

Strategic Allocation for Variance & Economic Resilience (S.A.V.E.R.) Reserve Policy

PROPOSED: 02/23/2026

1.0 PURPOSE

To establish a dedicated financial mechanism intended to mitigate the risks associated with construction market volatility, supply chain inflation, and unforeseen site conditions. The Strategic Allocation for Variance & Economic Resilience (S.A.V.E.R.) Reserve is designed to ensure the continuity of approved capital projects without compromising the City's General Fund operating reserves or Capital Improvement Fund's capital reserves. Furthermore, by utilizing committed prior-year savings to address immediate cost variances, the Reserve protects the City's long-term Capital Improvement Plan from the necessity of deferring or cancelling future scheduled projects.

2.0 SCOPE

This policy applies to all capital projects managed by the City, funded through the Capital Improvement Fund or other Special Revenue / Enterprise Funds that utilize the Capital Improvement Fund as a funding source.

3.0 ESTABLISHMENT & FUNDING STRUCTURE

3.1 Fund Balance Classification: The S.A.V.E.R. Reserve shall be established as a specific "Committed" Fund Balance classification within the Capital Improvement Fund. It is not a separate legal fund but a segregated accounting designation.

3.2 Target Cap & Review: The S.A.V.E.R. Reserve shall be established at a Target Cap of \$2,500,000 at the beginning of each fiscal year.

- **Triennial Review:** To ensure the Reserve maintains its purchasing power against inflation, the City Council and Administration shall review the Target Cap amount every three (3) years.

3.3 Funding Source (The "Top-Off" Mechanism): The S.A.V.E.R. Reserve is funded exclusively through the commitment of the City's Annual General Fund Operating Surplus transferred to the Capital Improvement Fund.

- **Priority:** Upon determination of the prior fiscal year's surplus, the transfer of funds to the S.A.V.E.R. Reserve to restore the balance to the Target Cap shall take priority over other surplus transfers.
- **Excess:** Surplus funds in excess of the amount required to reach the S.A.V.E.R. Reserve Target Cap shall follow standard City Fund Balance policies.
- **Interest:** Investment earnings generated by the S.A.V.E.R. Reserve balance shall accrue to the general Capital Improvement Fund balance.

4.0 USAGE ELIGIBILITY

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Funds may only be requested for active, Council-approved projects where cost variances are demonstrably outside the City's control.

4.1 Permitted Uses (External/Uncontrollable Factors)

- **Market Volatility:** Documented price increases in commodities, raw materials, or labor rates driven by broader economic inflation.
- **Trade & Policy Impacts:** Fiscal impact of new State or Federal mandates, tariffs, or trade policies enacted post-bid.
- **Unforeseen Site Conditions:** Subsurface issues (e.g., poor soils, rock excavation) or undocumented utility conflicts discovered post-award that were not identifiable during the design phase.
- **Force Majeure:** Costs resulting from "Acts of God" (e.g., severe weather damage, flooding) occurring during construction that are not fully covered by insurance.
- **Complex Professional Services:** Unforeseen scope complexity or data requirements for professional service contracts (e.g., environmental studies) discovered post-award.

4.2 Prohibited Uses (Internal/Discretionary Factors)

- **Scope Expansion:** Discretionary expansion of project scope, including "nice-to-haves," new amenities, or aesthetic preference changes (e.g., upgrading finishes).
- **New Projects:** Any project or distinct capital asset not previously authorized in the Adopted Budget.
- **Internal Delays:** Cost increases resulting from Departmental delays, including the expiration of bid pricing validity prior to award.
- **Acceleration Costs:** Overtime or expediting fees incurred solely to recover schedule delays caused by internal management or contractor performance.
- **Errors & Omissions:** Costs resulting from administrative calculation errors or preventable engineering design errors.
- **Operational Maintenance:** Routine repairs, maintenance, or operational supplies not meeting the City's capitalization threshold.

4.3 Grant Maximization For projects involving State or Federal grants, the Department must demonstrate that all efforts to secure additional grant participation for the overage have been exhausted. S.A.V.E.R. Reserve funds shall primarily cover the required Local Match portion of the variance.

5.0 INTER-FUND PROTOCOL ("Payor of Last Resort")

To protect General Fund and Capital Improvement Fund taxpayer dollars, "Means Testing" shall be applied to all requests:

- **CIF Projects:** Projects natively funded by the Capital Improvement Fund are fully eligible.

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- **Restricted Fund Projects:** Projects funded by Special Revenue (e.g., Major Roads), Enterprise Funds (e.g., Water/Sewer), or Internal Service Funds (e.g., Fleet) must utilize their respective Fund Balance reserves first. Access to the S.A.V.E.R. Reserve is granted only if the specific Fund's reserves are depleted or fall below minimum policy levels.

6.0 GOVERNANCE & APPROVAL WORKFLOW

Access to the Reserve requires a two-step approval process to ensure executive oversight and legislative transparency.

Step 1: Executive Review: The Department Director submits a formal request to the Mayor and Chief Financial Officer (CFO).

- The CFO validates S.A.V.E.R. Reserve fund availability and eligibility under Section 4.0.
- The Mayor provides executive authorization to proceed.

Step 2: Legislative Appropriation: Utilization of funds requires City Council approval. This may be obtained via:

- A specific Agenda Item for the individual project; or
- A Quarterly Budget Amendment for aggregated adjustments.

7.0 ACCOUNTING & REPORTING

7.1 The "Checkbook" Register: The Finance Department shall maintain a chronological register of all draws and returns over the course of the fiscal year.

7.2 Project Closeout ("The Clawback"): Any S.A.V.E.R. Reserve funds transferred to a specific project line item that remain unspent upon official project closeout shall be returned to the S.A.V.E.R. Reserve balance at the next quarterly Budget Amendment.

7.3 Quarterly Reporting: Administration shall present a S.A.V.E.R. Reserve Status Report to City Council quarterly, detailing:

- Beginning Balance
- Funds Deployed (by Project and Resolution #)
- Funds Returned
- Ending Available Balance

8.0 EMERGENCY SUSPENSION

In the event of a declared fiscal emergency or significant revenue shortfall, the City Council reserves the right to suspend this policy and un-commit the S.A.V.E.R. Reserve balance to the General Fund to support essential City operations.