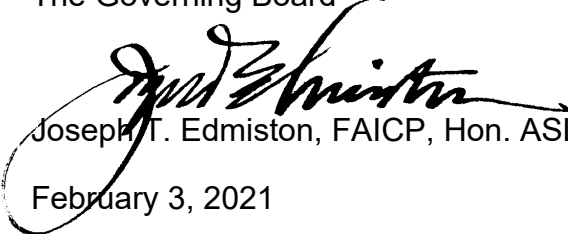


# MOUNTAINS RECREATION & CONSERVATION AUTHORITY

Los Angeles River Center & Gardens  
570 West Avenue Twenty-six, Suite 100  
Los Angeles, California 90065  
Phone (323) 221-9944

## MEMORANDUM

**TO:** The Governing Board

**FROM:**  Joseph T. Edmiston, FAICP, Hon. ASLA, Executive Officer

**DATE:** February 3, 2021

**SUBJECT:** **Agenda Item XVI: Consideration of resolution authorizing adoption of financial reserve policy and approval of allocation amounts.**

Staff Recommendation: That the Governing Board adopt the attached resolution authorizing adoption of financial reserve policy and approval of allocation amounts.

Background: In order to fulfill its mission, the Mountains Recreation and Conservation Authority must be financially stable. A well-worn path to financial stability is savings. Financial reserves are basically the MRCA's savings, which help to provide adequate funding to meet the MRCA's short-term and long-term goals. In addition, reserve funds can serve as a buffer against both present and future uncertainties. A reserve provides protection from risk. MRCA faces risks like revenue shortfalls during recessions and losses from extreme events, like pandemics and fires]. Reserves help make sure that MRCA can respond quickly and decisively to extreme events. Reserves also support vital public services during revenue declines. The attached reserve policy describes how much we will try to retain in our reserve. It also describes acceptable uses of reserves.

The attached Reserve Policy provides for nine distinct reserve funds:

1. The **Operating Reserve** is committed for unexpected operating expenses and contingencies, and to provide an internal source of funds during short-term deficits due to reimbursement delays
2. The **Pension Stabilization Reserve** is to provide for expenses related to MRCA's pension obligations.
3. The **Claims and Liability Reserve** is to provide for expenses, including claims, related to MRCA property, general liability, workers' compensation and other related expenses.

4. The **Equipment Replacement Reserve** to provide for the planned replacement and upgrade of MRCA's equipment including vehicles, information technology, restoration, fire, construction and other equipment.
5. The **Fire Prevention and Vegetation Management Reserve** is to provide for expenses related to fire prevention obligations and unexpected expenses or revenue shortfalls.
6. The **Compensated Absences Reserve** is to provide for expenses related to accrued leave payments to employees, such as vacation and sick leave
7. The **Capital Asset Improvement Reserve** is to provide for expenses related to adding, replacing, and improving MRCA capital assets and facilities.
8. The **Litigation Reserve** is to provide for the costs related to litigation and legal services around MRCA's mission and activities.
9. The **Capital Projects Matching Reserve** is to provide required matching funds for capital project grant applications.

Considering the MRCA's mission, present financial conditions, and strategic objectives; staff recommends \$10.9 million in initial reserve allocations as follows:

1. \$1 million to the **Operating Reserve**.
2. \$500,000 to the **Pension Stabilization Reserve**.
3. \$250,000 to the **Claims and Liability Reserve**.
4. \$2.25 million to the **Equipment Replacement Reserve**.
5. \$2 million to the **Fire Prevention and Vegetation Management Reserve**.
6. \$100,000 to the **Compensated Absences Reserve**.
7. \$2 million to the **Capital Asset Improvement Reserve**.
8. \$1 million to the **Litigation Reserve**.

9. \$1.8 million to the **Capital Projects Matching Reserve.**

Committed reserves cannot be used for anything but their intended purpose unless otherwise directed by the Governing Board. Per the attached policy, these reserves and balances therein will be considered at least annually as part of a presentation to the Board upon the reconciliation of a fiscal year. Should circumstances require, the Board may consider potential utilization or adjustments to reserves at any time.