



MARIN MUNICIPAL WATER DISTRICT

BOARD POLICY

No.: 46

DATE: 12/17/13

LAST REVISED: 04/04/23

SUBJECT: RESERVES

Introduction

The purpose of this document is to establish a consistent policy for establishing the minimum reserve levels to be maintained by the District.

Scope

It is intended that this policy cover all reserve funds currently or to be established and held by the District. This policy shall not pertain to reserves held for the benefit of the District by others or reserves established as the result of the borrowing money or the issuance of debt by the District.

General

The Board recognizes the need and benefit of maintaining reserves for various purposes. It is the goal of this policy to establish those reserve funds and the minimum amount to be maintained by each.

Policy

The Board of Directors of the Marin Municipal Water District shall review the level of reserves held in each fund annually and at the time of adopting the two-year preliminary or proposed operating and/or capital budget. Only those reserve funds held by the District are subject to this policy.

The Board authorizes and directs that the following reserve funds be established and further directs that the minimum amount of each reserve fund shall be, or shall be calculated to be, as follows:

- 1) Insurance Reserve Fund: This fund is established to pay exceptionally large self-insured claims. The fund shall maintain a minimum balance equivalent to six times the District's self-insured retention.

- 2) Workers Compensation Reserve Fund: This fund is established to accumulate reserves sufficient to pay current and future workers compensation claims and operating expenses. The minimum balance shall be that set by the actuary. An actuarial study shall be conducted as required by state law but no less frequently than bi-annually.
- 3) Capital Reserve Fund: This fund is established to accumulate reserves that may be used for current and future capital construction and equipment purchases. The fund shall accumulate funds from annual transfers from operating revenues, funds received from one time “windfall” revenues and revenues from the sale of capital assets. The minimum balance shall be equivalent to the annual budget for capital expenditures.
- 4) Unrestricted/Undesignated Reserve Fund: This fund is established to accumulate reserves which may be used for any purpose of the District. A minimum balance equivalent to six months of the annual operating budget shall be maintained. At the time this reserve fund is reviewed, the Board shall adopt a level of reserve desired ten years from the date of review. This level shall then be used in the rate model when setting rates, fees, and charges.
- 5) Rate Stabilization Fund: This fund is established to accumulate reserves which may be used for transfer to gross revenues to be used in the calculation of the District’s debt coverage ratio or for any other lawful purpose of the District. The Rate Stabilization Fund is increased by deposits of gross revenues made 180 days following the end of a fiscal year by Board approval.
- 6) Water Supply Project Fund: This fund is established to accumulate reserves to support water supply enhancement and resiliency projects. Beginning FY 2023-24, \$2.5 million will be transferred to the Water Supply Project Fund annually.