



POLICY TITLE: RESERVE POLICY

POLCY NUMBER: 3032

3032.10 GENERAL

3032.11 Purpose

The purpose of this policy is to ensure that the District will at all times have sufficient funding available to meet its operating, capital, and debt service obligations. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a) Fund replacement and major repairs for the District's physical assets.
- b) Fund capital improvements; and
- c) Maintain minimal operational sustainability in periods of economic uncertainty.

3032.12 Definitions

For the purposes of this policy, unless otherwise apparent from the context, certain words and phrases used in this policy are defined as follows:

- a) "District" refers to the Donner Summit Public Utility District.
- b) "Board" refers to the Board of Directors of Donner Summit Public Utility District.
- c) "General Manager" is the General Manager as appointed by the Board of Directors of Donner Summit Public Utility District.
- d) "Restricted Funds" are assets that are restricted externally by creditors, grantor, contributors or laws and regulations of other governments, by constitutional provision or enabling legislation of the government entity that authorizes it to impose a tax or levy to raise revenue and places a legally enforceable purpose restriction on the use of revenue.
- e) "Designated Funds" represent assets that are allocated or designated for a specific purpose by resolution of the Board of Directors. Board designated funds are a component of unrestricted assets as their use may be redirected at any time by approval of the Board.

3032.20 DESIGNATED FUNDS

These funds are assets that are allocated by resolution of the Board of Directors. Board designated assets are a component of unrestricted assets as their use may be redirected at any time by approval of the Board. The following funds are designated by the Board for the specific purposes identified in this Policy.

3032.21 Operating Fund

The Operating Fund is used for the daily operations of the District. This fund also serves as the Operating Reserve for the District to fund anticipated deficits in operations and maintenance and to fund unplanned and unforeseen expenditures.

The District's goal is to maintain a minimum of four months of annual operating costs in this fund and have a target of six months of annual operating costs. This is consistent with Government Finance Officers Association (GFOA) recommendations.

3032.22 Capital Reserve (Equipment/Improvement) Fund

The Capital Reserve Fund is used to fund capital equipment purchases and capital improvement projects. Expenditures from this fund shall improve capital assets, extend the useful life of assets, increase value of assets, or acquire new assets. These reserves are funded from connection fees, impact fees, and utility rates. The District goal is to maintain Capital Reserves in the amount of 50% of the total five-year expenditures shown in the adopted capital improvement plan. The General Manager will present a recommendation for the reserve as part of the annual budget.

3032.30 RESTRICTED FUNDS

Restricted Funds are established by the Board as needed to meet requirements of lenders, grantors, bondholders, and higher levels of government or through enabling legislation. The General Manager shall review restricted fund needs annually and provide any recommendations to the Board.

3032.40 MONITORING RESERVE LEVELS

The General Manager shall include reserve levels in the financial report presented at the monthly Board meeting. The General Manager shall analyze the reserve levels annually in conjunction with the budget preparation and provide any recommendations to the Board.