

# Richardson Bay Regional Agency Reserves Policy

## Purpose

The purpose of the Richardson Bay Regional Agency (“Agency”) Reserves Policy is to guide the financial planning, stability and ability of the joint powers agency to fulfill its mission.

The goals of the Reserve Policy are to:

1. Plan for and support capital expenditures, notably significant non-grant funded vessel repairs and vessel replacement, and major Agency projects.
2. Allow the Agency to fund unanticipated and necessary expenditures, such as those arising from hazardous, unsafe, or unhealthy conditions, litigation, legal requirements, disasters or other catastrophic events, and other critical circumstances.
3. Enable the Agency to expend funds to sustain operations in advance of receipt of reimbursement payments or other projected revenues.
4. Provide stabilization against budget deficits, loss of revenue, unanticipated cost increases, or economic conditions affecting the capacity of the agency or the member agencies to fund operations.
5. Allow the Agency to supply matching funds for grants and for similar or unforeseen opportunities that enhance the agency’s fulfillment of its mission.

## Definition and Objectives

“Capital Reserves” is defined as that portion of the Agency’s fund balance reserved for equipment or other capital replacement or major repairs, or other planned agency projects. The objective of Capital Reserves is to proactively plan and set aside funds for major expenditures on an ongoing, gradual basis so as to minimize a sharp rise in revenue needs in any one fiscal year, and to be in a financial position to fund the anticipated equipment, capital and project expenditures in a timely manner.

“Contingency Reserves” is defined as that portion of the Agency’s fund balance not budgeted for expenditure nor identified as Capital Reserves. The objective of the Contingency Reserves is to provide funding for:

1. Unanticipated and necessary expenditures, such as those related to natural or other disasters or catastrophic events; hazardous, unsafe or unhealthy conditions; litigation or legal obligations; or other unforeseen events.
2. Cash flow to meet expenditure commitments in advance of receiving reimbursement payments or projected revenue.
3. Stabilizing the agency against budget deficits, unexpected cost increases or revenue losses.

4. Fulfilling the agency's mission during times of economic stress affecting member agencies' ability to pay annual member contributions or affecting other sources of revenue to the agency.
5. Funding for matching grant or other time sensitive opportunities for special projects or programs.

Reserves Funding Target: Reserves Funding Target is defined as the minimum amount needed to adequately meet the goals and objectives of the reserves. The balance in the Reserves may exceed the Funding Target.

Capital Reserves Funding Target: This amount is the equal to the projected equipment, capital project and other major project costs of the agency beyond the capacity of the agency to fund in a single fiscal year. The Capital Reserves Funding Target shall be approved by the Board of Directors. The Executive Director shall annually review the Capital Reserves Funding Goal and may recommend to the Board revisions to meet updated cost estimates for equipment, capital and other major project needs.

Contingency Reserves Funding Target: This amount is intended to be a minimum level to be available for meeting the Reserves policy goals and the objectives of the Contingency Reserves. This Funding Target amount is set at the equivalent of 15% of the operating budget revenue of the agency, exclusive of budget items tied to grants and other one-time or restricted funding. The Contingency Reserves Funding Target amount shall be reviewed annually by the Executive Director and updated to reflect changes in the operating budget level upon which the 15% amount is based, and shall be reported to the Board of Directors. The Board of Directors may increase or decrease the Contingency Reserves Funding Target to meet changed circumstances or expectations. No annual adoption of the Contingency Reserves Funding Target by the Board of Directors is required. The balance in the Contingency Reserves may exceed the Funding Target without any action required of the Board.

### Funding of Reserves

Year-end excess of revenues over expenditures: Unless otherwise budgeted for expenditure by the Board of Directors, any excess of revenues over expenditures at the close of the fiscal year that is not encumbered or restricted by grant, one-time funding or other restrictions will be considered Reserves funding. The allocation between Capital Reserves and Contingency Reserves will be based on a Reserves Funding Schedule approved by the Board of Directors designed to meet the Funding Targets in each of the Reserves.

Year-end deficit of revenues over expenditures: At the close of the fiscal year, any deficit of revenues over expenditures will decrease the level of funds in the Contingency Reserves, unless otherwise directed by the Board to instead decrease the level of funds in the Capital Reserves, or to take other action to address the deficit.

Reserves Funding Schedule: The purpose of the Reserves Funding Schedule is to plan and measure progress in meeting and maintaining the Funding Goals in each of the Reserves. The Schedule will be reviewed and adjusted annual by the Board of Directors to reflect changes in Funding Goals, the actual allocations to the Reserves that cannot be precisely projected – such as the actual year-end excess/deficit of revenues over expenditures, as well as use of the Reserves.

Reserves in Budget Adoption: In conjunction with presentation of a draft budget to the Board of Directors for the next fiscal year, the Executive Director shall report on the funding status of the Capital Reserves and the Contingency Reserves in meeting their Funding Goals, and any recommended revisions to the Reserves Funding Schedule.

In conjunction with adoption of the annual budget, the Board will review the Reserves Funding Schedule, consider adjustments warranted to meet and maintain the Funding Goals as adjusted by the Executive Director to meet the Reserves Policy, and allocate funds in the annual budget to the Reserves as may be called for in the Reserves Funding Schedule.

#### Authorization to Use Reserves

Cash Flow use of Reserves: The Executive Director may authorize use of Contingency Reserves or Capital Reserves for cash flow purposes when the projected revenue to support budgeted and authorized expenditures has not yet been received.

Expenditure from Reserves: Any expenditure of Contingency Reserves or Capital Reserves requires the approved authorization of the Board of Directors. Such approval action shall take the form either of appropriation in the Board-approved annual operating budget, or by resolution of the Board outside the budget approval process authorizing use of the reserves and an adjustment to the adopted budget reflecting their use. The expenditures will be in accordance with the goals and objectives of the Reserves unless an exception is deemed warranted by action of the Board of Directors.

#### Accounting for Reserves

The Reserves will be listed separately in the unrestricted net assets section of the agency's statement of financial position as "Board-Designated Reserve," with distinction between Capital Reserves and Contingency Reserves. The use of Reserves will be included in financial reports of the agency.

#### Investing Reserves

The Reserves will be invested and available in cash or cash equivalent funds in the Marin County Investment Pool.