

MINUTES OF A MEETING OF THE FINANCE COMMITTEE OF THE PLEASURE DRIVEWAY AND PARK DISTRICT OF PEORIA, ILLINOIS HELD AT 5:00 PM ON WEDNESDAY, OCTOBER 4, 2023 AT THE PEORIA ZOO TROPICS CLASSROOM 2320 N PROSPECT AVENUE, PEORIA IL

MEMBERS PRESENT: Trustee and Chair Timothy Bertschy, Trustee Reagan Leslie Hill, Trustee Steve Montez (arrived at 5:11 pm), and Executive Director Emily Cahill

MEMBERS ABSENT: None

TRUSTEES PRESENT: Trustees Timothy Bertschy, Joyce Harant, Reagan Leslie Hill, Steve Montez, Vice President Laurie Covington, and President Robert Johnson

STAFF PRESENT: Executive Director Emily Cahill, Brent Wheeler, Matt Freeman, Becky Fredrickson, Chief Todd Green, Scott Loftus, Karrie Ross, Willie Howe, Attorney Kevin Day, Greg Walker, and Alicia Woodworth

OTHERS PRESENT: None

1. CALL TO ORDER

Trustee Bertschy presided and called the meeting to order at 5:10 pm.

2. ROLL CALL

3. CALL FOR A MOTION TO PERMIT MEMBER TO ATTEND MEETING REMOTELY

No request to attend meeting electronically was received.

4. MINUTES

4.A. Approval of September 13, 2023 Finance Committee Meeting Minutes

Trustee Hill MOVED TO APPROVE the minutes of the September 13, 2023 Finance Committee meeting. Motion seconded by Executive Director Cahill and carried on the following roll call vote: Trustee Bertschy, Trustee Hill, and Executive Director Cahill (Results: 3 Ayes; 0 Nays).

5. NEW BUSINESS

5.A. Review of Accounts Payable

The Finance Committee members confirmed they had reviewed the current listing of accounts payable and bills and had no questions or comments. Trustee Hill MOVED TO RECOMMEND the accounts payable and bills be presented to the full Board for approval and payment. Motion seconded by Executive Director Cahill and carried on the following roll call vote: Trustee Bertschy, Trustee Hill, Trustee Montez, and Executive Director Cahill (Results: 4 Ayes; 0 Nays).

5.B. Budget and Fund Balance Review Per Fund Balance and Reserve Policy

Karrie Ross stated that per Section 8.04 of the Fund Balance & Reserve Policy (full policy attached as Attachment A for reference). Staff has compiled the 2023 revised budget, and management has prepared the attached reports relative to the Finance Committee's review. *Please see Attachment A.*

Fund balances and parameters established within this policy will be assessed and addressed as part of the annual budget process. Procedurally, during the budget process, the finance committee will review, and make recommendations to the full board regarding each fund's revised budget, interfund loan balance(s), and projected reserve balance for the current fiscal year. The finance committee will assess:

- a) Whether interfund loan(s) are complying with timely repayment, and if not, whether the terms of the interfund loan(s) require restructure and/or forgiveness. Should interfund loans/transfers be required in more than two consecutive fiscal years, the Executive Director and Superintendent of Finance, with input from relevant staff, will provide a recommendation for board consideration regarding any material changes in operations that may need to be considered to ensure responsible financial stewardship of public dollars utilized by the fund in question.

Karrie Ross stated that at the close of August 2023, the RiverFront and RiverPlex Funds are the only funds that have interfund loans. It is not projected that an interfund loan will be required for any other funds for the remainder of the year. In regards to the RiverFront Fund interfund loan, is primarily due to its cash flow required an influx of cash from the General Fund, because they have been cash flowing the DCCEO program grant for Park-A-Palooza and DCCEO festival grant, of which the funds from DCCEO have not yet been received. Once those funds are received and the interfund loan is paid, it is anticipated that the RiverFront Fund will end 2023 with a surplus of approximately \$77,500. It is believed that the interfund loan is not a performance issue of the RiverFront Fund, but a timing/cash flow issue.

In regards to the RiverPlex Fund interfund loan, Karrie Ross stated that the RiverPlex Fund currently has an interfund loan and has had one all year. In 2022, the loan balance went from \$150,000 to \$300,000, with their operating loss being \$312,000 for 2022. In 2023, based on the submitted 2023 revised budget through 12/31/2023, it is anticipated that the RiverPlex Fund will have a surplus of \$181,000 from budget. If that ends up being the case, the RiverPlex will likely have excess to make a loan payment towards the \$312,000. Trustee Bertschy pointed out that while that is good news, it should be noted that it's only good news because their tax subsidy was increased by \$450,000.

- b) Whether each fund's reserve balance projection for the current fiscal year is at, above, or under the minimum reserve target.

Karrie Ross stated that the Fund Balance Reserve Policy has two procedures that run to determine what is the target for a reserve balance and are we at, below, or above that target. *Please see Fund Balance/Reserve Report within Attachment A.* Provided is the 12/31/2022 with 2023 revised budget adjustments as of 9/29/2023 rough draft estimates. The adjusted project 2024 budget was estimated at +7%. In addition, in determining fund's unassigned operating fund balance, the monthly balance sheet will tell by fund, what is unassigned for that particular fund. The 2023 revised estimate budget for the General, Recreation, Golf, RiverFront, RiverPlex, Museum, and Police Funds are all positive balances, providing the projected net over/under reserves to 12/31/2023 for each

respective fund. By the end of the year, these recreation-type funds, collectively, are projected to be negative \$1,477,272 (under reserved), which does not include the already-determined reserve of \$3.1M. The other funds are projected to be over reserved.

5.C. Police Fund Over Reserve Request

Karrie Ross stated that as part of its efforts to update and revise the District’s Financial Policies, the Board of Trustees adopted a specific policy related to fund balance and reserve targets in April 2023. This policy is attached hereto in its entirety as Attachment A for review and reference. Over the summer, the board discussed reserve targets and over reserve funds, based on December 31, 2022’s audited financials, for the General and recreation type funds (Recreation, Golf, Riverfront, and RiverPlex), and in August the board approved allocating \$3.1 million of General Fund over reserves to three specified priority areas.

At that time, the discussion did not include strategies or recommendations relative to December 31, 2022’s over reserve balance in the Police Fund. Using the policy requirements for calculation, at the close of fiscal year 2022, the over-reserve in the Police Fund was \$654,238. Because of the underlying restrictions placed on the police levy, the use of the Police Fund’s over reserves should adhere to the Fund Balance & Reserve Policy, and should focus on maintaining the police system, implementing public safety and security measures.

As part of ongoing assessment of District needs, staff has worked with Chief Green to build out a strategy that is impactful and sustainable. With an inventory of approximately 9,000 acres spread over more than technology to assist in surveillance and assessment of park safety. Technology and equipment solutions can also help to improve communication and general patron safety. The opportunity to purchase equipment will also reduce future operational expenses tied to rental of the same year over year.

Based on the 2022 fiscal year performance, management believes there is an opportunity to discuss utilization of not to exceed \$500,000 of reserve overage. The District’s policy requires that if these dollars are committed, their usage should focus on capital expenditures, debt reduction, or IMPACT and SUSTAINABILITY. As such, staff will focus its recommendations on capital needs, as well as opportunities to make gains on longer-term challenges that face our organization. The identified equipment will add layers of security and create a more mobile and efficient police force. The equipment will allow the reach of our police and security presence to extend well beyond traditional locations and hours of operation.

Deputy Director Wheeler stated that he and Chief Green have identified the following items and a rough cost estimate as targeted needs:

Surveillance Cameras	\$	300,000
Mobile Camera Unit		39,000
Speed Trailer		15,000
Message Board		44,000
Light Towers		10,000

Additional staff vehicle	<u>55,000</u>
	\$ 463,000
Bid/Quote Contingency	<u>37,000</u>
Not to exceed total:	\$ 500,000

When this list was identified, Deputy Director Wheeler stated that they tried to determine how to get the most from the over reserve dollars, where can we expand our reach in places where typically we can't currently, and how to bring more safety into our parks.

President Johnson asked that each item on the list be explained as to what it is and why it is needed. Chief Green stated that the opportunity presented itself to discuss how we can effectively and efficiently use the over reserve funds. During the analysis of needs, this list was developed. The surveillance cameras are effective tools in investigations and capturing any kind of disorder happening on Park District properties. The footage captured not only helps with Park District investigations, but with City and County Police investigations. It would be beneficial to place the surveillance cameras in parks that typically have a higher volume of patrons where that would lead to higher volumes of disorderly conduct and activities. The presence of cameras could also provide a deterrence to unlawful activities.

Trustee Bertschy stated that he is concerned about all the surveillance cameras because he doesn't like the idea of everyone being filmed all the time while enjoying the Park District's parks and facilities. In addition, there's a large operational expense in maintaining the cameras because someone has to watch the feed that's being obtained. As such, he would like the privacy issues addressed and address the operational costs on a regular basis. Chief Green stated that he totally understands the privacy issues and concerns however, he believes the fact that the spaces are being covered, would have changed the patrons' behavior and a deterrent to not engage in disorderly/criminal conduct.

Due to time constraints, the discussion will be continued at a later time. In the meantime, the current policy on surveillance recording and description of the remaining items on the list will be shared with the Board.

5.D. Investment Policy Revisions

Due to time constraints, this item will be discussed at the next Finance Committee meeting.

5.E. Monthly Financials

Due to time constraints, this item will be discussed at the next Finance Committee meeting.

6. PENDING BUSINESS

None at this time.

7. OTHER BUSINESS

7.A. 2024 Proposed Bond Issue

Due to time constraints, this item will be discussed at the next Finance Committee meeting.

8. ACTION STEPS REVIEW

1. Staff will provide to the Board the current policy on surveillance recording and description of the remaining items on the list.

9. ADJOURNMENT

At 6:29 p.m., Trustee Hill MOVED TO ADJOURN. Motion seconded by Trustee Montez and carried on a unanimous aye of those present.

Respectfully Submitted by Alicia Woodworth
Executive Assistant and Secretary to the Board

RiverFront Fund Interfund Loan & Operating Performance History

Year	Loan Draw	Loan Repayment	Loan Balance	Operating Surplus (Loss)			
				Before Property Taxes &/or Interfund Transfers	Budgeted Tax Subsidy	Interfund Transfer	Fund Operating Surplus (Loss)
*2001	-	-	-	(23,010)	-	45,000	21,990
2002	25,000	-	25,000	(51,988)	-	-	(51,988)
2003	50,000	-	75,000	(69,036)	-	-	(69,036)
2004	50,000	-	125,000	(24,336)	-	-	(24,336)
2005	-	-	125,000	(101,141)	25,000	-	(76,141)
2006	150,000	-	275,000	(144,495)	80,000	-	(64,495)
2007	75,000	-	350,000	(51,644)	84,000	-	32,356
2008	-	-	350,000	(139,344)	86,500	-	(52,844)
2009	-	-	350,000	(58,298)	80,000	-	21,702
2010	-	-	350,000	(117,763)	83,000	-	(34,763)
2011	-	-	350,000	(133,545)	83,000	-	(50,545)
2012	100,000	-	450,000	(147,329)	83,000	-	(64,329)
2013	-	-	450,000	(97,519)	118,289	-	20,770
2014	50,000	-	500,000	(114,313)	121,837	-	7,524
2015	-	-	500,000	(136,270)	115,000	-	(21,270)
2016	-	-	500,000	(10,636)	77,600	-	66,964
2017	-	-	500,000	1,495	98,198	-	99,693
2018	-	(90,000)	410,000	(58,681)	108,857	-	50,176
2019	-	-	410,000	(208,214)	137,184	-	(71,030)
**2020	-	-	410,000	(219,467)	173,247	47,000	780
2021	-	-	410,000	(152,660)	122,751	-	(29,909)
***2022	100,000	(510,000)	-	(61,416)	147,177	510,000	595,761
****2023	250,000	-	250,000	(58,722)	136,222	-	77,500

*2001: RiverFront Fund Received \$45,000 Interfund Transfer from General Fund.

**2020: RiverFront Fund Received \$47,000 Interfund Transfer from Bonded Projects Fund.

***2022 RiverFront Fund Received \$510,000 Interfund Transfer from General Fund for interfund loan forgiveness.

****Note: 2023 is estimated, based on 2023 revised budget projections as of 9/29/2023.

RiverPlex Fund Interfund Loan & Operating Performance History

Year	Loan			Operating Surplus (Loss)			Fund Operating Surplus (Loss)
	Loan Draw	Repayment	Loan Balance	Before Property Taxes &/or Interfund Transfers	Tax Subsidy	Interfund Transfer	
2001	-	-	-	-	-	-	-
2002	600,000	-	600,000	-	-	-	-
2003	-	-	600,000	-	-	-	-
2004	-	(600,000)	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	50,000	-	50,000	-	-	-	-
2016	-	-	50,000	-	-	-	-
2017	-	-	50,000	-	-	-	-
2018	50,000	(50,000)	50,000	(3,140)	3,140	-	-
2019	-	-	50,000	-	-	-	-
2020	200,000	(100,000)	150,000	113,332	-	-	113,332
2021	-	-	150,000	(5,692)	5,692	-	-
2022	150,000	-	300,000	(656,500)	344,500	-	(312,000)
*2023	-	-	300,000	(608,055)	789,055	-	181,000

Through 2020, fund operating surplus (loss) was zero, due to Fitness Operating Partnership Agreement with OSF.

*Note: 2023 is estimated, based on 2023 revised budget projections as of 9/29/2023.

Fund Balance/Reserve Report

12/31/2022 with 2023 REVISED BUDGET ADJUSTMENTS AS OF 9/29/2023

ROUGH DRAFT ESTIMATES

Procedure 1: Calculate Reserve Balance Goal (Defined in Section 8.03)

Reserve Target Calculations:	Operating Funds						
	General	Recreation Type Funds				Museum	Police
		Recreation	Golf	RiverFront	RiverPlex		
2023 Operating Budget Expense Total	16,450,548	9,449,079	3,326,637	802,347	2,812,385	1,959,870	543,331
Less:							
Capital Projects Budgeted	(3,520,000)	-	-	-	-	-	-
Restricted, Committed &/or Assigned Budgeted Expenses	(49,600)	(192,500)	-	-	-	(15,000)	-
Debt Service Budgeted	-	-	-	-	-	-	-
Interfund Transfers Out Budgeted	-	-	-	-	-	-	-
	<u>12,880,948</u>	<u>9,256,579</u>	<u>3,326,637</u>	<u>802,347</u>	<u>2,812,385</u>	<u>1,944,870</u>	<u>543,331</u>
Reserve Target %	50%	35%	35%	35%	35%	35%	35%
Target Reserve Balance	6,440,474	3,239,803	1,164,323	280,822	984,335	680,705	190,166
ADJUST PROJECT 2024 BUDGET +7%	6,891,307	3,466,589	1,245,826	300,480	1,053,238	728,354	203,478

Procedure 2: Determine Fund's Unassigned Operating Fund Balance (Defined in Section 8.02 B)

Reserve Calculations:	Operating Funds							
	General	Recreation Type Funds				Museum	Police	
		Recreation	Golf	RiverFront	RiverPlex			
Fund Balance Total (i.e. fund assets, minus fund liabilities)	18,731,065	5,494,521	445,956	337,747	217,584	1,023,498	861,285	
Less Restricted, Committed, or Assigned Fund Balance	(6,176,116)	(1,174,830)	-	-	-	(157,316)	(7,324)	
Unassigned Operating Fund Balance	<u>12,554,949</u>	<u>4,319,691</u>	<u>445,956</u>	<u>337,747</u>	<u>217,584</u>	<u>866,182</u>	<u>853,961</u>	
Less:								
Non-Spendable Receivables	(1,106,264)	(660,369)	(2,556)	(46,015)	(471,385)	(91,074)	(9,557)	
Non-Spendable Inventories	(107,139)	(125,873)	(29,311)	-	-	(5,523)	-	
Non-Spendable Pre-Paid or Advances	(49,631)	(47,008)	(3,100)	(10,000)	-	-	-	
Reserve Fund Balance 12/31/2022	11,291,915	3,486,441	410,989	281,732	(253,801)	769,585	844,404	
ADJUST FOR OVER RESERVE DESIGNATIONS	(3,100,000)	-	-	-	-	-	-	
ADJUST FOR 2023 REVISED BUDGET EST AS OF 9/29/2023	1,400,000	400,000	5,000	77,500	181,000	170,000	2,000	
PROJECTED NET TO 12/31/2023	9,591,915	3,886,441	415,989	359,232	(72,801)	939,585	846,404	
Over/(Under) Reserve Funded	2,700,608	419,852	(829,837)	58,752	(1,126,039)	211,231	642,926	
		Recreation Type Funds: (1,477,272)						

General & Rec Types 1,223,336

Exhibit A:

Section 8.00 FUND BALANCE AND RESERVE POLICY

01. Statement of Purpose

- A. It is the District’s philosophy to support long-term financial strategies, where fiscal sustainability is its first priority, while also building funds to support maintenance of capital infrastructure and future growth. It is essential to maintain adequate levels of fund balance to mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures), to ensure stable tax rates, protect the District’s creditworthiness, and maintain or improve its bond rating. Fund balance levels are also a crucial consideration in long-term financial planning.
- B. The District’s fund balance and reserve policy is the District’s official guideline for use by District staff in conjunction with the District’s budgeting and financial planning efforts. The policy shall be reviewed annually, in conjunction with the budget process, as outlined in Section 2.00.

02. Definitions

- A. Governmental Funds: Are used to account for all the District’s general activities, including the collection and disbursement of earmarked and/or restricted funds (special revenue funds), and the acquisition or construction of general capital assets (capital/bond fund).

The District operates 16 funds that are typically referred to as an operating fund, non-operating fund, or capital projects fund.

Operating Funds

- General Corporate & Building Repair/Improvement Fund
- Recreation Fund
- Golf Fund
- RiverFront Events Fund
- RiverPlex Fund
- Museum Fund
- Police Fund

Non-Operating Funds

- Audit Fund
- Bond & Interest (Debt Service) Fund
- FICA Fund
- IMRF Retirement Fund
- Liability Fund
- Workers’ Compensation & Unemployment Fund
- Working Cash
- Heart of Illinois Special Recreation Association (HISRA) Fund

Capital Related Funds

- Bond/Capital Project Fund

- B. Fund Balance: The net position of a governmental fund which means the difference between assets and liabilities. Fund balance is comprised of:
 - i. Non-spendable fund balance: Amounts that cannot be spent because they are not in spendable form (i.e. inventories, receivables, prepaid, advances, etc.) or are legally and/or contractually required to be maintained intact (i.e. land held, endowments, etc.).
 - ii. Restricted fund balance: Amounts that are bound by externally imposed restrictions by creditors, grantors, contributors, laws or regulations of other governments or through constitutional provisions or enabling legislation will be classified as “Restricted” fund balance. For example, the IMRF Retirement Fund is a fund where property taxes have been levied for a restricted purpose, and has a restricted fund balance, to ensure compliance with the specific purpose for which property taxes were levied.
 - iii. Committed fund balance: Amounts that can only be used for specific

purposes pursuant to constraints imposed by a formal action of the Park Board. Examples of committed fund balance accounts are the Peoria Zoo memorial reserve, Luthy Botanical Garden memorial reserve, and Forest Park Nature Center memorial reserve.

- iv. Assigned fund balance: Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Examples of assigned fund balance accounts are land acquisition reserve, roadway improvement reserve, and other post-employment benefits (OPEB) reserve.
 - v. Interfund Loans: Borrowings or advances from one fund to another fund with the expectation of repayment through collection of principal and potentially interest.
 - vi. Interfund Transfers: Transfers: A flow of assets from one fund to another without the contemporaneous return of equivalent assets, goods or services, or requirement for repayment.
 - vii. Unassigned operating fund balance: Represents the remaining amount of fund balance which has not be classified as non-spendable, restricted, committed, or assigned.
 - viii. Reserve Fund Balance: Is the unassigned operating fund balance, less the non-spendable fund balance.
03. Goals for Reserve Balance by Type of Fund:
- A. General Corporate & Building Repair/Improvement Fund: At minimum, the reserve balance will be equal to at least:
 - 50% of current year annual budgeted expenditures not including budgeted capital project expenses, budgeted debt service expenses, budgeted expenses for restricted, committed, or assigned fund purposes, or interfund transfer(s) out budgeted within the fund, if the District is levying property tax for the levies associated with the aforementioned fund at the maximum limited rate, as defined in Illinois Park Code and Illinois Property Tax Code.
 - With Board authorization, this threshold may be reduced by up to 10% (no lower than 40%) using the same calculations as above, if the District's property tax levy is lower than the maximum limiting rate as defined in Illinois Park Code and Illinois Property Tax Code in that year.
 - B. Recreation Fund, Golf Fund, RiverFront Fund, and RiverPlex Fund: After reconciliation in accordance with any requirements for interfund transfers as required by District policy with Board approval, at minimum, the net reserve balance of these funds together will be equal to:
 - 35% of current year annual budgeted expenditures not including budgeted capital projects, budgeted debt service expenses, budgeted expenses for restricted, committed, or assigned fund purposes, or interfund transfer(s) out budgeted within the fund, if the District is levying property tax for the levies associated with the aforementioned funds at the maximum limited rate, as defined in Illinois Park Code and Illinois Property Tax Code.
 - With Board authorization, this threshold may be reduced by up to 10% (no lower than 25%) using the same calculations as above if the District's property tax levy is lower than the maximum limiting rate as defined in Illinois Park Code and Illinois Property Tax Code in that year.
 - C. Museum Fund and Police Fund: Due to the underlying property tax levy restrictions set forth by Illinois Park Code, reserve balances for the Museum and Police Funds may only be used for the specific purposes outlined in Park District Code. After reconciliation in accordance with any requirements for interfund transfers as required by District policy with Board approval, at minimum, the net reserve balance

of each of these funds will be equal to:

- 35% of current year annual budgeted expenditures not including budgeted capital projects, budgeted debt service expenses, budgeted expenses for restricted, committed, or assigned fund purposes, or interfund transfer(s) out budgeted within the fund, if the District is levying property tax for the levies associated with the aforementioned funds at the maximum limited rate, as defined in Illinois Park Code and Illinois Property Tax Code.
- With Board authorization, this threshold may be reduced by up to 10% (no lower than 25%) using the same calculations as above if the District's property tax levy is lower than the maximum limiting rate as defined in Illinois Park Code and Illinois Property Tax Code in that year.

- D. Non-Operating Funds: This policy does not establish a target balance for the HISRA Fund, which is overseen by the HISRA Board of Directors. All other non-operating funds shall target for a minimum reserve balance of 25% of current year annual budgeted expenditures not including budgeted capital projects, budgeted debt service expenses, budgeted expenses for restricted, committed, or assigned fund purposes, or interfund transfer out budgeted within these funds.
- E. Capital Related Funds: No target reserve is established for the Bond/Capital Project Fund.

04. Process for Review

- A. Fund balances and parameters established within this policy will be assessed and addressed as part of the annual budget process. Procedurally, during the budget process, the finance committee will review, and make recommendations to the full board regarding each fund's revised budget, interfund loan balance(s), and projected reserve balance for the current fiscal year. The finance committee will assess:
- a) Whether interfund loan(s) are complying with timely repayment, and if not, whether the terms of the interfund loan(s) require restructure and/or forgiveness.
Should interfund loans/transfers be required in more than two consecutive fiscal years, the Executive Director and Superintendent of Finance, with input from relevant staff, will provide a recommendation for board consideration regarding any material changes in operations that may need to be considered to ensure responsible financial stewardship of public dollars utilized by the fund in question.
- b) Whether each fund's reserve balance projection for the current fiscal year is at, above, or under the minimum reserve target.
- B. In the event a fund's reserve is projected to fall below the minimum at the end of the current fiscal year, then the Executive Director and Superintendent of Finance will propose to the finance committee and board, a plan for the replacement of the reserves. Such plan may include, but not limited to, actions that to be taken within the current fiscal year (i.e. adjustments to the revised budget), and/or a plan to restore that fund's minimum reserve within the next year's budget, or the most practical timeline for replacement.
- C. If a fund's reserve is projected to be above the minimum target, acceptable use of the surplus may include the following, all of which require board review and authorization:
- i) the surplus over minimum may remain within the fund (without mission-driven impact for proposed expenditures, this should be considered the preferred path); or
- ii) for non-operating funds, a portion of the fund reserve balance may be designated for use in the next year's operating budget in order to stabilize the aggregate property tax levy; or
- iii) for operating funds, a portion may be committed for other use.
- In order to commit excess reserves for other use (option iii listed above), the

board must take formal action making such commitment at the close of the fiscal year, once unaudited end of year fund balances are prepared by finance staff. Acceptable board commitments to use excess reserves for other use is limited to the below listed items. **Operating fund excess reserves should NOT be used for recurring annual operating costs.**

- i) a one-time capital expenditure; or
- ii) debt reduction; or
- iii) a one-time expenditure focused on improving the impact and/or sustainability of the District.