Policy No.: 8 (Version 1)	**Policy Title**: Reserve Policy
Adopted Date: 3/21/2024	**Approval Resolution No**.: None
Policy Description: Provides guidelines for fiscally responsible cash management	

PURPOSE AND APPLICABILITY

Santa Cruz Mid-County Groundwater Agency (MGA) establishes the Reserve Policy. This policy is to provide guidelines for fiscally responsible cash management.

Reserves are essential to ensuring fiscal responsibility and emergency preparedness in the event unidentified risks result in revenue shortfalls or unanticipated expenditures. The Government Finance Officers Association recommends adopting a policy governing the amount of resources to be held in reserve and conditions under which those reserves can be used. This reserve policy is established to provide general guidelines for fiscally responsible cash management. The policy is not intended to set strict limits that must be adhered to without consideration of other factors. Instead, these guidelines are intended to serve as a decision-making tool in planning for and evaluating activities or transactions that could have a significant impact on the level of cash reserves.

The purpose of the policy is to ensure sufficient funding is available to meet annual operating costs. General Reserves will be managed to allow the MGA to fund costs consistent with both the annual budget and long-term financial planning for periodic expenditures such as updates to the Groundwater Sustainability Plan. Adequate reserves along with sound financial policies provide financial flexibility in the event of unanticipated expenditures or revenue fluctuations.

POLICY

Funding Sources and Levels: General Reserves will be funded through surplus unrestricted gains in net position. The Board of Directors have the authority to direct that a specific source of revenue be set aside to fund General Reserves, as appropriate. Target reserve levels will be calculated and reaffirmed annually during the budget process to maintain General Reserves at a minimum of 50% of annual expenditures, excluding capital investment, grant or debt funded activities.

Reserve Accounting: General Reserves will be recorded in the financial records as a Board designated operating reserve. The Reserve Fund will be funded in cash or cash equivalent funds which will be commingled with the general cash and investment accounts of the MGA. All investment accounts will be in accordance with the MGA's Investment Policy which is reviewed annually.

Use of Funds: The use of General Reserve funds will be for unanticipated operating costs, revenue shortfalls, and to cover cash flow in the event of delays in the timing of revenue collection from grants receivable or other accounts receivable. Staff will identify the need to access the reserves and will submit written requests to the Board at a public meeting. Reserve Fund requests will include the amount of funds needed, confirmation that the use is consistent with the purpose of the reserve funds as described in this Policy, and the reason. The funds can only be used with specific Board approval. Funds in excess of the target reserve level may be used to lessen year-to-year fluctuations in Member Agency revenue contributions and/or offset future Member Agency contributions as determined by the Board.