



NOTICE OF BUDGET & FINANCE COMMITTEE MEETING

Responsible for the review of District finances including: rates, fees, charges and other sources of revenue; budget and reserves; audit; investments; insurance; and other financial matters.

NOTICE IS HEREBY GIVEN that the San Lorenzo Valley Water District has called a meeting of the Budget & Finance Committee to be held on Tuesday, **July 2, 2019 at 9:00 a.m.** at the Operations Building, 13057 Highway 9, Boulder Creek, California.

AGENDA

1. Convene Meeting/Roll Call
2. Oral Communications
This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications.
Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.
3. Old Business:
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
 - A. RESERVE FUND POLICY
Review Reserve Fund Policy and conceptual structure of reserve funds (see attached).
4. New Business: None
Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.
5. Informational Material: None.
6. Adjournment

In compliance with the requirements of Title II of the American Disabilities Act of 1990, the San Lorenzo Valley Water District requires that any person in need of any type of special equipment, assistance or accommodation(s) in order to communicate at the District's Public Meeting can contact the District Office at (831) 338-2153 a minimum of 72 hours prior to the scheduled meeting.

Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be

reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at www.slvwd.com subject to staff's ability to post the documents before the meeting.

Certification of Posting

I hereby certify that on June 28, 2019, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the regular meeting of the Budget & Finance Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on June 28, 2019.

Holly B. Hossack, District Secretary
San Lorenzo Valley Water District

SLVWD RESERVE FUND POLICY

1. PURPOSE OF RESERVE FUND POLICY

Adequate designations of reserve funds set aside for various legitimate purposes are critical to the successful and stable, short and long-term operation of the San Lorenzo Valley Water District (the “District”).

Adequate reserves for the District operations ensure that customers experience both stable rates for service and the security that the District can respond to emergencies, especially regarding water and wastewater quality issues. Adequate reserves ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations, together with future debt or capital obligations, as well as any unfunded mandates, including costly regulatory requirements.

The District manages its working capital in a manner that allows the District to fund costs consistent with its annually updated capital improvement program and budgeted financial plan, and that avoids significant rate fluctuations due to changes in cash flow requirements. The ability of the District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases, and ensuring overall financial strength.

Annually, during the budget adoption process, the District Board should review, and approve changes for reserve funds based upon the needs of the District. Appendix A will be updated each year based on the target levels identified below and management’s estimates of the balances.

This Reserve Fund Policy (the “Policy”) was developed to clearly identify specific designated reserves and reserve funds. It is the intent of this Policy to clearly identify both reserve fund categories and purposes, and set target levels for reserves that are consistent with the District’s mission statement, the uniqueness of the District, and the philosophy of the District’s Board.

2. FUND BALANCE CLASSIFICATIONS

The Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54 (Statement 54), Fund Balance Reporting and Governmental Fund Type Definitions in February 2009. Statement 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

FUND BALANCE CLASSIFICATIONS

NONSPENDABLE	RESTRICTED	COMMITTED	ASSIGNED	UNASSIGNED
Inherently nonspendable, such as inventory, prepaid expenses, long-term receivables.	Subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, or laws and regulations of other governments.	Subject to a purpose constraint imposed by a formal action of the Board, and that require the same level of formal action to remove the constraint. Typically before the end of the fiscal year.	This portion is earmarked for an intended use. Intent is established at Board level or by an official designated for that purpose. (District Manager)	This comprises all fund balances that are left after considering the other four categories. Use is least constrained in this category of fund balance.



3. DESIGNATED RESERVE FUNDS:

a. OPERATING RESERVE – ASSIGNED

PURPOSE – The Operating Reserve is established to cover unexpected cash flow shortages, expense or losses. These might be caused by delayed payments, unexpected repairs, or economic conditions.

TARGET LEVEL - The target balance of the Operating Reserve will equal 4.5 months of operating expenses of the current year budget.

USE OF FUNDS - This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses or decreases in revenues and unexpected increases in expenses.

b. CAPITAL IMPROVEMENT RESERVE – ASSIGNED

PURPOSE - The Capital Improvement Reserve will fund the development of new district-wide capital facilities, replacement, or refurbishment. It will also fund any emergency situations declared by the District Manager.

TARGET LEVEL - The target balance of the Capital Improvement Reserve will equal 2.5% of anticipated full capital replacement cost. This reserve may be supplemented by any capacity related fees

USE OF FUNDS - This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses or decreases in revenues and unexpected increases in expenses.

c. COMPENSATED ABSENCES RESERVE – COMMITTED

PURPOSE - This fund is established to cover unexpected high employee paid time off (PTO) balances. This is usually an event when multiple employees leave the District that had significant PTO balances accrued for.

TARGET LEVEL - The target balance of the Compensated Absences Reserve will equal one third (1/3) of the balance stated on the last audited financials.

USE OF FUNDS – Upon Board authorization, this fund may be utilized by staff to cover large, unbudgeted PTO cash out payments.

d. DEBT SERVICE RESERVE - RESTRICTED

PURPOSE - The District will fund Debt Service Reserves, which are held in trust with a third party trustee, as provided for in debt covenants.

TARGET LEVEL - Increases and decreases to these reserves will be consistent with debt covenants.

USE OF FUNDS - Restricted to the respective debt covenants.

e. ASSESSMENT DISTRICT RESERVE - RESTRICTED

PURPOSE – From time to time the District may have assessment districts (AD) of which revenue is received for a specific purpose.

TARGET LEVEL - Increases and decreases to these reserves will be consistent with any respective AD's.

USE OF FUNDS - Restricted to the respective AD defined uses.

4. Annual Review

The District Manager shall perform a review and analysis of each designated reserve fund for presentation to the Board at a public meeting upon the occurrence of the following:

Upon consideration by the Board of the annual budget.

Upon any significant change to and/or expenditure(s) from a designated reserve fund.

Upon determination that a fund balance is less than the established target level, without a near term replenishment plan.

As part of the annual review, a summary of the funds and fund level(s) shall be listed out, as well as the anticipated levels for that fiscal year.

DRAFT

APPENDIX A - ANNUAL UPDATED RESERVE FUNDS AND LEVELS

(Updated as part of the FY1920 Budget process)

RESERVE FUNDS	CLASSIFICATION	TARGET LEVEL	BASIS	FY1920 EST. BALANCE
OPERATING	ASSIGNED	\$2.931M	FY1920 BUDGET	\$2.931M
CAPITAL IMPROVEMENTS	ASSIGNED	\$3.750M	EST. \$150M	\$1.036M
COMPENSATED ABSENCES	COMMITTED	\$0.171M	FY1718 AUDIT	\$0.171M
DEBT	RESTRICTED	\$0.291M	FY1920 BUDGET	\$0.291M
ASSESSMENT DISTRICT(S)	RESTRICTED	\$.006M	FY1920 BUDGET	\$.006M
TOTAL		\$7.149M		\$4.435m