



POLICY TITLE: Reserve Policy
POLICY NUMBER: 2150

2150.1 Purpose: The Esparto Community Services District (the 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 the following specific goals:

- a) Fund replacement and major repairs for the District’s physical assets.
- b) Fund regular replacement of computer hardware, SCADA and software.
- c) Fund designated conservation projects/programs or other special uses not otherwise funded by grants or requiring additional monetary support;
- d) Fund capital improvements; and
- e) Maintain minimal operational sustainability in periods of economic uncertainty.

The District shall 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 “assigned” reserves.

2150.2 Policy: Use of District Reserves is limited to available “Unrestricted” Funds (not obligated by law, contract or agreement), including donations, interest earned, fees for service or other non-grant earnings. All special use funds will be designated by formal action of the Board of Directors

- a) Equipment Reserve:
Equipment Reserves will accumulate from existing Water and Sewer unrestricted funds, at a rate of 16% annually. The maximum amount of Land Purchase Reserves will be \$600,000. When the annual accumulation would increase the Reserve beyond \$600,000, only the amount required to reach the maximum will be reserved.
- b) Land Purchase and Structure Reserve:
Land Purchase and Structure Reserves will accumulate from existing Water and Sewer unrestricted funds, at a rate of 16% annually. The maximum amount of Land Purchase Reserves will be \$900,000. When the annual accumulation would increase the Reserve beyond \$900,000, only the amount required to reach the maximum will be reserved.
- c) Water Capital Improvement Reserve:
Capital Improvements Reserve will accumulate from existing Water unrestricted funds at a rate of 29% annually. The maximum amount of Water Capital Improvement Reserves will be \$1,500,000. When the annual accumulation would increase the Reserve beyond \$1,500,000, only the amount required to reach the maximum will be reserved.
- d) Sewer Capital Improvement Reserve:
Capital Improvements Reserve will accumulate from existing Sewer unrestricted funds at a rate of 29% annually. The maximum amount of Sewer Capital Improvement Reserves will be \$1,500,000. When the annual accumulation would increase the Reserve beyond \$1,500,000, only the amount required to reach the maximum will be reserved.



- e) Water Operations Reserve:
Water Operations Reserve will accumulate from existing Water unrestricted funds at a rate of 5% annually. The maximum amount of Water Operations Reserves will be \$300,000. When the annual accumulation would increase the Reserve beyond \$300,000 only the amount required to reach the maximum will be reserved.
- f) Sewer Operations Reserve:
Sewer Operations Reserve will accumulate from existing Sewer unrestricted funds at a rate of 5% annually. The maximum amount of Sewer Operations Reserves will be \$300,000. When the annual accumulation would increase the Reserve beyond \$300,000 only the amount required to reach the maximum will be reserved.
- g) Total All Reserve Funds:
The total amount of Reserves designated annually from all funds shall be \$5,100,000.

2150.3 Using Reserve Funds:

- a) Equipment Reserve:
- b) Equipment Reserves will be used exclusively for the purchase of:
 - a. Used or new vehicles
 - b. Construction equipment
 - c. Capital purchases
 - d. Technology upgrades or improvements
- c) Land Purchase and Structure Reserve:
Land Purchase and Structure Reserves will be used exclusively for the purchase of real property and/or construction or purchase of structures to support District infrastructure and operations.
- d) Water Capital Improvement Reserve:
Water Capital Improvement Reserves will be limited to costs related to making changes to improve capital assets, increase their useful life, or add to the value of these assets. Designated Capital Improvement Funds may be used to cover major facility improvements (construction, installation of new doors or windows, replacing doors and windows, roof replacement, HVAC replacement, alarm system installation, parking lot and outside lighting improvements, etc.).
- e) Sewer Capital Improvement Reserve:
Sewer Capital Improvement Reserves will be limited to costs related to making changes to improve capital assets, increase their useful life, or add to the value of these assets. Designated Capital Improvement Funds may be used to cover major facility improvements (construction, installation of new doors or windows, replacing doors and windows, roof replacement, HVAC replacement, alarm system installation, parking lot and outside lighting improvements, etc.).
- f) Water Operations Reserve:
Water Operational Reserves shall be accrued to ensure minimal facility and administrative functions. Reserve funds shall be utilized to support:
 - 1) Administrative operational functions, including minimal staffing levels and administrative/office expenses;
 - 2) Facility operations;
 - 3) Facility repairs (distinguished from Capital Improvements and may include painting, caulking of seams, roof repairs, HVAC repairs, patching of walls, etc.).



g) Sewer Operations Reserve:

Sewer Operational Reserves shall be accrued to ensure minimal facility and administrative functions. Reserve funds shall be utilized to support:

- 4) Administrative operational functions, including minimal staffing levels and administrative/office expenses;
- 5) Facility operations;
- 6) Facility repairs (distinguished from Capital Improvements and may include painting, caulking of seams, roof repairs, HVAC repairs, patching of walls, etc.).

2150.4 Monitoring Reserve Levels: The General Manager, in collaboration with the Administrative Services Manager, shall perform a reserve status analysis annually, to be provided to the Board of Directors' annual deliberation/approval of Budget and Reserve Funds.

Additional information may be provided to the Board of Directors upon the occurrence of the following events:

- a) When a major change in conditions threatens the reserve levels established by this policy or calls into question the effectiveness of this policy;
- b) Upon General Manager and/or Board request.
