Policy 2025 Financial Reserves – Bike Trail Snow Removal

PURPOSE

The purpose of this Financial Reserve policy is to ensure the stability of the Bike Trail Snow Removal Program. This policy establishes the level of reserves necessary for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as Transient Occupancy Tax allocated from Placer County.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.

POLICY

Operating Reserves

The minimum amount of operating reserves will equal two months of operating expenses.

Capital Replacement Reserves

Capital replacement reserves will be accumulated to fund replacement projects, primarily the snow blower. A key objective for accumulating financial reserves is to minimize external borrowing and interest expense. The amount of funding to reserves will be determined annually during the budget cycle and will be based on when replacement of the snow blower or other capital purchases are needed. The District strives to be fully funded as capital projects are completed and to maintain a minimum amount of capital replacement reserves such that as the useful life of an asset is reached, it may be replaced entirely through funding from the reserve.

Accounting For Reserve Funds

The Reserve fund will be recorded in the financial records as Board Designated Reserve. The Reserve fund will be funded with surplus unrestricted funds from the Bike Trail Snow Removal Operating Funds, and other unrestricted funds as directed by the Board of Directors, and be available in cash or cash equivalent funds. Reserve funds will be commingled with the general cash and investment accounts of the District and tracked accordingly through its accounting software.

PROCEDURE FOR USING RESERVE FUNDS

Operating Reserves

Operating reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Purchasing Policy.

Capital Replacement Reserves

The Board of Directors will authorize use of capital replacement reserves during the budget process. Capital replacement reserves are also available for unplanned (unbudgeted) capital replacements. Authorization for the use of capital replacement reserves for unplanned capital replacements will be consistent with the District's Purchasing Policy.

REVIEW OF POLICY

If analyses indicate projected or actual reserve levels falling 10% below the levels outlined in this policy, at least one of the following actions shall be included with the analyses:

- An explanation of why the reserve levels are not at the targeted level, and/ or
- An identified course of action to bring reserve levels within the minimum levels prescribed.

This Policy will be reviewed by the Finance Committee if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors.

(Adopted 11-19-2019; Reviewed 09-29-2020, Revised 10-26-2021, Reviewed 10-31-23, Reviewed 10-29-24, Reviewed 10-28-25, Reviewed 10-27-26)