



HIDDEN VALLEY LAKE
COMMUNITY SERVICES DISTRICT

POLICY	Financial Reserve Policy	
POLICY # 2202	ADOPTED: September 19, 2023	REVISION:

POLICY: A key element of prudent management of the Hidden Valley Lake Community Services District (District) is to establish reserve funds to mitigate potential negative effects of unanticipated revenue shortfalls, unscheduled expenses and/or program changes arising from unforeseen events not anticipated in the annual budget process, or because of significant economic downturns. Available reserve funds will allow the District to maintain operations and maintenance, rate stabilization, future capital improvements, and meet its debt service obligations. The appropriate amount of reserves will vary as well as the target funding level. Staff will review each year with the Board of Directors as part of the annual budget process to determine the reserve fund targets. This policy may be amended by Board action anytime in the future.

PROCEDURE:

1. The District will maintain sufficient revenues to meet its operating expenses, debt service, depreciation expenses, and prescribed reserves.
2. The District reserves will be adjusted each year based on the operating surplus (deficit) at the conclusion of each fiscal year.
3. The General Manager/District Treasurer shall invest reserve funds in secure accounts (for example, LAIF) as authorized by the Board of Directors.
4. The District will maintain a reserve of cash and/or investments for operations and maintenance, rate stabilization, future capital improvements, and supplemental funds to be used for unanticipated expenses as described below.

STABILIZATION RESERVE: The Stabilization Reserve funds are to be used to ensure continued orderly operation of the District's utility systems. They include, but are not limited to, unanticipated operations and maintenance expenses, extraordinary operating revenue deficits in lieu of a rate increase, future capital improvements, the District's debt service obligations, and to sustain District operations in the event of a disaster/emergency or significant economic downturn.

It is the District's goal to accumulate and maintain the Stabilization Reserve at a level equal to 40% to 50% of annual budgeted operating expenditures to be adjusted each year based on the operating surplus (deficit) at the conclusion of each fiscal year.

The District Reserve Policy shall become effective on the date adopted. By direction of the Board of Directors, the District staff shall take all actions necessary to implement this policy and establish the Stabilization Reserve.



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If the Board of Directors finds that the funds in a designated reserve are no longer required for the purpose for which it established the designated reserve, the Board of Directors may, by four-fifths vote of the total membership of the Board of Directors, discontinue the designated reserve or transfer any funds that are no longer required from the designated reserve to the District's general fund.

A handwritten signature in black ink, appearing to read "Claude Brown", is written over a horizontal line.

Claude Brown, President to the Board

ATTEST:

A handwritten signature in blue ink, appearing to read "Dennis White", is written over a horizontal line.

Dennis White, General Manager