



# COUNTY OF INYO

## GENERAL RESERVE, ECONOMIC STABILIZATION FUND AND LONG-TERM FINANCING MANAGEMENT POLICIES

### PURPOSE

This policy establishes the rules for the General Reserve, the Economic Stabilization Fund and Long-Term Financing Management

### GENERAL RESERVE

1. The County should maintain an annual General Fund Reserve level of at least 3% to total current fiscal year General Fund expenditures in order to be able to adequately address unexpected emergency revenue shortfalls and/or expenditure requirements. This reserve level would enable the County (a) to maintain during any given fiscal year a stable level of services and balanced budget, and (b) to have the ability to absorb most emergency revenue shortfalls and unexpected requirements while preparing long-term solutions to such, including the replenishment of the reserve.
2. Use of the Reserve is governed by Government Code Section 29127. General Reserve Funds will be used only when a resolution required by Government Code Section 29127 is passed by a 4/5's vote of the Board of Supervisors.
3. The Reserve will only be used when the County has exhausted other financial resources, and as allowed by Government Code Section 29127 for unforeseen financial emergencies, natural disasters, major unforeseen expenditures, or to permit the essential continuity of current year public services funded by the County.
4. If used, the Reserve must be replenished as soon as possible and/or become the first priority of the County budget in the subsequent fiscal year.



## ECONOMIC STABILIZATION FUND

1. County will maintain this designated Fund to be used for unexpected decreases in revenues and/or increases in expenditures which cannot be absorbed with the existing County budget appropriated for that fiscal year, including any appropriation for contingency funds.
2. This Fund will be used to allow for orderly adjustments to uncontrollable changes to the County's financial status and will be used before the General Reserve.
3. The Inyo County Auditor-Controller is authorized to use this Fund to loan cash to other County program (grants, Teeter, etc.). Loans from the Economic Stabilization fund for this purpose will be made before the Auditor-Controller makes loans from the County General Fund. Any loans made by the Auditor-Controller from this Fund will be subject to the following conditions:
  - a. The loans must be repaid by the end of the fiscal year in which the loan is made;
  - b. The loans will only be made to County programs to the extent necessary to fund their expenditures as approved in the annual County Budget; and
  - c. The Auditor-Controller may borrow cash from this Fund not to exceed 80%.
4. Except for loans made from the Fund by the Auditor-Controller, as authorized in paragraph 3 above, the use of the Fund shall be authorized only by a 4/5's vote of the Board of Supervisors as required by Government Code Section 29130.
5. To the extent possible, approximately \$1 million will be maintained in this Fund at all times.

## LONG-TERM FINANCING MANAGEMENT

The following definitions apply:

- *"Long Term" refers to the period of time extending beyond one fiscal year.*
- *"Financing" refers to instruments, such as Certificates of Participation, General Obligation Bonds (GOB), Tax and Revenue Anticipation Notes (TRAN), and Lease Purchases Agreements.*
- *"Proceeds" refers to monies accruing to the County as a direct result of financing.*



1. Use of proceeds will be restricted to the specific purposes identified at the time of the original financing.
2. Proceeds from long-term financing will not be used for current ongoing operations.
3. Revenue sources sufficient to cover the financing will be identified for repayment.
4. The debt service on all financing will be considered as an annual budget priority.
5. Long-term financing will be confined to definable capital improvement projects, equipment and/or long-term financial obligations of the County (i.e. pensions) for which costs are too large to be funded with current revenues. The capital improvements and their expected costs will be clearly identified as to the purpose of the financing before the obligation for which the financing is incurred. Financing obtained will not be used for any purpose other than the defined capital improvement.
6. The term of any debt service schedule resulting from any financing will not exceed the useful life of the capital project, improvement and/or equipment of financial obligation for which the financing was intended.
7. Communication with rating agencies (i.e., Moody's, Standard & Poors) will be maintained, and a policy of full disclosure on every financial report and bond prospectus will be followed pursuant to the law.
8. Total annual principal and interest payments for long-term financing will not exceed 5 to 7 percent of the County's General Fund estimated revenues.
9. A project team will be formed by the County Administrator to oversee financing of each individual project. The team will meet at least monthly during the construction phase and periodically thereafter until the project(s) is completed. The team will also prepare at minimum two annual reports to the Financial Advisory Committee on the project(s).