Reserve Benchmarks

GFOA

The Government Finance Officers Association (GFOA) recommends that local governments maintain reserves equal to two months of operating revenue or, put another way, equal to 16.7 percent of annual revenue.

However, this is just a rule of thumb — each local government needs to decide for itself what the right amount of reserves is.

For example, a smaller local government that relies on Casino revenues (which are often vulnerable to economic downturns) and that is at risk for experiencing a number of potential natural disasters would need relatively more reserves than a larger government that is reliant on property taxes (which are usually fairly stable, despite economic downturns) and which is subject to fewer natural disasters.

The way to decide the best amount for your local government is to better understand your risks. For most local governments, the most salient risks will be recessions and natural disasters, like earthquakes, hurricanes, tornados, wildfires, floods, extreme snowfall, etc.

District Policy

District Policy

Notwithstanding section 3.1, the Unappropriated Surpluses for the General and Sewer funds shall each be maintained at a minimum of 5% of the District's previous year's Current Revenue.

Summary

Under GFOA recommendation = $3,000,000

Under District of Sechelt Policy = $900,000