



RECYCLING & WASTE REDUCTION COMMISSION of Santa Clara County

MEMORANDUM

Date: June 10, 2025
To: RWRC Implementation Committee
From: Staff, Recycling and Waste Reduction Commission

RE: CITY OF MORGAN HILL COUNTYWIDE SOLID WASTE SERVICES FUND RESERVE POLICY

The City of Morgan Hill Countywide Solid Waste Services requests formal approval of the following Fund Reserve Policy:

The City shall have the ability to retain a Fund Reserve of \$200,000 or 25% of the appropriated operating budget of Solid Waste Planning Fee funded contracts and projects plus Countywide Solid Waste Services Administration and Contracting Services, whichever is greater. The City Fund Reserve shall be maintained in the City of Morgan Hill Countywide Solid Waste Services Fund 246.

Background:

The City of Morgan Hill in its capacity as Countywide Solid Waste Services (CSWS) receives a Fund Transfer from Santa Clara County serving as the Fiscal Agent for the Recycling and Waste Reduction Commission (Commission) in four quarters annually that equates to the approved Commission workplan budget for each year. The City utilizes these funds as Contracting Agent to enter into contracts, administer funding contributions, and pay for CSWS City services to implement the Commission's annual workplan and associated budget.

The City has established Fund 246 as a dedicated fund to hold the appropriated funds for Commission approved contracts, and also uses Fund 246 to retain any Solid Waste Planning Fee (SWPF) monies not fully expended at the end of each Fiscal Year. The City



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CSWS seeks to formally establish a dedicated Fund Reserve to support movement of monies between CSWS and the County Fiscal Agent as a small city administering a large scope of services on behalf of the Commission.

Additional Policy Specifications:

1. The City will achieve the 25% or \$200,000 Fund Reserve target, whichever is greater, over time by allowing unspent funds from SWPF-funded contracts and projects to fall to the City Fund Reserve. The City shall not be required to return funds to the Commission Unrestricted Fund Balance if the City Fund Reserve target has not been acquired.
2. The City Fund Reserve shall not be considered part of the Unrestricted Fund Balance available for discretionary expenditures. If the City Fund Reserve exceeds 25% of the budget for SWPF-funded projects and contracts plus CSWS Administration and Contracting Services, the IC may recommend and the Commission may approve utilizing those overage funds beyond the Fund Reserve target as part of the Unrestricted Fund Balance available to expend upon approval of the Commission.
3. The City shall notify the Implementation Committee and the Commission of its City Fund Reserve amount annually in conjunction with the annual budget development process that is accepted by both legislative bodies each year.
4. Upon termination of services, the City shall return the City Fund Reserve balance to the County or new Contracting Agent following payments of financial commitments of CSWS.