

Policy Type: Florin Resource Conservation District Board of Directors
Policy Title: Reserve and Capital Investment Policy
Date Adopted: June 16, 2020
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Date Amended:

I. PURPOSE

The purpose of this policy is to establish several reserve funds to minimize adverse annual budgetary impacts from anticipated and unanticipated Florin Resource Conservation District (District) expenses. Such monies are not considered 'surplus' and shall not be made available for other uses without the express authorization of District Board of Directors (Board).

II. POLICY

This policy is to prescribe that all funds held in reserve be designated to specific uses. The District shall be consistent with Title 27 of the California Code of Regulations, meaning the District hold cash reserves for special projects and operations.

III. RESERVE FUNDS

The adequacy of the target reserve year-end balance ranges and/or annual contributions will be reviewed annually during the budgeting and planning process and may be revised accordingly as necessary. The following District reserve fund categories are to be established:

A. Operating Reserve Fund

1. Purpose: To ensure cash resources are available to fund daily administration, operations and customer services.
2. Target Balance: 120 Days of the Annual Operations and Maintenance Budget
3. Methodology/Rationale: The District should, in accordance with sound financial practices, have a minimum of 120 Days of operating reserves.
4. Use of Funds: These funds will be used to pay for expenditures according to budget and expenditure authority. This fund will be accessed only upon the express pre-approval of the Board of Directors.

B. Capital Improvement Reserve Fund

1. Purpose: Funds are set aside for the new assets needed for the operations of the district that enhance or increase capacity. (Meter Retrofit Program, Supply/Distribution Improvements, Treatment Plant Improvements, Building Site Improvements and Other Improvements)
2. Target Balance: Annual Capital Improvement Program Budget
3. Methodology/Rationale: The District needs to invest in the infrastructure necessary to improve and enhance the source capacity and other attributes of the District's infrastructure

4. Use of Funds: The funds will be used build new infrastructure or enhance current infrastructure to increase the District's capacity.

C. Capital Replacement Reserve Fund

1. Purpose: Funds are set aside for the future replacement of existing assets. (Supply/Distribution Improvements, Treatment Improvements, Building Site Improvements and Other Improvements.)
2. Target Balance: Annual Capital Replacement Budget
3. Methodology/Rationale: The District records depreciation using the straight-line method over the estimated useful lives of the assets. The funds are reserved to replace District assets as they reach the end of their useful life.
4. Use of Funds: The funds will be used to replace assets (furniture, computers, equipment, etc.) as necessary to further the mission and efficiency of the organization.

D. Elections and Special Studies Reserve Fund

1. Purpose: To provide funds for various special studies, as needs arise in the District such as election costs, Board expenses, etc.
2. Target Balance: Increases to this reserve bucket are to be made by Board action and in accordance with the annual budget
3. Methodology/Rationale: The District will, from time to time, be required or requested to participate in activities, which it could not have foreseen and therefore could not have budgeted for specifically.
4. Use of Funds: These funds will be used to cover the costs of elections and special studies as necessary to be completed by the District.

E. Future Years Capital Improvement Reserve Fund

1. Purpose: Funds are set aside for the new assets needed for the operations of the district that enhance or increase capacity. (Meter Retrofit Program, Supply/Distribution Improvements, Treatment Plant Improvements, Building Site Improvements and Other Improvements)
2. Target Balance: 25% of the balance of the Unrestricted Reserves Funds not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital Replacement Reserve Fund and the Elections Special Studies Reserve Fund upon conclusion of the annual audit.
3. Methodology/Rationale: The District needs to invest in the infrastructure necessary to improve and enhance the source capacity and other attributes of the District's infrastructure
4. Use of Funds: The funds will be used build new infrastructure or enhance current infrastructure to increase the District's capacity.

F. Future Years Capital Replacement Reserve Fund

1. Purpose: Funds are set aside for the future replacement of existing assets. (Supply/Distribution Improvements, Treatment Improvements, Building Site Improvements and Other Improvements.)
2. Target Balance: 75% of the balance of the Unrestricted Reserves Funds not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital Replacement Reserve Fund, and the Elections Special Studies Reserve Fund upon conclusion of the annual audit.
3. Methodology/Rationale: The District records depreciation using the straight-line method over the estimated useful lives of the assets. The funds are reserved to replace District assets as they reach the end of their useful life.
4. Use of Funds: The funds will be used to replace assets (furniture, computers, equipment, etc.) as necessary to further the mission and efficiency of the organization.

IV. GUIDELINES

Staff shall perform a reserve analysis to be submitted to the Board of Directors on a quarterly basis.