



TAMALPAIS COMMUNITY SERVICES DISTRICT
305 Bell Lane, Mill Valley, CA 94941 ♦ 415.388.6393 ♦ Fax: 415.388.4168
info@tamcsd.org ♦ www.tamcsd.org

RESOLUTION NO. 2023-06

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TAMALPAIS
COMMUNITY SERVICES DISTRICT TO APPROVE A
REVISED OPERATING AND CAPITAL RESERVE POLICY FOR ALL THREE
DISTRICT DEPARTMENT FUNDS**

WHEREAS, this resolution supersedes Resolution 2021-01, the previous reserve policy for District funds; and

WHEREAS, the attached reserve policy provides protection from risk and TCSD faces risks such as revenue shortfalls during recessions and losses from extreme events, such as earthquakes, heavy rainstorms, floods and fires; and

WHEREAS, reserves help ensure that TCSD can respond quickly and decisively to extreme events; and

WHEREAS, TCSD has three main functions: wastewater collection, solid waste and parks and recreation; and

WHEREAS, TCSD provides wastewater collection service via a Wastewater Enterprise Fund; and

WHEREAS, TCSD provides solid waste collection service via a Solid Waste Enterprise Fund; and

WHEREAS, TCSD provides parks and recreation service via a Parks and Recreation Fund funded primarily through ad valorem property taxes; and

WHEREAS, the proper functioning of the District requires adequate levels of reserve funds in order to prepare for and weather future financial events and limit financial risk and uncertainty; and

WHEREAS, the purpose of the operating reserve is to provide funds for unplanned operating and maintenance expenditures; and

WHEREAS, the purpose of the capital reserve is to provide funds for the Five-Year CIP as well as to repair, replace, rehabilitate, and upgrade facilities, infrastructure, vehicles; and

WHEREAS, the purpose of an Other Post Employment Benefits (OPEB) Trust Account is to deposit funds needed to pay TCSD's OPEB future liabilities.

NOW THEREFORE, BE IT RESOLVED that this resolution supersedes Resolution 2021-01, the previous reserve policy for District funds,

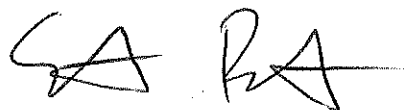
BE IT FURTHER RESOLVED that attached to this resolution (Exhibit A) is the revised operating and capital reserve policy for the Solid Waste, Wastewater, and Parks and Recreation departments.

I HEREBY CERTIFY that the foregoing resolution is a full, true, and correct copy of a resolution duly and regularly adopted and passed by the Board of Directors of the Tamalpais Community Services District, County of Marin, California, at a meeting thereof, held on the 8th day of March, 2023, by the following vote:

AYES: S. Bartschat, J. Brown, J. Jacobs, S. LEVINE

NAYS: M. McMahon

ABSENT:



Steffen Bartschat, President

ATTEST:



Secretary, Tamalpais Community Services District

Tamalpais Community Services District

Reserve Policy

Introduction

One of the key components of a financially stable organization is the adherence to a policy of maintaining an appropriate level of reserves. Establishing a target minimum reserve is a mechanism that governments can implement to help ensure adequate levels of fund balance are available to help mitigate current and future risks. A minimum reserve is generally considered a prudent and conservative fiscal policy to deal with unforeseen situations. Some examples of unforeseen situations include, but are not limited to:

- Extreme Events
- Economic Downturn
- Reduced Revenues
- Federal/State/County Budget Cuts
- Unfunded Legislative or Judicial Mandates
- Cash Flow Requirements
- Capital Obligations
- One-Time Board Approved Expenditures
- Innovative Opportunities for the Betterment of the Community

Purpose

A reserve policy provides protection from risk. Tamalpais Community Services District faces risks like revenue shortfalls during recessions and losses from extreme events, such as earthquakes, heavy rainstorms, floods and fires. Reserves help make sure that TCSD can respond quickly and decisively to extreme events. Reserves also support vital public services during revenue declines. A reserve policy describes how much the District will try to retain in reserve. It also describes acceptable uses of reserves.

TCSD, a community services district, has three main functions: wastewater collection, solid waste and parks and recreation. Wastewater and solid waste operate as separate enterprise funds, while parks and recreation receive much of its revenue from ad valorem property taxes.

Adequate designations of reserves, funds set aside for various legitimate purposes, are critical to the successful and stable, short and long-term operation of the District. Adequate reserves ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations, together with future debt or capital obligations, as well as any unfunded mandates, including costly regulatory requirements.

The ability of the District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases, and ensuring overall financial strength. Adequate reserves directly affect the District's bond rating and ultimately the ability to access debt markets at

favorable interest rates, thereby ensuring the ability to finance and construct the infrastructure necessary to renew existing systems and expand service levels to meet future needs.

Policy

For purposes of this policy, the term “reserve” includes undesignated, unreserved funds. It is the policy of Tamalpais Community Services District to maintain a minimum operating reserve for all three of its departments for unforeseen situations that impact the District. TCSD will continue to maintain operating reserve funds to:

1. Stabilize the fiscal base by anticipating fluctuations in revenues and expenditures; and
2. Provide for non-recurring, unanticipated expenditures; and
3. Provide for innovative opportunities for the betterment of the community.

Every year, as part of the annual budget process, the Board will also approve the Five-Year CIP. The CIP will provide a proposed schedule of capital projects during the upcoming five years, however, the allocation and use of the capital reserves for those projects is part of the annual budget process. Therefore, the Board, along with approving the operating budget every year, will also approve the expenditures for Year 1 of the CIP.

Acceptable Uses of Reserves

Reserves are meant to address unexpected, nonrecurring costs. Reserves should not be used for recurring annual operating expenses. An exception is poor economic conditions or events that disrupt TCSDs revenues. In such cases, reserves may be used to provide short-term relief so that TCSD can restructure its operations in an orderly manner.

Operating Reserve

The Board shall establish operating reserve targets as follows:

- Wastewater operating reserve at the beginning of each fiscal year equal to eight (8) months of annual operating and maintenance costs, including debt service, of the wastewater utility.
- Solid Waste operating reserve at the beginning of each fiscal year equal to eight (8) months of annual operating and maintenance costs, including debt service, of the solid waste utility.
- Parks and Recreation operating reserve at the beginning of each fiscal year equal to eight months (8) of annual operating and maintenance costs.

Nothing in this policy shall prohibit the Board from maintaining a higher level of operating reserves than the established minimum of eight (8) months in any of the three departments.

Capital Reserve

Annually, during the budget adoption process, the Board of Directors shall approve the appropriate levels, amounts and uses for capital reserve funds based upon the needs of the District. Individual allocations are for the following purposes:

Wastewater PayGo Capital Allocation is intended to provide funding for multi-year rehabilitation projects to repair and/or replace gravity sewer lines, force mains, as well as pump stations and other wastewater infrastructure-related projects.

Vehicle Replacement Fund is to set aside funds to replace the TCSD vehicle fleet on a regular and scheduled basis. All three departments will have a vehicle replacement allocation to support replacing the vehicles in that department.

Facilities Fund is an allocation to repair and/or enhance the TCSD offices and shop building. Since all three departments utilize those facilities, all the departments will have this reserve fund.

Parks Facilities Fund is a reserve to rehabilitate and repair current TCSD park facilities.

Park Development Fund is an allocation to support the purchase and development of new park facilities.

The Board will allocate funds and specific amounts to the following individual capital reserve funds on annual basis as part of the budget approval process.

Wastewater Capital Reserve

PayGo Capital Projects

Facility Fund

Vehicle Replacement Fund

Solid Waste Capital Reserve

Facility Fund

Vehicle Replacement Fund

Parks and Recreation Capital Reserve

Facility Fund

Vehicle Replacement

Parks Facility Reserve

Park Development Fund

OPEB Trust Account

The Board shall approve annual deposits in an OPEB (Other Post-Employment Benefits) trust account to contribute to the annual GASB 75 OPEB Expense, less the benefits paid directly for the benefit of retirees. The individual funds of Wastewater, Solid Waste, and Parks and Recreation shall contribute their proportionate share based on the current eligible employees for that year.