STAFF REPORT

Meeting Type:	Finance & Administration Committee
Title:	Reserve Policy Update
From:	Bret Uppendahl, Finance Director BU
Through:	Ben Horenstein, General Manager BH
Meeting Date:	October 23, 2025

TYPE OF ITEM: Approve X Review and Comment

RECOMMENDATION: Review and comment on the District's Reserve Policy and recommended revisions

SUMMARY: The purpose of Board Policy #46 is to establish minimum and target levels for the District's seven distinct reserve funds. This policy was last updated in 2023 to provide greater clarity in the purpose of each reserve fund. Staff is recommending that the Board consider adding an additional reserve fund to accumulate funds for large-scale investments in District facilities.

DISCUSSION: The District maintains fiscal policies that collectively provide guidance for the prudent financial management and long term strategic planning. Board Policy #46: 'Reserves' details the District's existing reserve funds. During the Finance and Administration Committee meetings on April 24th and September 25th District staff provided an overview of the District's reserves and projected balances for the fiscal year ending June 30, 2025. Staff confirmed that all current reserves have met the minimum targets and there was a surplus in the operating fund, primarily resulting from expenditure savings.

The District's Capital Improvement Program (CIP) has typically included funding for minor repairs and improvements to District facilities. However, CIP does not provide funding for new buildings or significant improvements because the majority of CIP funding is prioritized for maintenance and repair of water supply and distribution assets, such as pipelines, pumps, storage tanks and water treatment facilities. The District's two largest facilities are the Corporation Yard and the Administration Building. Together, these buildings are over 60,000 square feet and they provide workspace for approximately 200 employees. Both buildings date back to the 1960's and are in need of significant improvements.

Staff's recommendation is to establish a Facility Reserve that accumulates unspent budget from personnel services when the Operating Fund ends the year with a surplus. The funds in this reserve would be used to partially offset the costs of future acquisition, construction or improvements to worksite facilities and buildings that offer access to the public. Staff is recommending to set the minimum balance equal to three percent of the operating fund budget for personnel services, and a target balance equal to twenty percent of the operating fund budget for personnel services. For FY 2025/26, this would equate to a minimum balance of $1,885,298 and a target balance of $12,568,655. For the fiscal year ending June 30, 2025, the operating fund had unspent personnel services budget of approximately $2.4 million.

ENVIRONMENTAL REVIEW: Not applicable.

FISCAL IMPACT: None.

ATTACHMENT(S):

1. Board Policy #46: Reserves (current)
2. Board Policy #46: Reserves (proposed changes)