

CONEJO RECREATION AND PARK DISTRICT

FINANCIAL RESERVES POLICY

Originally Created: January 9, 2014

Last Reviewed: February 15, 2024

PURPOSE

This policy statement is intended to provide a framework and guidance for the Board of Directors in establishing, maintaining and utilizing the District’s financial reserves.

BASIC POLICY AND OBJECTIVES

The Conejo Recreation and Park District reserve policy is an effort to provide clear and well-articulated reasons and guidance for the accumulation and management of the District’s reserve funds. Financial reserves are intended to help the District remain financially stable and can serve as a buffer against present and future uncertainties. Financial reserves are a critical ingredient of financial planning and assist the District in achieving its short and long-term plans.

Reserve categories and balances are identified on the District’s audited financial statements (Balance Sheet) under “Fund Balance.” The adequacy of the target reserve balances will be reviewed annually during the annual audit and may be revised as necessary.

The following District reserve fund categories are hereby established:

Operating Reserve

- Purpose:** The Operating Reserve is committed for unexpected operating expenses and contingencies.
- Use of Funds:** The Operating Reserve is set aside for operating expense shortfalls due to unexpected expenses or revenue shortfalls. This fund may also be used for emergency cash-flow needs.
- Funding:** An ideal target reserve balance is between 3 - 6 months of operating expenses. The Operating Reserve Fund Balance as of June 30 2023 is \$6.4 million, which represents 3.2 months of expenses.

Claims & Liability Reserve

- Purpose:** The Claims and Liability Reserve is committed for workers’ compensation expenses, claims and liabilities.

Use of Funds: The Claims and Liability Reserve is for property, liability and workers' compensation claims. The District purchases excess insurance coverage for workers' compensation claims. The District obtains insurance through a joint powers authority, "California Association for Park and Recreation Indemnity" (CAPRI), and has a self-insured retention (SIR) of \$100,000 for liability claims and \$350,000 for workers' compensation claims.

Funding: This reserve balance is \$2.50 million as of June 30, 2023. Claims are currently handled on a pay-as-you-go basis out of the General Fund.

Equipment Replacement Reserve

Purpose: The Equipment Replacement Reserve is committed for vehicle and information technology and recreation equipment replacement.

Use of Funds: The Equipment Replacement Reserve is designed as a structured vehicle and equipment replacement program to keep necessary vehicles and equipment functional and effective. Equipment and vehicle replacements are made from this fund.

Funding: Annually, the estimated replacement cost is transferred from the General Fund to the Equipment Replacement Fund which maintains the fund at the ideal target balance. As of June 30, 2023, the balance in this reserve is \$4.92 million.

Vested Leave Reserve

Purpose: The Vested Leave Reserve is assigned for accrued leave (vacation/sick) payouts.

Use of Funds: The Vested Leave Fund is to be used to cover the estimated cost of the vested accrued vacation/sick leave of all District employees.

Funding: The ideal target balance is total projected liability. As of June 30, 2023, the balance in this reserve is \$1.66 million, which fully funds the projected liability.

Pension Stabilization Reserve

Purpose: The Pension Stabilization Reserve is committed for pension and OPEB obligations.

Use of Funds: The Pension Stabilization Reserve is set aside for funding of pension and OPEB costs and the associated unfunded accrued liabilities and may be used to supplement annual budgeted pension/OPEB expenses and for reduction in the unfunded accrued liabilities.

Funding: The ideal target balance is 85%-115% of retiree liabilities. The District has been transferring annual Salary and Benefits savings to the Pension Stabilization Reserve to reach this goal. This reserve balance is \$5.54 million at June 30, 2023, which means the District has reached 100% of the projected retiree liabilities. Knowing the turbulent

history of retiree liabilities and markets; guideline recommendations for funding this reserve based on the percent of projected liabilities funded at the end of each fiscal year with Board review and direction to consider:

Below 85%: transfer annual Salary and Benefits savings and unassigned funds as determined by the annual Board review of the Reserve funds and Policy if available.

Between 85% and 100%: transfer annual Salary and Benefits savings.

Between 100% and 115%: do not transfer annual Salary and Benefits savings.

Over 115%: use reserve funds for normal cost annual contributions.

Over 130%: use reserve funds for normal const annual contributions and additional discretionary payments to CalPERS .

Capital Facilities and Property Acquisition Reserve

Purpose: The Capital Facilities and Property Acquisition Reserve is committed for the costs associated with adding and replacing capital facilities and acquiring new park properties for the purposes of Maintaining the District's parks-per-person goals.

Use of Funds: The Capital Facilities and Property Acquisition Reserve is set aside to provide funding associated with the planning, design, funding options, acquisition and actual construction of capital facilities such as, but not limited to, buildings, parking lots, lighting, playgrounds, walkways, and irrigation systems.

Funding: This reserve balance is \$535,000 at June 30, 2023. The ideal target balance is \$230.25million.

This target includes 3 components:

1. Identified, but unfunded projects in the ten-year Capital Improvements Plan (Year X)
2. Existing Park Deficiencies; the number of acres needed to achieve the District's parks per person goals based on average costs for acquisition and development of an acre.
3. Future need based on anticipated additional housing units

The total reserve target calculation and related assumptions for acquisition and development is attached.