



**Salinas Valley Basin**  
Groundwater Sustainability Agency

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**FINANCIAL POLICES**

**FUND BALANCE/RESERVES**

The Agency shall maintain a fund balance at a level sufficient to protect the Agency's creditworthiness as well as its financial position from unforeseeable emergencies.

A. Cash Flow Reserve

The Agency shall strive to maintain a Cash Flow Reserve sufficient to cover any dry periods in its revenue stream. Since most of the Groundwater Sustainability Agency Regulatory Fee is collected on the tax-roll the Agency has two dry-periods – May thru December (8 months) and January thru April (4 months). While the ideal reserve is 8 months, the Agency is establishing the cash flow reserve at a 6-month level. When the 6-month goal is reached, consideration will be given to increasing the reserve to 8 months. The purpose of this reserve is to provide liquidity so the Agency can continue to pay for services rendered. The Agency aims to reach the 6-month goal reserve amount (\$600,000) over a 5-year period by adding \$120,000 annually to this reserve.

B. Use of Cash Flow Reserve

The Cash Flow Reserve shall be used only for its designated purpose – to pay bills when there is no revenue coming in.

C. Annual Review of Reserve

As part of the annual budget process, the Agency will review the target amount and the status of each of the reserve. This will be taken into account as part of the budget development. The goal is to reach the Reserve amounts within a five-year period.