

GRIZZLY RANCH CSD

Series: OPERATIONS

Policy Number: 3150

POLICY SERIES: OPERATIONS

POLICY NUMBER: 3150

POLICY TITLE: *Reserve Funds*

Introduction:

Grizzly Ranch Community Services District recognized the importance of adopted policies relative to reserves and reserve funds. Written adopted financial policies relative to designated reserves and reserve funds have many benefits, and represents a critical element of sound fiscal management. Reserves and reserve funds are prudent fiscal management tools, which are a cornerstone of long-term financial planning. A written and adopted Reserve Fund Policy provides for and facilitates attainment of program and financial goals relative to the prudent accumulation and management of designated reserves and reserve funds. This Reserve Fund Policy was developed to clearly identify specific designated reserves and reserve funds. It is the intent of this Reserve Fund Policy to clearly identify both reserve fund categories and purposes, and set target levels for reserves that are consistent with the district's mission statement, the uniqueness of the district and the philosophy of the District's Board of Directors. This policy shall be known and may be cited as the Grizzly Ranch Community Services District Reserve Fund Policy.

Objectives:

This Reserve Fund Policy has been developed to consider and appropriately provide for the following:

1. To assure continued operation and solvency of the district for the carrying out of its stated mission and purposes.
2. To maintain a financially viable District that can preserve adequate levels of service.
3. To maintain and enhance the sound fiscal condition of the district.
4. To maintain financial flexibility in order to be able to continually adapt to change, a permit orderly adjustment to unanticipated events.
5. To maintain a diversified and stable long-term financial plan.
6. The accumulation and maintenance of an amount equal to the stated target fund level for each specific reserve fund created by the district.
7. The review of this policy on an annual basis in order to determine appropriate changes, additions and/or deletions.
8. To maintain a written Grizzly Ranch Community Services District Reserve Fund Policy.

Reserve Fund Policy:

In order to achieve the objectives of this Policy, the Board of Directors shall adhere to the following guidelines:

1. Reserve funds may be established from time to time by the Board of Directors as an important component of sound financial management to meet both short and long-term financial objectives, and to ensure prudent financial management practices.

2. Reserve funds may be designated by the Board of Directors as a “restricted reserve fund” or a “non-restricted reserve fund”.
3. Restricted reserve funds shall be segregated, and limited in use to specific and designated purposes and defined and established by the Board of Directors.
4. Assets of a restricted reserve fund shall be held separately from the general Water/Sewer Fund and shall only be used for the stated purposes of the specific reserve fund.
5. Non-restricted reserve funds shall have no reference to specific accounting assets.
6. Non-restricted reserve funds do not require the physical segregation of funds.
7. All investment earnings from restricted and non-restricted reserve funds shall be credited to the District’s Water/Sewer Fund unless otherwise stated herein.
8. Board of Director approval shall be required prior to the expenditure of restricted reserve funds, unless otherwise stated herein.
9. The Board of Directors shall maintain a written Grizzly Ranch Community Services District Reserve Fund Policy.
10. The Board of Directors shall annually review the Grizzly Ranch Community Services District Reserve Fund Policy at a public meeting in order to determine appropriate changes, additions, and/or deletions.

Reserve Funds:

The Board of Directors hereby establishes and designates the following reserve funds:

1. Working Capital Reserve Fund. See Attachment 1.
2. Emergency Reserve Fund. See Attachment 2.
3. Capital Replacement/System Improvement Reserve Fund. See Attachment 3.
4. Rate Stabilization Reserve Fund. See Attachment 4.
5. Debt Obligations Reserve Fund

Target Fund Levels:

The Board of Directors shall establish a stated target fund level for each designated reserve fund. See Attachment 5. for a compendium of established target fund levels for designated reserve funds.

Annual Evaluation:

The District General Manager shall perform a review and analysis of each designated reserve funds for presentation to the Board of Directors at a public meeting upon the occurrence of the following:

1. Upon consideration by the Board of Directors of the annual budget.
2. Upon any significant change to and/or expenditure(s) from a designated reserve fund.
3. Upon determination that a fund balance is less than the established target fund level for a designated reserve fund.

ATTACHMENT 1:
GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
WORKING CAPITAL RESERVE FUND

Fund Purpose:

The purpose of the Working Capital Reserve Funds is to accumulate sufficient reserve funds necessary to satisfy the general cash flow demands and requirements of the district. This reserve fund will preserve credit worthiness, ensure adequate financial resources are available for timely payment of District obligations, and provide liquidity throughout the fiscal year.

Policy:

In order to achieve the objectives of this policy the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the 'Working Capital Reserve Fund'
2. The Working Capital Reserve Fund shall be designated as a non-restricted reserve fund.
3. The District General Manager is authorized to approve the expenditure of Working Capital Reserve Funds, without prior approval of the Board of Directors, in response to day-to-day cash flow requirements.
4. The Working Capital Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings and LAIF.
5. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Working Capital Reserve Fund is to maintain a balance in the general Water/Sewer Fund, as of July 1st of each fiscal year, equal to a minimum of \$100,00, unless otherwise directed by the Board of Directors at a public meeting. This target fund level was established based upon the following general guidelines:

1. The district shall maintain a balance in the general Water/Sewer Fund equal to approximately two (2) months budgeted expenditures for the fiscal year.
2. For the purpose of this policy, budgeted expenditures shall include all expenditures associated with the following:
 - a. Personnel Services
 - b. Materials and Services

ATTACHMENT 2:
GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
EMERGENCY RESERVE FUND

Fund Purpose:

The purpose of the Emergency Reserve Funds is to accumulate sufficient financial reserves necessary to insure a timely response by the district to natural disasters and/or other emergencies. This reserve fund will provide for rapid response and continued operation of the district's essential services during periods of natural disasters and/or other emergencies.

Policy:

In order to achieve the objectives of this policy the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Emergency Reserve Fund".
2. The Emergency Reserve Fund shall be designated as a restricted reserve fund.
3. The Emergency Reserve Fund shall be expended solely for the purpose of responding to and maintaining District operations during a natural disaster and/or emergency.
4. The District General Manager is authorized to approve the expenditure of Emergency Reserve Funds, without prior approval of the Board of Directors, for purposes of restoration and/or maintenance of essential service levels in response to natural disaster or another emergency.
5. Upon expenditure of any Emergency Reserve Funds, the District General Manager shall notify the Board of Directors at the earliest possible opportunity.
6. Expenditures from this designated reserve fund which are subsequently recovered, either partially or fully, from FEMA, OES, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Emergency Reserve Fund.
7. All investment earnings from the Emergency Reserve Fund shall be credited to the district's general Water/Sewer Fund.
8. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Emergency Reserve Fund is to maintain a balance as of July 1st of each fiscal year, equal to a minimum of \$50,000 unless otherwise directed by the Board of Directors at a public meeting.

ATTACHMENT 3:

GRIZZLY RANCH COMMUNITY SERVICES DISTRICT CAPITAL REPLACEMENT/SYSTEM IMPROVEMENT RESERVE FUND

Fund Purpose:

The purpose of the Capital Replacement/System Improvement Reserve Fund is to accumulate sufficient reserve funds necessary to insure timely acquisition, replacement and upgrade of the District's Water/Sewer System infrastructure and capital assets.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Capital Replacement/System Reserve Fund".
2. The Capital Replacement/System Improvement Reserve Fund shall be designated as a restricted reserve fund.
3. Each adopted budget of the district shall contain a transfer from the general Water/Sewer to the Capital Replacement/System Improvement Reserve Fund in an amount approved by the Board of Directors.
4. Monies transferred into the Capital Replacement/System Improvement Reserve Fund shall be expended solely for the construction of new and/or replacement of Water/Sewer system infrastructure and capital assts.
5. The District General Manager is authorized to approve the expenditure of Capital Replacement/System Improvement Reserve Funds, without prior approval of the Board of Directors in accordance with approved budget authorizations.
6. All investment earnings from the Capital Replacement/System Reserve Fund shall be credited to the district's general Water/Sewer fund.
7. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Capital Replacement System Improvement Reserve Fund is to maintain a balance, as of July 1st of each fiscal year, equal to a minimum five percent (5%) of the districts total assets, unless otherwise directed by the Board of Directors at a public meeting. This target fund level was established based upon the following general guidelines:

1. The district shall maintain a balance in the Capital Replacement/System Improvement Reserve Fund equal to approximately five percent (5%) of the district's total net assets.

ATTACHMENT 4:
**GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
WATER/SEWER RATE STABILIZATION RESERVE FUND**

Fund Purpose:

The purpose of the Water/Sewer Rate Stabilization Reserve Funds is to establish a means to provide more stable water service charges to the district's customers. The Water Rate Stabilization Reserve Fund will be used to accumulate reserves for District use during periods of unanticipated fluctuations in general Water/Sewer revenues. Unanticipated fluctuations in general Water/Sewer revenues include, but are not limited to, periods of drought and/or natural disaster. The Water Rate Stabilization Reserve Fund will reduce and/or eliminated the need for unanticipated changes to Water/Sewer service charges and provide for more stable rates.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the 'Water/Sewer Rate Stabilization Reserve Fund'.
2. The Water/Sewer Rate Stabilization Fund shall be designated as a restricted reserve fund.
3. Each adopted budget of the district shall contain a transfer from the general Water/Sewer Fund to the Water/Sewer Rate Stabilization Reserve Fund in an amount approved by the Board of Directors.
4. Monies transferred from the Water/Sewer Rate Stabilization Resource Fund shall be expended solely as directed by the Board of Directors.
5. The District General Manager is authorized to approve the expenditure of Water/Sewer Rate Stabilization Funds, without prior approval of the Board of Directors, in accordance with the budget authorizations.
6. All investment earnings from the Water/Sewer Rate Stabilization Reserve Fund shall be credited to the district's general Water/Sewer Fund.
7. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions.

Target Fund Level:

The target fund level for the Water/Sewer Rate Stabilization Reserve Fund is to maintain a balance as of July 1st of each fiscal year, equal to a minimum of \$20,000, unless otherwise directed by the Board of Directors at a public meeting. This target fund level was established based upon the following general guidelines:

1. The district shall maintain a balance in the Water/Sewer Rate Stabilization Fund equal to approximately five percent (5%) of the district's estimated annual revenue to be received from all charges for Water/Sewer service.
2. For the purpose of this policy charges for Water/Sewer Service shall be defined as the aggregate sum of all annual basic service charges and any consumptive charges.

ATTACHMENT 5:
GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
DEBT RESERVE FUND

Purpose:

The purpose of the Debt Reserve Fund is to accumulate sufficient reserve funds necessary to ensure timely payment of debt obligations that the district owes for the CoBank loan for the waste water project.

Policy:

In order to achieve the objectives of this policy, the Board of Directors shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Debt Reserve Fund".
2. The Debt Reserve Fund shall be designated as a restricted reserve fund.
3. Each adopted budget of the district shall contain a transfer from the general Water/Sewer Fund to the Debt Reserve Fund in an amount approved by the Board of Directors.
4. Monies transferred into the Debt Reserve Fund shall be expended solely for the repayment of debt obligations of the district.
5. The District General Manager is authorized to approve the expenditure of Debt Reserve Funds, without prior approval of the Board of Directors in accordance with approved budget authorizations.
6. All investment earnings from the Debt Reserve Fund shall be credited to the district's general Water/Sewer fund.
7. This policy shall be reviewed on an annual basis for long-term adequacy and use restrictions

Target Level:

The operating fund reserve shall maintain a balance of \$50,000 at minimum for the duration of the loan obligation.

ATTACHMENT 6:
GRIZZLY RANCH COMMUNITY SERVICES DISTRICT
SUMMARY OF RESERVE FUND AND TARGET FUND LEVELS

	RESERVE FUND	TARGET LEVEL	DESIGNATION
1.	Working Capital Reserve Fund	\$100,000	Non-restricted
2.	Emergency Reserve fund	\$50,000	Restricted
3.	Capital Replacement/System Improvement Reserve Fund (5% Assets)	5% Assets	Restricted
4.	Rate Stabilization Reserve Fund (5% of Revenue from Usage Fees)	\$30,000	Restricted
5.	Debt Reserve Fund	\$50,000	Restricted

Current Reserve Status/ Funding Levels as of 3/2024

	RESERVE FUND	TARGET LEVEL	DESIGNATION	Current Funding Levels
1.	Working Capital Reserve Fund	\$100,000	Non-restricted	\$25,000.00
2.	Emergency Reserve fund	\$50,000	Restricted	0.00
3.	Capital Replacement/System Improvement Reserve Fund (5% Assets)	5% Assets	Restricted	0.00
4.	Rate Stabilization Reserve Fund (5% of Revenue from Usage Fees)	\$30,000	Restricted	0.00
5.	Debt Reserve Fund	\$50,000	Restricted	\$50,000.00