
Castro Valley Sanitary District

POLICIES AND PROCEDURES MANUAL

POLICY TITLE: Reserve Fund Policy
POLICY NUMBER: 3036

3036.1 Policy Statement. The Castro Valley Sanitary District (CVSan) has established reserve fund accounts for planned and potential capital improvements to the wastewater treatment plant and collection system, administration and solid waste functions. These reserve accounts can be used to fund current and long-term programmatic goals, economic uncertainties and can be used to assist in rate stabilization. Reserve funds externally restricted by the grantor or regulation shall be considered “restricted” and will be expended only as designated; “committed” funds are the Castro Valley Sanitary District’s Board of Directors (Board’s) formal constraints on the use of CVSan funds; “assigned” funds are set aside for a particular purpose; all other “unassigned” funds will be expended in the best interest of CVSan.

3036.2 Purpose. The Purpose of the Reserve Fund Policy is to establish guidelines and consistency for the prudent accumulation and management of such reserves. The policy will provide guidelines for infrastructure planning and dissemination of information among policymakers, stakeholders and constituents. Reserve funds are to be accumulated and managed in the spirit of the CVSan’s Mission, Vision and Strategic Goals Statements and in accordance with established Generally Accepted Accounting Principles accounting guidelines and Federal, State and Local requirements.

3036.3 Scope.

3036.3.1 Reserve funds are grouped into five major categories. Revenue received will be assigned to the appropriate reserve as set forth in this policy.

3036.3.2 Wastewater.

3036.3.2.1 Reserve is used for current and long-term sanitary sewer collection system capital improvement programs. Programs include CVSan’s sanitary wastewater pipelines, pump stations, equipment, and materials. In addition, the Wastewater reserve is used for Oro Loma/Castro Valley Sanitary District Treatment Plant capital improvement and East Bay Dischargers Authority (EBDA) programs. Programs include capacity upgrades, facility enhancements due to regulatory requirements and other capital improvements.

3036.3.2.2 Reserve funds are collected from new sanitary sewer capacity fees (pursuant to SB1760 & Government Code Section 66013)

and funds not expended (net assets) during the previous fiscal year. The funds received from new sanitary sewer capacity fees are externally restricted for public facilities including sewer line, treatment, disposal and associated assets. However, funds placed in the reserve as net position from the previous fiscal year are assigned.

3036.4 Administration.

3036.4.1 Reserve is used for renewal and replacement of administrative facilities including but not limited to buildings, office furnishing and fixtures and office equipment. Reserve is also established for replacement of District office at 21040 Marshall Street when the useful life has been expended, estimated at forty (40) years, or for future facility acquisitions which may occur.

3036.4.2 Reserve funds are collected from share of countywide 1% tax apportionment, interest on investments of unassigned funds not expended in the previous fiscal year and a portion of funds collected from the Collection and Solid Waste departments.

3036.5 Solid Waste.

3036.5.1 Reserve is used for current and long-term departmental programs and regulatory solid waste service issues.

3036.5.2 Reserve funds are collected from solid waste contract administration fees, Alameda County Waste Reduction and Recycling Initiative (Measure D) and other state or local grant funds. Funds received from state and local grants are externally restricted. Funds received from Measure D can only be spent for landfill diversion through the continuation and expansion of municipal recycling programs and for nonresidential recycling programs. All other non-grant funds are considered to be committed to the reserve.

3036.5.3 Procedures for implementation of the Solid Waste reserves will be presented in CVSan's Policies and Procedures Manual.

3036.6 State Revolving Fund Loan Obligation.

3036.6.1 This fund is required by the State Water Resources Control Board, project 5351-110. A restricted reserve equal to one year's debt service for the State Revolving Fund loan is established and maintained, until the financing agreement is repaid in full in year 2033.

3036.7 Working Capital.

3036.7.1 This fund is made of the aggregate unrestricted reserves. It will target ten (10) months of budgeted operating expenses less the accumulated depreciation in March of each year.

3036.8 Evaluation.

3036.8.1 The Reserve Funds are to be evaluated regularly for efficient planning and response to CVSan conditions. Reserve Fund balances will be reviewed annually for the period ending on October 31. CVSan's Investment Policy will be reviewed in the first quarter of each calendar year. The minimum fund balance of all categories will be maintained at the level not less than the total operating expenses for the upcoming twelve (12) month period. Other factors will also be considered when establishing minimum fund balance levels. Strategic planning can help CVSan's Board anticipate and adapt to changing environmental, regulatory and demographic conditions.

3036.8.1 CVSan will communicate with customers, stakeholders and constituents its financial practices at least annually. This may be accomplished through the various media including electronic, website or social media and/or print materials such as newsletters, annual report or press releases or similar.

***** END OF POLICY *****