



## Reclamation District 150 (RD 150) County of Yolo

TITLE: POLICY ON CONTINGENCIES AND RESERVES	DEPARTMENT: ADMINISTRATION
TYPE: POLICY	DATE: September 13, 2021

### **PURPOSE**

This policy relates to the classification and use of the contingencies and reserves. They exist to support the district during unexpected revenue shortage or unplanned, necessary expenditures. This policy is intended to specify targets for the inflows and outflows of the financial reserves, including the quantity of resources to be held in reserves and conditions under which reserves may be used.

### **POLICY**

RD150 should strive to hold the following amount in contingencies and reserves.

1. At a minimum, an appropriation of contingencies equal to 2% of the overall budgeted expenditures as determined by the district should be included in the annual budget. Funds appropriated in the contingency shall not be used or transferred to any other expenditures account without prior approval of the district board.
2. The reserve will be equal to at least 15% of the budget (total expenditure). If the minimum reserve is not kept during the fiscal year, the District Coordinator and Financial Advisor will develop a plan to bring the reserve to the desired amount. This plan will be offered to the RD150 board for consideration. If the maximum reserve is exceeded during the fiscal year, RD150 may spend the excess reserves and will be treated as one-time revenue, and used to address unexpected, non-recurring costs. An exception is poor economic conditions or events that disrupt RD150's revenues. In such cases, reserves may be used to provide short-term relief so that RD150 can restructure its operations in an orderly manner. The board president may authorize the use of revenues for purposes consistent with this policy. If RD150 uses its reserves and those reserves are below the allowed maximum, then the District Coordinator and financial advisor will propose a plan for the replacement of the reserves. The RD150 board will review and approve the plan and try to replace the reserves within the minimum amount of time that is practical.
3. The adequacy of all contingencies and reserves should be reviewed annually as part of the annual update of the long-term financial plan or as part of the annual budget process.