

# **RESERVE POLICY**

## **PURPOSE**

**Prudent financial planning and fiscal responsibility includes anticipating and preparing for future funding requirements as well as unforeseen and unexpected emergencies, disasters, and other events. The Del Paso Manor Water District desires to establish reserve funds for its long-term organizational and operational stability and the reserve funds enable the District to minimize significant rate fluctuations due to unforeseen and expected cash flow requirements. This Reserve Fund Policy is to ensure that the District accumulates, manages, maintains, and uses certain financial resources only for specific purposes.**

## **RESERVE FUNDS**

### **Operations & Maintenance (O&M):**

**The reserve amount for this fund will be six months of operating expense. Currently, it is projected to reach this level within five years. At that time, the District will review and adjust if necessary.**

### **Debt Service/Bond Covenant Reserve:**

**Recommended funding level is as required by the debt documents. The current debt requires the District to maintain its annual revenues, including reserves, sufficient to cover annual operating expenses and 120% of debt service.**

### **System Maintenance/Capital Projects Reserves:**

**Keeping a prudent reserve will allow for lower loan/bond rates and may also allow for paying for projects on a “pay-as-you-go” basis. This reserve amount will be determined after updating the Master Plan and developing a rate for these projects.**