
Mt. View Sanitary District

Policies and Procedures Manual

POLICY SECTION: Financial Management
POLICY TITLE: District Financial Reserves Policy
POLICY NUMBER: 3125
DATE REVISED: December 2022

Purpose and Authority.

The Mt. View Sanitary District Board of Directors considers it prudent to establish a policy for the District's fund balances and to establish reserves as necessary to provide for the continued long-term provision of services to the District's ratepayers.

The purpose of the District Financial Reserves Policy is threefold:

- a) To enable realistic long-term planning,
- b) To assist with the effective development of annual budgets, and
- c) To promote clear communications with the general public and District staff.

The elements of the policy are created by the Board of Directors and may be revised by the Board of Directors as needed. In developing this policy, the District reviewed and considered information provided by the California Special Districts Association and the Government Finance Officers Association (GFAO), conducted independent research, and consulted with the District's Auditor.

District Financial Structure

The District operates on a fiscal year that runs from July 1 to June 30. The District's business functions are that of an enterprise. As such, for the purposes of reporting the District's Financial Position, all of the District's business activities are considered a single business operation. For internal tracking, budgeting, and long-range planning, the District has separated its functions into four individual operations; Operations and Maintenance, Facilities Rehabilitation, Capital Outlay, and Debt Service.

Each operation is budgeted and accounted for separately through the use of separate charts of accounts or “Funds” as identified in Table 1 below:

TABLE 1

Business Operation	Fund
Operations and Maintenance	3409
Facilities Rehabilitation	3410
Capital Outlay	3412
Debt Service	3415

The District’s Revenues consist of Sewer Service Charges, Ad Valorem Property Taxes, Revenues from Leases (Cellular Telephone Sites and Billboards), Development Related Fees (Permit, Plan Review, Inspection, and Connection Fees), and miscellaneous other fees and charges for services provided. The District’s Revenues are generally received and deposited into Fund 3409 – Operations and Maintenance and distributed among the four Funds either by Board Direction or budgeted transfer from Operations and Maintenance. Existing Board Direction is to transfer District Ad Valorem Property Tax Revenue to Fund 3410 – Facilities Rehabilitation to fund the repair, replacement, and extension of the useful life of existing District Facilities. Current Board Direction is also to transfer Developer Related Fee revenues to Fund 3412 – Capital Outlay to offset the costs associated with assisting in the land development process (plan review and inspection) and to fund capacity (fair share of existing or future capacity within the District’s collection, treatment and disposal systems).

The majority of the District’s Revenue is the Sewer Service Charge which is collected by the County Tax Assessor/Collector along with the general property taxes. The District’s Sewer Service Charge is therefore collected in December and April of each year, with approximately 50% of revenue due and received at each installment. It is, therefore, necessary for the District to maintain sufficient cash on hand to fund District Operations and Maintenance expenditures for a minimum of six to seven months until receipt of the initial revenues in December of each year.

Definitions

Fund 3409 Fund Balance – Fund 3409 Fund Balance is defined as the cash assets allocated to the Operations and Maintenance Fund less all current commitments and liabilities allocated to Operations and Maintenance. The Fund accounts for services rendered on a cost-reimbursement basis within the District. The District maintains one enterprise fund, the General Fund, which is used to account for operating revenue and expenses related to providing service to its customers.

Fund 3410 Fund Balance – Fund 3410 Fund Balance is defined as the cash assets allocated to the Facilities Rehabilitation Fund less all current commitments and liabilities allocated to Facilities Rehabilitation. The Fund is used to account for the repair and/or replacement of the collection system and other aging systems of the Treatment Plant from proceeds of the Ad Valorem Tax collections.

Fund 3412 Fund Balance - Fund 3412 Fund Balance is defined as the cash assets allocated to the Capital Outlay Fund less all current commitments and liabilities allocated to Capital Outlay. The Fund is used to account for the construction and acquisition of capital improvements by the District.

Fund 3415 Fund Balance – Fund 3415 Fund Balance is defined as the cash assets allocated to Capital Projects less all current commitments and liabilities allocated to the Capital Projects. The Fund is used to account for the District’s financing activities in accordance with the guidelines set forth in the District’s Debt Issuance Policy and Procedures.

District Financial Reserves

Operations and Maintenance – Fund 3409

Operating Reserve – The Operations and Maintenance Fund shall maintain an operating reserve equal to 7/12 of the District’s Operations and Maintenance expenditure budget for the purpose of funding budgeted District operations and maintenance expenditures until receipt of Sewer Service Charge revenues from the County Tax Assessor/Collector. The Operating Reserve may be depleted as necessary to fund budgeted District operations and maintenance expenditures and shall be replenished no later than July 1 of each year.

Petty Cash Reserve – The Operations and Maintenance Fund shall maintain a petty cash reserve of \$250.00. Petty cash may be used to make change for customers and/or to pay for small purchases which require cash, such as parking or public transit. The Petty Cash Reserve will be fully replenished at least monthly or whenever the balance falls below \$150.00.

Designated Reserve – The Operations and Maintenance Fund shall maintain a designated reserve of \$1,000,000. The purpose of the designated reserve is to, upon approval by the District Board of Directors, fund significant one-time outlays such as a sudden immediate capital need (such as might result from the failure of a major component within the system) or in response to some natural disaster. The unrestricted reserve may also be used by the Board of Directors for rate stabilization or for any other purpose approved by the Board of Directors.

Fund 3409 Fund Balance – The Operations and Maintenance Fund 3409 fund balance, less defined reserves, is undesignated and unreserved and may, by Board of Directors Approval, be appropriated and depleted to meet District needs.

Facilities Rehabilitation – Fund 3410

Fund 3410 Fund Balance – The Facilities Rehabilitation Fund 3410 fund balance is designated and assigned to future facilities rehabilitation project needs. The District Board of Directors may appropriate and deplete the Fund 3410 fund balance as necessary in support of those project needs.

Capital Outlay – Fund 3412

Fund 3412 Fund Balance – The Capital Outlay Fund 3412 fund balance is designated and assigned to future Capital Outlay project needs. The District Board of Directors may appropriate and deplete the Fund 3412 fund balance as necessary in support of those project needs.

The minimum designated reserve target shall be a fixed dollar amount of \$1.5M annually.

Other – The District Board of Directors may, from time to time, designate and establish additional reserves for specific or general purposes.

The District shall use a comprehensive approach to budgeting resources to properly maintain assets. The comprehensive approach shall take into account plans to maintain existing facilities and replace worn, aged, deteriorated, obsolete or inefficient assets.