



NORTH TAHOE PUBLIC UTILITY DISTRICT

POLICY:

Reserve Policy

NUMBER: FIN001

EFFECTIVE: August 14, 2018

REVISED:

RESPONSIBLE PERSON: CFO

PURPOSE:

The District shall maintain reserve funds from existing unrestricted funds as designated by the Finance Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a) Fund capital improvements; and
- b) Maintain minimal operational sustainability in periods of emergency or economic uncertainty.

The District 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 District policy shall be deemed “assigned” reserves.

POLICY:

Assignment of District Reserves is limited to available “Unrestricted” amounts (not obligated by law, contract or agreement), including donations, interest earned, fees for service or other non-grant earnings.

- a) Capital Improvement Reserve - The Capital Improvement Reserve will be set equal to the Budgeted Capital Expenditures for the Fiscal Year. If the Budgeted Capital Expenditures is adjusted the reserve will be adjusted accordingly. This Reserve will include all Connection Fees and Replacement Fees and be identified by Division.
- b) Repair/Operations & Administrative Operations Reserve - Operations & Administrative Reserves will be set equal to 3 months Budgeted Operating Expenses. Assigned Operations & Administrative Reserves are intended to sustain the organization in the event of an emergency or economic uncertainty providing for the continuation of services during resolution or mitigation of situation.

Assigned Reserves may be utilized during the course of the Fiscal Year under certain circumstances and for specific purposes.

- a) Capital Improvements Reserve - Assigned Capital Improvements Reserves shall be limited to costs related to making changes to improve capital assets, increase their useful life, or add to the value of these assets. This may include major facility improvements (construction, systems replacement, installation of new doors or windows, replacing doors and windows,

roof replacement, HVAC replacement, alarm system installation, parking lot and outside lighting improvements, etc.).

b) Operations/Repair & Administrative Operations Reserve - Assigned Operations & Administrative Reserves may be utilized upon consideration and direction of the Board for the following purposes:

- 1) Administrative operational functions, including minimal staffing levels and administrative/office expenses;
- 2) facility operations;
- 3) facility repairs (distinguished from Capital Improvements and may include pipe repair, painting, caulking of seams, roof repairs, HVAC repairs, patching of walls, etc.).

The Chief Financial Officer, in collaboration with the Finance Committee, shall perform a reserve status analysis annually, to be provided to the Board of Directors for deliberation/approval of Reserve Fund levels.

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

- a) When a major change in conditions threatens the levels established by this policy or calls into question the effectiveness of this policy;
- b) Upon Chief Financial Officer, General Manager and/or Board request.

This Policy supersedes all previous policies, procedures, memos or other documentation on this subject matter.

Adopted By: Board Resolution 2018-20 August 14, 2018