

Number: **BP 006**

Authority: Board of Directors
Adopted: October 1, 2013
Revised: March 17, 2026
Dept./Div.: Administration



BOARD POLICY

RESTRICTED FINANCIAL RESERVES POLICY

ARTICLE 1 PURPOSE

To set forth the Ironhouse Sanitary District's ("District") policy and guidance for the prudent accumulation and management of restricted financial reserves.

ARTICLE 2 POLICY

It is the policy of the Board of Directors of the District to ensure restricted financial reserves are maintained and used to satisfy the District's commitments under its numerous financial, regulatory and contractual obligations. The District has no discretion as to the use of these funds which are designated or restricted for specific purposes relating to satisfaction of the District's commitments.

To accomplish these objectives, the District shall adhere to the policy contained herein.

ARTICLE 3 CAPACITY RESERVES

3.1 Purpose

The purpose of capacity reserves is to ensure adequate funds are available when needed to pay costs associated with the expansion of the District's treatment plant and trunk-line capacity, including the developer's proportionate share of related debt service. The Capacity Reserve is funded by capacity fees collected from developers.

3.2 Use of Funds

Funds from the capacity reserves are to be utilized throughout the year in order to meet the District's treatment plant expansion, trunk-line capacity related costs, and the developers' proportionate share of related debt service. Remaining balances previously designated as Trunk-Line Capacity Reserve shall continue to be expended for eligible trunk-line capacity costs until fully depleted.

All new capacity fee revenues shall be deposited directly into the Capacity Reserve.

3.3 No Target

Capacity reserves equal fees assessed and collected from developers less capacity related costs. As such, there is no designated target.

3.4 No Minimum

There is no minimum reserve as the balance represents accumulated fees collected less accumulated capacity related costs.

3.5 No Maximum

There is no maximum reserve as the balance represents accumulated fees collected less accumulated capacity related costs.

3.6 Reporting

Capacity reserve balances shall be reported in the District's monthly financial reports.

ARTICLE 4 DEBT SERVICE RESERVES

4.1 Purpose

The purpose of the Debt Service Reserve is to maintain one year of debt service as required by the terms of the State Water Resources Control Board ("SWRQCB") loan.

4.2 Use of Funds

Funds are to be utilized in accordance with the debt service requirements of the SWRQCB loan.

4.3 Target

One year of debt service of the SWRQCB loan.

4.4 Minimum

A minimum reserve consists of one year of debt service on the SWRQCB loan.

4.5 Maximum

A maximum reserve consists of one year of debt service on the SWRQCB loan.

4.6 Reporting

The General Manager shall report annually to the Finance Committee the amount of Debt Service Reserves.