



Greater Vallejo Recreation District

GVRD promotes wellness and healthy lifestyles
by providing safe parks and innovative and fun
recreation programs for all residents.

BOARD OF DIRECTORS

Rizal Aliga
Robert Briseño
Thomas Judt
Tom Starnes

GENERAL MANAGER

Gabe Lanusse

Budget and Finance Committee Agenda

Directors: Briseño & Starnes

Tuesday, September 17, 2024

12:00 p.m.

**Administrative Office – Board Room
401 Amador Street**

This committee shall work with the General Manager and other staff of the District on the annual budget(s), projections, and other financial matters. This committee shall review the General Manager and Directors' expenses, annual audit, and annual financial statement before publication. The committee will ensure that investment policies are followed and that funds are invested in a prudent manner with adequate protections to prevent misuse.

1. Public Comment

Members of the public may speak on any item within the jurisdiction of the Committee. Each speaker is limited to 3 minutes and a spokesperson for an organization is limited to 5 minutes.

2. FY21-22 Audit Update

3. July & August Financials Update

4. District Cash Update

- a. Updated Cash Position
- b. Capital Improvement Projects Funding Status
- c. Cash Flow Projection Update

5. Finance Team Support

- a. Continued Discussion from 09/12/24 Board Meeting.

6. Budget Workbook Status

7. Reserve Policy Update Discussion

8. Finance Software System Discussion

9. Fee Schedule RFP Update

10. Meeting Adjourn

CURRENT GVRD POLICY

POLICY MANUAL

POLICY TITLE: Budget Process and Reserve Fund
POLICY NUMBER: 3030

The budgeting process shall be thought out and practical, and result in a budget that supports the District's Strategic Action Plan, best serves the residents of the District and complies with state law.

The preparation of the budget is a planning process allowing for adequate participation of staff, Board members, and the public. It includes review sessions, evaluation of programs, short range and long range capital expenditure needs, and a review of the District's overall financial picture. The budget year is from July 1 to June 30.

Reserves

Based on the Greater Vallejo Recreation District's experience with unreliable revenue sources from the State, Solano County, and the City of Vallejo, and expenses arising from sudden and unforeseen circumstances, the Board of Directors desires a budget reserve to be established to assist in maintaining the financial stability of the District. The goal set by the Board of Directors is 15% of general fund revenues.

Purpose of Reserve Policy

An adequate reserve fund set aside for various legitimate purposes is essential to the successful and stable, short and long-term operation of the Greater Vallejo Recreation District.

Adequate reserves for District operations ensure that customers can experience and enjoy the services from parks and recreation. Adequate reserves and proper fiscal oversight ensure that the District will have sufficient funding available to meet its operating, capital debt obligations, as well as any unfunded mandates.

GVRD manages its operation in a manner that allows the District to provide funding for costs consistent with its annually updated multiyear plan. This allows GVRD to avoid significant deficit fluctuations due to changes in cash flow requirements. The ability of the Greater Vallejo Recreation District to maintain reserve funds is a critical factor in providing reliable service and ensuring overall financial strength.

Annually during the budget adoption process, the Greater Vallejo Recreation District Board reviews and approves the appropriate levels and uses for reserve funds based upon the needs of the district.

Operating Reserve Fund

The Operating Reserve will vary over time. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time tax revenues are collected.

Capital Reserve Fund

The purpose of this fund is to establish funds that are intended for projects not considered routine maintenance. The funds come from grants, other agencies or from funds that were budgeted on capital projects in prior years but unspent. This fund is spent directly on capital projects and is not held in reserve for some other purpose.

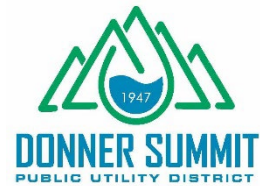
The Capital Reserve Fund is drawn down annually as planned capital expenditures amounts are made. At the end of each fiscal year, any unspent budgeted capital funds will be reallocated to this fund and may be used in the following year's capital budget.

Unrestricted Reserves

The purpose of Unrestricted Reserve also termed "General Reserve" is for unforeseen events, extraordinary expenses or a loss of revenue. This fund should maintain a minimum of 15% of our annual operating expenses.

Summary

The reserve fund policy states that designated reserves will be maintained to allow for funding of the District's operating and capital obligations, as well as funding for unforeseen events. Reserves will be established, replenished, and used only in a manner, which allows the District to fund costs consistent with the Multi Year Financial Plan and Strategic Action Plan and other Board adopted actions. The District's reserve fund policy shall be periodically reviewed and adjusted to meet the needs of the District.



POLICY TITLE: RESERVE POLICY

POLCY NUMBER: 3032

3032.10 GENERAL

3032.11 Purpose

The purpose of this policy is to ensure that the District will at all times have sufficient funding available to meet its operating, capital, and debt service obligations. 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 capital improvements; and
- c) Maintain minimal operational sustainability in periods of economic uncertainty.

3032.12 Definitions

For the purposes of this policy, unless otherwise apparent from the context, certain words and phrases used in this policy are defined as follows:

- a) “District” refers to the Donner Summit Public Utility District.
- b) “Board” refers to the Board of Directors of Donner Summit Public Utility District.
- c) “General Manager” is the General Manager as appointed by the Board of Directors of Donner Summit Public Utility District.
- d) “Restricted Funds” are assets that are restricted externally by creditors, grantor, contributors or laws and regulations of other governments, by constitutional provision or enabling legislation of the government entity that authorizes it to impose a tax or levy to raise revenue and places a legally enforceable purpose restriction on the use of revenue.
- e) “Designated Funds” represent assets that are allocated or designated for a specific purpose by resolution of the Board of Directors. Board designated funds are a component of unrestricted assets as their use may be redirected at any time by approval of the Board.

3032.20 DESIGNATED FUNDS

These funds are assets that are allocated by resolution of the Board of Directors. Board designated assets are a component of unrestricted assets as their use may be redirected at any time by approval of the Board. The following funds are designated by the Board for the specific purposes identified in this Policy.

3032.21 Operating Fund

The Operating Fund is used for the daily operations of the District. This fund also serves as the Operating Reserve for the District to fund anticipated deficits in operations and maintenance and to fund unplanned and unforeseen expenditures.

The District's goal is to maintain a minimum of four months of annual operating costs in this fund and have a target of six months of annual operating costs. This is consistent with Government Finance Officers Association (GFOA) recommendations.

3032.22 Capital Reserve (Equipment/Improvement) Fund

The Capital Reserve Fund is used to fund capital equipment purchases and capital improvement projects. Expenditures from this fund shall improve capital assets, extend the useful life of assets, increase value of assets, or acquire new assets. These reserves are funded from connection fees, impact fees, and utility rates. The District goal is to maintain Capital Reserves in the amount of 50% of the total five-year expenditures shown in the adopted capital improvement plan. The General Manager will present a recommendation for the reserve as part of the annual budget.

3032.30 RESTRICTED FUNDS

Restricted Funds are established by the Board as needed to meet requirements of lenders, grantors, bondholders, and higher levels of government or through enabling legislation. The General Manager shall review restricted fund needs annually and provide any recommendations to the Board.

3032.40 MONITORING RESERVE LEVELS

The General Manager shall include reserve levels in the financial report presented at the monthly Board meeting. The General Manager shall analyze the reserve levels annually in conjunction with the budget preparation and provide any recommendations to the Board.

**(DRAFT) HAYWARD AREA RECREATION AND PARK DISTRICT
RESERVE POLICY**

Purpose of Reserve Policy

Adequate designations of reserves-funds set aside for various District purposes-are critical to the successful and stable, short and long-term operation of the Hayward Area Recreation and Park District (H.A.R.D.). Adequate reserves for District operations ensure that both the public experience level of service they are accustomed to and the security that the District can respond to unexpected adverse circumstances. Adequate reserves ensure that the District will at all times have sufficient funds available to meet its operating, capital and debt service obligations.

The District manages its working capital in a manner that allows the District to fund expenditure consistent with the adopted budget and that avoids or minimizes borrowing to finance operations. The ability of H.A.R.D. to maintain reserve funds is a critical factor in providing reliable service, mitigating undue fee increases, and ensuring overall financial strength.

Adequate reserves directly affect the District's bond rating and ultimately the ability to access debt markets at favorable interest rates, thereby ensuring the ability to finance and construct the facilities necessary to meet current and future service level needs.

Classification of Fund Balances in the Annual Audited Financial Reports

The accounting standards as established by the Governmental Accounting Standards Board (GASB) require fund balances/reserves of the District to be classified in a certain manner. These classifications are listed and explained in detail in the EXHIBIT A. The reserves included in this policy will be classified in the annual audit, subject to independent auditor's review, in accordance with the GASB 54 requirements as applicable as noted below.

RESERVES ESTABLISHED BY THE BOARD

These reserves are typically required by GASB to be classified as committed or assigned fund balances in the annual audit (see EXHIBIT A).

Cash Flow Reserve (Committed)

This reserve is for the purposes of providing necessary funds to allow the District to continue operate until the next semi-annual (December and April) property tax installment is received from the County of Alameda. With this reserve, when funded, the District will no longer need to borrow funds each year in order to maintain operations until the next property tax installment is received.

This target for reserve will be \$10M, representing one of property tax installment amount.

The use of this reserve does not require specific Board approval because of the recurring nature of the need that it is intended to meet.

Operating Reserve (Assigned)

The purpose of this reserve is to provide contingency funds to cover shortfalls in revenue, unexpected expenditures, and emergencies. The amount of this reserve shall be three months of operating expenses (excluding depreciation) or \$7.5M based on the 2016-17 operating budget.

The use of this reserve requires Board approval.

Liability Reserve (Committed)

The liability reserve is maintained to meet unforeseen liability costs. This reserve will be maintained at the current \$1M, which is equivalent to approximately one year's liability and workers' compensation insurance costs.

The use of this reserve requires Board approval.

Capital Replacement Reserve (Committed)

This fund pays for the replacement of equipment and for major repairs to facilities. This reserve will be funded with \$1M annual transfer from the General Fund to accumulate funds for this purpose. H.A.R.D. currently does not have a fund set aside for this purpose and as a result pays for such costs on a pay-as-you-go basis. The downside to the current practice is that maintenance is often deferred that would ultimately be costlier.

The use of this reserve requires Board approval

Guidelines for Use of Funds in Excess of the Budget.

In the absence of specific Board action, staff shall use the following guidelines to allocate discretionary funds that may become available. Any excess funds will be allocated to the following reserves based on how far each reserve is from the target set by this Policy as well as the short term need at the time:

1. Transfer to Cash Flow Reserve until it reaches the Policy limit.
2. Transfer to Operating Reserve until it reaches the Policy limit.
3. Transfer to Liability Reserve until it reaches the Policy limit.
4. Transfer to Capital Replacement Reserve until it reaches the Policy limit yet to be established.
5. Transfer to the Capital Projects Fund for appropriation within the Capital Improvement Program.
6. Re-appropriation within the subsequent year's operating budget to provide for one-time, non-recurring needs.
7. It is the intent of the Board to limit use of reserves to address one-time needs.
8. Reserves shall not be used to fund recurring annual operating expenditures.

RESERVES MANDATED BY LAW OR CONTRACT

These reserves are required by GASB to be classified as “Restricted” fund balances in the annual audit (see EXHIBIT A).

Capital Reserve (Restricted)

The purpose of this reserve is to hold funds that are intended for Capital projects. The funds come from sources such as contributions from other agencies, grants, developer contributions and impact fees, or bond proceeds. This fund is spent solely on capital expenditures over the current or future years’ capital budget.

This Capital Reserve is drawn down annually as needed to fund the capital budget. At the end of each fiscal year any unspent budgeted capital amount will be carried forward and used in the following year’s capital budget until the related projects are completed.

The use of this reserve requires Board approval.

Debt Service Reserve (Restricted)

This fund is governed by legal bond covenants for the District’s revenue bonds. Bond covenants require that this fund be maintained at a level sufficient to fund up to maximum annual debt service payments. These funds are held by the bond trustee during the term of the bonds and are to be used in the event that the District is unable to meet its required semi-annual debt service obligation. Reserve funds for each revenue bond issue will be used to make the last two semi-annual debt service payments for that issue. Annual interest earnings on bond reserve funds shall be applied to each year’s debt service payments.

The use of this reserve is specified in the bond documents that require Board approval at the time of the bond issuance.

Unassigned Reserves

Unassigned reserves represent a remainder balance of fund balance that is not yet designated or set aside for some use by the Board of Directors.

SUMMARY

The reserve fund policy states that reserves will be maintained to allow for funding of the District’s cash flow, operating, capital, and debt service obligations, as well as funding for unforeseen events. Reserves will be established, replenished, and used only in a manner which allows the District to fund costs consistent with the approved operating and capital budgets. The District’s reserve fund policy shall be periodically reviewed and adjusted to meet the needs of the District.

Classification of Fund Balances/Reserves in the Annual Audited Financial Reports

The accounting standards as established by the Governmental Accounting Standards Board (GASB) require fund balances of the District to be classified as follows:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as assets not expected to be converted to cash, such as prepaid, notes receivable, and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by resolution of the Board which may be altered only by resolution of the Board. Nonspendable amounts subject to Board commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board or its designee and may be changed at the discretion of the Board or its designee. This category includes encumbrances; Nonspendables, when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed. Through a Board Resolution, the Board has designated the General Manager to determine the amount of assigned fund balances.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

SAMPLE ONLY

**Reserves Policies of the
Vallejo Flood and Wastewater District**



Approved by the Board of Trustees on April 13, 2021

Prepared by the Finance Department

Reserves Policies Vallejo Flood and Wastewater District

A. Policy

It is the policy of the Vallejo Flood and Wastewater District to maintain adequate reserves in each of its operating funds to meet the legal, contractual, operational, cash flow, and emergency needs of the District.

Reserve targets shall be calculated to include the following considerations: operational cash flow, capital outlay cash flow, debt service and other large payments, anticipated grant or loan reimbursements, revenue cycles, rate revenue stability, and risk management considerations.

B. Periodic Review

Targeted reserve levels shall be established and reviewed every two-year budget adoption cycle. Targets shall be increased or decreased based on the anticipated cash flow needs identified during the budget process.

C. Liquidity Reserve

The District shall maintain cash and investments necessary to meet the liquidity needs for the District. Furthermore, the District shall maintain unrestricted cash and investments as required by any debt covenants. This policy shall apply separately for each operating fund.

Liquidity needs shall be calculated as follows: On June 30 of each year the District shall maintain a level of cash and investments, less those amounts held in reserve by a fiscal agent and/or reserved for capital, in an amount at least equal to anticipated operating costs, less depreciation, plus capital outlays anticipated between July 1 and December 15. This amount would be in addition to any amount held in the Emergency Operating Reserve.

The liquidity calculation shall consider regular and anticipated operating and capital expenditures, debt service payments, interfund loan repayments, CalPERS prepayments, and any significant one-time expenses.

D. Emergency Operating Reserve

The District shall maintain an Emergency Operating Reserve in each operating fund for use during operational or financial emergencies. Emergencies shall constitute significant, unforeseen events that have a dramatic and immediate impact on the operations, assets or financial condition of the District.

The amount of the reserve shall be based on a risk management analysis of potential emergency situations and the amount of cash reasonably necessary to recover from such emergency, on a short-term basis. The amount of the reserve shall be at least equal to 15% of the budgeted annual operating expenses in the fund, excluding debt service.

Reserves Policies Vallejo Flood and Wastewater District

E. Debt Service Reserve

The District shall maintain a debt service reserve in compliance with bond and loan covenants. The amount shall be equal to the total of each of the largest annual debt service payments over the remaining life of the debt issuance, for those debts that require a reserve. The amounts may be held by the District or by a fiscal agent, in accordance with loan or bond documents. The debt service reserve may be used to make the final debt service payment of its respective issuance.

If the District issues or carries variable rate debt, then the reserve should be increased to manage the risk associated with interest rate volatility.

F. Other Post-Employment Benefits Reserve

The District maintains an Other Post-Employment Benefits (OPEB) reserve to fund future payments of retiree post-employment health benefits. This is a restricted reserve and may not be utilized for any other purpose. The target balanced is exclusive of all other reserve targets. The funds in this reserve are held in trust with the CalPERS California Employers' Retiree Benefit Trust (CERBT) fund. Annual contributions to this reserve are based on the most recent actuarial analysis and contractual MOU obligations, with the policy goal of fully funding at least the Actuarially Determined Contribution (ADC) on an annual basis.

G. Funding and Replenishment of Reserves

As part of the budget adoption process, the District shall identify whether its reserves are anticipated to be fully funded as part of the adopted budget. If not, then the budget document shall include a plan that includes the timing and source of future funding to bring the District into compliance with its reserve targets.

In the event that the unplanned use of reserves becomes necessary, the Director of Finance/Treasurer and District Manager shall develop a plan to return the District to compliance with the reserve funding targets, and present the plan to the Board of Trustees for consideration.