs and replacement. Annually, in conjunction with the adoption of the operating budget, staff will provide the Council with a report including an asset replacement schedule. The report will include estimated repair and replacement costs for a five-year period as well as the annual reserve funding amounts required to meet these obligations.

To ensure funds are available in the case of a maintenance emergency, reserve fund levels may only fall below the amounts indicated below due to an emergency and with approval by the City Council:

Reserve Fund	Minimum Funding Level
Community Development Reserve Fund	\$100,000
Emergency Medical Services (EMS) Reserve Fund	\$100,000
Fire Department Reserve Fund	\$100,000
General City Building Reserve Fund	\$250,000
IT Equipment Reserve Fund	\$50,000
KALB Equipment Reserve Fund	\$50,000
Police Department Reserve Fund	\$100,000
Public Works Reserve Fund	\$100,000
Recreation Reserve Fund	\$100,000

SECTION 4: FUNDING OF RESERVES

Reserves may be funded in numerous ways, including, but not limited to:

- Council appropriation during adoption of the annual operating budget;
- Proceeds from the sale of City assets;
- Council appropriation of unreserved General Fund balances in excess of the City's Fund Balance Policy; and
- Interest on the portion of City investments associated with each reserve fund.

Special funding sources include:

- Community Development Reserve Fund
 - Reserve fund fees included as part of permit fees
- EMS Reserve Fund
 - EMS and Advanced Life Support parcel taxes
- Recreation Reserve Fund
 - Reserve Fund Fees associated with facility rentals and set by the Master Fee Schedule

SECTION 5: CONDITIONS FOR USE OF RESERVES

Capital Reserve balances are to be used for the repair and replacement of vehicles, equipment, building repair and land improvements as approved by the City Council. Reserve funds may also be used to repair or replace items deemed necessary for continued public health and safety. The Community Development funds are used primarily for funding to assist with the completion of mandated planning documents including but not limited to the City's General Plan and associated Housing Element as well as funds to implement particular programs or projects outlined in planning documents. Funds may also be applied towards implementation of essential environmental projects or to assist with environmentally preferable purchasing for particular assets when appropriate.

Council appropriation of reserve funds is required and City purchasing procedures must be followed when using reserve funds. In conjunction with the annual review of the asset replacement schedule, the City Manager will request appropriation of required funding for routine repair and replacement. Unplanned expenditures will be brought to Council for appropriation on an as needed basis.

In the event of an emergency, per Albany Municipal Code § 2-27.5, purchases of equipment, materials, supplies, or services determined by the City Manager to be necessary to meet an emergency which threatens the public health, safety or welfare, may be made without prior Council approval, however the purchases will be provided to the City Council at the earliest practicable meeting time.

SECTION 6: REVIEW

This policy shall be reviewed by the Finance Director each year during the preparation of the report required by Section 3, and at least every 5 years by the City Council.