

# Sunset Beach Sanitary District

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## CASH RESERVE POLICY

FY 2022-23

### 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

The appropriate level and separation of reserves is critical to the financial health of the District and is necessary for the sustainable delivery of public services. It is the goal of this policy to establish those reserve funds necessary to meet the District's operating and capital financial goals.

### Policy

The objective of the Sunset Beach Sanitary District's Reserve Policy is to provide adequate funding to meet the District's short-term requirements and long-term plans as outlined in the District's Capital Reserve Policy and its Forecast Budget. The Board authorizes and directs that the following reserve funds be established as follows:

- (1) Emergency Reserve Fund: This fund is established to set aside funds which would be needed for emergency repairs and related cleanup or other costs, in excess of \$100,000, resulting from a natural disaster, such as an earthquake or flood, or an unanticipated and unforeseen circumstance such as a sewer line breakage. The 2022-23 Emergency Reserve fund has been established by Board Resolution at a minimum amount of \$450,000 and target amount of \$500,000, to be invested in the State of California Local Agency Investment Fund (LAIF).
- (2) Capital Improvements Reserve Fund: This fund is established to accumulate reserves which have been committed to fund specific upcoming District projects that repair, rehabilitate, or replace current District assets, approved by the District's Board, on a pay-as-you-go basis. This reserve shall be funded with excess unassigned funds available.

The Board of Directors, by Resolution, has established the 2022-23 Capital Improvements Reserve at a minimum amount of \$1,000,000, set aside to fund the Broadway Pump Station Bypass Sewer Project, and a target amount of \$3,500,000, to be invested with funds maintained by the County of Orange as follows.

2023-24 Broadway Pump Station	\$ 2,000,000
2024-25 Allowance for Sewer Lateral Repairs	<u>1,500,000</u>
	<u>\$3,500,000</u>

Total 2022-23 Budgeted Reserves are summarized as follows:

Emergency Reserve Fund	\$ 453,380
Capital Improvement-Broadway PS Sewer Reserve Fund	<u>1,809,700</u>
	<u>\$2,263,080</u>

The above Reserve Fund balances are to be reported on monthly financial reports and are to be evaluated at least once during the fiscal year, during the creation, adoption, and possible amendment of the District's budget.