



POLICY

Ironhouse Sanitary District

Policy No.:	Finance 13-02	Type of Policy:	Finance
Policy Title:	Restricted Financial Reserves		
Policy Description:	Provides guidance for the prudent accumulation and management of restricted reserves		
Approval Date:	October 1, 2013	Last Review Date:	October 1, 2013
Approval Resolution No.:	Resolution 13-07	Next Review Date:	October 1, 2018
Rescinded Resolution Nos.:		Rescinded Resolution Date:	

Purpose:

It is the Policy of the Board of Directors of Ironhouse Sanitary District:

To ensure restricted financial reserves are used to satisfy its commitments under its numerous financial, regulatory and contractual obligations.

The District has no discretion as to the use of these funds.

To accomplish these objectives, the District shall adhere to the following:

Capacity Reserves

- Purpose:** The purpose of Capacity Reserves is to ensure adequate cash is available when needed to pay costs associated with the District's expansion of its Water Recycling Facility and appurtenances (e.g.: right-of-way acquisition, pipes, valves, irrigation field construction/expansion, utility relocation, engineering, etc...) and the District's major sewer collection system facilities and appurtenances (e.g.: piping, pumps stations, right-of-way acquisition, utility relocation, engineering, etc...), and related developer share of debt service. The District maintains two capacity reserves, Expansion Reserve and Trunk-Line Capacity Reserve. These reserves are funded solely by new connections (residential, commercial and industrial) in the form of capacity fees.
- Use of Funds:** Expansion Reserve Funds are utilized throughout the year exclusively for the acquisition, construction, reconstruction or expansion of sanitary sewerage, water reclamation, or water disposal facilities of the District, and to repay developers' share of principle and interest on bonds, loans, or other advances made to the District for the construction/expansion, or reconstruction, of sanitary sewerage, water reclamation, or water disposal facilities.
- Trunk-line Capacity Reserve funds are utilized throughout the year exclusively for the acquisition, construction, or reconstruction, of trunk-line facilities identified in the District's Sewer Master Plan, which is updated and adjusted periodically, including credit and reimbursement for eligible Developer installed Trunk-line facilities, to insure flows from new development (connections) can be adequately served as the District grows.
- Target:** Capacity reserves equal fees assessed and collected from new connections less capacity related costs. As such, there is no designated target.
- Minimum:** There is no minimum reserve as the balance represents accumulated fees collected less accumulated capacity related costs.
- Maximum:** There is no maximum reserve as the balance represents accumulated fees collected less accumulated capacity related costs.
- Reporting:** Capacity reserve balances shall be reported in the District's monthly financial reports.

Debt Service Reserve

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 Quality Control Board (SWRQCB) loan.

Use of Funds: Funds are utilized in accordance with the debt service requirements of the SWRQCB loan.

Target: One year of debt service of the SWRQCB loan.

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

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

Reporting: The General Manager/Treasurer shall report annually to the Finance Committee on the results of the Debt Service Reserve fund balance.