



DATE: 4/6/2021
TO: BOD
FROM: Catherine Merrifield, District Accountant
SUBJECT: Reserve Policy

Report In Brief

On June 12, 2019, the Board moved to develop Financial Investments and Policy for the District and authorized staff to: 1) develop a resolution and open new accounts with Five Star Bank, 2) develop a resolution and open CALTRUST accounts, and 3) Develop a Financial Investment Policy for BOD consideration.

The goal of these moves was to fortify the District's financial position and to add transparency and allow flexibility with fund management to meet those objectives. Since that time, the accounts have been opened (though not all have funds in them yet) and staff, working with California Special District Association (CSDA), developed a financial investment policy.

The next evolution of strengthening our financial policy is to develop a Reserve Policy for Board consideration. At the March 11, 2021 Finance Committee, staff provided a brief review of recent reserve policy interest at the state level. Staff noted that investment and reserve policies for special districts will increase transparency and ensure greater compliance with Governmental Accounting Standards Board Statement No. 54.

A policy sets guideline for saving, using, and reporting funds. Staff reviewed a draft resolution and reserve policy for committee discussion. and we provide a revised resolution (**Attachment A**) and a revised reserve policy (**Attachment B**). We have included a table to summarize the reserve distribution (**Attachment C**). Upon review and revision, this item will come before the full Board of Directors for consideration.

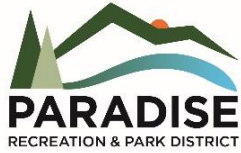
A follow-up step will be the review of the District's investment portfolio.

Recommendation: *Finance Committee recommends BOD approval of Reserve Resolution and Policy.*

Attachments:

- A. Resolution 21-04-1-496
- B. Exhibit A - Reserve Policy
- C. Reserve Distribution

Document2
4/9/2021



Paradise Recreation & Park District

6626 Skyway
Paradise, CA 95969
Email: info@ParadisePRPD.com

Phone: 530-872-6393
Fax: 530-872-8619
Website: www.ParadisePRPD.com

Resolution #21-04-1-496

RESOLUTION OF THE PARADISE RECREATION AND PARK DISTRICT BOARD OF DIRECTORS APPROVE AND ADOPT RESERVE POLICY

WHEREAS, the Board of Directors of the Paradise Recreation and Park District (herein “Board”) is a local non-enterprise special district formed and authorized to provide services within its jurisdiction, pursuant to State of California Public Resources Code, Division 5, Chapter 4, Article 1, commencing with Section 5780; and,

WHEREAS, on April 8, 2021, the Finance Committee reviewed and approved for the boards consideration Reserve Policy (Exhibit A) to provide reserve funds in compliance with GASB 54 guideline requirements.

WHEREAS, that the distribution of the reserves will be reviewed and revised on a regular basis, this resolution authorizes the Board to review and revise the distribution, annual contribution, and Maximum Reserve on a regular basis and linked with the budget process.

NOW, THEREFORE BE IT RESOLVED, the Paradise Recreation and Park District Board of Directors approves and adopts the Reserve Policy (Exhibit A) to provide reserve funds in compliance with GASB 54 guideline requirements.

PASSED AND ADOPTED by the Board of Directors of the Paradise Recreation and Park District on the 14th day of April 2021, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Mary Bellefeuille, Chairperson

Robert Anderson, Secretary

Paradise Recreation & Park District Reserve Policy

Purpose:

The Paradise Recreation & Park District (the District) shall maintain reserve funds from existing unrestricted funds as designated by the District's Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a) Fund replacement and major repairs for the District's physical assets.
- b) Fund regular replacement of computer hardware and software.
- c) Fund designated conservation projects/programs or other special uses not otherwise funded by grants or requiring additional monetary support.
- d) Fund capital improvements; and
- e) Maintain minimal operational sustainability in periods of economic uncertainty.

The District shall account for reserves as recommended by Governmental Accounting Standards Board Statement No. 54, which distinguishes reserves as among these classes: non-spendable, restricted, committed, assigned and unassigned. The reserves stated by this policy, unless otherwise required by law, contract, or District policy shall be deemed "assigned" reserves.

Policy:

Use of District Reserves is limited to available "Unrestricted" Funds (not obligated by law, contract, or agreement), including donations, interest earned, fees for service or other non-grant earnings. All special use funds will be designated by formal action of the Board of Directors. Actual annual contributions or distributions will be set within the budget process for the District. Future policy revisions may change maximum amounts.

CalPERS 115 Trust

- Description - A fund dedicated to the funding of estimated unfunded employer contributions to the defined benefit pension programs for eligible California public agencies. As a restricted fund, the District will fund up to 50% of the estimated liability at the beginning of the Fiscal Year to allow for fluctuation, but substantially reduce the District's liability.
- Use – Funds are restricted for CalPERS related liabilities and expenses. This will reduce District liability on our balance sheet.
- Estimated Annual Contribution - \$30,0000.
- Maximum – This policy sets the maximum to not exceed \$500,000, but the actual target will be set on a regular basis and will not exceed 50% of the total CalPERS obligation at the beginning of each Fiscal Year.

Capital Improvement & Acquisition Reserve:

- Description -. Designated Capital Improvement Funds may be used to cover major facility improvements (construction, installation of new doors or windows, replacing doors and windows, roof replacement, HVAC replacement, alarm system installation, parking lot and outside lighting improvements, etc.). Funds for acquisitions will be utilized to purchase real estate to meet District goals for parks, facilities, and open space. Based on Estimated Capital Projects and acquisitions over the next 15 years. This will be modified with the next Parks Master Plan.

- Use - Capital Improvements & Acquisition Reserves shall be limited to costs related to making changes to repair, replace, improve, or construct capital assets, increase their useful life, or add to the value of these assets.
- Estimated Annual Contribution - \$100,000, accumulate from existing unrestricted funds. Maximum – \$25,000,000. When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to meet the maximum will be reserved. The value represents the Estimated Capital Improvement Projects over the next 10 years. This may be modified with the next Parks Master Plan. (Donations or grants for projects can be considered) only the amount required to reach the maximum will be reserved.

Current Operations Reserve:

- Description - Fund serves a contingency role for the District. Facility and Administrative Operations. Based on equivalent to approximately three years of operating expenses.
- Use - Operational Reserves shall be accrued to ensure five years of minimal facility and administrative functions. Reserve funds shall be utilized to support:
 1. Administrative operational functions, including minimal staffing levels and administrative/office expenses;
 2. facility operations;
 3. facility repairs (distinguished from Capital Improvements and may include painting, caulking of seams, roof repairs, HVAC repairs, patching of walls, etc.).
- Estimated Annual Contribution - \$50,000, accumulate from existing unrestricted funds.
- Maximum –\$8,000,000. When the annual accumulation would increase the Reserve beyond the equivalent of three years of Operations Reserves), only the amount required to reach the maximum will be reserved.

Designated Project/Special Use/Grant Matching Reserve:

- Description - Fund designated for conservation projects, programs, or other special uses not otherwise funded by grants or requiring additional monetary support for matches. Based on approximate estimate for 2021 unmet needs for matches.
- Use - Projects, programs or special uses will be identified by the General Manager and/or the Board of Directors and approved by the Board. Uses must further the mission of the District and will be evaluated for designation according to value to the District and the people it serves.
- Estimated Annual Contribution - \$50,000.
- Maximum – \$ 750,000. When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved.

Future Operations Reserve:

- Description – Fund serves as a backfill for tax and program revenue lost from the Camp Fire and other major disruptions for the next 20 years. Fund also serves as a long-term contingency fund and the drawdown and maximum reserve should be evaluated on a regular (5 year) basis. While the actual amount will be dynamic, the fund is established as equivalent to 30% of the current operating budget for 15 years.
- Use - Operational Reserves shall be accrued to ensure five years of minimal facility and administrative functions. Reserve funds shall be utilized to support:
 1. Administrative operational functions, including minimal staffing levels and administrative/office expenses;

- 2. facility operations;
- 3. facility repairs (distinguished from Capital Improvements and may include painting, caulking of seams, roof repairs, HVAC repairs, patching of walls, etc.).
- Estimated Annual Contribution - \$100,000, accumulate from existing unrestricted funds.
- Maximum – \$ 25,000,000. When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved.

Technology Reserve:

- Description - Fund regular replacement and new investment of computer hardware and software, audiovisual equipment, phones, and other technology services to benefit District facilities and operations. The amount is calculated as approximately three quarters of the current value of technology assets.
- Use - Technology Reserves will be used to purchase hardware and software in support of District operations, with the intent of maintaining a modern technology for employees.
- Estimated Annual Contribution - \$5,000, accumulate from existing unrestricted funds.
- Maximum – \$150,000. When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved.

Vehicle Fleet & Equipment Reserve:

- Description – Fund replacement, major repairs, and New Vehicle investment for Fleet and Equipment. Based on current value of vehicle & equipment as well as allowing for future purchases in the next 5 years.
- Use - Vehicle Fleet Reserves will be used exclusively for the purchase of new vehicles to support District operations, or to make major repairs to existing vehicles.
- Estimated Annual Contribution - \$75,000, accumulate from existing unrestricted funds.
- Maximum – \$1,000,000. When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved.

Total All Reserve Funds:

The total amount of Reserves shall have a cumulative cap of \$61,150,000.

Monitoring Reserve Levels:

The District Manager, in collaboration with the District Accountant, shall perform a reserve status analysis annually, to be provided to the Board of Directors’ annual deliberation/approval of Budget and Reserve Funds. Additional information may be provided to the Board of Directors upon the occurrence of the following events:

- a) When a major change in conditions changes the reserve, reserve levels, or requires revision of this policy;
- b) Upon District Manager and/or Board request.

Revised 4-8-2021

**Paradise Recreation and Park District
Reserve Distribution**

-DRAFT-

2021 Initial Amount

\$38,065,000

Proposed Reserve	Description	Rationale for fund amount	Initial Investment	Distribution (%)	Estimated Annual Contribution	Maximum Reserve	Distribution (%/2)	Rules
CaPERS 115 Trust	Estimated Capital Projects and acquisitions over the next 15 years. This will be modified with the next Parks Master Plan.	To fund 50% of unfunded CaPERS obligation.	\$180,000	0.5%	\$30,000	\$500,000	0.8%	Maximum amount of CaPERS obligation (currently \$359K) will be assessed as a fraction of the total estimated amount of the beginning of each Fiscal Year. The maximum may need to be re-set in the future. Only the amount required to reach the projected amount will be reserved.
Capital Improvement & Acquisition Reserve:	Designated Capital Improvement Funds may be used to cover damaged facilities, major facility improvements or replacement, new construction and improvements, and the acquisition of property to meet District goals.	Estimated Capital Projects and acquisitions over the next 15 years. This will be modified with the next Parks Master Plan.	\$9,485,000	24.9%	\$100,000	\$25,000,000	40.9%	When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved. Changes to the projected needs for long-term operations will receive precedence over this fund.
Current Operations Reserve:	Fund serves a contingency role for unanticipated expenses for Operations not provided under the annual budget.	Equivalent to approximately three years of operating expenses.	\$8,000,000	21.0%	\$50,000	\$8,000,000	13.1%	When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved.
Designated Project/Special Use/Grant Matching Reserve:	Fund designated for conservation projects, programs, or other special uses not otherwise funded by grants or requiring additional monetary support for matches.	Approximate estimate for 2021 unmet needs for matches.	\$750,000	2.0%	\$50,000	\$4,500,000	2.5%	When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved.
Future Operations Reserve:	Fund serves as a backfill for tax and program revenue lost from the Camp Fire and other major disruptions for possibly the next 20 years. Fund also serves as a long-term contingency fund and the drawdown and maximum reserve should be evaluated on a regular (5 year) basis.	Fund needs (and inflation) will be dynamic and not likely linear, but initial fund needs are established as equivalent to 40% of the current operating budget for 25 years.	\$18,750,000	49.3%	\$100,000	\$25,000,000	40.9%	The fund needs will be evaluated on at least a 5 year cycle. We anticipate that this fund may be in a drawdown mode over the next few years. When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved.
Technology Reserve:	Fund regular replacement and new investment of computer hardware and software, audiovisual equipment, phones, and other technology services to benefit District facilities and operations.	The approximate current value of technology assets.	\$150,000	0.4%	\$5,000	\$150,000	0.2%	When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved.
Vehicle Fleet & Equipment Reserve:	Fund replacement, major repairs, and New Vehicle investment for Fleet and Equipment.	Based on current value of vehicle & equipment as well as allowing for future purchases in the next 5 years.	\$750,000	2.0%	\$75,000	\$1,000,000	1.6%	When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved.
Total			\$38,065,000	100.0%	\$410,000	\$64,150,000	100.0%	
Difference			\$0			-\$23,085,000		

Does not include other existing reserves: Accumulative Capital Outlay (ACO)-\$606,700; General Reserve - \$3,000; Imprest Cash Reserve - \$300; or other active Funds (Designated Funds, General Fund).