



Memo

To: Board of Directors
From: Jordan Dietz, General Manager
Date: July 20, 2021
Subject: Financial Reserves Policy

Attorney Ron VanBlarcom and myself have been working to create a reserves policy for the District. This is a new document, and one being produced for the sake of District transparency. This document is currently being reviewed by Brad Welibir of Rogers, Anderson, Malody & Scott to ensure it accurately reflects our current processes.

The policy presented here is designed to be inserted into the existing Administrative Code, though it can act as a stand-alone document.

It is the recommendation of staff that the Board modify and approve the policy herein, though no adoption will be necessary at this time. The policy will be officially adopted when all policy language updates are complete, and the Board moves to adopt those updates into the Administrative Code.

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4.7 Reserves

The District has developed a set of reserve guidelines for handling revenues. Within these guidelines, the following reserve categories have been developed:

- Reserves for Purchased Water
- Reserves for Future Improvements
- Minimum Emergency Reserves
- Contingency Reserves

Reserves for Purchased Water are set aside and balanced each budget year. This value is a fixed amount based on historical purchase of water, and any and all use is re-funded annually as needed. These reserves are exclusively for the purchase of drinking water from wholesale providers.

Minimum Emergency Reserves are a fixed dollar amount each year. This value is reviewed each year, and adjusted to adapt to potential concerns as needed. Emergency Reserves can be utilized for any and all emergency needs.

Reserves for Future Improvements are fixed at a percentage of total Operating Revenues each year. These future improvements are primarily utilized for well development and reservoir concerns, but can be used for improvements to all District facilities and appurtenances.

Contingency Reserves are a product of the above listed reserves, acting as the remainder of available reserves after other items are funded. This contingency can be utilized for all District needs, however the funds from this reserve item are typically held in LAIF as investments, per the District Investment Policy.

In addition to the above accounts, the Board may approve the creation of any additional accounts, whether temporary or permanent, as the Board deems necessary or appropriate.