

San Mateo County Harbor District

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STATEMENT OF POLICY

It is the objective of the San Mateo County Harbor District to establish prudent reserves. Prudent financial planning and fiscal responsibility includes anticipating and preparing for future funding requirements as well as unforeseen and unexpected emergencies, disasters, and other events. The District has established reserve funds for its long term organizational and operational stability and the reserve funds enable the District to minimize unforeseen and unexpected cash flow requirements. This Reserve Fund Policy is to ensure that the District accumulates, manages, maintains, and uses certain financial resources only for specified purposes.

The District recognizes that Reserves may be depleted in whole or in part by use for the intended purpose. The District also recognizes that not all Reserve accounts will be replenished on depletion, as the intended purpose may not be recurring.

Minimum total reserves, exclusive of restricted reserves, shall be at least equal to the total 20% of annual revenue projections, 50% of which shall be unassigned.. There is no maximum; the District recognizes that very large reserves would not be appropriate at a time when investment in long term assets is insufficient.

Restricted Reserves: These are reserves that are required either by law, or to comply with contracts and agreements to which the District is a party, which require that funds be put in reserve. Restricted reserves will be liquidated when no longer required by contract or agreement.

Committed Reserves: Represent the highest level of reserve commitment, other than those that are legally or contractually required.

Unfunded Termination Benefit Liability Reserve: Reflecting the amount of liability at previous year end.

Assigned Reserves: These are reserves established by the Commission for a variety of purposes, subject to the Commission's discretionary approval during the annual budget process.

Assigned Reserve for District Office:

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Assigned Reserve for Replacement of Vehicle/ Vessel Assets: The purpose of this reserve to fund replacement of Vehicles and Boats over their useful life

Assigned Reserve for Capital Assets: The purpose of this reserve to fund replacement of all other Capital Assets over their useful life. The District has established asset life ranging from 3-50 years depending on the nature of the asset.

Assigned for Customer Deposits and Pre-Payments: This reserve will provide assurance that there are adequate funds for anticipated refunds of deposits and credits for pre-payments.

Assigned Election Reserve: This is to provide for a contribution for election costs during non-election years.

Multi-year Obligation Reserve: Reflecting future year obligations of multi-year contracts in excess of \$100,000.

Unassigned Reserve: The balance of available reserve funds shall be unassigned. This unassigned reserve shall be at least 10% of projected annual revenues and shall also constitute the District's contingency and emergency reserves.

As a part of the budget process, staff will annually recommend reserves that are adequate to meet the objectives of this policy. In years in which 100% funding is not available for an assigned reserve, staff will recommend a plan that will return the reserve to adequacy within five years, as part of the budget process. Additionally the Commission will review District reserves on a quarterly basis, which can be included in the quarterly financial report.

Procedures:

TBD

<Procedures to be developed by staff and approved by the General Manager>