



## MEASURE Z – FUND BALANCE RESERVE POLICY

Finance Department

**Budget Engagement Commission**

October 9, 2025

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## BACKGROUND

Measure Z Reserve policy consideration:

- February 28, 2019: Budget Engagement Commission recommended 15% reserve.
- March 13, 2019: Finance Committee recommended \$5 million reserve.
- April 2, 2019: City Council unanimously approved the \$5 million contingency reserve policy .



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## RESERVE POLICY

- Balances the stated intent of the Measure Z Transaction and Use Tax with the need to maintain a prudent reserve level.
- **Contingency Reserve:** Provides buffer for a measured and thoughtful reduction in expenditures during times of economic downturn.
  - **Utilization of Reserve:**
    - Requires the affirmative votes of at least five members of the City Council.
    - Once utilization of the reserve has been terminated, requires staff to present a Replenishment Plan to the City Council to return the reserve to the \$5 million minimum level over no more than a two-year period.



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## RESERVE POLICY

- **Wind-Down Plan:**
  - Strategic depletion of the Contingency Reserve over the final three years of the Measure Z TUT may be adopted by the affirmative votes of at least five members of the City Council.
- **Surplus Reserves**
  - Shall not be considered available for spending if any future year of the Twenty-Year Spending Plan is projected to fall below the minimum \$5 million reserve requirement.
  - If the \$5 million minimum reserve requirement is projected to be met, City staff shall present a plan to the City Council to allocate Surplus Reserves to new spending initiatives.



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## RECOMMENDATION

That the Budget Engagement Commission receive and provide input on the Measure Z Reserve Policy.



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