

POLICY AND PROCEDURE MANUAL FINANCIAL AND ACCOUNTING PROCEDURES

F. CONTINGENCY FUND

LAFCo may establish a Contingency Reserve Fund to cover emergencies and other unforeseen costs not budgeted but deemed necessary for the continued operation of LAFCo. Expenditure of Contingency Funds must receive prior approval of the Commission. Funds not expended at the end of the fiscal year shall be carried over to the next fiscal year.

There are four categories that Contingency Reserve Funds are budgeted within each fiscal year budget. These categories are:

- 1) **Litigation** – restricted funds for use in the event of significant legal costs or lawsuits involving SJLAFCo. This fund shall have a minimum balance of \$150,000.00.
- 2) **Compensated absences liability** -- restricted funds to offset anticipated agency liabilities including employee vacation and administrative leave payouts. Minimum balance to be 75% of eligible total pay-out liability. Total eligible leave pay-out is two weeks (80 hours) per fiscal year.
- 3) **Pension/OPEB liabilities** -- restricted funds for the purposes of achieving and maintaining a reasonable amount of reserve funds for covering future pension/OPEB obligations. The minimum balance of pension liability shall be determined by the retirement system that the Commission participates in, currently the San Joaquin County Employee Retirement Agency (SJCERA). The Commission may make contributions above current minimums with the intention of paying down OPEB liabilities.
- 4) **Working Capital** – unrestricted funds the purpose and objective of which shall be to meet needs associated with planned and unplanned non-recurring expenses such as those that may be necessary to assist with operational fluctuations in revenues; expenses that may occur on a year-to-year basis; one-time investments in either programs and/or grant expenses; and reimbursement of expenses incurred by other reserve categories to ensure minimum balances are maintained.

The Executive Officer to report on the status of each category of Contingency Reserve Funds as part of mid-year and annual budget preparation and review processes.