



Monterey Peninsula Regional Park District Policy & Procedure Manual

Title:	General Fund Reserve(Unassigned) Fund Balance Policy	
Department:	Operations and Finance	Effective Date: March 10, 2014
Policy No:	3004	
Related Procedures:	None	Revisions:April 7, 2021

1.1 Policy Statement

Total General Fund fund balance is the measure of financial resources available for the District's on-going operating requirements. It is essential for the District to maintain an adequate level of fund balance, based on anticipated or potential future events, sufficient to ensure financial stability and to mitigate current and future risks that could adversely affect the District's services to the public. Retaining an adequate General Fund fund balance is critical for long term financial planning. Total fund balance is also a measure of the District's creditworthiness and economic condition, which is relied upon by the District's stakeholders.

The purpose of the General Fund Reserve (Unassigned) Fund Balance Policy is to define this reserve, articulate the intent and uses of the reserve, and establish the appropriate target amount to be reserved.

1.2 Definitions

For the purpose of this policy, General Fund reserve fund balance includes only the residual amount of unassigned General Fund fund balance. This is the amount of total fund balance, less the amount of non-spendable, restricted, committed and assigned.

The Board has, and may again in the future, committed portions of total fund balance for specific purposes. Non-spendable and restricted categories of fund balance are established annually in accordance with GASB standards; and management may assign portions of fund balance for specific purposes.

This policy establishes the General Fund reserve fund balance as the minimum prudent amount of unassigned fund balance to be retained by the District.

1.3 Factors Determining Reserve Amount

Factors to be considered when determining the appropriate reserve amount include:

- Designations and amounts of other reserve categories
- Revenue sources:
 - Ability to increase
 - Predictability

- Stability
 - Diversity
- Volatility of expenditures
- Cash flow requirements
- Exposure to financial risks including;
 - Revenue takeaways by other agencies
 - Natural Disaster
 - Unforeseen events, legal claims or regulatory actions
 - Risk of other one-time outlays
- Contractual obligations, or changes in employment law
- Funds available to meet needs of new operating programs
- Amount of funding required for capital needs
- The history and future likelihood of retaining a stable fund balance amount (which has been achieved through growth, expenditure control and structured budget savings)
- Amounts of unfunded liabilities including but not limited to:
 - Pension
 - OPEB
 - PARS
 - Limited obligation debt
- Investment earnings generated by reserves which are used to fund operating expenditures.

1.4 Calculation of Reserve Amount

The Finance Manager is responsible for considering the above factors and recommending a prudent reserve (unassigned fund balance) amount to the Board of Directors.

The reserve (unassigned fund balance) amount is established at 100 percent of annual operating budget, 100 percent of accumulated depreciation and one million dollars for unanticipated expenditure requirements.

1.5 Qualified Uses

Board approval is required for use of the reserve (unassigned fund balance) balance. This approval can be obtained as part of the annual budget process, or as a separate mid-year item.

The requested amount, explanation of intention (what will qualify as an approved use), and plan for replenishment are required for Board approval. Uses may include, but are not limited to:

- Interrupted cash flows
- Emergencies/disaster
- Capital and infrastructure needs which lack other funding sources
- One time opportunities
- Temporary revenue shortfall as discussed below

1.6 Excess and Replenishment Procedures

A plan for repayment of reserves (unassigned fund balance) will be established at the time that a use of reserves is authorized. The plan will include a time frame for the reestablishment of required reserve levels, sources of repayment funds and associated amounts.

The annual budget process will include a review of the balance in the reserve (unassigned fund balance) as of the end of the preceding year to determine if the Reserve has a deficit or excess balance.

In the event that the reserve is in deficit, a recommendation will be made to replenish reserves from subsequent year's resources.

In the event of an amount in excess of this policy, the amount will be transferred to replenish other, depleted reserves, should other reserves be established, as a year-end entry until the annual obligation for this fund is met, or the excess balance will remain in the reserve and be available for one-time appropriation in a future year's budget.

1.7 Policy Administration

The Finance Manager is responsible for updating the reserve amount annually in compliance with the percentage (of annual revenue) in place. The percentage in place will be reviewed at least every year and adjusted as necessary to include consideration of all relevant factors, which include:

- A minimum of 12 months of operating expenditures
- Availability of other reserved (committed fund balances and net assets)
- Increase in reserves due to lack of control over revenues
- Exposure to one time risks
- Funding of long-term capital and infrastructure needs, and
- Unfunded long-term liabilities (e.g., OPEB, PARS, pension, notes payable)

1.8 Policy Revision Date

The latest policy revision date appears in the lower right hand corner of the header. This date indicates the most published date of the policy.