



MARCH 2024

RESERVE POLICY

24-002

POLICY TITLE: Reserve Policy

POLICY NUMBER: 24-002

24-002.1 Purpose: The CALIFORNIA ELECTRONIC RECORDING TRANSACTION NETWORK AUTHORITY (CeRTNA) shall maintain reserve funds from existing unrestricted funds as designated by CeRTNA's Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a) Fund replacement and major repairs for CeRTNA's physical assets.
- b) Maintain minimal operational sustainability in periods of economic uncertainty.

CeRTNA shall account for reserves as required by Governmental Accounting Standards Board Statement No. 54, which distinguishes reserves as among these classes: non-spendable, restricted, committed, assigned and unassigned. The reserves stated by this policy, unless otherwise required by law, contract, or CeRTNA policy shall be deemed "assigned" reserves.

24-002.2 Policy: Use of CeRTNA reserves is limited to available "unrestricted" funds (not obligated by law, contract or agreement), including donations, interest earned, fees for service, or other non-grant earnings. All special use funds will be designated by formal action of the Board.

- a) **Technology Reserve:**
Technology Reserves will accumulate from existing unrestricted funds at a maximum rate of \$125,000 annually. The maximum amount of Technology Reserves will be \$250,000. When the annual accumulation would increase the Reserve beyond \$125,000, only the amount required to reach the maximum will be reserved.
- b) **Operations Reserve:**
Operations Reserves will accumulate from existing unrestricted funds at a maximum rate of \$250,000 annually. The maximum amount of Operations Reserves will be \$750,000 (equivalent of 1 year of Operations Reserves)]. When the annual accumulation would increase the Reserve beyond \$500,000, only the amount required to reach the maximum will be reserved.
- c) **Total All Reserve Funds:**
The total amount of Reserves designated annually from all funds shall be a maximum of \$375,000 with a cumulative accrual cap of \$1,000,000.

24-002.3 Using Reserve Funds:

- a) Technology Reserve:
Technology Reserves will be used to purchase hardware and software in support of CeRTNA operations, with the intent of maintaining modern technology.
- b) Operational Reserves shall be utilized to support:
 - 1) Administrative operational functions, including minimal staffing levels and administrative/office expenses.
 - 2) Data Center operations.

24-002.4 Monitoring Reserve Levels: The Operations Director, in collaboration with the Business Manager, shall perform a reserve status analysis annually, to be provided to the Board's annual deliberation/approval of Budget and Reserve Funds.

Additional information may be provided to the Board upon the occurrence of the following events:

- a) When a major change in conditions threatens the reserve levels established by this policy or calls into question the effectiveness of this policy;
- b) Upon Operations Director and/or Board request.

Date Adopted: March 13, 2024

Review/Change log: