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|  | Travis County Emergency Service District 4 District Policies & Procedures | |
| | A. 104- Reserve Account | Effective date: March 2019 |

Purpose

To establish the District’s policy and procedures regarding the creation and utilization of a Reserve Funds Account.

Background

An Emergency Service District’s (ESD) ability to funds its mission can be curtailed by many factors: Changes to state law, downturn in the local economy, annexation or a sudden change in the cost charged by its service providers. Weathering such a dramatic shortfall could take months or years and would require “rainy day” funding to survive.

State law does not mandate that an ESD must expend all its funds in one fiscal year. In fact, it is a recommended practice to budget for a contingency or reserve fund. This is prudent in the event of emergency or unanticipated situations. The minimum recommended reserve is 10% percent of the annual budget, although most auditors and vendors will desire a reserve of 3-6 months of operating expense.¹

The District’s contract for service with the City of Austin requires that at the end of the fiscal year, all Public Funds in excess of 10% of the upcoming year’s budget expenditures will be transferred to a Reserve Account.²

Policy

The District will maintain an un-restricted Reserve Account. This account will be funded by un-used revenue at the end of each fiscal year. This account will not be encumbered through

¹ SAFE-D ESD Handbook, 2017

² Exhibit A, Cost Model. Contract for Service, 2017

the annual operating budget process, nor will the Reserve Account fund scheduled Capital Improvements.

It is the goal of the Board to maintain a balance of one year(s) operating expenses in the Reserve Account. The Reserve Account is to be used for severe financial downfalls or a situation of dire fiscal challenges. Transfers and expenditures out of the Reserve Account require the express approval of the Board.

Procedure

- A) When closing the accounts at the end of the year in September, un-used revenue that is greater than 10% of the next-year's budget will be transferred into the Reserve Account.
- B) The Board may approve larger transfers, or may deposit funds at other times during the year.
- C) Withdrawals from the account will be in the form of a transfer into the Checking Account for immediate expenditure.
- D) All withdrawals require Board approval.