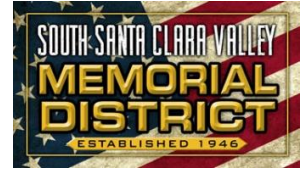




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## **Policy and Procedure Manual**

**Policy Title:** Reserve Fund Policy

**Date Approved:** 2014

**Date Revised:** April 19, 2021

### **Purpose**

A Reserve Fund is a savings account or other highly liquid asset set aside by the South Santa Clara Valley Memorial District to meet any future costs or financial obligations, especially those arising unexpectedly. The Fund will help ensure the long-term ability of the District to meet its mission through prudent financial planning.

The District will maintain the reserve to achieve the following objectives:

- To create an internal line of credit to manage cash flow and maintain financial flexibility.
- To enable the District to sustain operations through either delays in payments of committed funding or in the case of an emergency.
- To pay for one-time, nonrecurring expenses such as capital improvements.
- To strengthen the financial stability of the agency against present and future uncertainties in an ever-changing environment.

### **Policy**

#### **General Fund Reserve Policy**

The General Fund is the main operating fund that pays for the District's operating costs. The General Fund also accounts for all the general revenues of the District. The District's General Reserve Fund will be comprised of two separate Reserves: Emergency Reserve and Capital Improvement Reserve. These Reserves will be considered together when calculating the total General Fund Reserve balance.

The amount equivalent to six months of the budgeted expenditures for the current fiscal year (50%) is to be retained in the General Fund Reserve for specific uses defined as an emergency and capital improvements. This reserve may be changed or expended by a two-thirds vote of a quorum of the District Board of Directors.

In addition, any excess funds as determined by the Article XIII B of the State Constitution, commonly known as the Gann Initiative, will automatically be appropriated to the Capital Improvement Reserve and spent within the next year.

### *Emergency Reserve*

The purpose of an Emergency Reserve is to improve financial security by creating a safety net that can be used to meet emergency expenses. An Emergency Reserve will be maintained for the purpose of sustaining the General Fund operations in the case of economic uncertainty, declaration of a local, state or federal emergency/disaster or any other emergency expenditure deemed appropriate by the District Board of Directors.

### *Capital Improvement Reserve*

The purpose of Capital Improvement Reserve is to hold funds that are intended for general use on Capital projects. The funds come from contributions from other agencies or individuals or from funds that were budgeted on capital projects in prior years, but unspent.

### *ERAF Funds Reserve*

The purpose of ERAF Funds Reserve is to protect the District against the annual adjustments in the calculation of ERAF for the County of Santa Clara. As of Sept. 2023 the County is suggesting a 22% increase of the distribution. This percentage may fluctuate each year.

The calculation as of Sept. 13, 2023 is as follows:

FY20-21 Actual Distribution	\$8,421
FY21-22 Actual Distribution	\$9,889
FY22-23 Actual Distribution	\$9,586
<u>FY23-24 Estimated Distribution</u>	<u>\$10,000</u>
Subtotal	\$37,896
Estimated at-risk %	<u>22%</u>

Estimated at-risk amount  
up to FY23-24 (Rounded to '000)      **\$9,000**

\*Original 2014

\*Revised 4/19/21 Remove Election Cost Reserve, Add Gann Initiative Procedure

\*Revised 9/18/23 Added ERAF Funds