

General Reserve Fund

Managing Bureau: City Budget Office

Statement of Purpose: The General Reserve Fund was created in FY 1987-88 for the purpose of building a reserve for the General Fund. It is Council-adopted policy to maintain a reserve level equal to at least 10% of General Fund discretionary and overhead resources less beginning fund balance.

Sources of Revenue: Resources contributed to the fund are often transfers from the General Fund and are restricted by various resolutions, policies, and budget decisions passed by Council.

Contingency Requirements: The primary purpose of the fund is to serve as the reserve for the General Fund. All funds budgeted for this purpose are budgeted in contingency. The size and allowable uses of contingency are discussed in the reserve requirements below.

Reserve Requirements: Comprehensive Financial Management Policy 2.07 defines the first half of reserves as an emergency reserve available to fund major one-time, unanticipated expenditures or to offset unanticipated revenue fluctuations that occur within a fiscal year. The Council may withdraw funds from the emergency reserve when the Council has declared an emergency by ordinance and after the General Fund's budgeted contingency is exhausted. The emergency reserve shall be accessed only when emergency expenditures or an unexpected revenue reduction would result in a negative General Fund ending fund balance. The Council shall begin to restore emergency reserves used under this policy within 24 months after their first use and shall include a timeline for full reimbursement in the ordinance declaring the emergency.

The second half of the required General Reserve Fund is designated as a countercyclical reserve. The Council may use this to transition expenditure growth to match slower revenue growth during an economic recession. The countercyclical reserve is designated for use as "bridge funding" necessary to offset slower revenue growth during a recession. For purposes of the policy, slower revenue growth triggers the Council's assessment of use of this reserve when year-over-year basic revenue growth falls to below three percent for two consecutive quarters or the financial forecast estimates that basic revenue growth shall be below three percent for the next fiscal year. Basic revenue is defined as the sum of General Fund property tax, business license tax, utility license/franchise fees, cigarette and liquor taxes, transient lodging taxes and interest income. In addition, one or more of the following conditions must occur in conjunction with slower basic revenue growth:

1. Local housing prices have fallen by more than 10% at any time in the prior 24 months.
2. The year-over-year change in the unemployment rate for the City of Portland has risen by more than two percentage points at any time in the prior 12 months.
3. Year-over-year metro area employment has fallen by at least 2% at any time in the last 12 months.

The Council shall begin to restore countercyclical reserves used under this policy within 24 months after their first use, and shall include a timeline for full reimbursement via ordinance.

Disposition of Funds: In the event the fund is closed, all remaining resources shall revert to the General Fund.