

Cayucos Sanitary District

POLICY HANDBOOK

Financial Management

POLICY TITLE: Reserves Policy
POLICY NUMBER: 4205
ADOPTION DATE: September 17, 2026

4205.1 Policy

This policy describes the Board of Directors' intention to establish and maintain reserves sufficient for responsible financial planning and ongoing fiscal health. This policy is intended to be a companion to the District's Investment Policy §4160.

4205.2 Purpose

The purpose of this policy is to ensure that the District will always have sufficient funding available to meet its operating, capital, and debt service obligations. This policy outlines the minimum cash reserves needed to prepare for planned and unplanned expenses and to ensure equity between current and future ratepayers.

4205.3 General Reserve

The District will strive to retain a fund balance equal to twenty-five percent (25%) of the operating budget as a reserve for economic uncertainties. The reserve balance shall be used to pay for current liabilities if current revenue is insufficient to meet obligations.

4205.4 Capital Improvement Project Emergency Reserve

The District will strive to retain a fund balance equal to twenty-five percent (25%) of the operating budget. These funds shall be saved to fund unexpected costs arising from emergencies and other contingencies that may arise outside of the normal budgeting process.

4205.5 Specific Purpose Reserves

The District may establish and fund other specific purpose reserves as needed. Such reserves may include infrastructure reserves to accumulate capital for the purchase, construction, or maintenance of property; equipment reserves for the purchase or maintenance of equipment; or any other specific purpose the Board of Directors designates as prudent to the mission of the District.