

APPROVED AS TO FORM AND LEGALITY


CITY ATTORNEY'S OFFICE

TRACY CITY COUNCIL

RESOLUTION NO. 2026-144

**APPROVING AMENDMENTS TO THE CITY OF TRACY COUNCIL
GENERAL FUND COMMITTED RESERVE POLICY**

WHEREAS, City of Tracy follows Governmental Accounting Standards Board GASB for the basis its financial reporting, and

WHEREAS, The City of Tracy (City) has an adopted Council General Fund Committed Reserve Policy to mitigate the effect of unanticipated situations such as natural disasters and severe unforeseen events, and

WHEREAS, The last revision was adopted on May 18, 2021 establishing the recommended reserves to be consistent with the Government Finance Officer Association (GFOA) , and

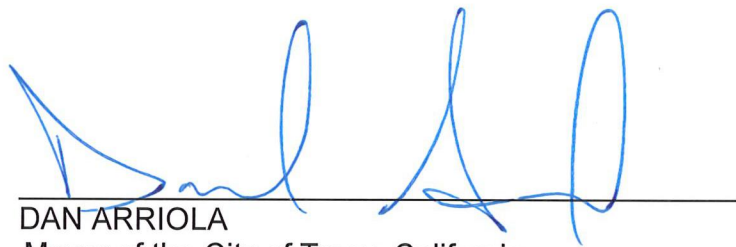
WHEREAS, The revised policy is consistent with the City Council's overall strategic Priorities; ensure continued fiscal sustainability through budgetary and financial stewardship as attached to this Resolution as Exhibit 1, therefore, be it

RESOLVED, That the City Council of the City of Tracy hereby approves the amendments to the Council General Fund Committed Reserve Policy.

* * * * *

The foregoing Resolution 2026-144 was adopted by the City Council on 2nd day of June 2026, by the following vote:

AYES: COUNCIL MEMBERS: BEDOLLA, EVANS, NYGARD, ABERCROMBIE, ARRIOLA
NOES: COUNCIL MEMBERS: NONE
ABSENT: COUNCIL MEMBERS: NONE
ABSTENTION: COUNCIL MEMBERS: NONE



DAN ARRIOLA
Mayor of the City of Tracy, California

ATTEST: 
APRIL QUINTANILLA
City Clerk and Clerk of the Council of the
City of Tracy, California

EXHIBITS:
Exhibit 1: Council General Fund Committed Reserve Policy

CITY OF TRACY
COUNCIL POLICY AND PROCEDURES
A-5

SUBJECT: Council General Fund Committed Reserve Policy

DATE UPDATED June 2, 2026

SECTION: A-5

SECTION 1: PURPOSE

The purpose of this policy is for the City of Tracy to formally establish Contingency/Emergency and Economic/Budget Stability Reserves. The purpose of the Reserves is to mitigate the effect of unanticipated situations such as natural disasters and severe unforeseen events. Reserves also provide the City with stability in times of economic fluctuations that are non-reoccurring and/or unanticipated. Reserves help provide for a smooth, temporary transition to prevent drastic or devastating changes in service levels caused by changes in the City's financial situation. These reserves are presented as Committed Fund balance in the General Fund financial statements and are adopted by City Council by resolution. The City Council may authorize the use of these reserves by declaring a Catastrophic and/or Fiscal Emergency with a four-fifths vote.

SECTION 2: POLICY

The City of Tracy is establishing reserves with the following designations:

GENERAL FUND CASTASTROPHIC/EMERGENCY RESERVE:

The Catastrophic/Emergency Reserve funds help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events. The Catastrophic Reserve also serves as back-up liquidity to self-insured losses if this need were to arise.

The Catastrophic/Emergency Reserve is to be established with a target goal of 17% of the General Fund's adopted annual budget for operating expenditures and recurring transfers out.

The City Manager will first evaluate the City's financial condition and make a recommendation to City Council as to the need to make contributions to the Catastrophic Reserve or the possible need to access funds from the Catastrophic/Emergency Reserve. This action is taken as part of the annual budget adoption; however, these actions can be completed at any time the City Manager deems necessary.

CITY OF TRACY
COUNCIL POLICY AND PROCEDURES

General Fund Committed Reserve Policy Page 2 of 4

GENERAL FUND ECONOMIC/BUDGET STABILIZATION RESERVE

The Economic/Budget Stabilization Reserve is to be established with a target goal of 13% of the General Fund's adopted annual budget for expenditures and recurring transfers out. The Economic/Budget Stabilization Reserve is intended to offset quantifiable revenue/expenditure uncertainty in the multi-year forecast thereby helping to stabilize service levels through economic cycles. The City should develop measures that collectively are necessary to assess City's fiscal sustainability.

These specific measures include:

- Projections of the major individual inflows of resources in dollars and as a percentage of total inflows of resources along with explanations of the known causes of resource fluctuations (including nonrecurring resources)
- Projections of the major individual outflows of resources by program or function in dollars and as a percentage of total outflows of resources along with explanations of the known causes of resource fluctuations
- Projections of major individual financial obligations and total financial obligations including bonds, pensions, OPEB, and long-term contracts
- Projections of annual debt service payments (principal and interest)
- Narrative discussion of the major intergovernmental service interdependencies that exist and the nature of those service interdependencies.

Stabilization amounts may be authorized as expended only when certain specific circumstances exist.

- 1) Revenue risks: Revenues falling short of budget projections may cause deficits. Transitional funding may be necessary to respond to reductions in major revenues due to local, regional, and national economic downturns. This may be due to a loss in housing values, a loss of a major employer, a loss of major retailer, a sudden spike in unemployment or inflation, and/or other major economic factors. This may also be due to state and/or voter initiatives; including changes in legislation, revenue sources that sunset or expire, or other political impacts to revenues that are outside of the control of the City Council.
 - a) Projected General Fund revenue totals in aggregate are anticipated to decrease by 5% (or more) over the prior-year or decrease by 10% (or more) cumulative over three-years; excluding one-time revenue sources.

CITY OF TRACY
COUNCIL POLICY AND PROCEDURES

- b) Projected General Fund revenues from a single revenue source are anticipated to decrease by 10% (or more) over the prior-year or decrease by 15% over three-years; excluding one-time revenue sources.
- 2) Expenditure Risks: The City may require a source of supplemental funding for uncontrollable costs or contractually obligated costs. Such costs may include maintaining service levels.
 - a) Projected General Fund expenditure totals (in aggregate) increase by 10% (or more) over the prior-year or increase by 15% over three-years; excluding one-time expenditure requests.
 - i) Examples may include: major individual financial obligations and total financial obligations including bonds or other debt payments, employee contracts, and/or long-term contracts that create a deficit budget of more than one year.
 - b) Projected General Fund expenditures from a single source are anticipated to increase by 10% (or more) over the prior-year or increase by 15% over three-years.
 - i) Examples include, but are not limited to: unanticipated increases in CalPERS retirement rates resulting from CalPERS investment performance, or changes in actuarial assumptions CalPERS might impose.
 - ii) In addition, there may be other cost increases that are beyond the City's control (e.g., various fuel and utility charges).
- 3) Structural Deficit Risk: Economic factors may create a structural deficit when revenue growth does not keep pace with expenditure growth. The City may elect to use the Economic/Budget Stabilization Reserve for up to 24 months while a plan is developed to correct the deficit.
 - a) Projected General Fund expenditure totals (in aggregate) exceed incoming revenues by 5% (or more) over the prior-year or exceed by 10% over three-years; excluding one-time expenditure requests.
 - b) Need funding for an unanticipated major repair, purchase, or other maintenance charge creating a deficit of 5% of incoming revenues. The nature of these reserves is intended to stabilize the General Fund budget in the short-term to address non-routine or unanticipated changes in economic position. A regular 5-year forecast should be used to identify foreseeable changes in revenues and or expenditures. However, not all changes in economic and fiscal position are known. In those cases, the City Manager will first evaluate the City's financial condition and make a recommendation to City Council as the possible need to access funds from the Economic/Budget Stability Reserve. This action is taken as part of the annual budget adoption; however, these actions can be completed at any time the City Manager deems necessary.

**CITY OF TRACY
COUNCIL POLICY AND PROCEDURES**

General Fund Committed Reserve Policy Page 4 of 4

USE AND REPLENISHMENT OF RESERVES

The City Manager must present a report to the City Council to justify the use of the Catastrophic/Emergency Reserve and Economic/Budget Stabilization Reserve and the circumstances of the Catastrophic and/or Fiscal Emergency. All uses of the Catastrophic Reserve and Economic/Budget Stabilization Reserve must be approved by resolution of the City Council with a super majority (four-fifths) vote. Any such uses are to be repaid to the respective reserves over a period to be determined by the City Council at the time of usage approval, with a target repayment period of no more than five years.

YEAR-END EXCESS REVENUE

Year-end excess and/or one-time revenue under the proposed reserves structure would remain in the City's fund balance. As part of the annual budget adoption process, or at any time the City Manager deems necessary, the City Manager would recommend whether the excess funds could be allocated to other reserves, or used as one-time funding with consideration given to economic development and/or capital projects.

Resolution – 2026-144, Dated 06/02/2026