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**EMERALD BAY SERVICE DISTRICT RESERVE POLICY**

**Purpose**

The Emerald Bay Service District (the District) shall maintain reserve funds. This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships including loss of significant revenue sources such as property tax receipts.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Cash flow requirements.

**Policy**

**Operating Reserves**

The minimum amount of operating reserves will equal six months of operating expenses. The maximum amount of operating reserves will equal eight months of operating expenses.

**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 Annual Budget.

**Capital Reserves**

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

## **Emergency/Contingency Reserves**

The Board of Directors will authorize use of the Emergency Contingency Reserves in the event of a natural disaster, economic downturn or any other event that the Board deems to be a qualifying situation in which the use of emergency or contingency reserves is necessary.

## **Procedure for Monitoring Reserve Levels**

The General Manager shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

- Board of Directors' deliberation of the annual budget;
- When a major change in conditions threatens the reserve levels established within this policy.

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

- 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 and maximum levels prescribed.