

**Pine Cove Water District**  
**Resolution #489**  
**Resolution setting Financial Reserves Policy**

**Purpose:**

The purpose of the Reserves policy for *PINE COVE WATER DISTRICT* is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization and to provide a source of internal funds for organizational priorities such as building repair and improvement, program opportunity, and capacity building.

The Reserves policy will be implemented in concert with the other governance and financial policies of *PINE COVE WATER DISTRICT* and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

**Definitions and Goals:**

Operating Reserve

The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of *PINE COVE WATER DISTRICT* for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs measured for a set period of time, measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to both internal and external changes.

The target minimum Operating Reserve Fund is equal to three months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes one-time or unusual capital purchases) expenses.

The amount of the Operating Reserve fund target minimum will be calculated each year after approval of the annual budget, reported to the Board of Directors, and included in the regular financial reports.

## **Funding of Reserves:**

The Operating Reserve fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples could include one-time gifts or bequests, special grants, or special appeals.

## **Use of Reserves:**

Use of the Operating Reserves requires three steps:

### 1. Identification of appropriate use of reserve funds.

The General Manager and staff will identify the need for access reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be needed and replenished.

### 2. Authority to use Reserves.

Authority for use of up to 20% of Reserves is delegated to the General Manager in consultation with the President of the Board of Directors. The use of Reserves will be reported to the Executive Committee/Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Reserve fund to the target minimum amount. The General Manager must receive prior approval from the Board of Directors for use of Reserves in excess of 20%

### 3. Reporting and monitoring.

The General Manager is responsible for assuring that the Reserve funds are maintained and used only as described in this Policy. Upon approval for the use of Reserve funds, the General Manager will maintain records of the use of funds and plan for replenishment, if required. He/she will provide regular reports to the Board of Directors of progress to restore the fund to the target minimum amount, if required.

**Review of Policy:**

This Policy will be reviewed every 5 years or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the General Manager and approved by the Board of Director.

Approved:

\_\_\_\_\_  
Tom McCullough, President  
Board of Directors

I hereby certify that the foregoing Resolution was duly passed and adopted by the Board of Directors of the Pine Cove Water District at a legal meeting held on the 10<sup>th</sup> day of March, 2010, by the following vote:

Ayes:

Noes:

Absent:

\_\_\_\_\_  
Becky Smith, District Secretary

In Witness Hereof, I have hereunto set my hand and affixed the official seal of the Pine Cove Water District.

\_\_\_\_\_  
Becky Smith, District Secretary