



RESOLUTION No. 2018-06

OF THE BOARD OF DIRECTORS OF THE NEVADA IRRIGATION DISTRICT

UPDATING ADMINISTRATIVE POLICY - RESERVES

WHEREAS, the Nevada Irrigation District (the "District") intends to establish, and revise from time to time, administrative policies to guide the operations and management of the District; and

WHEREAS, the District's insurance carrier provided sample guidelines for personnel and administrative policies for consideration by the District; and

WHEREAS, over the past few years, the District has adopted several administrative policies using the sample guidelines, in an effort to assemble a comprehensive policy manual; and

WHEREAS, certain District policies are outdated, and should be revised and formatted in the same manner as the sample guidelines; and

WHEREAS, such draft policies have been reviewed by the District's Legal Counsel and found to be in accordance with law.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of the Nevada Irrigation District hereby adopts the following policies as attached, and shall be incorporated herein:


#3040 Reserves

BE IT FURTHER RESOLVED, that the attached policies shall be incorporated into the District Policy Manual, and the Board Secretary is hereby authorized to assign and revise policy numbers, and format and reformat the attached, as needed for an organized, comprehensive, policy manual.

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PASSED AND ADOPTED by the Board of Directors of the Nevada Irrigation District at a regular meeting held on the 28th day of February 2018, by the following vote:

AYES:	Directors: Weber, Miller, Wilcox, Drew, Morebeck
NOES:	Directors: None
ABSENT:	Directors: None
ABSTAINS:	Directors: None



President of the Board of Directors

Attest:



Secretary to the Board of Directors

Nevada Irrigation District

POLICY MANUAL

POLICY TITLE: Reserves

POLICY NUMBER: 3040

3040.1 The purpose of the Nevada Irrigation District's (District) Reserve Policy is to ensure that the District will, at all times, have sufficient funding available to meet its operating, capital and debt service cost obligations. Reserves will be managed in a manner that allows the District to fund ongoing operations and maintenance as well as costs consistent with the annually updated Capital Improvement Program and other long-term plans while avoiding significant rate fluctuations due to changes in cash flow requirements.

Adequate reserves and sound financial policies promote the District's bond ratings in the capital markets; provide financing flexibility; avoid potential restrictive debt covenants; and stabilize rates. The Reserve Policy covers all reserve funds of the District. Unless specifically required by external statute and loan covenants, interest earnings on Hydroelectric, Recreation and other pooled monies is credited to Water Working Capital cash reserve for administrative support provided by Water staff.

On a quarterly basis, reserves shall be reported and analyzed, along with the District's adopted budget, portfolio investment, short-term forecasting and budget vs actual reports in sufficient detail to understand balance movement..

3040.2 There are three major types of reserves: Legally Restricted Reserves, Unrestricted Designated Reserves and Unrestricted Undesignated Reserves. Legally Restricted Reserves have restrictions imposed by law, bond covenants, or other contractual obligations. Unrestricted Designated Reserves are set aside for a specific purpose as determined by the Board of Directors. Unrestricted Undesignated Reserves is the remaining cash balances and referred to as operating/working capital cash. Reserve balances are considered in each update to the fiscal plan, Capital Improvement Program and Long-Term Financial Forecast during the annual budget cycle consistent with the Board's rate setting goal.

3040.3 RESTRICTED RESERVES

3040.3.1 The Capacity Fee Reserve is established to provide funds for qualifying new projects and expansion of existing District facilities in compliance with

Government Code Section 66013. All capacity fees received shall be deposited to this water reserve together with all interest earned on this balance. A target balance of \$2,000,000 shall be maintained in this reserve for expansion related capital needs of the water system.

3040.3.2 The Debt Service Reserve is governed by debt covenants for the District's debt. These reserves are held by the trustee during the term of the debt and are to be used in the event that the District is unable to meet its required debt service obligation. These reserves will be used to make the final debt service payments in accordance with debt covenants. Accrued interest earnings on this reserve balance shall be calculated according to debt covenants.

3040.3.3 Bond/Loan/Fiduciary Proceeds Reserve shall be established when District acts as fiduciary holding proceeds for specific debt/loan or improvement district. These reserves will be used for specific project purposes in accordance with contractual obligations. Any interest earnings on this reserve balance shall be calculated according to contractual obligations.

3040.4 UNRESTRICTED DESIGNATED RESERVES

3040.4.1 Operating Reserve may be used to fund anticipated deficits in operations and maintenance and provide funding for unplanned and unforeseen expenditures.

The reserve strives to maintain a minimum level of six months of annual budgeted operating costs using a three-year running average, approximately 180 days of operating cash for an individual Division (Water, Hydroelectric, Recreation).

3040.4.2 The Water Rate Stabilization Reserve may be used to provide rate stability to the District's Customers.

The Water Rate Stabilization Reserve will be funded when annual water revenues exceed water expenditures along with interest earned and will be used on an "as needed basis"; such as when an unanticipated project is expected to immediately increase rates. The Water Rate Stabilization Reserve will be used to meet these unforeseen increases in expenses or decreases in revenues so as to buffer the amount and timing of rate increases. This will be reviewed annually by the Board during the budget review and adoption process and adjusted accordingly.

3040.4.3. Community Investment Stabilization Reserve shall be used for Community Investment Program projects. The reserve shall be funded from the unused annual Community Investment Program budget up to a maximum of \$1,500,000.

3040.4.4 Capital Improvement / Replacement Reserve is established to accumulate sufficient reserve funds necessary to insure timely acquisition, replacement, and upgrade of the District's Infrastructure and capital assets. This reserve is established for each Division (Water, Hydroelectric, Recreation). The District funds Water's capital reserves when non-operating income is positive. Hydroelectric and Recreation funding occurs when operating income is positive as these Divisions do not have non-operating income. The priority calculation of these reserves is in accordance with policy 3040.6.

3040.4.5 Insurance and Catastrophic Occurrence Reserve is established to help: a) pay for claims in excess of insurance coverage limits, and b) provide immediate funds in case of a catastrophic occurrence. This reserve should have a minimum reserve balance of \$5,000,000 and a maximum balance of \$10,000,000. When the balance falls below \$7,500,000, each subsequent annual budget may contain an appropriation of up to \$500,000 until the \$7,500,000 balance is achieved.

The Water and Hydroelectric Divisions shall initially fund this reserve equally. Any events that require the use of reserve funds shall be replenished by the specific Division responsible for use of these funds.

3040.4.6 Watershed Stewardship Reserve shall be used for any expenditure incurred in the maintenance and improvement of the District's watershed. This reserve will be funded from the sale of timber and biomass extraction (100%), aggregate and mineral mining revenues (100%), annual investments earnings (10%), contract bulk water (2%), and hydroelectric sales (.5%). The Board will strive to maintain a minimum reserve balance of \$500,000.

3040.4.7 Accrued Leave Reserve estimates maximum annual payout for accrued vacation, sick leave and compensatory time on record as of the last day of each budget year. This reserve shall be funded by each division (Water, Hydroelectric, Recreation) in an amount equal to 50% of the liability associated with the employees in that division.

3040.5 UNRESTRICTED UNDESIGNATED RESERVES

3040.5.1 Operating/Working Capital Cash shall be the balance remaining in accordance with 3040.6. All receipts and expenditures shall be processed through operating/working capital cash accounts.

3040.6 ORDER OF RESERVE CALCULATION

The order used to calculate cash reserves is according to the following priority beginning with number 1) using unaudited quarterly operating results as follows:

- 1) The Finance Manager/Treasurer shall calculate the District's total cash for each division.
- 2) Restricted Cash Reserves shall be established in accordance with policy 3040.3
- 3) Accrued Leave Reserve levels shall be established in accordance with policy 3040.4.7
- 4) Operating Reserve levels shall be established in accordance with policy 3040.4.1
- 5) Capital Improvement/Replacement Reserve levels established in accordance with policy 3040.4.4
- 6) Community Investment Reserve levels shall be established in accordance with policy 3040.4.3
- 7) Watershed Stewardship Reserve levels shall be established in accordance with policy 3040.4.6
- 8) Insurance and Catastrophic Reserve levels shall be established in accordance with policy 3040.4.5
- 9) Operating/Working Capital Cash levels shall be established in accordance with policy 3040.5.1
- 10) Water Rate Stabilization Reserve levels established in accordance with policy 3040.4.2

Adopted: June 26, 2013 via Resolution No. 2013-24

Revised: March 11, 2015 via Resolution No. 2015-06

Revised: August 24, 2016 via Resolution No. 2016-31

Revised: November 9, 2016 via Resolution No. 2016-43

Revised: February 28, 2018 via Resolution No. 2018-06