

ORANGEVALE RECREATION & PARK DISTRICT

OPERATIONAL POLICIES & PROCEDURES MANUAL – Revised April 2016

14. RESERVE POLICY

14.1 Definition of Reserves

A. General Fund Reserves

The District's share of general ad valorem real property taxes apportioned by the District's Board of Directors to fund park, recreation and community facilities and operations and other fees collected by the District for providing park, recreation and community facilities services to its residents are budgeted at a sufficient level to pay the expenses of day-to-day park, recreation and community facilities services as well the anticipated repair and replacement of the District's park, recreation and community facilities and equipment. The excess of the amount collected in such park, recreation and community facilities revenues during the fiscal year over the amount expended during the same period for park, recreation and community facilities purposes are referred to as "retained earnings" in the General Fund.

B. Assessment Fund Reserves

Assessments collected by the District in each of its Landscaping and Lighting Assessment Districts to provide park and recreational capital improvements and services to residents of each such Assessment District should be established by the Board of Directors at a sufficient level to pay the expenses of day-to-day maintenance of the park and recreational improvements located within each Assessment District, as well as the anticipated capital expenditures of constructing new park and recreational improvements and repairing and replacing existing park and recreational infrastructure of the District. The excess of the amount collected in assessments in each Assessment District during each fiscal year over the amount expended during the same period for Assessment District expenses are referred to as "retained earnings" in each Assessment District Fund.

14.2 Establishment of Reserves

In its annual preliminary and final budget, the Board of Directors may allocate any retained earnings in each of its Governmental Funds and Enterprise (Business Activity) Funds to one or more established reserves in each such Fund. There are two different types of reserves in each of the District's funds as follows: (1) designated reserves; and (2) restricted reserves.

A. Designated Reserves

Designated reserves are net funds that are set aside based on Board policy or tentative plans for financial resource utilization in a future period, such as for general contingencies, working capital shortages, or for equipment or infrastructure replacement. Such designated reserves reflect tentative managerial plans or intent which are subject to change and which funds may never be legally authorized or result in expenditures. Examples of such designated reserves are the designated reserve for capital improvements, the designated reserve for contingencies, and the designated reserve for working capital shortages in each of the District's Funds.

B. Restricted Reserves

Restricted reserves are defined as that portion of retained earnings in any of the Governmental Funds or Enterprise (Business Activity) Funds maintained by the District which are set aside in a separate reserve in such Fund, the expenditure of which are limited by legal or contractual requirements.

14.3 Categories of Reserves

Designated reserves and restricted reserves established by the Board of Directors in each Governmental Fund and Enterprise (Business Activity) Fund of the District shall be defined as follows:

A. Designated Reserve for Capital Improvements

Funds allocated to this reserve in each Governmental Fund or Enterprise (Business Activity) Funds of the District represent funds available to finance planned future expenditures for construction of improvements, purchase of supplies and equipment, and repair or replacement of all or a portion of the District's park and recreation infrastructure including but not limited to parks, open space and other recreational improvements and facilities, and any other District owned buildings and other structures. Appropriate expenditures of the designated reserve for capital improvements in each Fund includes the costs of site acquisition, site development, including compliance with the California Environmental Quality Act ("CEQA"), architectural services, inspection services, engineering services, construction, reconstruction, alterations, repair and replacement, and related legal services.

B. Designated Reserve for Working Capital and Other Contingencies

Funds allocated to this reserve in each Governmental Fund or Enterprise (Business Activity) Fund of the District represents funds allocated for the purpose of paying the costs and expenses associated with unanticipated events including but not limited to temporary cash flow shortages in each Fund, repair and/or replacement of facilities, equipment, supplies or infrastructure in each Fund resulting from a catastrophic event, or expenditures in each Fund required to respond to an emergency which threatens public health and safety. Funds

allocated to the designated contingency reserve in each Fund may also be used to pay damage claims against the District which are not covered by insurance provided by that Fund. The Board of Directors may authorize expenditure of the funds allocated to the designated reserve for working capital and other contingencies in each Fund on any expenses that may be incurred during the fiscal year in each such Fund for which no specific appropriation has previously been made.

C. Restricted Debt Service Reserve

The purpose of the restricted debt service reserve in each Governmental Fund is to provide sufficient revenue to pay annual debt service on any and all bonds, including certificates of participation, lease purchase agreements, installment sale agreements, or other forms of financing issued by the District in each Governmental Fund to finance the construction, rehabilitation and/or improvement of the District's park and recreational capital facilities, to provide upgraded, safe and dependable park and recreational facilities in compliance with existing and future state and federal regulations. This restricted debt service reserve may be established in the General Fund or any of the District's various Assessment District Funds and may be divided into sub-accounts representing the annual debt service to be paid on each individual issuance of bonds, certificates of participation, or other forms of financing issued by the District to fund the costs of such capital improvements in each such fund. The Board of Directors may at any time deposit any sources of retained earnings in each such fund into the restricted debt service reserve for that Fund.

14.4 Control of Reserves

A. Funding of Reserves

At any time after the establishment of a designated reserve or restricted reserve in any Governmental Fund or Enterprise (Business Activity) Fund of the District, the Board of Directors may transfer any retained earnings in any such Fund to such designated or restricted reserve in such Fund. The Board of Directors shall declare the exclusive purposes for which the funds in each reserve in each Fund may be spent on establishing such reserves in such Fund. The funds deposited into each designated reserve and/or restricted reserve in each Fund shall only be spent for the exclusive purposes for which the Board has established such a designated reserve or restricted reserve in each Fund. The Board of Directors may transfer any revenue in any Governmental or Enterprise (Business Activity) Fund to any restricted or designated reserve in such Fund at any time after establishment of that reserve. All such reserves shall be maintained according to generally accepted accounting principles.

B. Discontinuance of Reserves

If the Board of Directors finds that the Funds in a designated reserve or a restricted reserve in any Governmental Fund or Enterprise (Business Activity) Fund of the District are no longer required for the purposes for which such designated or restricted reserve in such Fund was established, the Board of Directors may, by a 4/5 vote of the total membership of the Board of Directors, discontinue a designated or restricted reserve in any such Fund of the District and transfer any funds that are no longer required from a designated reserve or restricted reserve in any Fund of the District, to any other reserve in such Fund, or to the District's general fund.

F. Use of Reserves in an Emergency

In a state of emergency or in a local emergency as defined by Government Code Section 8558, the Board of Directors may temporarily transfer funds from a designated reserve for capital improvements, or a designated reserve for operating or other contingencies in any Governmental Fund of the District to the District's general fund to fund those costs necessary to respond to such emergencies. The Board of Directors shall restore any such funds to the designated reserve from which such funds were drawn as soon as feasible.

