



Finance Committee Staff Report

MEETING DATE: 11/08/2023
PRESENTED BY: Anne Roman, Director of Finance
TOPIC: **RESERVE FUNDING TRANSFERS FOR FISCAL YEAR 2022/23**
RECOMMENDATION: Review, ask questions, and refer to Board for approval

ANALYSIS:

The current Reserve Fund Policy indicates, “[t]he Board shall approve any reallocation of funds, transfers among reserve funds, or action that is inconsistent with this policy.” *Although reserve use is initially proposed and approved with the budget process, actual needs/proposed use will fluctuate from the budget depending upon several factors, such as:*

- Budgeted project costs may transform over time, adding or removing components in the interest of meeting certain timelines or saving money.
- The District does not encumber or set aside reserve funding specifically for each budgeted project (with exception of project-specific reserve funds like meter replacement). We are currently using a first-come, first-served basis for reserve funding of projects.
- An in-progress project may receive reserve funding in one fiscal year, yet funds could be depleted before the project is completed in the next fiscal year.

LAIF reserve fund transfers are typically made once per year, except legally restricted reserves which are adjusted as the legal need arises. Since most project costs are reconciled as part of the audit process in late summer/early fall, the annual reserve fund transfer is generally delayed into the subsequent fiscal year. The transfers proposed herein are made only among Board-designated reserve funds, which does not impact any of the legally restricted reserve balances or the restricted vs. unrestricted audit balances.

For fiscal year 22/23, the proposed transfer of reserve funding for USAGE is:

- **\$2,032,957** FROM individual LAIF reserve funds TO the LAIF-Cash Flow Reserve. This is detailed in Column 3 “**Less: USAGE**” of the attached Table 1.

