



Board Approved on 4/18/2024

POLICY TITLE: Reserve Policy

POLICY NUMBER: 2150

Purpose: The Cambria Community Services District shall maintain reserve funds from existing unrestricted funds as designated by the District’s Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve goals, including the following:

- A. Maintain operational sustainability in periods of economic uncertainty.
- B. Fund contingencies (i.e., unplanned but necessary expenditures, emergencies, disasters, etc.).
- C. Fund replacement and major repairs for the District’s major assets and infrastructure.
- D. Fund multi-year capital improvements.
- E. Fund designated projects/programs or other special uses not otherwise funded by current operational income, grants, or other available sources.

The District will account for reserves as required by Governmental Accounting Standards Board (GASB) Statement No. 54, distinguishing reserves among these classes: non-spendable, restricted, committed, assigned, and unassigned. This policy will refer to “unassigned” and “assigned” reserves.

Policy: Use of District funds is limited to available “unassigned” funds, including donations, earned interest income, fees for service, tax revenues, or other non-grant earnings. All special use funds will be designated by formal action of the Board of Directors.

- A. Reserve funds will be set aside in the District’s three funds (General, Water, and Wastewater). The planned amount to be set aside as reserves will be approved by the Board of Directors as line items in the annual budget process. At a minimum, the lesser of \$1,000 or 0.1% of revenue will be set aside. If any of the District’s funds receive material, unanticipated eligible revenue (e.g., a windfall), or budget surplus, all unanticipated revenue or surplus will be set aside for reserves before committing expenditure for other purposes. Assigned reserve funds shall not exceed the specific purpose for which they are accumulated.
- B. Reserves will be set aside for the following purposes:
 - a. Vehicle Fleet Reserve: expenditures for purchases to support District operations.
 - b. Budget Stabilization Reserve: to provide for economic uncertainty where revenues are interrupted or otherwise insufficient to offset operating expenditures and to provide for known or unknown future obligations.
 - c. Emergency Disaster Reserve: to provide for significant unforeseen liabilities and events such as natural disasters and catastrophes.
 - d. Capital Improvement Reserve: to purchase necessary capital assets or to repair, replace, or extend the life of existing assets.
 - e. Special Projects Reserves: identified by District Staff or the Board of Directors, including responses to regulatory requirements.
 - f. OPEB: GASB 45 unfunded post-employment benefits other than pensions (retiree health care).

C. Funding Targets:

In recognition of the CCSD's limited ability to raise revenue and its being subject to unexpected negative variances in revenues and expenses, the goal will be to set aside 10% of operating expenditures annually in each fund to contribute to reserves through the budget process.

D. Monitoring Reserve Levels:

In collaboration with the Finance Manager, the General Manager will report reserve balances and activity semi-annually to the Board of Directors. Additional information will be provided:

- a. When a major change in conditions threatens the reserve levels established by this policy;
- b. When a major change in conditions calls the effectiveness of this policy into question; or
- c. Upon Board of Directors' request.

E. Conditions for Use of Reserves:

All reserve expenditures are requested through the budget process as a unique request or through the Capital Improvement Projects (CIP) list. The General Manager is authorized to make recommendations to the Board of Directors for the use of reserves at any time of the year through the Board approval process.

F. Policy Review:

The reserve policy will be reevaluated each year before December 31st and adjusted based on budget variances summarized from annual budget results to include:

- A 10-year financial plan
- Minimum and maximum limits
- Integration with the Strategic Plan