

Sunset Beach Sanitary District

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CASH RESERVE POLICY

Background

California Government Code Section 53600 subjects all governing bodies of local agencies to the prudent investor standard which requires the Board to act with care, skill, and prudence to safeguard principal and maintain liquidity needs of the agency when investing, purchasing, acquiring or managing public funds.

General

Based upon prudent financial management practices as required by legislative obligations, the appropriate level and separation of reserves is critical to the financial health of the District. It is the goal of this policy to establish those reserve funds and the minimum amount to be maintained by each.

Policy

The financial management objectives of the District, as well as its enabling legislation, warrant the provision of an adequate budgeted reserve at the beginning of each fiscal year. The Board authorizes and directs that the following reserve funds be established and further directs that the minimum amount of each reserve fund shall be, or shall be calculated to be, as follows:

- (1) General Reserve Funds: These funds are established to offset unexpected revenue shortfalls and/or unanticipated expenses in order for the District to operate in an uninterrupted manner as well as to fund for unforeseen circumstances or emergency events significantly affecting budgeted amounts. At a minimum, \$200,000 shall be reserved in the Orange County Pooled Investment Fund.
- (2) Reserve for Imprest Cash Funds: This fund is established to account for funds within the Orange County Pooled Investment Fund set aside for Petty Cash and Payroll expenditures reimbursement from the General Cash account. A minimum of \$14,000 shall be maintained in this fund.
- (3) Reserve for Warner Pump Station and Connector: This fund is established to maintain funds required to connect to the City of Huntington Beach's new gravity sewer line and the abandonment of the Warner pump station. A minimum of \$425,000 shall be maintained for this reserve in the Local Agency Investment Fund (LAIF).
- (4) Reserves for Capital Improvements: This fund is established to accumulate reserves which may be used to fund upcoming District projects that repair, rehabilitate, or replace current District assets, approved by the District's Board at the beginning of each fiscal year, and as allowed by the District's governing code. This reserve shall be funded with excess funds available at the end of each preceding fiscal year to the extent allocated by the District's Board after the above Reserves have been adequately funded.

The above Reserve Fund balances are evaluated on an annual basis during the adoption and creation of the District's budget.