



Board Approved on 8/15/2019

**POLICY TITLE:** Reserve Policy

**POLICY NUMBER:** TBD (2150 is the Reserve Policy # referenced in the CSDA Handbook)

**Purpose:** The Cambria Community Services District shall maintain reserve funds from existing unrestricted funds as designated by the District's Reserve Policy. Funds established under this policy shall function as both Capital Outlay and Contingency Reserves. 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. 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 Statement No. 54 which distinguishes reserves as among these classes: non-spendable, restricted, committed, assigned and unassigned. The reserves stated by this policy, unless otherwise required by law, contract, or district policy shall be deemed "unassigned" and "assigned" reserves. Reserves set aside pursuant to this Policy will be matched by cash investments.

**Policy:** Use of District funds is limited to available "Unrestricted" Funds, including donations, interest earned, 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 each of the District's three Funds (General, Water and Wastewater). The Board of Directors will determine the amount to be set aside as Reserves as line-items in the Annual Budget. At a minimum, the lesser of \$1,000 and 0.1% of revenue will be set aside. In the event that any of the District's Funds receives material, unanticipated eligible revenue (e.g. a windfall) or budget surplus, the Board will consider setting aside some or all of such unanticipated revenue or surplus for reserves before committing expenditure for other purposes. The accumulated balance of unassigned Reserve Funds will not exceed 50% of the respective Fund's prior year Unrestricted Income. 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. General Fund unassigned Reserves:
    - i. Operating Reserve: Funds to be used to provide for operations in anticipation of Property Tax receipts. Any reserves used for this purpose will be replaced when the Property Taxes are received.
    - ii. Contingencies
  - b. General Fund assigned Reserves:
    - i. Vehicle Fleet purchases to support District operations.
    - ii. Technology Reserve to purchase hardware and software to support District operations.



Board Approved on 8/15/2019

- iii. Capital Improvement expenditures to purchase necessary capital assets or repair, replace, or extend the life of existing assets.
- iv. Special Projects identified by District Staff or the Board of Directors including responses to regulatory requirements.
- c. Water Fund unassigned Reserves:
  - i. Income buffer to be used when income is reduced as a result of unanticipated drops in demand due to conservation during dry years
  - ii. Contingencies.
- d. Water Fund assigned Reserves:
  - i. SWF Operations set aside during years of non-operation to anticipate expenses incurred when the plant is operated.
  - ii. Vehicle Fleet purchases to support District operations.
  - iii. Technology Reserve to purchase hardware and software to support District operations.
  - iv. Capital Improvement expenditures to purchase necessary capital assets or repair, replace, or extend the life of existing assets.
  - v. Special Projects identified by District Staff or the Board of Directors including responses to regulatory requirements.
- e. Wastewater Fund unassigned Reserves:
  - i. Income buffer to be used when income is reduced as a result of unanticipated drops in demand due to conservation during dry years.
  - ii. Contingencies
- f. Wastewater Fund assigned Reserves:
  - i. Vehicle Fleet purchases to support District operations.
  - ii. Technology Reserve to purchase hardware and software to support District operations.
  - iii. Capital Improvement expenditures to purchase necessary capital assets or repair, replace, or extend the life of existing assets.
  - iv. Special Projects identified by District Staff or the Board of Directors including responses to regulatory requirements.

**Monitoring Reserve Levels:** The General Manager, in collaboration with the Financial Manager, will report to the Board of Directors, on a semi-annual basis, Reserve Balances and Activity. 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.