Reclamation District No. 1000

Financial Reserve Policy

The purpose of this policy is to ensure sufficient resources for current services and obligations; potential flood emergency response; future anticipated funding requirements, including replacement of capital infrastructure and any other unforeseen events.

To meet these objectives, Reclamation District No. 1000 will always strive to have sufficient funding available to meet its public safety obligations. Reserve funds will be accumulated and managed in a manner which allows the District to meet its normal operations and maintenance, public safety flood control responsibilities, Capital Improvement Program goals, and other long-range financial plans. The District will also maintain a cash reserve position that may be utilized to fund unexpected fluctuations in revenues and operating/capital expenditures. The level of reserves maintained and policies behind them will be reviewed annually with the Board of Trustees during budget deliberations.

Definitions

There are two categories of reserves – Restricted and Unrestricted – defined by Generally Accepted Accounting Principles (GAAP)

Restricted Reserves: Funds for which uses are constrained by either

1. externally imposed obligations with creditors, grantors, contributors, or laws/regulations of other governments; or

2. laws enacted through constitutional provisions or enabling legislation.

Unrestricted Reserves: Funds for which uses are not constrained by externally imposed restrictions. The use of these funds is at the discretion of the Board of Trustees

Restricted Reserves

Reclamation District No. 1000 currently has no restricted reserves. The Metro Airport Restricted Fund is utilized in full annually to offset pumping costs at Plant 3.

Unrestricted Reserves

Reclamation District No. 1000 currently has the following unrestricted reserves.

a. Operating Reserves

This Operating Reserves are to ensure adequate working capital for cash flow needs during the year. Since the District does not receive its first annual benefit assessment installment until January, it must have sufficient reserves to fund its budgeted operations and maintenance activities and capital expenditures for at least six months. To meet this need, with some flexibility, the target funding level for the Operating Reserves will be seventy percent of the annual fiscal year budget approved by the Board.

b. Flood Fight Reserves

The Flood Fight Reserves are to provide sufficient funds for the District to respond during a flood emergency including use of outside contractors to supply materials, labor and equipment to prevent a catastrophic levee failure. While we recognize a large scale flood emergency is beyond the financial capabilities of the District and require assistance from the State of California and U.S. Army Corps of Engineers; we must be in a position financially to initiate the emergency response and stabilize a potential levee failure until the State and Corps can mobilize and assist. The target funding level for the Flood Fight Reserve is $1.5 million which would allow the District to fund a flood emergency response until the State and Federal government provide assistance. The amount in this reserve will be reviewed annually by the Board and adjusted as appropriate.

c. Capital Fund Reserves

The Capital Fund Reserves provide funds for the orderly and timely improvement, repair and/or replacement of existing District facilities to maintain its current level of service. The District has developed a Capital Improvement Plan in 2014 which identifies capital projects and funding need projections for the next 20 years. As noted by the CIP, the District will need between $1.1 million and $3.3 million annually (depending on anticipated capital work by others) to meet its CIP goals. Currently there is no funding target level for the Capital Reserves; the remaining funds after the Operation and Maintenance and Flood Fight targets are met are designated as Capital Fund Reserves.