

**TRUCKEE SANITARY DISTRICT
BOARD OF DIRECTORS
RESOLUTION NO. 2015-115**

A RESOLUTION ADOPTING A RESERVE FUND POLICY

WHEREAS, the Truckee Sanitary District (District) is the public agency responsible for the collection and conveyance of wastewater in the greater Truckee area; and

WHEREAS, the District at all times strives to have sufficient funding available to meet its current operating, capital, and debt obligation needs; and

WHEREAS, the maintenance of the prudent reserves is the foundation of sustaining the delivery of District's services; and

WHEREAS, through maintenance of prudent reserves, the District and its ratepayers accrue significant benefits including stable rates, emergency preparedness, well-maintained infrastructure, and investment in the future; and

WHEREAS, the District currently maintains its reserves in six funds; and

WHEREAS, to avoid significant rate fluctuations or the need to borrow under undesirable conditions, the development of minimum target reserve fund balances for each fund is necessary; and

WHEREAS, the District adopted a Reserve Policy on June 16, 2011; and

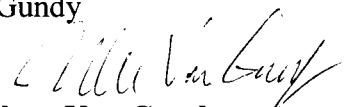
WHEREAS, staff has developed a revised Reserve Fund Policy that provides additional details regarding the establishment of minimum reserve fund balances; and

WHEREAS, the Board has reviewed the revised Reserve Fund Policy and found it to be consistent with the effective delivery of services by the District.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Truckee Sanitary District does hereby adopt the Reserve Fund Policy dated November 19, 2015 for the Truckee Sanitary District superseding the Reserve Policy adopted June 16, 2011.

PASSED AND ADOPTED by the Board of Directors of the Truckee Sanitary District at the regular meeting of the Board held on the 19th day of November, 2015, by the following roll call vote:

AYES: Anderson, Gilmore, Smart, Sweet, Van Gundy
NOES: None
ABSENT: None
ABSTAIN: None


Nelson Van Gundy,
President of the Board of Directors

ATTEST:


Blake R. Tresan,
Board Secretary

**Truckee Sanitary District
Reserve Fund Policy
Adopted by Resolution 2015-115
November 19, 2015**

| Fund | Source of Funds | Use of Funds | Reserve Fund Policy | Minimum Target Balance for FY 15-16 | Balance as of 7/1/15 |
|--|--|---|--|--|-----------------------------|
| Restricted Funds | | | | | |
| Capital Reserve Fund (Fund 4) | Connection Fees and interest earnings | Monies in this fund are restricted for use on projects that increase the capacity of the sewer system. | This fund shall be maintained so that a minimum balance at the beginning of each fiscal year is equal to 60% of the next five years of projected Fund 4 expenditures as shown on the 5-Year CIP. | \$724,000 This amount may change annually. | \$2,606,000 |
| Martis Valley Interceptor Fund (Fund 2) | Facility fees from developers in Martis Valley Interceptor sewer shed and interest earnings. | Monies in this fund are restricted for use on sewer-related activities on the Martis Valley Interceptor pipeline. | There is no minimum reserve level to be maintained in this fund. The fund should be used to upsize the Martis Valley Interceptor pipeline to accommodate projected buildout flows. Once upsizing is complete funds should be expended and fund retired. | NA | \$152,000 |
| SAD 5 Trust Fund (Fund 10) | Remaining money from SAD 5 and interest earnings. No new source of funds anticipated. | Monies in this fund are restricted for use on sewer-related activities associated with SAD 5 (Armstrong & Biltz Tract) area only. | There is no minimum reserve level to be maintained in this fund. The fund should be used until all funds are expended and then the fund should be retired. | NA | \$520,000 |
| Board Designated Funds | | | | | |
| Major Capital Improvements Reserve Fund (Fund 5) | Transfers from General Fund and interest earnings. | Monies in this fund are used for expenditures over \$5,000 on assets with life expectancies of greater than 1 year. | This fund shall be maintained so that a minimum balance at the beginning of each fiscal year is equal to 60% of the next five years of projected Fund 5 expenditures as shown on the 5-Year CIP. | \$2,394,000 This amount will change annually. | \$4,372,000 |
| Emergency Contingency Reserve Fund (Fund 6) | Transfer from General Fund as recommended by staff and/or directed by the Board. | Monies in this fund are only available for Board designated purposes. | This fund shall be maintained at the level recommended by the staff and approved by the Board to utilize in the event of an emergency (See Exhibit A). | \$3,000,000 This amount may change annually. | \$3,000,000 |
| Undesignated Funds | | | | | |
| General Fund (Fund 1) | Operating revenue, property taxes, and interest earnings | Monies in this fund are used for the day-to-day operations of the District. | This fund shall be maintained so that the cash equivalent of seven months (7/12 or 58%) of budgeted operating expenses is available at the beginning of each fiscal year. This is required to ensure the District can operate from July through January during which time there are no Teeter payments to TSD from Nevada and Placer County for user fees or property taxes. | \$4,040,000 This amount will change annually. | \$3,800,000 |

EXHIBIT A

To: File
From: Raymond Brown, District Engineer
Date: November 19, 2015
Subject: Recommended Emergency Contingency Reserve Funding Level

The District current owns, operates, and maintains approximately \$180M worth of assets. The Capital Improvement Projects (CIP) addresses the replacement of the assets nearing the end of their useful life, and is budgeted based on field inspections and the age of the infrastructure. Unanticipated major failures, natural disasters, or other catastrophic events are not budgeted in the CIP, and an Emergency Contingency Reserve Fund is recommended to provide designated funds that could be used in an emergency response to address system repairs that resulted from these unanticipated events.

The amount of funding to be dedicated to this fund must be sufficient enough to address Engineering, Construction Management and the immediate repair of the infrastructure. The determination of the amount of the funding has been evaluated by Truckee Sanitary District (TSD) staff and is recommended to be based on a percentage of the District Assets, including additional percentages for Engineering and Construction Management, and rounded up to the nearest million dollars.

For 2015 it is recommended that the ERF be funded to a level of 1% of the value of the District Assets including an additional 20% for Engineering and 20% for Construction Management. Based on these numbers, it is recommended that the 2015 Emergency Contingency Reserve funding be set at \$3M. Staff recommends that the amount of money set aside in this fund be evaluated every 5 years to account for new infrastructure installed by or dedicated to the District.