<u>Rossmoor Community Services District</u>

**Policy** **No. 3045**

# PRESERVATION OF DISTRICT FISCAL RESOURCES

**3045:00** <u>District Fiscal Resources:</u> A critical element of financial stability is the maintenance of adequate reserve levels within District Funds and accounts.

**3045:10** <u>Fund Level Reserves:</u> Each Fund within the District's Annual Budget and Fund of Accounts may have different reserve requirements.

**3045.11** <u>Debt Service Funds:</u> Debt service Funds will have specific reserve requirements which are spelled out in the bond covenants creating the debt. Those required reserve levels may only be used as a safeguard for meeting debt service requirements for the retirement of the debt. Any amounts collected from the bond holders over and above the required reserve amount(s) may be used for any legal purpose of the District as determined by the trustee.

**3045.12** <u>Operating Fund Reserves:</u> Operating fund reserves for Funds such as Fund 10 General Fund require minimum reserve levels as set forth in General Accounting Standards Board (GASB) to provide for essential services in cases where normal cash flows are interrupted. The District's accountant has determined that a sum equivalent to 9 months of operating expenses is appropriate with the District's Annual Operating Budget. Events prompting the use of the Operating Fund Reserve would be when cash flow is interrupted, such as property tax not being collected from April to December.

**3045.13** <u>Capital Reserve:</u> The capital fund reserve is established for the purpose of funding the repair and acquisition of existing and new capital assets. The reserve fund is established for capital items or projects with a cost of $5,000 or more and a useful life of five years or greater. Target funding shall be maintained with a minimum balance equal to the estimated cost of all capital improvement projects approved by the Board through the regular budget process. The capital reserve will not exceed $2,000,000 unless the Board has identified a specific capital project or projects requiring higher funding due to size, complexity, or public necessity, and formally approved such funding through Board action.

**3045.20** <u>Pooled Cash:</u> In order for the District to match monthly on-going expenses with fluctuating revenue, all of the District's idle funds are pooled for this purpose. Monies used for this purpose may include Fund 10 reserves, inter Fund transfers, one-time unanticipated revenue (wind falls) or cash on hand within any District account. Upon year-end reconciliation of District accounts, all monies used as pooled cash are restored to their appropriate accounts.

**3045.30** <u>Use of Unrestricted Reserve Funds:</u> Use of reserves for unbudgeted expenses, other than for emergency purposes, **which would draw down reserves by more than $5,000 for each occurrence with a maximum of $25,000 in a fiscal year,** shall be reviewed and approved by the Board through amendment of the Annual Budget by resolution and in accordance with the RCSD Five-Year Fiscal Plan. In no event, other than an emergency situation, will such expenditures be authorized which would affect the minimum levels established in Section 3045.12 or Section 3045.13 of this policy.

**3045.40** <u>Fund Transfers:</u> Transfer of monies from other Funds to the Fund 10 General Fund requires Board approval by Resolution as set forth in Policy No. 3021 Budgetary Control. Such transfers which are not specifically identified for funding unbudgeted expenses approved by the Board shall be accounted for as additional reserves, not operating budget revenue.

**3045.50** <u>Unanticipated Revenue:</u> Use of unanticipated revenue (wind falls) shall not be used for any purpose which would result in an on-going expense without a review and approval by the Board within the scope and context of the RCSD Five-Year Fiscal Plan. A wind fall is defined as unanticipated, unbudgeted, one-time revenue from a non-traditional source such as a grant or donation. Fluctuations in normal revenue sources such, as property and assessment taxes are not considered a windfall and may be used for expenditures during the course of normal District business.

**3045.60** <u>RCSD Five-Year Fiscal Plan:</u> The Plan shall be updated annually by the General Manager after adoption of the Annual Audit by the Board and prior to the development of the Mid-Year Budget Adjustment and the Preliminary Annual Budget which shall be presented to the Budget Committee and the Board as a part of the Mid-Year Budget adjustment and the Preliminary Annual Budget review process.

Adopted: February 14, 2017
Amended and Adopted: May 12, 2026