



FAIRFIELD-SUISUN SEWER DISTRICT

1010 Chadbourne Road • Fairfield, California 94534 • (707) 429-8930 • www.FairfieldSuisunSewer.ca.gov

POLICY		
Policy Number	2150	Adopted: January 26, 2026 Res No. 2026-01
Type of Policy	2000 - Finance and Administration	
Policy Title	Financial Reserves	
Policy Description	Reviews the type and target level of various District reserves	

1. Purpose

The purpose of this Financial Reserves Policy (“Policy”) is to provide guidelines to the officers of the Fairfield-Suisun Sewer District (“District”) charged with the responsibility for maintaining and reviewing the District’s reserves.

2. General Policy

The purpose of this Financial Reserves Policy (“Policy”) is to provide guidelines to the officers of the Fairfield-Suisun Sewer District (“District”) charged with the responsibility for maintaining and reviewing the District’s reserves.

3. Types of Reserves

3.1 Operations Fund Reserves

- *Operating Reserve*

The Operating Reserve is maintained in order to meet the liquidity and cash flow needs for the District’s day-to-day operations. This reserve ensures continuity of service regardless of short-term changes in cash flow or sudden increases in operating costs.

The District will maintain an operating reserve equal to 25 percent of the Operations budget, which represents the minimum reserve level. The Operations budget is defined as expenses not related to debt service, Major Maintenance or the Capital Improvement Program.

- *Major Maintenance and Capital Improvement Program Reserve*

This Major Maintenance Reserve is intended to be used for both (a) catastrophic failure of critical infrastructure and (b) managing the inherent volatility of capital spending needs.

Because Major Maintenance and Capital Improvement Program spending is inherently volatile, the District will maintain a target reserve level equal to 100 percent of the five-year average of annual Major Maintenance and Capital Improvement Program spending (rolling average).

- *Collection System Rehabilitation & Replacement (R&R) Reserve*

The District will maintain two reserves for Collection System Rehabilitation and Replacement (R&R) as defined in the 1965 Agreement, as amended. A Collection System R&R reserve shall be maintained for the City of Fairfield, and the City of Suisun City as calculated by the Collection System Asset Management Plan.

To the extent all Operations Fund reserve targets are met, the District will pre-fund the Collection System R&R reserves for the cities at the beginning of the fiscal year. Prior to every fiscal year, each City will budget their anticipated expenditures for Collection System R&R for the upcoming fiscal year. This amount will be included in the District's budget and presented to the District's Board of Directors for approval.

The budgeted amount will be transferred from each City's Collection System R&R Reserve Fund to each City's collection system enterprise fund by August 1 of each year. Overspent or underspend funds from one year will be "trued up" in the next fiscal year.

Although the Collection System Rehabilitation & Replacements reserves are funded from Sewer Service Charges in the Operations Fund, the reserves for the City of Fairfield and City of Suisun City will be maintained in separate funds.

- *Debt Service Reserve*

The District will maintain a reserve equal to one year of debt service based on current loans covenants for existing State Revolving Fund (SRF) loans. Should the District issue any additional debt, the Debt Service Reserve will represent the requirements of all debt service.

3.2 Sewer Capacity Charge Reserves

- *Sewer Capacity Charge Reserves*

The District will maintain Sewer Capacity Charge reserves as follows:

- All revenue collected prior to July 1, 2022 will remain reserved for growth related projects.
- Revenue collected after July 1, 2022 can be used for rehabilitation and repair projects identified in the Major Maintenance and Capital Improvement Program Budget, and is no longer restricted for only growth-related projects.

3.3 Drainage Maintenance Fund Reserves

- *Drainage Maintenance Reserves*
Within the Drainage Maintenance Fund, the District shall maintain three separate reserves:
 - Operations Reserve – The District will maintain a minimum reserve of 10 percent of average annual Drainage Maintenance revenues. If the Operating Reserve target is met, additional net revenues should be allocated to the Drainage Maintenance and Capital Improvement Program Reserve unless there are anticipated operating impacts that need to be mitigated above the target Operating Reserve.
 - Major Maintenance Reserve – The District will maintain a minimum reserve of 25 percent of average annual Drainage Maintenance revenues.
 - Desilting Reserve – Annually the District will transfer \$30,500 to a Desilting Reserve for the ongoing maintenance dredging of the Suisun City Marina Village Channel Improvements, payable upon the Suisun City's request.

3.4 Solano Stormwater Alliance Reserve

- *Solano Stormwater Alliance Reserve*
While acting as the Fiscal Agent for the Solano Stormwater Alliance, the District shall maintain a reserve in accordance with the Agreement Providing for Implementation of the Solano Stormwater Alliance (Agreement) and any subsequent Amendments. In accordance with Amendment No. 1:

Recognizing that expenses do not always happen within the budget year, the Program may end up with unspent funds by the end of the fiscal year. The Program will hold an Operating Reserve of 90 days (25%) of the Operating budget. Each July, the Fiscal Agent will review unspent funds from the prior budget year. Unless the PARTIES authorize the Program to carry reserve funds greater than the Operating Reserve, unspent proceeds above the Operating Reserve will be credited back to each PARTY's current annual contribution based on their cost allocation in Exhibit A (of the Agreement).

4. Procedures

The General Manager, or their designee, is responsible for managing reserves in accordance with this policy. The Board of Directors may authorize use of reserves in accordance with applicable District policies and procedures.

FAIRFIELD-SUISUN SEWER DISTRICT
RESOLUTION NO. 2026-01

A RESOLUTION RE-ADOPTING POLICY 2150, FINANCIAL RESERVES

WHEREAS, the Fairfield-Suisun Sewer District has previously adopted Policy 2150, Financial Reserves, to capture reserve definitions, requirements, and targets in one policy; and,

WHEREAS, the Fairfield-Suisun Sewer District is the Fiscal Agent for the Solano Stormwater Alliance; and,

WHEREAS, the parties of the Solano Stormwater Alliance recently approved Amendment No. 1 to the Agreement Providing for the Implementation of the Solano Stormwater Alliance, which included a reserve target; and,


WHEREAS, the Fairfield-Suisun Sewer District wishes to capture all requirements for District-held reserves in one policy.

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF THE FAIRFIELD-SUISUN SEWER DISTRICT THAT:

1. The District hereby re-adopts Policy 2150, Financial Reserves, as revised.
2. This Resolution supersedes and replaces Resolution No. 2022-12, A Resolution Adopting A Financial Reserve Policy, in its entirety.
3. The General Manager is authorized and directed to take all steps necessary and proper to implement this resolution.

PASSED AND ADOPTED this 26th day of January 2026, by the following vote:

AYES:	Directors	<u>Carl-Dawson-Hernandez-Moy-Pal-Panduro Shepherd-Tonnesen-Washington-Williams</u>
NOES:	Directors	<u>None</u>
ABSTAIN:	Directors	<u>None</u>
ABSENT:	Directors	<u>Carr</u>



President

ATTEST:



District Clerk