

**City of Sutter Creek  
General Fund Operating Reserve Policy  
Proposed 08/26/2025**

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**Section 1: Purpose**

The purpose of this policy is for the City of Sutter Creek to formally establish a General Fund Operating Reserve fund policy based on budgeted revenue. The purpose of this reserve fund is to mitigate the effect of unanticipated expenses. Reserves also provide the City with stability in times of economic fluctuations that are anomalous. Operating reserves help provide for a smooth, temporary transition to prevent drastic changes in service levels caused by changes in the City's financial situation, including unanticipated decreases in revenue or increases in expenditures.

**Section 2: Policy**

The City of Sutter Creek is establishing this reserve funding policy with the following guidelines:

**Reserve Levels:**

The General Fund Reserve goal is to stay within 20% - 45% of the General Fund's adopted annual budget revenues.

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 General Fund Operating Reserve. This process will be typically done during the budget development process, but this can be performed at any time the City Manager deems necessary.

**Use and Replenishment of the General Fund Reserve:**

The General Fund Operating Reserve should be used for the following: emergency repairs, non-budgeted projects approved by City Council, and maintaining essential services to the public during economic difficulties. The City Manager will present a report to City Council to justify the use of the General Fund Operating Reserve. All uses of the General Fund Operating Reserve must be approved by resolution of the City Council with a three-fifths vote. Any such uses are to be repaid over a period of time to be determined by City Council at the time of voting for approval of usage of the General Fund Operating Reserve, if it goes below the minimum threshold.

**Year-End Excess Revenue**

As part of the annual budget development process, or at any time deemed appropriate by the City Manager, the City Manager would recommend whether the year-end excess funds could be used

as one-time funding to reach the General Fund Operating Reserve goal faster. If the Operating reserve exceeds 45%, the City Manager may recommend use of those funds within the budget, during budget formation or through a budget amendment.