

POLICY AND PROCEDURE
UNION PUBLIC UTILITY DISTRICT

DATE ADOPTED: 02/28/2024	MANUAL	POLICY NO. 3025
APPROVED BY: Board of Directors	POLICY TITLE Financial Reserves	Page 1-2

PURPOSE OF POLICY

3025.1 The Union Public Utility District shall maintain reserve funds from existing unrestricted funds as designated by the District’s Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

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

RESERVE CATEGORIES

3025.2 The Union Public Utility District shall maintain the following reserve categories:

1. Emergency Reserve Fund: Financial assets held for continued operations during times of severe economic distress due to events requiring immediate and/or significant cash use. Such severe economic situations may include otherwise insurable events for which the timely receipt of cash may be delayed. The District shall target a balance of three percent (3%) of its prior year-end total assets in this fund. Conditions for utilization of such reserves and a plan for fund replenishment will be determined by the Board.
2. Capital Reserve Fund: Capital reserves will be accumulated to fund infrastructure projects and will be an integral part of the District's capital plan documented in its Ten-Year Forecast. The minimum amount of capital reserves will equal one year's capital spending. The maximum amount of capital reserves will equal two times the accumulated depreciation balance.
3. Operating Reserve Fund: The operating reserve will vary over time with a goal of maintaining three months average operating expenses excluding depreciation. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from the same service are collected from customers. Amounts are established annually when the annual budget and financial plan are adopted.
4. Irrigation Improvement Reserve Fund: Financial assets held for purposes of sustaining and improving the irrigation infrastructure.
5. UWPA Reserve Fund: Financial assets held for UPUD's involvement in the Utica Water and Power Authority to support the maintenance of UWPA water conveyance infrastructure and water supply.

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AUTHORITY

3025.3 The General Manager is responsible for the appropriate accounting and regular reporting of the District's reserve fund balance. Board oversight will be accomplished through regular reporting and review of this Policy.

PROCEDURE FOR MONITORING RESERVE LEVELS

3025.4 The District shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

1. Board of Directors' deliberation of the annual budget.
2. Board of Directors' deliberation of a service charge rate increase.
3. When a major change in conditions threatens the reserve levels established within this policy.
4. 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.