



**California Special
Districts Association**
Districts Stronger Together



CA SPECIAL DISTRICTS FACT SHEET

Delivering Communities' Core Services

PRUDENT RESERVES FOR A SUSTAINABLE BUDGET

- For countless families, saving is common-sense—something we all wish our government had more of. Reserves are not just money in a bank; they are fundamental resources for ensuring safe and reliable core services.
- Special districts designate money toward savings in order to respond to emergencies, keep rates affordable, maintain existing infrastructure and plan for future job-creating public works projects:
 - *Emergency Preparation:* In the event of a natural disaster, communities can't afford not to have the savings readily available to quickly repair critical local infrastructure.
 - *Affordable Rates:* Government shouldn't spend everything it gets and then turn to taxpayers and ratepayers at the first sign costs have gone up or revenue has gone down. With appropriate savings, special districts strive to use resources wisely and smooth out the highs and the lows.
 - *Infrastructure Maintenance:* Through savings, special districts fix the pipes, patch the roofs and replace worn equipment because it would be mismanagement to depend on borrowing to make routine repairs. It's just good business.
 - *Planning for the Future:* A long-term, thoughtful approach to public infrastructure requires the foresight to plan for and discipline to save for future needs. Special districts are uniquely equipped to excel at these practices.
- Not all "retained earnings," "fund balances" or "net assets" are liquid reserves, and reserves are rarely unallocated—rather they are "designated" or "restricted:"
 - *Retained earnings, fund balances, and net assets* don't just include cash and investments, but also the net value of capital facilities, land and equipment measured from the very inception of the district.
 - *Designated funds* are set aside via established policies for specific uses such as cash-flow, capital improvements, contingencies, and rate stabilization.
 - *Restricted funds* are limited by legal or contractual requirements, or cannot otherwise be spent.
- Historically, governmental agencies and departments have been known to spend everything they have before the end of the fiscal year in order to justify increased future allocations from their larger bureaucracy. Special districts are different because they empower core local service providers with budgetary control, encouraging efficiency and fiscal restraint rather than punishing it.
- CSDA formed a task force in 2001 to identify both the essential elements of a reserve policy and the issues to be discussed during policy development in order to assist districts in fulfilling their commitment to provide cost-effective and efficient public services for the communities they serve. These guidelines are available at www.csda.net.

For more information please visit www.csda.net.