

**Policy No. UKB-004**

**Adopted Date: 01-18-2012**

**Amended Dates: N/A**

## **Reserve Fund Policy**

### **Purpose and Need**

The purpose of this document is to establish the Authority's plan for the development and use of undesignated fund balances. At the beginning of each fiscal year the Authority Board of Directors adopts an annual budget which includes a Member assessment amount to pay all of the fees, costs and expenses expected to be incurred by the Authority during the fiscal year. When the total Member assessments exceed the fees, costs and expenses actually incurred a positive undesignated fund balance will result. This policy will identify the uses for undesignated fund balances and the process to be followed.

### **Long-Term Strategy**

The Authority will continue to pursue water resource project opportunities that benefit individual Member Agencies and also those that benefit the Authority Members collectively (collective benefit projects). Undesignated funds held by the Authority could be used to pursue development of collective benefit projects and/or be used as matching funds for collective benefit project grants. The strategy of the Authority is to develop and maintain the financial resources to allow it to respond to collective benefit project opportunities swiftly and efficiently.

From time to time the Integrated Regional Water Management Plan (IRWMP) and the Model will need to be updated. Updates to the plan will benefit the Members collectively and would therefore be an appropriate use for undesignated fund balances. The cost to develop the original IRWMP and Model was \$1.5 million.

Other needs may arise that broadly affect the Authority Members collectively. It is the intent of the Members that undesignated fund balances (Reserves) could be used for needs of this type.

### **Policy**

The Authority Board hereby establishes a target amount not to exceed \$500,000 as a reserve fund to meet the Authority's long-term strategy as described above. The Board of Directors of the Authority shall decide (by Supermajority decision) when and for what purpose the reserve fund shall be spent. If at the end of a fiscal year the Authority has accumulated a reserve fund in the target amount, the Board shall take the following steps:

- 1) Re-examine the target amount and determine if it is still valid. If not, change the target.
- 2) Consider reducing the annual Member assessments or refunding to members the fund balance that exceeds the target amount.