

## **Foresthill Public Utility District POLICY HANDBOOK**

**POLICY TITLE:** Reserves  
**POLICY NUMBER:** 3021

### **3021.10 Purpose.**

The Foresthill Public Utility District Reserve Policy has been developed to consider the minimum level necessary to maintain the District's credit worthiness and to adequately provide for:

- Cash flow requirements
- Contingencies for unforeseen operating or capital needs
- Economic uncertainties, local disasters or catastrophic events and other financial hardships or downturns in the local, state or national economy.

### **3021.20 Policy.**

Through the annual budget process, the District will maintain a minimum discretionary fund balance as close to 50% of the operating revenues in the General Fund as is practicable at fiscal year-end.

### **3021.30 Specific Designations of Discretionary Fund Balance.**

#### **3021.31 Rate Stabilization**

This designation represents the portion of fund balance set aside as a rate stabilization fund.

#### **3021.32 Depreciable Asset Replacement**

This designation represents the portion of fund balance set aside to cover expenditures arising from depreciable asset replacements. For General Fund assets, the District will provide the timely replacement of vehicles and capital equipment. The annual designation will be based on the estimated life schedule for vehicles and equipment.

#### **3021.33 Emergency Events**

This designation represents the portion of fund balance set aside to cover expenditures associated with emergency situations.

#### **3021.34 Insurances**

This designation represents the portion of fund balance set aside for possible future insurance claims and fluctuations in insurance premiums.

#### **3021.35 Other Designations.**

In addition to the designations noted above, fund balance levels will be sufficient to meet funding requirements for:

- Projects approved in prior years which are carried forward into the new year.

- Debt service requirements as prescribed by the bond covenants adopted at the time of the issuance of debt.
- Encumbrances and other designations required by contractual obligations, state law, or generally accepted accounting principals.

### **3021.50 Specific Designations of Restricted Fund Balance**

#### **3021.51 Sugar Pine Designation.**

This designation represents the restricted portion of fund balance generated by Sugar Pine Surcharge as per Ordinance No. 03-02.

#### **3021.52 Assessment 708 Designation.**

This designation represents the portion of fund balance generated by District's Assessment 708 which is restricted for the sole purpose of said assessment.

#### **3021.53 Capital Reserves Designation.**

The Board will designate specific fund balance levels for future acquisitions and for the development of capital projects as determined in the Five-Year Plan or in the best long-term interests of the District.

### **3021.60 Annual Evaluation.**

The Finance Committee shall perform a reserve analysis to be submitted to the District Board upon the occurrence of the following events:

- District Board deliberation of the annual budget.
- Presentation of the annual audit.
- Mid-year budget review.
- When a major change in conditions threatens the reserve levels established within this policy.