



SANTA YNEZ COMMUNITY SERVICES DISTRICT
MEMORANDUM

TO: Board of Directors

FROM: Alexandra Griffith, General Manager
Alicia Marin, Office Manager/Board Secretary

DATE: September 16, 2026

SUBJECT: Review of Reserve Policy and Annual Update on District Reserve Funds

Recommendation:

No Board action is required.

This memorandum is provided for informational purposes and to fulfill the annual reporting requirements established by the District Reserve Policy, adopted through Resolution No. 15-01.

Policy Implications:

The Reserve Policy requires the Board of Directors to annually review both the policy and the reserve levels maintained in each fund. The Policy also requires the District, within 180 days following the close of each fiscal year, to make available to the public information regarding the balance of the Future Capacity Reserve in accordance with Government Code Section 66013(d).

Fiscal Implications:

The Reserve Policy establishes findings and maintenance requirements for each enterprise fund and reserve identified in the Policy.

Alternatives Considered:

None.

Discussion:

The District Reserve Policy and reserve fund balances were last reviewed by the Board of Directors on August 20, 2025.

Attachment 1 provides a summary of the District fund and reserve balances as of the close of Fiscal Year 2025-2026. The balances are presented in the same order as they appear in the Reserve Policy: Enterprise Fund, Operating

Reserve, Fund/Replace/Expansion Reserve, Building Reserve, Future Capacity Reserve, and Street Light Reserve.

Attachments:

1. Enterprise Fund and Reserve Balances Summary
2. Resolution No. 15-01

Reserve Funds - Calculations and Analysis

Per Current District Reserve Resolution 15-01

	Fund Balance as of July 1						Notes
Order of Funding	2015	2021	2023	2024	2025	2026	Funding per Policy
Enterprise Fund (Banks, CDs, LAIF)	\$2,671,400	\$5,076,918	\$5,880,660	\$6,534,924	\$6,984,850	\$7,368,641	Funded by sewer service charges, property taxes, interest, inspection fees, sewer benefit fees, & misc. income
Operating Reserve (six months of total operating expenses)	\$643,000	\$709,284	\$937,300	\$959,000	\$1,024,500	\$916,500	Funded by surplus of the Enterprise Fund
Fund/ Replace/ Expansion Reserve Projects, Vehicles & Equipment	\$2,028,400	\$4,367,634	\$4,943,360	\$5,575,924	\$5,960,350	\$6,452,141	Funded from enterprise fund and annexation fees
Building Fund Reserve	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	Sub- reserve account within the Fund/ Replace/ Expansion Reserve
Fund/ Replace/ Expansion Reserve Projects, Vehicles & Equipment	\$1,888,400	\$4,227,634	\$4,803,360	\$5,435,924	\$5,820,350	\$6,312,141	Fund/ Replace/ Expansion Reserve minus Building Fund Reserve
Future Capacity Reserve (to purchase an additional 10% capacity of Solvang's WWTP)	\$770,000	\$978,076	\$880,000	\$978,140	\$978,140	\$978,140	Funded from Enterprise Fund & connection fees Calculated per gallon rate based on Solvang's <i>Wastewater Connection Rate for a single-family residence with a 3/4" meter</i>
Street Light Reserve (increases \$4000/year via property tax revenue)	\$20,000	\$45,338	\$50,000	\$54,000	\$58,000	\$62,000	Funded by property taxes after street light expenses are paid
Fund/ Replace/ Expansion Reserve Balance (minus reserves listed above)	\$1,098,400	\$3,204,220	\$3,873,360	\$4,403,784	\$4,784,210	\$5,272,001	Enhance, replace, and expand the facilities of the District or Solvang.
Horizon Drive Fund	0	\$140,000	\$129,292	\$129,292	\$138,821	\$144,559	Funds remaining from the Horizon Drive Project - should be closed

RESOLUTION NO. 15-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA YNEZ COMMUNITY SERVICES DISTRICT REGARDING ENTERPRISE FUND, OPERATING RESERVE, FUND/REPLACE/EXPANSION RESERVE, FUTURE CAPACITY RESERVE AND STREET LIGHT RESERVE

WHEREAS, on June 15, 2011, the Board of Directors of the Santa Ynez Community Services District (the "District") adopted Resolution No. 11-04 setting forth certain findings relating to the maintenance of the District's Enterprise Fund, Operating Reserve, Repair/Replacement Reserve, Building Reserve, Future Capacity Reserve and Street Light Reserve; and

WHEREAS, the District's Board of Directors desires to replace the findings set forth in Resolution No. 11-04 to address the funding of each reserve category.

NOW, THEREFORE, the Board of Directors of the District does hereby adopt the following findings to supersede and replace the findings set forth in Resolution No. 11-04 and fund the Reserve accounts in the order that they are listed:

1. The Enterprise Fund is established to provide for the receipt of revenues and the payment of expenses. All revenues are received from sewer service charges, property taxes, interest, inspection fees, sewer benefit fees, and miscellaneous income. The expenses to be paid from the Enterprise Fund are costs associated with the operation, maintenance and repair of the sewage collection, treatment and disposal facilities owned or utilized by the District and to fund District reserves or other reasonable expenses allowed by statute.
2. The Operating Reserve is established to fund six months of operating expenses. The revenues are received from operating surplus of the Enterprise Fund. If the balance exceeds eight months of operating budgeted expense, the difference will be transferred to the Fund/Replace/Expansion Reserve. The adoption of the annual budget shall be evidence of the District's determination that the funds contained in the Operating Reserve do not exceed an amount which is necessary to fulfill the purposes for which the Operating Reserve has been established and may enable the District to avoid adverse financial impacts in the future.
3. The Fund/Replace/Expansion Reserve is established to fund the enhancement, replacement and/or expansion of the District's owned/non-owned facilities. The revenues are received from the Enterprise Fund after the Operating Reserve and the Building Reserve have received adequate funding and from annexation fees. Contributions to the Fund/Replace/Expansion Reserve will be in-lieu of funding depreciation. The Board has established a sub-category for the Building Reserve, and the Building Reserve should be maintained at a minimum \$140,000.00.

4. The Future Capacity Reserve is established to fund the purchase of capacity in the City of Solvang's wastewater treatment plant. The revenues are received from the Enterprise Fund and connection fees. A balance will be held in the reserve to purchase 10%, currently 30,000 gpd of additional capacity in the Solvang wastewater treatment plant. The price per gallon of additional capacity is the current book value of plant divided by total plant capacity (1.5 million gpd). The current price per gallon times the 10% of additional capacity in gallons equals the funding needed in reserve. Within 180 days after the end of the fiscal year, the District shall make available to the public information regarding the balance in the Future Capacity Reserve as required by Government Code Section 66013(d), as said section may be amended from time to time.
5. The Street Light Reserve is established to fund future street light projects. The revenues are received from the portion of the District's property taxes allocated to street lights after payment of any street light expense.
6. The Board of Directors shall review the Reserve Policy and the level of reserves in each fund on an annual basis.
7. Resolution No. 11-04 is hereby superseded and replaced by this Resolution 15-01.

PASSED AND ADOPTED this 21st day of January, 2015, by the following vote of the Board of Directors of the Santa Ynez Community Services District:

AYES: Marks, Maler, Seymour, Daugherty, Higgins

NOES:

ABSENT:

ABSTAINED:

Barry Marks, President of the Board

ATTEST:

Wendy Berry, Secretary of the Board