Turlock Mosquito Abatement District

District Budget
2026/2027

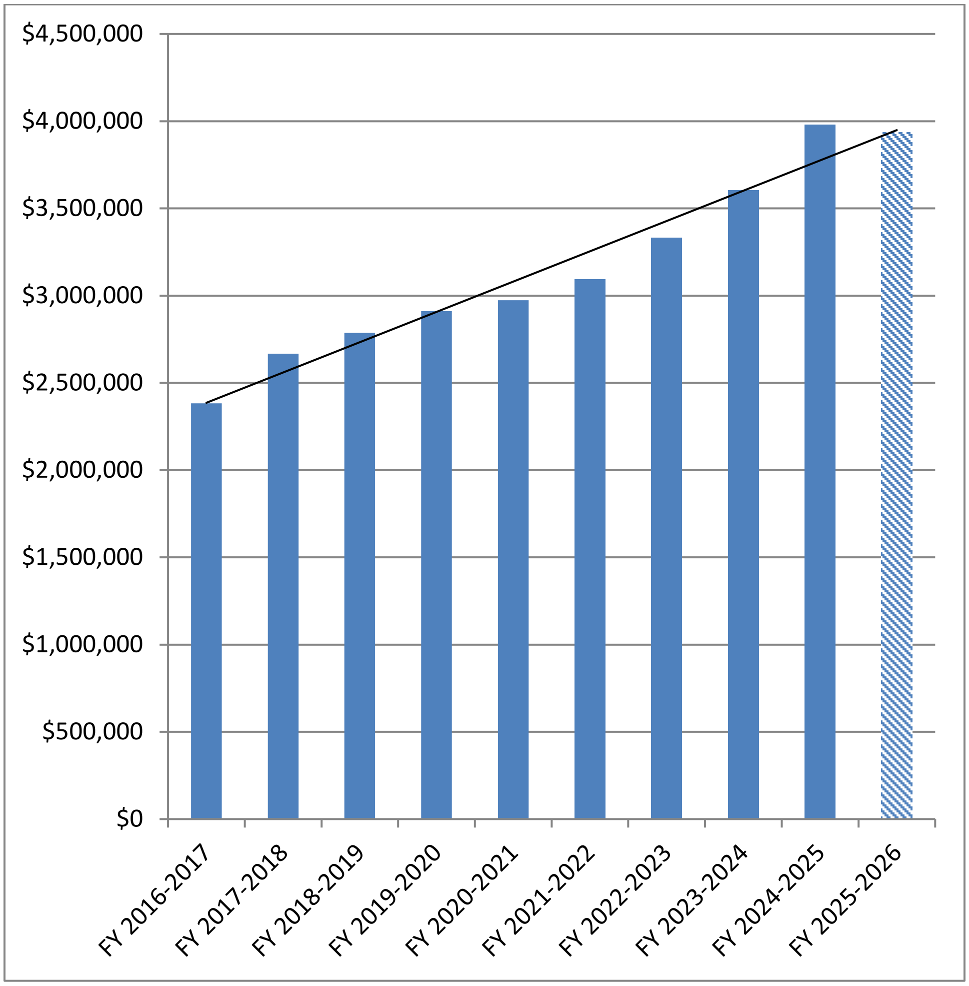
Board of Trustees

Budget Message

Introduction

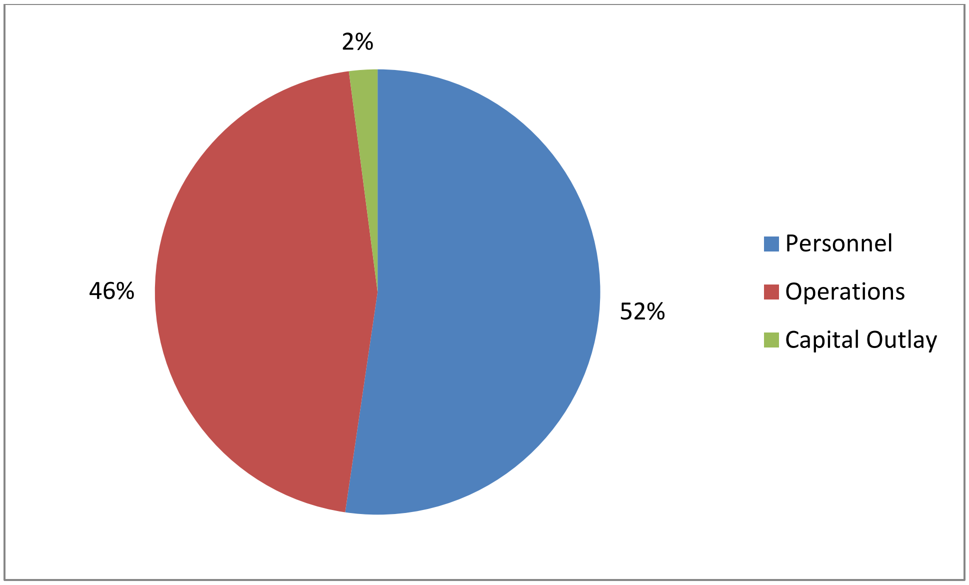
This Budget document represents the Board of Trustee's financial plan and policy direction to meet the needs of the District's communities for mosquito abatement, disease prevention and fiscal responsibility.

Since FY 2013-2014, the District has observed a general increase in revenue to the dissolution of Redevelopment Agencies (RDA), an increase in property values, and the collection of the District's Special Tax.



The Budget expenditure summary is split into:

- Personnel
- Operations and Maintenance
- Capital Outlay



Mission Statement

The Budget supports the District's Mission Statement:

> *"The Turlock Mosquito Abatement District is dedicated to enhancing the quality of life for our community by providing effective and environmentally sound mosquito control and disease prevention through timely and efficient surveillance, control and public awareness programs."*

Core Values

These values represent the principles of the District's culture and Board's expectations:

- Protecting the public health;
- Professional delivery of services;
- High ethical standards;
- Open government and transparency;
- Environmentally conscientious;
- Fiscally responsible.

Policy Issues

Special tax: In 1981, residents within the District passed Measure "C", District Resolution 5-81, giving the District the authority to collect a "Special Tax" to augment District funds. Subsequent to Proposition 13, the District was not collecting adequate funds solely from property taxes to provide the level of mosquito control and service that the public wanted; so, Measure C was placed on the ballot to provide the District additional revenue needed for a more robust mosquito control program.

The Special Tax itself is a tax based on “property use codes” assigned to each parcel by the County Assessor. According to the language of Resolution 5-81, passed by District residents, Special Tax rates are as follows:

- Vacant property: $3.60
- Residential property: $8.40
- Income property: $18.00

Note that these tax rates are collected yearly and are the same amounts as originally approved by the voters in 1981, any adjustments to the values of the tax rates collected would require voter approval. Currently, the District’s Board of Trustees have set the Special Tax rate at the following amounts:

- Vacant property: $2.15
- Residential property: $4.96
- Income property: $10.65

Using the above tax rates, it is estimated that the District will generate approximately $390,000 in additional revenue. The FY 2026-2027 Budget for Property Tax & Assessment Revenue is assuming the Board will increase the Special Tax to the maximum which should generate approximately $670,000 in additional revenue.

Short-term financial planning: The District receives the majority of its funding from the property taxes collected by the County of Stanislaus. These funds do not reach the District until December, which is five to six months into the fiscal year resulting in an absence of funding. The District has an Operations Fund Balance (Assigned) to meet necessary operating expenses during this period (see Fund Balance Policy).

The District received notification that Leading Edge Associates had been purchased by Central Life Sciences. Central is currently at work designing an updated MapVision system which means the District’s current version will become obsolete and unsupported within the next year. The District has been using the current version of MapVision for over 10-years, so from a useful life perspective this was to be expected regardless. The MapVision system is switching from a large upfront cost to a “Software as a Service” (SaaS) subscription model. The first year of the subscription has been quoted at $24,000 per year with $7,500 implementation costs. These costs have been included in the FY 2026-2027 budget and represent the largest operating expense change.

Pesticide use: We received notice from Clarke that CocoBear larvicidal oil will be discontinued. As such, the District will have no choice but to switch back to BVA oil. The label for this larvicidal oil does not include crop/pasture language, which is why the District switched to CocoBear years ago. However, many districts in California have continued to use BVA oil for years with no issue in terms the Department of Agriculture. In fact, East Side MAD has continued to use BVA this whole time with no issues from the Stanislaus County Department of Agriculture. The positive side is BVA is much cheaper per gallon.

District staff will be exploring the logistics of moving away from the 8,000-gallon tank for oil storage and buying BVA oil in smaller quantities (totes). California now considers any substance that contains "petroleum or petroleum distillates" to count towards a facility's oil and gas storage and having the 8,000-gallon tank puts the District over the limit in which we can self-certify, requiring costly plans drawn up by an engineer and much more onerous training/inspection requirements. The cost per gallon reduction the District receives from buying in bulk no longer is worth the regulatory requirements. So, to qualify for Tier 1, the District would need 10,000 gallons or less total and no storage container greater than 5,000 gallons.

Long-term financial planning: There are several policy issues currently affecting the District and mosquito control in California that may have long-term financial impacts for the District. The cost of providing mosquito control services is forecast to increase as regulatory burdens increase along with the methods of mosquito control and the price of chemicals. As such, the District will need a long-term plan to stay ahead of industry changes to minimize budgetary impacts and regulatory burdens. The following is a discussion of each policy issue with accompanying background information and expected impacts.

New Building/Facility Upgrades: Mosquito control continues to change in California as does the regulatory burdens and expectations. Twenty-two years ago, West Nile virus was just arriving in Stanislaus County – now, it's the main focus of the District's control and surveillance program. In a very similar fashion, the arrival of *Aedes aegypti*, coupled with the local transmission of Dengue fever in California, has begun to significantly impact the District's services. As mentioned previously, service requests in Zone 1 have gone up 255% since 2021. *Aedes aegypti* are very aggressive and as a result the public's expectations for control have increased comparatively. Controlling *Aedes aegypti* is very time-consuming and without access to every backyard can also be very costly. Currently, the District is fairly maxed out in terms of space for personnel and equipment. It's very hard to predict what may happen in the future in terms of potential Dengue fever transmission within the District but it can certainly be seen that the Board may want to consider preparing for the possibility that more personnel and equipment space may be necessary in the future.

In addition, although currently the District isn't heavily affected by the California Air Resources Board (CARB) Zero Emission Vehicle (ZEV) Mandate, it is expected that eventually light duty trucks and vehicles may be included. The District currently does not have the infrastructure to support ZEVs or associated charging stations. The current District facility may not be equipped to deal with continuing into the 21st century successfully.

New construction is costly but eventually necessary, whether that means adding on to the existing structures, upgrading existing infrastructure, or building a new facility from the ground-up. Preparing for this inevitability by maximizing revenue each year is recommended.

Invasive species: California currently has (3) new invasive species within its borders, the Yellow Fever mosquito (*Aedes aegypti*), the Asian Tiger mosquito (*Aedes albopictus*) and *Aedes notoscriptus* from Australia. With these invasive species comes a potential for the transmission of disease such as: Zika, Yellow Fever, Dengue, and Chikungunya virus. At one time, these mosquitoes and the viruses they transmit were limited to more tropical environments but climate change has been a catalyst for major changes worldwide. West Nile virus was once a fairly stable disease in Northern Africa; however, in only 10-15 years it is now found globally. Diseases such as Dengue and Chikungunya are on the move and may follow the path of West Nile virus across the United States. Local transmission of Dengue fever have been found in Southern California the last (3) years.

In August 2019, *Ae. aegypti* was discovered in Newman and was collected in low numbers throughout the east side of the city. Since this initial discovery, *Ae. aegypti* has been found in most areas of Stanislaus County. In the 2020-2021 Fiscal Year, the District purchased an A-1 Super Duty Mist Sprayer for use in conducting WALS (Wide Area Larvicide Spraying) treatments which have been found to be successful in controlling *Aedes aegypti*. In FY 2025-2026, the District purchased an additional A-1 Super Duty Mist Sprayer to better meet the demand for service.

Aedes aegypti continues to have a significant impact on the District's control program, especially with Dengue fever now being locally transmitted in California. Service requests in Zone 1, for instance, went up 255% since 2021. The District's Aggressive Source Reduction Program was very effective in reducing District expenditures and control costs, in preparation for the arrival of *Aedes aegypti*. Control of *Aedes aegypti* is much more costly and its aggressive behavior will increase the public's demand for service, so the gap between Revenues and Expenditures from a budget perspective will shrink and this will be the norm.

In the past, there could be great variation between less active years and years with flooding and/or high West Nile virus activity. This variation will most likely diminish considerably. There will be active years with *Aedes aegypti* and there will be even more active years with flooding and *Aedes aegypti*. In 2026, there is a high probability of a super El Nino event which should bring high rainfall and snowpack. This could lead to much higher-than-average costs for FY 2026-2027 and FY 2027-2028.

As part of this budget, the Invasive Species Fund Balance is recommended to be eliminated as the control of *Aedes aegypti* is included in the District's control costs.

Chemical resistance: During 2014, the District closely examined chemical resistance in both larval and adult mosquitoes. A population of *Aedes nigromaculis* mosquitoes was found to be resistant to methoprene. Adult *Culex pipiens* were tested from throughout the District and over 90% were found to be resistant to pyrethrin which is the main product available to mosquito abatement districts to control adult mosquitoes. The vast majority of these resistant mosquitoes were homozygous for the gene responsible for pyrethrin resistance (*kdr*), meaning potential mates and subsequent offspring would be homozygous as well. This provides very little room to breed susceptibility back into the native population.

Experts from the Centers for Disease Control (CDC) and the California Department of Health Services (CDHS) recommend the immediate use of an alternative chemical with different mode of action. Currently, the only other class of chemical labeled for adult mosquito control are "organophosphates". The organophosphate Naled (Dibrom) has been shown to be very effective against pyrethrin-resistant mosquitoes; however, this product may only be applied via aircraft.

Capital outlay: Staff is recommending the following, as part of this budget's Capital Outlay plan:

- 1,500 gallon stainless steel tank ($5,000)
- 2026 PJ U7 Utility Trailer ($5,000)
- Potential equipment upgrades for MapVision Upgrade ($20,000)

Emergency mosquito control: The State of California Mosquito-borne Virus Surveillance and Response Plan describes an enhanced surveillance and response program for the District dependent on the level of the risk of mosquito-borne virus transmission to humans and identifies response level as normal season, emergency planning, and epidemic. The District has an Emergency Mosquito Control Fund Balance to provide funds in case an epidemic were to occur within the District according to the District's Fund Balance Policy.

Risk management: The District is a member of the Vector Control Joint Powers Agency (VCJPA), which is a risk pooling self-insurance authority created under the provisions of California Government Code Section 990. Administered by the VCJPA, for general liability, the Pooled Liability Program (PLP) offers liability coverage up to $25 million. The District has a retained limit of $25,000 and the difference between the retained limit up to $1 million is pooled with the VCJPA. The amount of $24 million in excess of the $1 million is pooled with other joint power authorities through California Affiliated Risk Management Authorities (CARMA). Through the PLP, the District participates in the Employment Risk Management Authority (ERMA) program which offers coverage of $1 million, limit per occurrence, for allegations of workplace wrongdoing. The Pooled Workers' Compensation Program (PWCP) offers workers compensation coverage up to $300 million, the District retained limit is $25,000. The District also participates in the Pooled Auto Physical Damage (APD) Program which covers vehicle damage up to $30,000, with a $500 deductible.

Turlock Mosquito Abatement District

FY 2026-2027

General Operating Budget

Revenues	**Budget 2026-2027**	Budget 2025-2026	Projected 2025-2026	Actual 2024-2025	Increase (Decrease)
Property Taxes & Assessments	**3,570,000**	**3,250,000**	**3,345,140**	**3,366,147**	**9.8%**
Other Governmental Revenues	**250,000**	**250,000**	**258,101**	**240,354**	**0%**
Interest	**130,000**	**130,000**	**127,243**	**131,159**	**0%**
Miscellaneous					
Weed Program Billings	60,000	60,000	39,127	85,721	0%
Aggressive Source Reduction	40,000	35,000	44,513	56,289	14%
Abated Property Billings	0	0	16,000	1,550	
Miscellaneous	25,000	10, 000	57,600	22,976	150%
Total Miscellaneous	**125,000**	**105,000**	**157,240**	**166,536**	**19%**
Other Income					
Interest Income – CAMP	40,000		44,956	42,475	
Other Interest Income			627	5,324	
Miscellaneous Income			10	25,422	
Assets Sold			3,600	1,452	
AR Finance Charges			493	715	
Total Other Income	**42,000**		**49,686**	**75,388**	
Total Operating Revenue	**4,117,000**	**3,735,000**	**3,937,410**	**3,979,584**	**10%**

Expenses	**Budget 2026-2027**	Budget 2025-2026	Projected 2025-2026	Actual 2024-2025	Increase (Decrease)
Personnel					
Wages	1,450,000	1,352,000	1,284,532	1,174,704	7%
Payroll Tax Expense	120,000	120,000	106,276	98,131	0%
PERS	125,000	114,000	113,940	103,158	9.6%
Health/Life Insurance	210,000	199,000	195,326	175,439	5.5%
Total Personnel	**1,905,000**	**1,785,000**	**1,700,074**	**1,551,432**	**6.7%**
Administration & Operations					
Operating Expense					
Operating Supplies	8,000	5,000	7,500	6,423	60%
Field Supplies	4,500	4,500	4,093	3,688	0%
Lab Supplies	30,000	20,000	24,270	19,784	50%
Gas & Oil	60,000	55,000	50,954	50,164	10%
Small Tools	1,000	1,000	683	0	0%
Uniforms	15,000	15,000	11,585	13,615	0%
Vehicle Lease	120,000	120,000	114,369	64,397	0%
Maintenance-Vehicle	20,000	20,000	18,467	15,089	0%
Maintenance-Spray Equip	4,000	4,000	3,439	2,301	0%
Maintenance-Other	5,000	3,000	6,256	3,198	66.7%
Aerial Applications	155,000	150,000	149,331	117,198	0%
Equipment Rental	1,000	1,000	0	0	0%
TOTAL – Operating Expense	**423,500**	**398,500**	**390,947**	**295,857**	**6.3%**
Adulticides	125,000	125,000	44,807	44,437	0%
Larvicides	312,500	312,500	287,606	70,189	0%
Herbicides	20,000	20,000	0	18,560	0%
Aerial Adulticides	300,000	300,000	268,474	296,027	0%
TOTAL – Chemical Expense	**757,500**	**757,500**	**600,887**	**429,213**	**0%**
Insurance					
Liability & Auto	70,000	56,000	63,186	58,697	25%
Workers Compensation	52,000	58,000	48,064	56,190	(10%)
Airplane	5,500	5,000	4,745	4,530	10%
TOTAL – Insurance	**127,500**	**119,000**	**115,995**	**119,417**	**7%**

	Budget 2026-2027	Budget 2025-2026	Projected 2025-2026	Actual 2024-2025	Increase (Decrease)
Administrative Expense					
Auditor Fees-County	40,000	30,000	44,965	40,139	33%
Auditor Fees-Contract	30,000	30,000	30,650	27,000	0%
Legal & Accounting Fees	16,500	16,500	16,523	17,296	0%
Permits & Fees	5,000	5,000	4,024	4,850	0%
Other Professional Services	90,000	80,000	87,252	73,334	12.5%
Memberships	20,000	20,000	20,739	9,237	0%
Dues & Subscriptions	100	100	105	105	0%
Public Education	35,000	35,000	25,000	21,029	0%
Office Supplies	10,000	10,000	12,263	9,745	0%
Computer & Software	50,000	15,000	19,916	16,100	233%
Telephone	15,000	15,000	14,000	14,437	0%
Utilities	6,500	6,500	5,800	5,822	0%
Janitorial	7,000	7,000	6,200	6,240	0%
Maintenance-Structure	15,000	15,000	1,533	16,054	0%
Travel	10,000	10,000	7,675	8,624	0%
Bank Charges	500	500	226	238	0%
Judgments/Damages	500	500	0	0	0%
District Special Expenses	500	500	0	0	0%
Other Employee Benefits	500	500	0	0	0%
TOTAL – Administrative Expense	**352,100**	**297,100**	**296,871**	**270,250**	**18.5%**
Other Expenses					
PERS Unfunded Liabilities	85,000		75,512	36,247	
PERS Elective Contributions	0	150,000	150,000	0	
Principal Payments (POB)	185,000	140,000	184,797	179,622	
Interest	31,733	31,733	28,073	31,891	
Bad Debt	1,000	1,000	0	2,064	
TOTAL – Other Expenses	**302,733**	**322,733**	**438,382**	**249,824**	
TOTAL – Administration & Operation Expenses	**1,963,333**	**1,894,833**	**1,843,082**	**1,364,561**	**3.6%**

Capital Outlay					
Structural Improvements	50,000	50,000	16,463	27,500	0%
Motor Vehicles	5,000	20,000	16,912	0	(75%)
Office & Lab Equipment	20,000	0	2,171	0	
Spray Equipment	0	100,000	89,663	5,150	
Safety Equipment	0	0	0	11,623	
TOTAL – Capital Outlay	**75,000**	**170,000**	**125,209**	**44,273**	**(56%)**
TOTAL – Expenditures	**3,943,333**	**3,849,833**	**3,668,365**	**3,035,606**	**2.4%**

Fund Balance	Maximum Balance	Minimum Balance	Current Balance
Compensated Absences Fund	80,414	80,414	80,414
Public Health Emergency Fund	1,031,680	515,840	515,840
Operations Fund	2,901,250	2,321,000	2,321,000
Capital Project & Equipment Replacement Fund	1,000,000	500,000	648,267
Real Property Acquisition & New Construction Fund	12,000,000		0
Unassigned			1,705,742
TOTAL Fund Balance			**5,409,766**
VCJPA Member Contingency Fund	550,000	295,500	37,169
CAMP Investment			2,064,452

As of May 31, 2026

Total Funds Available for CAMP Investment: $2,950,263

Revenue

The fiscal year runs from July 1, 2024 to June 30, 2025. The District receives revenues from property taxes collected by the County of Stanislaus through property tax bills. To generate additional revenue the District may also implement a Special Tax, approved through a 2/3 vote in 1981, which is also collected by the County of Stanislaus. The District's three main sources of revenue are property taxes, pass-thru revenues, and its special tax. Revenue from property taxes is deposited directly to the County of Stanislaus Investment Pool until required. Pass-thru income can be deposited directly to the County of Stanislaus Investment Pool, as well, or may come directly from redevelopment agencies.

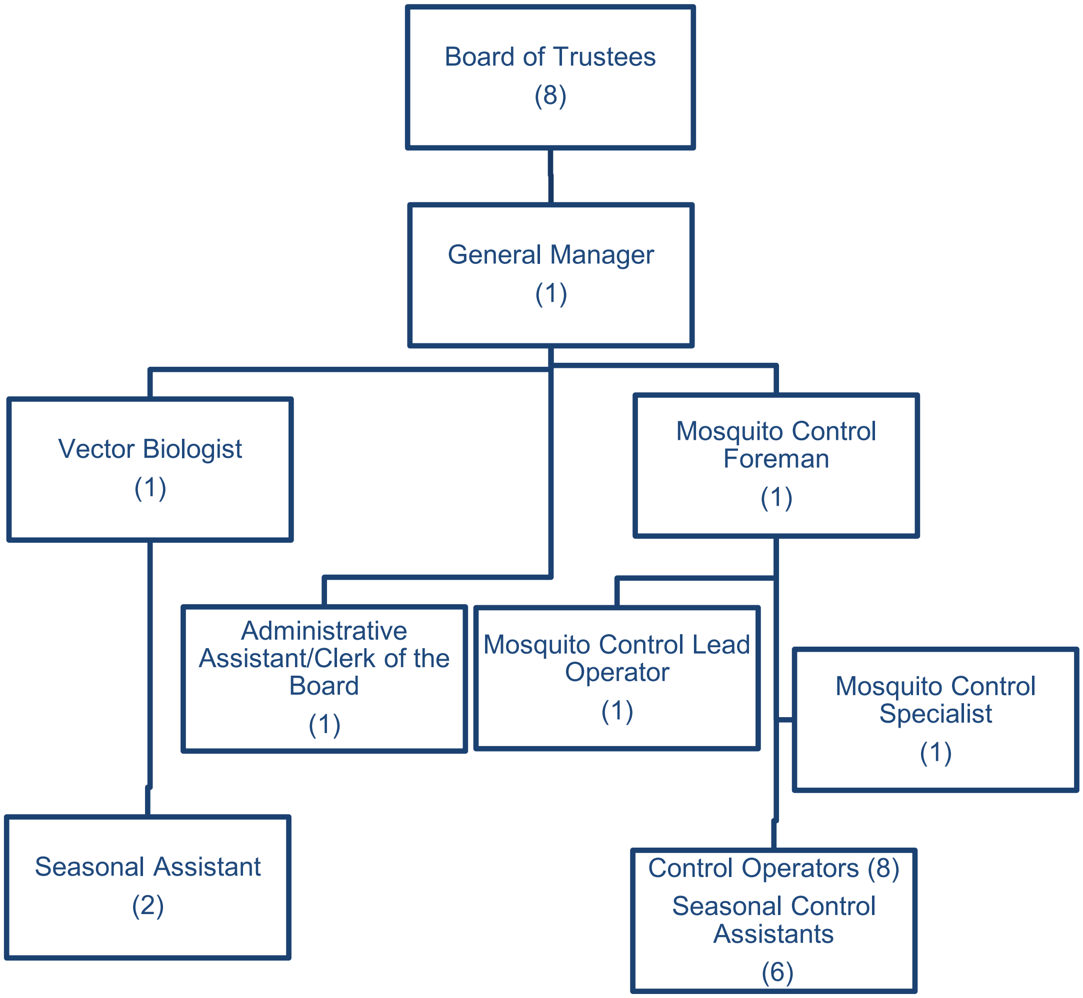
Primary Sources of Revenue

Property Tax: The largest revenue source of the District. Property taxes have generally increased in the last several years due to the improvement of property taxes following the housing market collapse.

Redevelopment Agency Pass-Thru: Revenue received by the District is based on the contractual and legislated agreements with the various redevelopment agencies in Stanislaus County. A portion of their tax revenue is returned to the District which was reserved for redevelopment purposes. In 2013, Redevelopment Agencies were dissolved and were ordered to pay any remaining debt and to return all other excess money to the local governments. This revenue source should continue to steadily decrease as RDA's are completely dissolved.

Special Tax: Covered above in the Policy Issues section.

Organizational Chart



TURLOCK MOSQUITO ABATEMENT DISTRICT STATEMENT OF FUND BALANCE POLICY

I. Background & Purpose.

It is the Turlock Mosquito Abatement District's ("District") policy to maintain an adequate fund balance for public health emergency, contingencies, operating cash flow, future liabilities, replacement of equipment, and for future construction. It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates. The Fund Balance Policy follows the guidelines set in the Governmental Accounting Standards Board ("GASB") Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

II. Fund Balance Classifications.

GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB 54 provides for classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

- *RESTRICTED FUND BALANCE*:

  GASB 54 states that the restricted fund balance category includes amounts that can only be spent for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

- *COMMITTED FUND BALANCE*:

  GASB 54 states that the committed fund balance classification includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

- *ASSIGNED FUND BALANCE*:

  GASB 54 states that the amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

- *UNASSIGNED FUND BALANCE*:

GASB 54 states that the unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

III. Fund Structuring.

The fund structure includes the General Fund and the VCJPA Member Contingency Fund.

- *GENERAL FUND*:

  The General Fund is the primary operating fund of the District. It accounts for all activities of the District, except those required to be accounted for in another fund.

- *VCJPA MEMBER CONTINGENCY FUND*:

  The VCJPA Member Contingency Fund is a side fund managed by the Vector Control Joint Powers Association designed to cover the District for liabilities resulting from a claim(s) that go beyond the District's self-insured insurance limits.

IV. General Fund

- *RESTRICTED FUND BALANCE:*
  - **<u>Public Health Emergency Fund (Restricted)</u>**

    The *California Health and Safety Code Section 2070* provides that the Board of Trustees can divide the annual budget into categories including a restricted reserve for public health emergencies. The Public Health Emergency Fund may only be spent to respond to public health emergencies. Public Health Emergencies are defined using the *California Mosquito-Borne Virus Surveillance and Response Plan* and the *California Operational Plan for Emergency Response to Mosquito-Borne Disease Outbreaks* prepared by the California Department of Health Services. These plans include necessary actions in situations of Emergency Response Planning and Epidemic Response Planning, summarized below, and they will be paid for from the Restricted Reserve for Public Health Emergency.

    Emergency Response Planning includes the following actions:

- Securing the necessary labor needed for additional mosquito surveillance/trapping for 3 months.
- Broadening geographic coverage of mosquito sample testing.
- Increasing the number of mosquito samples tested.
- Increasing frequency and geographic coverage of mosquito larvae surveillance.
- Increasing frequency and geographic coverage of mosquito larvae control measures.
- Securing additional products for aerial and ground-based adult/larvae mosquito control.
- Contracting for increased aviation control services.

Epidemic Response Planning includes the following actions:

- In addition to actions listed above, *Epidemic Response Planning* includes a contract with aviation companies that use twin turbine aircraft available for routine spray operations over urban/populated areas.
- The contract would include:
    - The cost of a control product per acre
    - The cost of application per acre
    - The size of the application area(s)
    - The number of flights required

The recommended minimum funding amount for the Public Health Emergency Fund is 16% (2-months) of the District's annual budget expenditures. The recommended maximum funding amount is 32% (4-months) of the District's annual budget expenditures This funding is based on the estimated cost to implement the above actions for several months during a public health emergency event. These funds may be invested outside of Stanislaus County Treasury in California Asset Management Program (CAMP).

- COMMITTED FUND BALANCE
    - **<u>Compensated Absences Fund (Committed)</u>**

The District shall maintain a Compensated Absences Fund to cover the District's liability should an employee(s) separate from the District and be owed money for accumulated vacation and overtime.

The recommended minimum level for this fund balance will be calculated to offset the compensated absences accrual value for the year. These funds may be invested outside of Stanislaus County Treasury in California Asset Management Program (CAMP).

- **Real Property Acquisition & New Construction Fund (Committed)**

  The purpose of the Real Property Acquisition & New Construction Fund is to accumulate funds to acquire real estate and/or fund new construction. The District has outgrown its current facilities and will require more office space and work area for employees. District cities and communities continue to grow in size resulting in an increase in requests for service. In addition, new threats over the last 20-years such as West Nile virus, invasive mosquitoes such as *Aedes aegypti*, Dengue fever, etc. have significantly impacted the need for district services. Current district facilities and infrastructure are not adequate moving forward for the District to meet its mission of providing adequate services to protect public health.

  The recommended maximum level for the Real Property Acquisition & New Construction Fund is $12,000,000 as of July 1 of each fiscal year unless otherwise directed by the Board of Trustees at a public meeting. These funds may be invested outside of Stanislaus County Treasury in California Asset Management Program (CAMP).

- *ASSIGNED FUND BALANCE:*
  - **Operations Fund (Assigned)**

    The District shall maintain an Operations Fund equal to 60% of discretionary General Fund revenues. These funds are set-aside because the District receives the majority of its funding from property taxes collected by the County of Stanislaus. These funds are typically not transmitted to the District until late December or January, six months into the fiscal year. Therefore, it is important that the District have an operating fund to fulfill its general operating costs. The delay in receiving funding and not having reserves could inhibit the District's ability to provide services for the benefit of public health.

The recommended minimum level for the Operations Fund is equal to 60% of annual budget expenditures, as of July 1st of each fiscal year. The recommended maximum level for the Operations Fund is equal to 75% of the annual budget expenditures. These funds must remain in the District's General Fund with Stanislaus County.

- **<u>Capital Project & Equipment Replacement Fund (Assigned)</u>**
  The District will maintain a fund for replacing District vehicles, spray equipment, IT equipment, structural improvements and other capital assets. This fund will allow timely replacement and upgrades to critical equipment and structures if lost due to disaster, accident or age.

  The Capital Project &Equipment Replacement Fund shall be equal to a minimum of $500,000 to a maximum of $1,000,000 as of July 1 of each fiscal year unless otherwise directed by the Board of Trustees at a public meeting. These funds may be invested outside of Stanislaus County Treasury in California Asset Management Program (CAMP).

V. VCJPA-Member Contingency Fund

- *ASSIGNED FUND BALANCE:*
  - **<u>Self-Insured Assigned Reserve (VCJPA-Member Contingency Fund)</u>**
    The Vector Control Joint Powers Agency (VCJPA) manages a side fund in which members may invest to cover potential claims over and above a district's insurance limits or to cover potential liabilities not covered under the VCJPA's pooled programs.

    As permitted by VCJPA Bylaws, member districts may deposit unobligated funds into the Member Contingency Fund (MCF). To guide responsible fund management, the Board of Directors of the VCJPA has established a benchmark for a prudent valance. This amount represents a reasonable estimate of potential loss costs for items not covered under VCJPA's pooled programs and includes:
    - Twice the full deductible limits for each pooled program (Auto Physical Damage, Property, Liability, Workers' Compensation, Employment Practices, etc.), plus
    - Two full years of deposit premiums

Balances that exceed this prudent fund balance amount require districts to submit a letter providing a brief explanation for the exception.

The VCJPA has determined that a prudent fund balance to be $295,500 (September 30, 2025).

In a letter to the VCJPA dated February 2, 2010, the District opted to set its maximum member trust fund amount to $421,478. This amount was determined by assessing potential liabilities not covered under the VCJPA's pooled programs, such as: environmental clean-up costs (Turlock Air Park - $150,000) and potential environmental lawsuits (NPDES - $100,000). Using these same figures, that would correspond to a maximum fund balance amount of $550,000.

VI. Use and Replenishment of Reserves

- *RANGE STRUCTURE*
  Ranges are established based on the percentage (%) of the subsequent year's Budgeted Expenditures or Revenue to allow for stability over time. This policy will require additional funding of reserves as Budgeted Expenditures or Revenues increase.

- *MINIMUM/MAXIMUM RANGE*

  The goal of this Policy is to maintain reserves above the minimum range level and never above the maximum range, when listed. If fund balances fall below the minimum range listed, a plan shall be developed to increase the fund balance amount until it is at least at, or higher than, the minimum fund balance range (see "Replenishment of Reserves" below). The Government Financial Officer Association recommends, at absolute minimum, that government entities, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues.

- *USE OF RESERVES TO ADDRESS STRUCTURAL IMBALANCE*

  To the extent that there is an imbalance between revenues and Budgeted Expenditures, it is important that reserves are utilized carefully and judiciously, since reserves are a one-time, nonrecurring funding source. Just as reserves are built up over a series of years, drawing down on reserves should also be done in measured amounts. The long-term health of the fund requires that a structural imbalance must be addressed promptly. If an imbalance occurs, a multi-year plan shall be developed to address the imbalance concurrently with the planned reserve draw down. The implementation of the replenishment plan will be done in accordance with the guidelines below (see 6 “Replenishment of Reserves”). A planned draw down of a fund’s reserves should not reduce the reserve below the midpoint of the range.

- *REPLENISHMENT OF RESERVES*

  The following criteria should be used to restore reserves based upon the remaining reserve compared to the respective maximum reserve guideline:

  - If the reserves are drawn down below the minimum fund balance range, then a budgetary plan shall be implemented to return the reserve level to the minimum fund balance range over a 5-year maximum period.

- *ANNUAL STATUS REPORTING AND PERIODIC REVIEW*

  Annually, as part of the budgetary process, the District’s Board of Trustees will be presented an updated Fund Balance Worksheet showing the fund balance of each account and any associated minimum and maximum fund balance ranges. Any recommended changes to funding levels will be included with accompanying reasons for recommending the changes. For any funds drawn down below the minimum fund balance range, then a budgetary plan shall be developed and approved by the Board to restore the reserve according to the criteria stated in the Replenishment of Reserves section listed above.