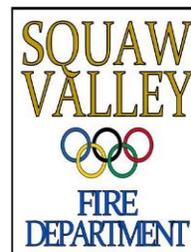




SQUAW VALLEY PUBLIC SERVICE DISTRICT



FINANCIAL RESERVES POLICY – BIKE TRAIL SNOW REMOVAL

DATE: November 19, 2019
TO: District Board Members
FROM: Danielle Grindle, Finance and Administration Manager
SUBJECT: Financial Reserves Policy for Bike Trail Snow Removal Program

BACKGROUND: Since 2013, the District has provided snow removal services on 2.3 miles of bike trail in Olympic Valley. Snow removal is performed as needed between November 15th and April 30th. Maintenance services are also provided and include trail inspection and maintenance, sanding for traction control, sweeping, installation and removal of snow poles and signage, litter pick-up, equipment maintenance, and springtime trail resurfacing (e.g., patch paving).

In the past the District received approximately two-thirds of the program's annual funding from Placer County's Transient Occupancy Tax (TOT) administered through the North Lake Tahoe Resort Association (NLTRA); it was an amount not-to-exceed \$70,000. The District was reimbursed by the Resort Association for two-thirds all related expenses incurred; and no more. The remaining funding came from generous contributions from the Resort at Squaw Creek, Squaw Valley Business Association, Squaw Valley Resort, and the Squaw Valley Property Owners Association (e.g., in-valley contributors). These funds were contributed in full, independent of expenses incurred.

For the 2018-19 winter, the District contracted solely with Placer County for a flat fee of \$46,000 annually. As matching funds were no longer required, the District reimbursed the in-valley contributors approximately \$74,000 from prior year reserves due to a series of below average winter snowfall. At the end of the 2018-19 winter, the District had \$767 remaining from the Placer County contract to place into a reserve account for future use.

DISCUSSION: When annual expenses are less than revenues, excess revenues are placed into the Bike Trail Snow Removal Financial Reserve Fund, established to stabilize the District's finances by providing a funding source to pay for capital replacements, cushion against unexpected events, losses of income, large unbudgeted

expenses, or uninsured losses. The funds in the Financial Reserve Fund are restricted for operational reserves and/or capital asset reserves (e.g., repair or acquisition of equipment necessary for the effective operation of the program).

The Reserve policy has been amended from that which was adopted in 2015. This amended version captures the use of the reserve policy for operations as well as capital replacement. This policy will be implemented in concert with the other governance and financial policies of the District and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

ALTERNATIVES: Alternative #1 – Approve the Financial Reserve Policy for the Bike Trail Snow Removal Program.

Alternative #2 – Do not approve the Policy.

Alternative #3 – Direct staff to revise the Policy.

FISCAL/RESOURCE IMPACTS: None.

RECOMMENDATION: Staff recommends the Board approve the amended Financial Reserve Policy for the Bike Trail Snow Removal Program.

ATTACHMENTS: DRAFT Financial Reserve Policy for the Bike Trail Snow Removal Program (2 pages).
Financial Reserve Policy for the Bike Trail Snow Removal Program as adopted on December 15, 2015.

DATE PREPARED: November 8, 2019.

Squaw Valley Public Service District

POLICY HANDBOOK

POLICY TITLE: Financial Reserve Policy – Bike Trail Snow Removal Program

PURPOSE:

The purpose of this Financial Reserve policy is to ensure the stability of the Bike Trail Snow Removal Program. This policy establishes the level of reserves necessary for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as Transient Occupancy Tax allocated from Placer County.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.

POLICY:

Operating Reserves

The minimum amount of operating reserves will equal two months of operating expenses.

Capital Replacement Reserves

Capital replacement reserves will be accumulated to fund replacement projects, primarily the snow blower. A key objective for accumulating financial reserves is to minimize external borrowing and interest expense. The amount of funding to the FARF will be determined annually during the budget cycle and will be based on when replacement of the snow blower or other capital purchases are needed. The District strives to be fully funded as capital projects are completed and to maintain a minimum amount of capital replacement reserves such that as the useful life of an asset is reached, it may be replaced entirely through funding from the reserve.

ACCOUNTING FOR RESERVE FUNDS

The Reserve fund will be recorded in the financial records as Board Designated Reserve. The Reserve fund will be funded with surplus unrestricted funds from the Bike Trail Snow Removal Operating Funds, and other unrestricted funds as directed by the Board of Directors, and be available in cash or cash equivalent funds. Reserve funds will be commingled with the general cash and investment accounts of the District and tracked accordingly through its accounting software.

PROCEDURE FOR USING RESERVE FUNDS:

Operating Reserves

Operating reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Purchasing Policy.

Capital Replacement Reserves

The Board of Directors will authorize use of capital replacement reserves during the budget process. Capital replacement reserves are also available for unplanned (unbudgeted) capital replacements. Authorization for the use of capital replacement reserves for unplanned capital replacements will be consistent with the District's Purchasing Policy.

REVIEW OF POLICY

If analyses indicate projected or actual reserve levels falling 10% below the levels outlined in this policy, at least one of the following actions shall be included with the analyses:

- 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 levels prescribed.

This Policy will be reviewed by the Finance Committee if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors.

DRAFT

Squaw Valley Public Service District

POLICY HANDBOOK

POLICY TITLE: ~~Financial Reserve Policy – Bike Trail Snow Removal Program~~

PURPOSE

~~The purpose of this Financial Reserve policy is to ensure the stability of the Bike Trail Snow Removal Program. The Reserve funds are intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve funds may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as investment in equipment or staff development. The Reserve funds are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the District for Reserve funds to be used as needed and replenished within a reasonably short period of time. The Reserve policy will be implemented in concert with the other governance and financial policies of the District and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.~~

DEFINITIONS AND GOALS

~~The Reserve fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.~~

~~The target minimum Reserve fund is equal to one winter season (November 15 to April 30) of average operating costs. The calculation of average seasonal operating costs includes all recurring, predictable expenses such as salaries and benefits; equipment and materials acquisition, maintenance and fuel; permit compliance; program and grant administration; and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.~~

~~The amount of the Reserve fund target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee/Board of Directors, and included in the regular Bike Trail Snow Removal financial reports.~~

ACCOUNTING FOR RESERVE FUNDS

~~The Reserve fund will be recorded in the financial records as Board Designated Reserve. The Reserve fund will be funded and available in cash or cash equivalent funds. Reserve funds will be commingled with the general cash and investment accounts of the organization and tracked accordingly through its accounting software.~~

FUNDING OF RESERVE FUNDS

~~The Reserve fund will be funded with surplus unrestricted funds from Bike Trail Snow Removal operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Reserve funds. Examples may include one-time gifts or bequests or grants.~~

USE OF RESERVES

Use of the Reserve funds requires three steps:

1. Identification of appropriate use of Reserve funds. The General Manager and staff will identify the need for access to Reserve funds and confirm that the use is consistent with the purpose of the Reserve funds as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using Reserve funds, and evaluation of the time period that the funds will be required and replenished.

2. Authority for use of Reserve funds is delegated to the General Manager in consultation with the Finance Committee. The use of Reserve funds will be reported to the Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Reserve fund to the target minimum amount. The General Manager must receive prior approval from the Board of Directors if the Reserve fund will take longer than 12 months to replenish.

3. Reporting and monitoring. The General Manager is responsible for ensuring that the Reserve fund is maintained and used only as described in this Policy. Upon approval for the use of Reserve funds, the General Manager or Finance Manager will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Finance Committee/Board of Directors of progress to restore the fund to the target minimum amount.

RELATIONSHIP TO OTHER POLICIES

The District shall maintain the board-approved policies, which may contain provisions that affect the creation, sufficiency and management of the Reserve fund.

REVIEW OF POLICY

This Policy will be reviewed by the Finance Committee if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors.