

CALAVERAS PUBLIC UTILITY DISTRICT POLICIES

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| Policy Name: | 2150 – RESERVE POLICY | | |
| Approval Authority: | CPUD BOARD OF DIRECTORS | Adopted: | 10/13/2020 |
| Resolution No. | Resolution 2020-14 | Revised: | |

2150.1 Purpose: The Calaveras Public Utility District (the District) shall maintain reserve funds from existing unrestricted funds as designated by the District’s Reserve Policy. 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 regular replacement of computer hardware and software.
- c) Fund designated projects/programs or other special uses not otherwise funded by grants or requiring additional monetary support (including regulatory requirements, responding to natural disasters, States of Emergency as declared by State, Federal or Local agencies);
- d) Fund capital improvements; and
- e) Maintain minimal operational sustainability in periods of 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.

2150.2 Policy: Use of District Reserves is limited to available “Unrestricted” Funds (not obligated by law, contract or agreement), including donations, interest earned, fees for service or other non-grant earnings. All special use funds will be designated by formal action of the Board of Directors. The District will maintain the following reserve funds:

- a) Operating Reserves:
The minimum amount of operating reserves will equal six (6) months of operating expenses or the maximum amount of operating reserves will equal one (1) year of operating expenses.
- b) Capital Reserves:
Capital reserves will be accumulated to fund infrastructure projects and will be an integral part of the District’s Capital Improvement Plan forecast. A key objective for accumulating capital reserves is to minimize external borrowing and interest expense. The minimum amount of capital reserves will equal one (1) year’s capital spending. The maximum amount of capital reserves will equal three (3) times the accumulated depreciation balance of \$1,500,000.
- c) Self-Insurance Reserves:
 1. The minimum self-insurance reserve for health care will be equal to \$200,000 and shall not exceed the OPEB obligation for three (3) years as established in the most recent actuarial evaluation report. The maximum self-insurance reserve will equal the current annual health insurance expenses budget.
- d) Rate Stabilization Fund:

The General fund will establish a rate stabilization fund a minimum amount equaling one (1) year's water consumption revenue and a maximum amount equaling two (2) year's water consumption revenue.

e) Vehicle Fleet Reserve:

Vehicle Fleet Reserves will accumulate from existing unrestricted funds, at a rate of \$10,000 annually. The maximum amount of Vehicle Fleet Reserves will be \$50,000. When the annual accumulation would increase the Reserve beyond \$50,000, only the amount required to reach the maximum will be reserved.

f) Equipment Reserve:

Equipment Reserves will accumulate from existing unrestricted funds, at a rate of \$10,000 annually. The maximum amount of Equipment Reserves will be \$100,000. When the annual accumulation would increase the Equipment Reserve beyond \$100,000, only the amount required to reach the maximum will be reserved.

g) Technology Reserve:

Technology Reserves will accumulate from existing unrestricted funds at a rate of \$4,000 annually. The maximum amount of Technology Reserves will be \$40,000. When the annual accumulation would increase the Reserve beyond \$40,000], only the amount required to reach the maximum will be reserved.

h) Designated Project/Special Use Reserve:

Designated Project/Special Use Reserves will accumulate from existing unrestricted funds at a rate of \$20,000 annually. The maximum amount of Designated Project/Special Use Reserves will be \$100,000. When the annual accumulation would increase the Reserve beyond \$100,000, only the amount required to reach the maximum will be reserved.

2150.3 Using Reserve Funds:

a) Operating and Self-Insurance Reserves:

Operating and self-insurance reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District Accounting Policy.

b) Capital Reserves:

The Board of Directors will authorize the use of capital reserves during the budget process. Capital reserves are also available for unplanned (unbudgeted) capital replacement. Authorization for the use of capital reserves for unplanned capital replacement will be consistent with the District Accounting Policy.

c) Rate Stabilization Fund:

The General Manager is authorized to use the rate stabilization funds to supplement operating revenue when the General Fund is projected to be five (5) percent or more below the annual budgeted revenue. The Rate Stabilization Fund is also used to assure that minimum debt service coverage ratios required by the District and its bond holders and will be met throughout the term of the District debt obligation, if any. The Funds will be applied to any year when other District revenues are not sufficient to meet the required debt service coverage. The balance in the Rate Stabilization Fund shall be reviewed by the Board of Directors on an annual basis after the close of each fiscal year. If the balance exceeds two (2) year's operating expenses, the difference can be transferred to the Capital Reserve or as approved by the Board of Directors.

d) Vehicle Fleet Reserve:

Vehicle Fleet Reserves will be used exclusively for the purchase of new vehicles to support District operations, or to make major repairs to existing vehicles.

- e) Equipment Reserve:
Equipment Reserves will be used exclusively for the purchase of new equipment to support District operations, or to make major repairs to existing equipment.
- f) Technology Reserve:
Technology Reserves will be used to purchase hardware and software in support of District operations, with the intent of maintaining modern technology for employees.
- g) Designated Project/Special Use Reserve:
Projects, programs or special uses will be identified by the General Manager and/or the Board of Directors and approved by the Board. Uses must further the mission of the District and will be evaluated for designation according to the value to the District and the people it serves.

2150.4 Monitoring Reserve Levels: The General Manager, in collaboration with the Administrative Account Assistant, shall perform a reserve status analysis annually, to be provided to the Board of Directors' prior to approval of the annual Budget.

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 reserve levels established by this policy or calls into question the effectiveness of this policy; or
- b) At the request of the General Manager and/or Board of Directors.