

Livermore Area Recreation and Park District

Staff Report

TO: Chair Boswell and Finance Committee

FROM: Mathew Fuzie, General Manager

PREPARED BY: Jeffrey Schneider, Business Services Manager
Julie Dreher, Finance Officer, and Lynn Loucks, Accountant

DATE: January 24, 2022

SUBJECT: **Reserve Fund Policy Update**

COMMITTEE: Finance Committee Reviewed 12/20/21 - feedback incorporated

RECOMMENDATION: That the Finance Committee recommends that the Board of Directors approve the updated Reserve Fund Policy that will be presented to the Board of Directors on February 9, 2022.

BACKGROUND: The existing Fund Balance Reserve Policy (“Reserve Policy”) was last updated, with the Board’s approval, in May, 2016. The existing Reserve Policy calls for the Board to “affirm or revise this policy... At least every three (3) years”, so while Staff are presenting this draft proposal because of perceived opportunities to enhance this Policy, we are also overdue for this review.

Guidelines per the Government Accounting Standards Board (GASB) regarding categories of fund balances that must be (and which are) maintained by the District are summarized here:

“The **restricted fund balance** category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The **committed fund balance** classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority (to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint). Amounts in the **assigned fund balance** classification are *intended* to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. **Unassigned fund balance** is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications (amounts that are available for any purpose; these amounts are reported only in the general fund).”

What follows is a summary of the District’s EXISTING fund balances, and the underlying calculations/rationale for each. To review the District’s current Reserve Policy, please see Appendix A.

TOTAL Reserves based upon the current policy, including each of the following categories, amount to \$7,843,659.

Restricted Reserves – Total \$1,435,497

- | | | |
|---------------------|-------------|--|
| 1. Buckley Trust | \$ 278,102 | for Ravenswood Site maintenance, restoration |
| 2. Ponderosa Homes | \$ 30,000 | Designated for Ida Holm Park |
| 3. Signature Homes | \$ 82,800 | Designated for Bill Clark Park |
| 4. Other Restricted | \$1,044,595 | Fixed since 2010 – designated use unclear |

Committed Reserves – Total \$4,562,812

- | | | |
|-------------------|-------------|---|
| 1. Equipment | \$ 883,623 | 50% of accumulated depreciation |
| 2. Synthetic Turf | \$ 741,797 | For items 2-4, a min balance of 7.5% of |
| 3. ESS Buildings | \$ 680,000 | accumulated depreciation for buildings |
| 4. CIP | \$2,257,394 | and park improvements |

Assigned Reserves - \$0 to date

Unassigned Reserves – Total \$1,845,348

- | | | |
|-------------------------|-------------|-------------------------------------|
| 1. Emergency Reserve | \$ 369,070 | s/b 2% of Annual Operating Expenses |
| 2. Budget Stabilization | \$1,476,278 | s/b 8% of Annual Operating Expenses |

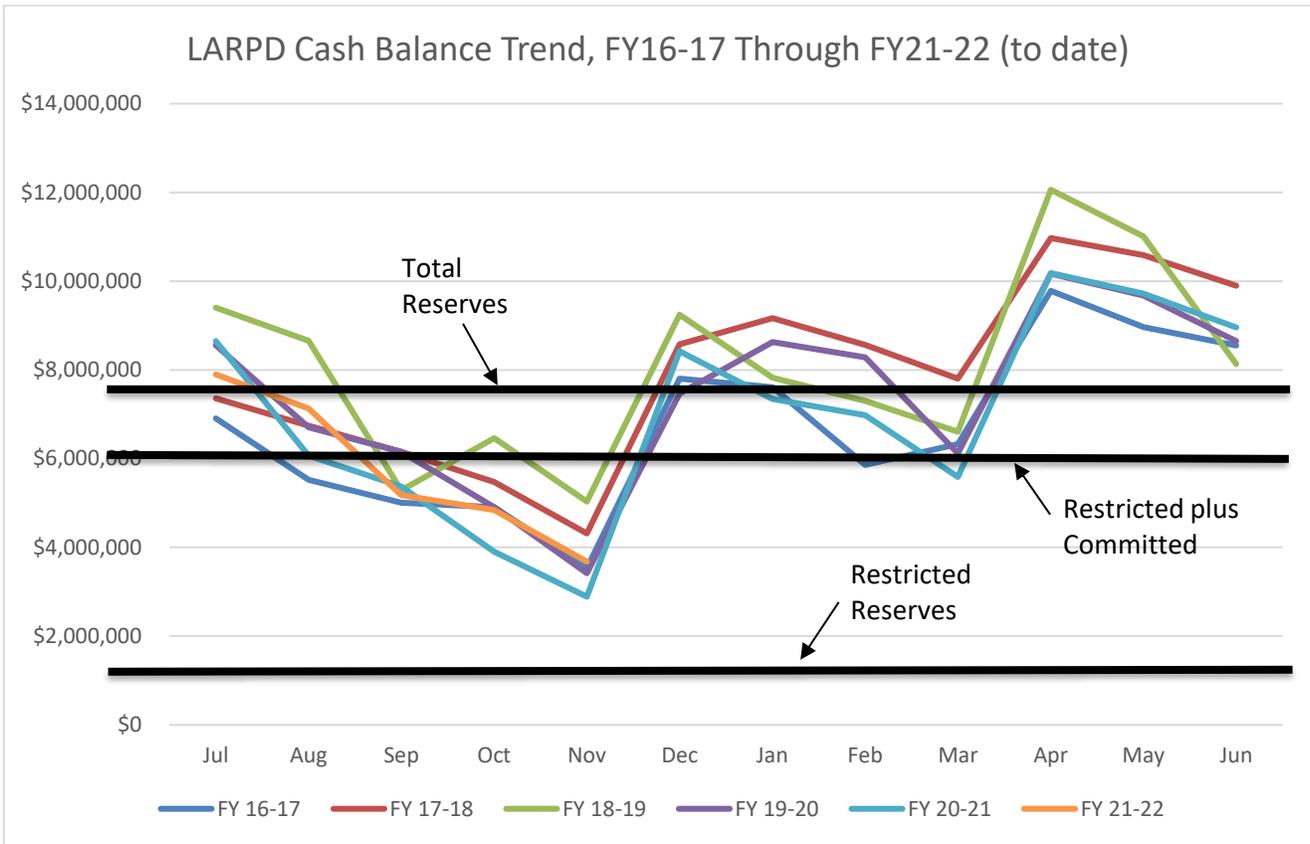
Cash Balance Trend and implications for Reserves:

The reality is that the District has not established a Reserve Policy that is consistent with minimum cash balances that the District experiences each year, typically in November (see Exhibit A, below). Cash balances vary considerably throughout the year, and only following the large April tax receipts can cash balances accommodate total reserves, at their current levels.

How did this condition (reserve fund balances in excess of actual cash balances) arise? Because previous financial management considered AB1600 funds in their consideration of available cash, which is not appropriate given these funds are to be used for projects that drive enhanced capacity, not for deferred maintenance and the other uses that are included in the present (and proposed) fund categories. Further, AB1600 funds are, by definition, temporal in nature: they are used to directly offset spending for approved projects that qualify for such funding (e.g., the funds are spent and immediately reimbursed by the City of Livermore, which administers the funds).

Fortunately, these reserve fund designations and amounts, and the need to revise them, will not require a restatement of financials (confirmed with Marta). However, the need to ensure the GM and Board are clear about the exact amount of cash that we can count on at any point during our fiscal year is clear.

Exhibit A – LARPD Cash Balance Trend



Note: the District receives three significant distributions of property and parcel taxes each calendar year (~50% in April, 45% in December, and another 5% in June). Cash balances reach their nadir in November as seven months have passed since the big April tax infusion.

PROPOSAL:

Opportunities Staff have identified to enhance the District’s Reserve Policy:

1. Addressing recently established debt obligations, specifically the January 2020 PG&E on-bill-financing (OBF) and the June, 2021 Pension Obligation Bond (POBs). Related to the POBs is the opportunity to pay down the District’s Unfunded Actuarial Accrued Liability (UAAL) with ACERA through the savings realized by the POBs.
2. Incenting program growth and supporting on-going program needs by identifying a portion of operating revenues that could be made available to create program-specific reserves, subject to the annual review and approval of the Board.
3. Revisiting existing reserve funds and the calculations related to them, particularly given plans to impact certain of the existing reserve funds, such as the recently Board-approved project to fund the replacement of two of the District’s three synthetic turf fields.

4. Establish a policy that recognizes the reality of the District's cash flow balances so that, at any point in the fiscal year the monies called for in the policy can be relied upon. As noted above, in certain months of the fiscal year the total of reserves as established to date by the District cannot be accommodated by the District's total cash balance.

Proposed Reserve Fund Structure and Associated Fund Amounts:

As Exhibit A illustrates, in the last 6 years the District's minimum cash balance has ranged from \$2.9 million in November, 2020 (impacted severely by COVID) to \$5.0 million in November, 2019 (pre-COVID). The simple average of the 5 years excluding the COVID-driven low point is \$4.0million, and the latest balance, from November, 2021 would have been \$4.3million had the District not incurred the one-off \$0.5 million outlay for the Trevarno Sewer and Water Assessment District earlier this fiscal year.

1. **Staff recommends establishing a total reserve balance of \$4.0 million** that can be amended at the Board's discretion as additional funds become available through one-off sources such as the State of California's COVID Relief Fund (due in January, 2022) and annual, audited results that reflect a surplus.
2. **Staff recommends the following funds be established:**
 - a. **Unassigned Fund Balance** – Defined as the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.
 - b. **Assigned Reserves**
 - i. **Initial fund balance: \$1.5 million**
 - ii. **Budget Contingency (emergency/stabilization)**
 - **Initial fund balance of \$1.5 million** (approx. 7.5%, or 1 month, of the total annual operating budget).
 - **This fund balance should be targeted to reach \$5.0million, which is approximately 25%, or 3 months, of the total annual operating budget in its current state**, which can be achieved through Board-approved allocations of surplus funds each year.
 - Note: the Government Finance Officers' Association, (GFOA), "recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."

iii. Program Funds

- To be funded through a share of annual revenues beginning in FY21-22, with Board approval
 - Will be established at the major program level (e.g., ESS, Aquatics, Seniors, etc....)

iv. ACERA UAAL Elimination

- Beginning at the end of FY22-23, utilize savings from the difference between annual POB debt service and what would have been the District's annual ACERA payments to reduce the District's UAAL.
 - Annual savings are estimated to be at least \$90k, which does not assume what would most likely have been on-going annual increases to the District's ACERA contributions. With reasonable assumptions for savings given what "would have been the case" sans the POBs' impact, these savings would exceed \$200k annually.
 - The UAAL that remained in place following the District's issuance of POBs is \$526k.

c. Restricted Funds

i. Total of \$408k

- ii. Buckley Trust - \$278,100 (current total for Ravenswood Historic Site maintenance)
- iii. Ponderosa Homes - \$30,000 (Ida Holm Park enhancements)
- iv. Signature Homes - \$82,800 (current balance for Bill Clark Park enhancements)
- v. Should other third-party sources of funds become available that come with specific spending restrictions, they will be added to the District's Restricted Fund.

d. Committed Funds

i. Initial fund balance of \$2.09 million

ii. Annual Debt Service – POBs and OBF

- **Total of \$958k**
- POB Interest and Principal = \$800k per year
- OBF - \$158k per year
- These funds will be depleted each year and will be replenished based on the reduction in ACERA expenses the District will experience each year.

iii. Deferred Maintenance – facility and park infrastructure

- **Initial amount: \$1.132 million**

- This amount should be targeted to grow based upon identified deferred maintenance projects, with annual Board review and approval.

iv. Note: **the previous reserve policy included monies targeted for equipment replacement.** Staff believes this type of spending can and should be accommodated within the annual operating budget process. Indeed, this has been the case for each of the past 5 years.

Process and Other Policy Recommendations:

1. Upon the completion of the annual audit process, or as unexpected events drive mid-term considerations, staff will review the need to assess fund balance revisions and/or fund target revisions. This will be particularly important if we agree to move forward with Program-specific Assigned Reserves.
2. The Finance team will establish fund accounts based on the revised Reserve Policy and will work with staff to ensure on-going accounting for fund balance changes accurately reflects on-going spend and periodic surplus allocations, as appropriate, for each new fund.
3. The Finance team will produce a recommendation for a Treasury Policy that will consider the need to balance liquidity and safety with investment returns. Such a policy will address the different characteristics of each of the District's reserve funds. For example, the Unassigned Reserve Fund, which is targeted to be used as a budget contingency, will by definition need to be very liquid so that urgent funding needs can be addressed. On the other hand, deferred maintenance, which can be planned over relatively long periods, can be placed in less liquid investments that can allow for higher yields. Such a policy will require consideration of the District's risk/reward profile in determining how to invest the balances of each Reserve fund.

Conclusions:

1. **The current Reserve Policy should be replaced as it is not in line with actual cash balances and does not reflect the changing landscape of the District (e.g., recently implemented POBs and the PG&E OBF).**
2. **The Board's annual review of fund balances will be vital to ensuring the District progresses toward the Fund Balance targets that are reflected in this proposal, and to the potential to revisit these targets and the list of active funds themselves.**
3. **Accompanying, or closely following the adoption of, this new Reserve Policy, should be a Treasury Policy.**

Attachments:

- A. Proposed Reserve Policy**
- B. Existing Reserve Policy**





ATTACHMENT A – PROPOSED RESERVE POLICY

Policy No. FIN-07-2079

FUND BALANCE RESERVE POLICY

PURPOSE OF POLICY	To set target levels for reserves that protect the District against uncertain economic factors, provide for deferred maintenance of the District's parks and facilities, and support the enhancement of District programs.
POLICY SUMMARY	This policy establishes use categories of reserves, considerations for reserve amounts, authority to use reserves, and guidelines for replenishment of reserves, with the understanding that in accounting for its reserves the District will be compliant with Governmental Accounting Standards Board (GASB) Statement No. 54.
APPROVAL HISTORY	Adopted: Board Resolution No. 2079 Aug. 8, 2007 Amended: Board Resolution No. 2138 Sept. 10, 2008 Amended: Board Resolution No. 2162 Feb. 11, 2009 Amended: Board Resolution No.2293 June 15, 2011 Amended: Board Resolution No. 2340 June 13, 2012 Amended: Board Resolution No. 2359 Dec. 12, 2012 Replaced: Board Resolution No. 2534 May 25, 2016

Policy Objectives

1. To support the District's services and program offerings at the levels required by the District's user community.
2. To guide the District's on-going management of reserves, including reserve use and replenishment as well as the periodic review of reserve categories and funding levels.
3. To ensure that the District builds reserves over time to enable it to endure economic downturns and/or large-scale emergencies.
4. To provide for current and future asset replacement/renovation (deferred maintenance);
5. To ensure short-term and long-term financial obligations are met to enable the highest possible credit rating.

Impetus for this Policy Update

Opportunities Staff have identified to enhance the District's Reserve Policy include:

1. Addressing recently established debt obligations, specifically the January 2020 PG&E on-bill-financing (OBF) and the June, 2021 Pension Obligation Bond (POBs).
2. Incenting program growth and supporting on-going program needs by identifying a portion of operating revenues that could be made available to create program-specific reserves, subject to the annual review and approval of the Board.
3. Revisiting existing reserve funds and the calculations related to them given the evolving needs of the District and its constituents.
4. Revising the policy so that it recognizes the reality of the District's cash flow balances to ensure that, at any point in the fiscal year, the funds called for in the policy can be relied upon.

Reserve Structure – GASB Guidelines

Guidelines per the Government Accounting Standards Board (GASB) regarding categories of fund balances that must be (and which are) maintained by the District are summarized here:

“The **restricted fund balance** category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The **committed fund balance** classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint). Amounts in the **assigned fund balance** classification are *intended* to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. **Unassigned fund balance** is the residual

classification for the government's general fund and includes all spendable amounts not contained in the other classifications (amounts that are available for any purpose; these amounts are reported only in the general fund).”

Reserve Fund Classifications and Funding Specifics

1. Establish a minimum total reserve balance that amounts to the minimum cash balance experienced throughout the fiscal year.

- a. Based on data from FY16-17 through FY 21-22, that minimum balance is \$4.0 million.
- b. This minimum balance can be amended at the Board's discretion as additional funds become available through one-time sources and/or annual, audited results that reflect a surplus.

2. Restricted Funds

- a. Initial amount: \$408k, consisting of:
 - i. Buckley Trust - \$278,100 (current total for Ravenswood Historic Site maintenance)
 - ii. Ponderosa Homes - \$30,000 (Ida Holm Park enhancements)
 - iii. Signature Homes - \$82,800 (current balance for Bill Clark Park enhancements)
 - iv. Should other third-party sources of funds become available that come with specific spending restrictions, they will be added to the District's Restricted Fund.

3. Committed Funds

- a. Initial amount: \$2.09 million
- b. Annual Debt Service – POBs and OBF = total of \$958k
 - POB Interest and Principal = \$800k per year

- OBF - \$158k per year
- i. These funds will be depleted each year and will be replenished based on the reduction in ACERA expenses the District will experience each year.
- c. Deferred Maintenance – facility and park infrastructure
 - i. Initial amount: \$1.132 million
 - ii. This amount should be targeted to grow based upon identified deferred maintenance projects, with annual Board review and approval.
- d. Note: unlike the District's previous reserve policy, which included monies targeted for equipment replacement, this type of spending can and should be accommodated within the annual operating budget process.

4. Assigned Reserves

- a. Initial amount: \$1.5 million
- b. Budget Contingency (emergency/stabilization) Fund
 - i. Initial fund balance of \$1.5 million, which is approximately 7.5%, or 1 month, of the total annual operating budget.
 - ii. This fund balance should be targeted to reach \$5.0million, which is approximately 25%, or 3 months, of the total annual operating budget in its current state, which can be achieved through Board-approved allocations of surplus funds each year.
- c. Program Funds
 - i. To be funded through a share of annual revenues beginning with audited results for FY21-22, with Board approval.
 - ii. Established at the major program level (eg, ESS, Aquatics, Seniors, etc...)
- d. ACERA UAAL Elimination Fund
 - i. Beginning with FY22-23 (the first full year of pension fund savings, utilize savings from the difference between annual POB debt service and what

would have been the District's annual ACERA payments to reduce the District's UAAL.

- ii. Replenishment will occur annually (at fiscal year end), with Board approval, using savings in the form of the difference between ACERA expenses and POB debt service costs.

5. Unassigned Fund Balance

- a. Defined as the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Usage and Replenishment Guidelines

Restricted Funds: will be used for qualifying projects, meaning projects that fit the prescribed use of the related funds as outlined in the related source funding agreement. These funds cannot be used for another purpose.

- a. If an approved project that calls for restricted funds exceeds the available balance, unassigned funds may be used with the approval of the General Manager or Board, depending on the amount of unassigned funds that are required (see the District's active Delegation of Authority).
- b. Note: replenishment of these funds is not required unless the need to do so is specifically outlined in the related source funding agreement.

Committed Funds: will be used for the specific purposes outlined above, unless another use is approved by the Board.

- a. Funds committed to Debt Service cannot be used for other purposes unless explicitly approved by the Board.

- i. Debt Service funds will be replenished each month by savings realized by the reduction to the District's pension plan resulting from the related POBs (savings as calculated by the Finance team).
- b. Funds committed to Deferred Maintenance cannot be used for other purposes unless explicitly approved by the Board.
 - i. Deferred Maintenance funds will be replenished and/or increased through the annual review, by the Board, of operating surpluses as reported in through the annual audit process.
 - ii. In the event an approved Deferred Maintenance project exceeds the funds available in the related Committed Fund, Unassigned reserves may be used with Board approval.

Assigned Funds: intended to be used for specific purposes but uses of these funds do not meet the criteria to be classified as restricted or committed.

- a. Funds assigned to the Budget Contingency (emergency/stabilization) Fund cannot be used for other purposes unless explicitly approved by the Board.
 - i. Budget Contingency Funds will be replenished and/or increased through the annual review, by the Board, of operating surpluses/deficits as reported in through the annual audit process.
- b. Funds assigned to a particular Program Fund cannot be used for other purposes unless explicitly approved by the Board.
 - i. Program Funds will be replenished and/or increased through the annual review, by the Board, of operating surpluses as reported in through the annual audit process, but will be limited to the contribution (defined as revenues less operating expenses) to the District's surplus provided by the specific Program area.
 - ii. In the event an approved project exceeds the funds available in the related Program Fund, Unassigned reserves may be used with Board approval.
- b. Funds assigned to a the ACERA UAAL Elimination Fund cannot be used for other purposes unless explicitly approved by the Board.

- i. UAAL Funds will be replenished and/or increased through the annual review, by the Board, of operating surpluses as reported in through the annual audit process, but will be limited to the contribution (defined as the excess of savings in ACERA expenses (that resulted from the issuance of POBs) versus the debt service costs of the POBs, as calculated each fiscal year.
- ii. Contributions to the ACERA UAAL Elimination Fund cannot exceed the annual savings from the issuance of POBs net of the POB debt service. Funds may be used for other purposes with the approval of the Board.

Unassigned Funds: defined as the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.

Management Reporting and Accounting for Fund Balances

1. The Business Services Manager/Finance Officer will produce a quarterly view of Fund Balances, reconciling beginning and ending balances, for review with the General Manager and Board.
2. Upon completion of the Annual Audit, the Business Services Manager/Finance Officer will produce a report and recommendation for Fund balance revisions based upon the existence of a surplus or deficit in the Operating Results for the related Fiscal Year. Board approval will guide annual revisions to Fund Balances.

Maintenance of this Policy

1. In conjunction with the District’s annual budgeting process, the Business Services Manager/Finance Officer will present a recommendation for revisions, or not, to this Policy.
2. In conjunction with the Annual Audit, the Business Services Manager/Finance Officer will present a revised Policy document, if necessary, based in the Board’s approval of revisions to Fund balances and/or Classifications. based upon the existence of a surplus or deficit in the Operating Results for the related Fiscal Year. Board approval will guide annual revisions to Fund Balances

APPROVAL

Mathew Fuzie
General Manager

Date



ATTACHMENT B – EXISTING RESERVE POLICY

Policy No. FIN-07-2079

FUND BALANCE RESERVE POLICY

PURPOSE OF POLICY	To set policy regarding the level of reserves the District will maintain.
POLICY SUMMARY	This policy establishes guidelines to be in compliance with Governmental Accounting Standards Board (GASB) Statement No. 54. It establishes a minimum level for each fund; how to replenish any fund balance deficiency; prioritizes spending of these funds; reports funds as Restricted, Committed, Assigned and Unassigned.
APPROVAL	Adopted: Board Resolution No. 2079 Aug. 8, 2007 Amended: Board Resolution No. 2138 Sept. 10, 2008 Amended: Board Resolution No. 2162 Feb. 11, 2009 Amended: Board Resolution No.2293 June 15, 2011 Amended: Board Resolution No. 2340 June 13, 2012 Amended: Board Resolution No. 2359 Dec. 12, 2012 Replaced: Board Resolution No. 2534 May 25, 2016

Purpose

Financial reserves are the foundation for the sustainable delivery of core services by the District. This policy provides guidelines for establishing and maintaining minimum fund balance reserve levels, and reports funds as Restricted, Committed, Assigned and Unassigned in order to improve financial reporting. This policy will satisfy the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54.

Policy

It is the policy of LARPD to:

1. Identify the various classifications of the District's governmental fund balance reserves that maintain the District's service standards to the public.
2. Have a fiscal plan for the repair and replacement of the District's long-term infrastructure needs.
3. Maintain the District's credit worthiness.
4. Adequately provide contingency funds for unforeseen events.
5. Manage prescribed spending requirements of grants and gifts.

Objectives

The District's Fund Balance Reserve Policy has six (6) primary objectives:

1. To provide adequate funding for short-term and long-term needs.
2. To minimize adverse budgetary impacts against anticipated and unanticipated increase in expenditures or decrease in revenue.
3. To strengthen the financial stability of the District against uncertainties in an ever-changing environment.
4. To provide sufficient funds for capital improvement plan.
5. To maintain compliance with GASB 54.
6. To assist in managing the District's operating cash flow relative to timing of receipt of property tax revenue.

Overview

There are three categories of funds per GASB Statement No. 54. The District has only one category called "Governmental Funds," which consists of General Fund and Capital Projects Funds. The term "fund balance" is the difference between the assets and the liabilities reported on the balance sheet for governmental funds. The District's Fund Balance Reserves are comprised of the following (see **Attachment 1** for Components of Fund Balance Reserve):

1. Restricted Fund Balance Reserves
2. Committed Fund Balance Reserve
 - a. Equipment Reserve
 - b. Capital Improvement Reserve
3. Assigned Fund Balance Reserve (not in use at this time)
4. Unassigned Fund Balance Reserve
 - a. Emergency Reserve
 - b. Budget Stabilization Reserve
 - c. Unappropriated Fund Balance

Fund Balance Usage Priority

The accounting policies of the District consider restricted fund balance spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. In circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order of allocation of these available funds is first, Restricted; second, Committed; third, Assigned and, lastly, Unassigned amounts.

Transfers, Annual Report and Periodic Review

The Board approves transfers in and out of Fund Balance Reserves as part of the annual Operating Budget approval. At the same time that the Board of Directors accepts the District’s audited basic financial statements, the Finance Manager shall prepare a Fund Balance Status Report as part of the District’s financial reporting process and may include transfers between fund balance reserves as allowed in this policy. At least every three (3) years, the Board of Directors will affirm or revise this policy, including the percentage or dollar amounts for each reserve.

Replenishment of Reserves

When either Committed, Assigned or Unassigned funds are utilized and the levels fall below the policy levels, the Board of Directors, typically at the annual report of Fund Balance Reserves, will approve a replenishment plan to return the reserves to their policy levels within one (1) to three (3) years.

APPROVAL

Timothy J. Barry
General Manager

Date

Components of Fund Balance Reserves

Reserve Name	Purpose	Target Balance	Methodology / Rationale	Use of Funds	Source of Funds	Sub-Accounts
Restricted Fund Balance Reserve						
Restricted Fund Balance Reserve	Funds for specific purposes as defined by the third party giving the District money that is accepted by the Board of Directors	Any minimum or maximum balance would be defined by the third party	These monies come to the District from a third party and can only be spent for specific purposes as defined by the third party.	These funds are used only for the specific purpose defined by the third party. Most, but not all, of the uses will be for capital improvement projects or specific services provided to all or a segment of the public. Examples of restricted funds include: AB 1600 Developer Impact Fees held by City of Livermore, Ravenswood Buckley Trust, grantors, contributors, externally imposed conditions by creditors or laws and regulations.	Contributions can be one-time or as defined by third party. There is typically no requirement to replenish these funds.	Yes
Committed Fund Balance Reserve						
Equipment Reserve	Funds for repair, replacement or addition of District vehicles, equipment and fixtures in order to continue providing services to the public, but not for ongoing maintenance	A minimum of 50% of equipment accumulated depreciation	The District has a significant investment in equipment. Useful lives of the equipment range from 3 – 10 years. Useful lives can be shortened without repairs or could be lengthened by proactive repairs and partial replacements or upgrades.	These funds will be used to pay for capital equipment expenditures as approved by the Board, provided item costs at least \$5,000, with a useful life of at least one (1) year.	Annual contribution will vary depending on amounts included in Board approved budget, other reserve category requirements and annual operating surplus or subsidy.	Optional
Capital Improvement Reserve	Funds for orderly and timely major repair, replacement or expansion of the District's facilities and infrastructure to maintain or improve the District's existing level of service, or meet future demand	A minimum balance of 7.5% of buildings and park improvements accumulated depreciation. AB1600 funds are excluded from this calculation as AB1600 funds are part of Restricted Fund Balance Reserve	The District has a significant investment in parks, buildings, improvements and infrastructure, and regularly adds additional capital assets. Annually, the District develops multi-year capital improvement plan budget to address these needs.	These funds will be used for capital improvement projects approved by the Board, provided project costs at least \$5,000, with a useful life of at least one (1) year. Purposes include: acquisition, construction, upgrade, repair or replacement of buildings, parks, fields, trails, parking and walk areas, including fixtures and equipment; projects to satisfy Americans with Disability Act (ADA); projects that encourage the protection and preservation of environmentally sensitive areas, unique plant communities, wildlife habitats and corridors, watershed lands and flood plain setbacks along creeks and arroyos, or historic sites under our stewardship in conjunction with property owner; projects that conserve resources, such as water, or promote recycling methods beneficial to parklands and the environment; or debt service (principal and / or interest).	Annual contribution will vary depending on amounts in Restricted Fund Balance Reserves for capital improvement projects, amounts included in Board approved budget, other reserve category requirements and the District's annual operating surplus or subsidy	Yes

Components of Fund Balance Reserves

Reserve Name	Purpose	Target Balance	Methodology / Rationale	Use of Funds	Source of Funds	Sub-Accounts
Unassigned Fund Balance Reserve						
Emergency Reserve	Ensure cash reserves are available in the event of an unforeseen emergency, including natural disasters and catastrophic events; or severe, short-term fiscal crisis when revenues are insufficient	A minimum of two (2)% of current fiscal year budgeted salary & benefits, and services & supplies	The District must maintain essential services in the event of an unforeseen emergency that could cause nonrecurring expenditures, emergency repairs, or short-term changes in the way the District operates; or severe, short-term fiscal crisis when revenues decline or expenses increase significantly.	These funds will be used to mitigate costs associated with unforeseen emergencies that require the expenditure of District resources beyond those provided for in the annual budget. The General Manager or designee shall have authority to approve Emergency Reserve appropriations. The General Manager or designee shall then present to the Board of Directors a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds.	Annual contribution will vary depending on amounts included in Board approved budget, other reserve category requirements and annual operating surplus or subsidy.	No
Budget Stabilization Reserve	Maintain essential services in a severe, long-term fiscal crisis (two or more years) when revenues are insufficient to cover expenses	A minimum of eight (8)% of current fiscal year budgeted salary & benefits and services & supplies	The District must maintain essential services in the event of a sustained decline in revenues or increase in expenses that last two or more years, invest in new programs, or cost saving measures.	These funds will be used to maintain budget stability including: maintain programs during declines in revenue or increases in expense; workflow/operating improvements to reduce ongoing personnel and/or operating costs; one-time transitional costs associated with organizational restructuring to secure long-term personnel costs savings or other uses approved by the Board.	Annual contribution will vary depending on amounts included in Board approved budget, other reserve category requirements and annual operating surplus or subsidy.	Optional
Unappropriated Fund Balance	Funds available for any future needs	A minimum of two (2)% of current fiscal year budgeted salary & benefits, and services & supplies	This fund balance reserve is where operating surpluses are accounted for and held until needed for a specific purpose, requiring Board of Directors approval.	This fund balance reserve will be used to transfer monies to committed, assigned or other unassigned funds; and serve as a rainy day reserve.	Annual operating surplus or subsidy automatically accounted for in Unappropriated Fund Balance at the end of each fiscal year.	No