

# Sunset Beach Sanitary District

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## CASH RESERVE POLICY

FY 2024-25

### Background

California Government Code §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 \$50,000, resulting from a natural disaster, such as an earthquake or flood, or an unanticipated and unforeseen circumstances such as a sewer line breakage. The 2023-24 Emergency Reserve fund has been established by Board Capital Improvement Policy and Budget Resolution at a minimum amount of \$450,000 and target amount of \$750,000, to be invested in the State of California Local Agency Investment Fund (LAIF), and increased annually by interest earned.
- (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 or in combination with project loans. This reserve shall be funded with excess unassigned funds available. A target amount of \$3,500,000, to be invested with funds maintained by the County of Orange.

The District plans to commence construction of the Broadway Pump Station Bypass Sewer Project during FY 2024-25. As of June 30, 2024 Capital Improvements Reserve Fund has a balance of \$2,060,833. The Board of Directors, by Capital Improvement Policy and Budget Resolution, plans to utilize \$1,560,833 during FY 2024-25 to fund the Broadway Pump Station Bypass Sewer Project.

Total 2024-25 Budgeted Reserves are summarized as follows:

Emergency Reserve Fund (\$633,310 + estimated interest)	\$ 648,310
Capital Improvement-Broadway PS Sewer Reserve Fund	<u>500,000</u>
	<u>\$1,148,310</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.