**Special District Reserve Guidelines**

Background

Reserves are the foundation of the sustainable delivery of core services. Prudent reserves offer the districts citizenry significant benefits: savings to balance budgets, emergency preparedness, stable rates, well maintained infrastructure and investment in the future.

Objectives

1. To provide adequate funding to meet the agency’s short-term and long-term plans.

2. To minimize adverse annual and multi-year budgetary impacts from anticipated and unanticipated expenditures, thus minimizing the possibility of unplanned service fees or rate fluctuations.

3. To strengthen the financial stability of the agency against present and future uncertainties n an ever-changing environment.

**A. GENERAL RESERVE** (Primarily written for Districts whose primary revenues are from property taxes, such as fire and cemetery districts)

The District shall maintain a General Reserve to maintain liquidity between property tax distributions by the County.

Per the *“Special District Uniform Accounting and Reporting Procedures”*, the General Reserve is established during the budget process to provide “dry period financing” (when financial resources are insufficient to meet obligations). The General Reserve may be adjusted only during the annual budget process, except during a legally declared emergency as defined in Government Code section 29127.

The amount of the General Reserve shall be adjusted annually during the budget process to equal 50% of the current secured property taxes and special assessments, collected by the County, realized in the most recent closed fiscal year.

**B. Capital Asset Replacement Reserve**

The District shall maintain a capital asset reserve to accumulate resources to replace capital assets as scheduled in the Capital Improvement Plan/Asset Replacement Schedule to maintain operating liquidity and mitigate budget impacts. The annual targeted balance of the Capital Asset Reserve shall agree to the required annual balances as calculated in the Capital Improvement Plan.

**C. Unassigned Net Fund Balance (Net Position)**

The District shall maintain a minimum unassigned fund balance (net position) of not less than 15% of budgeted operating expenditures as a reservice for economic uncertainties. The District believes a reserve of this level is prudent to protect the district from the effects of fluctuations in revenues (property taxes) and/or unexpected expenditures. (Government Finance Officers Association (GFOA) recommends no less than two months (16.67%) of regular operating revenues or regular operating expenditures).