



P.O. Box 325 ▪ Sierraville, CA 96126  
Water Emergencies: 530-913-8032  
Billing Questions: 530-414-1835

## **EXHIBIT A**

### **SPUD FINANCIAL RESERVES POLICY**

#### **PURPOSE**

Sierraville Public Utility District (the District) shall maintain reserve funds. This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as property tax receipts or connection fees.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.

#### **POLICY**

##### **Operating Reserves**

The minimum amount of operating reserves will equal six months of operating expenses. The maximum amount of operating reserves will equal two years of operating expenses.

##### **Capital Reserves**

Capital reserves will be accumulated to fund infrastructure projects and will be an integral part of the District's capital plan. A key objective for accumulating capital reserves is to minimize external borrowing and interest expense. The minimum amount of capital reserves will equal \$100,000. The maximum amount of capital reserves will equal the cost of replacement of the water tank..

##### **Procedure for Using Reserve Funds**

##### **Operating Reserves**

Operating reserves can be used at any time to meet cash flow requirements of District operations..

*SPUD is an equal opportunity provider*

##### **SPUD BOARD MEMBERS**

**Lee Wright | John Shaffer | Al Pombo | Jordan Alley | Tom McElroy**  
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## **Capital Reserves**

The Board of Directors will authorize use of capital reserves during the budget process. Capital reserves are also available for unplanned (unbudgeted) capital replacement. Authorization for the use of capital reserves for unplanned capital replacement will be consistent with the District's Purchasing Policy.

## **Procedure for Monitoring Reserve Levels**

The Chief Financial Officer or appointed Board Member shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

- Board of Directors' deliberation of the annual budget.
- Board of Directors' deliberation of a service charge rate increase or,
- When a major change in conditions threatens the reserve, levels established within this policy.

If the analysis indicates projected or actual reserve levels falling 10% below or above the levels outlined in this policy, at least one of the following actions shall be included with the analysis:

- An explanation of why the reserve levels are not at the targeted level, and/ or
- An identified course of action to bring reserve levels within the minimum and maximum levels prescribed