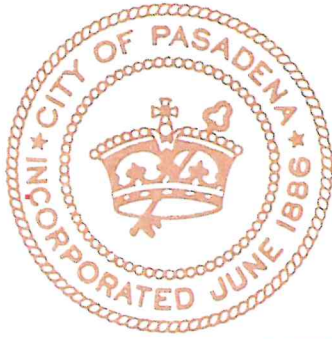




Agenda Report

October 13, 2026

TO: Honorable Mayor and City Council

THROUGH: Finance/Audit Committee

FROM: Finance Department

**SUBJECT: APPROVE FISCAL YEAR 2026 GENERAL FUND EMERGENCY
CONTINGENCY COMMITMENT OF \$54,737,400 AND UP TO
\$18,245,800 IN THE GENERAL FUND OPERATING RESERVE
COMMITMENT**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that that the proposed action is not a "project" subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and State CEQA Guidelines Sections 15060 (c)(2), 15060 (c)(3), and 15378, and, as such, no environmental document pursuant to CEQA is required.
2. Adopt a resolution approving the City of Pasadena General Fund Emergency Contingency commitment of \$54,737,400 and General Fund Operating Reserve commitment of up to \$18,245,800 (with the final amount to be determined upon conclusion of Fiscal Year (FY) 2026 financial statement preparation based solely on General Fund sub-fund 101 (Fund 101)).

BACKGROUND:

As recommended by the Government Finance Officers Association best practices and to meet City Council's strategic planning objective of fiscal responsibility and stability, the City has established fund reserve goals. Maintaining adequate and prudent levels of fund reserves mitigates current and future risks by protecting against reducing service levels or raising taxes or fees, because of temporary revenue shortfalls, unexpected one-time expenditures, or natural disaster costs. Appropriate reserve levels are monitored by rating agencies and play an essential role in safeguarding the City's bond ratings.

In FY 2017 the overall commitment of 20% was split between the General Fund Emergency Contingency (15%) and a General Fund Operating Reserve (5%).

The City's Fund Balance Policy follows Governmental Accounting Standards Board (GASB) Statement No. 54, which defines how governments classify fund balance. This standard classifies fund balance into five categories: non-spendable, restricted, committed, assigned, and unassigned. It also requires formal action by the City Council to commit a fund balance annually, prior to fiscal year end and before the financial statements are audited.

This action formally commits the full 15% FY 2026 General Fund Emergency Contingency Committed fund balance for \$54,737,400 and the 5% General Fund Operating Reserve of up to \$18,245,800 with a recognition that the actual amount of the Operating Reserve may be less, to account for previously approved unreimbursed activities.

The table below provides a comparison of the General Fund balances and includes the Section 115 Trusts for both pension and other post-employment benefits.

General Fund - Fund Balance Summary			
	FY 2025	FY 2026	Change
15% Emergency Reserve	51,292,500	54,737,400	3,444,900
5% Operating Reserve	17,097,500	18,245,800	1,148,300
Sub-Total	68,390,000	72,983,200	4,593,200
Section 115 Trust - Pension	14,273,745	8,337,795	(5,935,950)
Section 115 Trust - OPEB	2,704,003	2,950,023	246,020
Total	\$85,367,748	\$84,271,018	(\$1,096,730)

The City used a portion of its Section 115 Pension Trust Fund to help manage rising pension costs. The Trust Fund had grown to about \$14.9 million through investment earnings, in December of 2025, City Council approved using \$7 million from the trust to make an additional discretionary payment to CalPERS

As part of the budget adoption for FY 2026, the City Council determined that the General Fund Emergency Contingency Commitment and Operating Reserve Commitment Calculations should be based on the current year appropriations solely from the General Fund 101 excluding sub funds 102-108, which are specialized funds of the General Fund.

In order to qualify as a committed fund balance, a stabilization commitment of fund balance must clarify the circumstances under which the funds may be utilized. These circumstances cannot occur routinely. Hence, the terms "extreme operational budget deficits" and "to mitigate the effects of major economic uncertainties resulting from

events uncontrollable by the City” are used in the resolution to enact the Operating Reserve.

COUNCIL POLICY CONSIDERATION:

The City Council’s strategic planning goal of maintaining fiscal responsibility and stability will be advanced by the commitment of General Fund Balance for Emergency Contingency and commitment of General Fund Balance for Operating Reserve.

ENVIRONMENTAL ANALYSIS:

The proposed action is not a project subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Sections 15060(c)(2), 15060(c)(3), and 15378. The approval of the commitment of general fund emergency contingency and general fund operating reserves is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. Therefore, the proposed action is not a “project” subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since, the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

For many years the General Fund has had surplus unassigned fund balance beyond the reserve commitments. With the strategic use of fund balance to fund capital improvement projects, the surplus funds have been expended or committed. The reserve commitments in the General Fund have already been appropriated in FY 2027. There is no fiscal impact as a result of this action; however, the individual components that make up the total fund balance are changed.

Respectfully submitted,


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