

## Fund Balance Policy

The District requires that sufficient funds be available to provide a stable financial base throughout the District's fiscal and budget cycles. The goal of the policy is to maintain adequate levels of fund balance (reserves) to mitigate any current or future financial risks the District may encounter. To retain a stable financial base, the District needs to maintain unrestricted fund balance sufficient to fund cash flows of the District and to provide reserves for funding capital projects, unanticipated program expenditures, revenue shortfalls of an emergency nature or other unforeseen events.

### **Establishment of Unrestricted General Fund Balance Reserves**

The District currently operates with a General Fund. The General Fund may have both Restricted and Unrestricted Fund Balance. Restricted fund balances are generally imposed by legal restrictions on the expenditure of the funds. Unrestricted Fund balance can include committed, assigned and unassigned fund balance. Committed and assigned fund balance indicate amounts set aside by the Board of Directors for a specific purpose. Committed and assigned fund balances shall be spent for the approved purpose but may be redirected by majority approval of the Board of Directors.

The Board of Directors is establishing the following designated fund balance accounts (reserves) to assist in the five-year start-up phase for the District.

#### **Designation for Accumulative Capital Outlay**

This Account is established to accumulate funds for larger capital projects and may be used as project partner funding with other government agencies or for capital needs of the District requested by the Community as part of a District funding plan. Examples include improvements to the Community Room, purchasing Community vehicles, lighting, among many other Community needs. These funds should not supplant traditional funding sources.

*Reserve target 30% of annual operating revenues*

#### **Designation for Capital Maintenance of Structures and Equipment**

This account is established to maintain District facilities and equipment (Examples include desks, computers, chairs, tables)

*Reserve target 5% of annual operating expenditures*

#### **Designation for Self-Insurance Reserves**

An amount earmarked for unforeseen losses stemming from liability or litigation.

*Reserve target 10 % of annual operating expenditures*

## **Designation for Strategic Operating Reserves**

Operating reserves are earmarked for cash flow requirements of District operations and/or emergency reserves earmarked for addressing unforeseen costs related to the District programs from weather events, natural disasters, infrastructure repairs or maintenance or other unforeseen events.

*Minimum reserve 60 days of operating revenues and a long-term reserve goal of 180 days of operating revenue.*

## **Budgetary Funding**

Using a waterfall effect reserve funding at year end would first fund the minimum strategic reserve, second the Capital Maintenance Structures and Equipment account, third the Self Reserve Insurance Reserve Account, fourth the Capital outlay Reserve account and fifth the long-term strategic reserve account.

The Board may set up additional designated account balances with a majority vote of the Board. Examples might include designated program funds from UCSB, the County or other agencies.

## **Spending Reserves**

The District can take action to spend down reserves at any time with a majority vote of the Board. Especially during the annual budget reserve building, reserve spending and reserve levels should be an integral part of the budgeting process. Like wise at year-end the results of actual operations should be monitored against the fund balance policy goals.

## **Monitoring Reserves**

The General Manager shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

Board of Directors' deliberation of the District budget

Board of Directors review of the District Financial Statements

When a major change in conditions threatens the reserve levels established by this policy.