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## **Financial Reserve Policy**

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### **1.0 PURPOSE**

As of August 2013, the Authority had an unrestricted reserve fund of approximately \$26.2 million from the discontinued District 2 assessment. The Authority has prudently allocated the District 2 assessment to important capital and acquisition projects. As a result of ongoing planning efforts the Authority expects that the reserve funds will be reduced with significant acquisitions, improvements and programs, therefore, prudent fiscal management of the Authority requires that reserve funds be maintained to meet the Authority’s annual operating expenses.

It is in the best interest of the Authority to establish dedicated and restricted reserve funds and to implement a formal policy regarding the use of such reserve funds. To establish the Operating Reserve Fund, the Board dedicated \$14 million for two years of operating expenses to ensure the continued strength and seamless operation of the Authority. The balance of the unrestricted reserve fund shall be allocated to other reserve funds.

### **2.0 REVISION HISTORY**

<b>Date</b>	<b>Revision</b>	<b>Modification</b>
8/22/2013	00	Board Approval of New Financial Reserve Policy
4/27/2017	01	Board Approval of Updated Financial Reserve Policy

### **3.0 PERSONS AFFECTED/RESPONSIBLE**

- Board of Directors
- General Manager

### **4.0 POLICY**

The Board hereby designates reserve funds as follows:

- 1) An Operating Reserve Fund for two years of anticipated operating expenses.
- 2) A Capital Reserve Fund for acquisition and capital improvement projects.
- 3) A Conservation Stewardship Reserve Fund for stewardship and legal defense of the Authority’s preserves and conservation easements.

## **Santa Clara Valley Open Space Authority**

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All Authority funds in the Operating Reserve Fund, the Capital Reserve Fund, and the Conservation Stewardship Reserve Fund will be held in accordance with the Authority's Investment Policy and state law.

At the end of each fiscal year, the Board will review the Operating Reserve Fund, the Capital Reserve Fund, and the Conservation Stewardship Reserve Fund to ensure funding is adequate to meet the projected needs of the Authority, and that these funds are adjusted as necessary based on the operational surplus or deficit at the conclusion of each fiscal year.