

GENERAL FUND RESERVE POLICY

Why a Reserve Policy is Important

A reserve provides protection from risk. The City of Durango faces risks such as revenue shortfalls during recessions and losses from extreme events, like wildfires, economic downturns, and infrastructure failures. Reserves help make sure that the City of Durango can respond quickly and decisively to extreme events. Reserves also support vital public services during revenue declines. A reserve policy describes how much we will try to retain in our reserve. It also describes acceptable uses of and replenishment of reserves.

The Size of the City of Durango’s Reserve

The City of Durango will hold the following amount in reserve. The amount held in reserve is stated as a percent of budgeted expenditures. This is so that the City of Durango’s reserve stays consistent with the size of the budget over time.

- The reserve will be equal to at least 25% of budgeted expenditures.
- The reserve will include all Nonspendable, Restricted, Committed, and Assigned fund balances.

The City of Durango’s Finance Department will conduct long-range forecasting to decide if the City is likely to stay within its targeted reserve.

If the stated reserve is not kept during the forecast period, the Finance Director will develop a plan to bring the reserve to the desired amount. This plan will be offered to the City Council for consideration.

Acceptable Uses of Reserves

Reserves are meant to address unexpected, nonrecurring costs. Reserves should not be used for recurring annual operating costs. An exception is poor economic conditions or events that disrupt the City of Durango’s revenues. In such cases, reserves may be used to provide short-term relief so that the City of Durango can restructure its operations in an orderly manner.

The acceptable uses of reserves are severe economic downturn where revenue shortfalls exceed 2%, infrastructure failures occur where other funding is not available and unexpected expenditures from natural disasters.

Reserve Drawdown Schedule

When Annual Revenue Decreases By	5%	10%	15%
Reduce Annual Expenditures By and	2%	5%	5%
Drawdown Reserve By	3%	5%	10%

Authority to Use Reserves

The City Council may authorize the use of reserves for purposes consistent with this policy.

Replenishment of Reserves

If the City of Durango uses its reserves, replenishment will be made using the following strategy:

Reserve Replenishment Schedule

When Annual Revenue Increases By	2%	4%	7%	11%
Dedicated to Annual Expenditure Increases	2%	3%	4%	5%
Dedicated to Reserve Balance	0%	1%	3%	6%