
Squaw Valley Public Service District

POLICY HANDBOOK

POLICY TITLE: Financial Reserves Policy

PURPOSE:

Squaw Valley Public Service District (District) shall maintain reserve funds in the Sewer, Water, and Garbage Funds. This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as property tax receipts or connection fees.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.

POLICY:

Operating Reserves

The minimum amount of operating reserves will equal two months of operating expenses.

Capital Reserves

Capital reserves will be accumulated to fund infrastructure projects and will be an integral part of the District's capital plan. A key objective for accumulating capital reserves is to minimize external borrowing and interest expense. The minimum amount of capital reserves will equal one year's capital spending.

Rate Stabilization Fund

The Sewer Fund will maintain a minimum reserve equal to one year's sewer revenue.

The Water Fund will maintain a minimum reserve equal to one year's water consumption and base rate revenue.

The Garbage Fund will maintain a minimum reserve equal to one year's garbage collection revenue.

PROCEDURE FOR USING RESERVE FUNDS

Operating Reserves

Operating 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's Purchasing Policy.

Capital Reserves

The Board of Directors will authorize 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's Purchasing Policy.

Rate Stabilization Fund

The General Manager and Finance and Administration Manager are authorized to use rate stabilization funds to supplement operating revenue when:

- Total revenue in the Sewer, Water or Garbage fund is projected to be five percent or more below the annual budgeted revenue.

PROCEDURE FOR MONITORING RESERVE LEVELS

The Finance and Administration Manager shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

- Board of Directors' deliberation of the annual budget;
- Board of Directors' deliberation of a service charge rate increase;
- When a major change in conditions threatens the reserve levels established within this policy.

If the analysis indicates projected or actual reserve levels falling 10% below the levels outlined in this policy, at least one of the following actions shall be included with the analysis:

- An explanation of why the reserve levels are not at the targeted level, and/ or
- An identified course of action to bring reserve levels within the minimum levels prescribed.

(Adopted 1/26/2016)