

TAHOE-TRUCKEE SANITATION AGENCY



A Public Agency
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TAHOE-TRUCKEE SANITATION AGENCY FUND POLICY

This policy confirms and establishes the Tahoe-Truckee Sanitation Agency financial operating and reserve funds. The Agency keeps and manages one operating fund and three reserve funds for the Agency's current needs and plans to accomplish prudent long-term financial planning. The purpose of this policy is to comprehensively set forth the various funds and to describe each fund's purpose, how the fund may be used, a target fund balance, and the authority and process to withdraw money from the fund. This policy supersedes Resolution Nos. 7-89 and 6-2018 and any other prior inconsistent Agency resolution, policy, or regulation.

The Agency General Manager is responsible for the management, administration, and use of these funds in accordance with the terms of this policy, generally accepted accounting principles applicable to special districts, and applicable law. The General Manager shall keep and maintain an appropriate accounting of all receipts and disbursements from these funds and regularly report to the Board of Directors concerning the balance of and disbursement from the funds. Periodically, and in any event not less than once every three years, the General Manager shall evaluate the adequacy of this policy and report the findings and recommendations (if any) to the Board. Except as provided below for the year-end transfers between the General Fund (Fund 10), the Replacement, Rehabilitation and Upgrade Fund (Fund 06), and the Emergency and Contingency Reserve Fund (Fund 07), any transfer of money between funds or any interfund loan and transfer requires Board approval.

The following funds are confirmed and established:

A. Operating Funds

1. *General Fund*

a. Description and Funding. A General Fund (Fund 10) is established for the purposes and uses described in this policy. The revenue source for this fund is provided through the collection of property tax revenue, sewer service charges, fund interest, and miscellaneous revenue.

b. Purpose and Use. The fund is used to pay the costs and expenses relating to the operation and maintenance of the wastewater transport, treatment, disposal, and related facilities, including expenditures to support the administrative, operations, maintenance, and engineering departments.

c. Target Balance. The General Fund amount shall be fixed at the beginning of each fiscal year as part of the budget process. It ordinarily shall be in an amount equal to 60% of the annually budgeted expenses plus the annually budgeted payments towards the Unfunded Accrued Liability and debt financing. At the end of each fiscal year, surplus money in the General Fund exceeding this minimum target balance may be transferred to the Replacement, Rehabilitation and Upgrade Fund (Fund 06). At the end of each fiscal year, if the minimum target balance is not achieved, monies from the Replacement, Rehabilitation and Upgrade Fund (Fund 06) and/or the Emergency and Contingency Reserve Fund (Fund 07) may be transferred to the General Fund (Fund 10).

d. Withdrawal Authority. The Agency General Manager may withdraw and use monies from the General Fund for any authorized purpose to the extent authorized by and consistent with the Board-approved budget for the year. Any withdrawal and use of money in the fund for any unbudgeted expense or for any expense beyond the General Manager spending authority (as established by Agency Ordinance No. 3-2015 or an amended or successor purchasing and public works contracting ordinance) requires Board approval.

B. Reserve Funds

A well-managed wastewater system should adhere to a prudent reserve policy to ensure the continuous financial and operational health and stability of the system. The Agency shall maintain the reserve funds as described below.

1. Wastewater Capital Reserve Fund

a. Description and Funding. A Wastewater Capital Reserve Fund (Fund 02) is established for the purposes and uses described in this policy. The fund is funded from connection charge revenue and fund interest.

b. Purpose and Use. The purpose of the fund is to finance capital improvement and expansion facility projects that are necessary or appropriate to provide capacity to serve new development within the Agency's boundaries and to maintain a high level of sewer service for the benefit of such new development. The fund will be used for such capital improvement projects estimated to cost \$25,000 or greater. A capital improvement project costing less than \$25,000 generally will be funded from the General Fund (Fund 10). The Wastewater Capital Reserve Fund is a restricted fund; therefore, monies in the fund shall not be used for any other purpose or transferred to any other fund, unless approved by the Board.

c. Target Balance. The Wastewater Capital Reserve Fund balance shall be equal to the unexpended connection charge revenue balance. The Agency periodically will evaluate and adjust the connection charge amounts as appropriate for anticipated future development plans and expectations and capacity expansion requirements. The Wastewater Capital Reserve Fund shall have a minimum target balance equal to fifty percent (50%) of the projected five years (current, plus four) of the planned budget for the capital improvement projects.

d. Withdrawal Authority. The Agency General Manager may withdraw and use monies from the Wastewater Capital Reserve Fund for any authorized purpose to the extent of the General Manager spending authority as established by Agency Ordinance No. 3-2015 (or amended or successor purchasing and public works contracting ordinance). Any withdrawal and use of the fund beyond the General Manager spending authority requires Board approval.

2. Replacement, Rehabilitation and Upgrade Fund

a. Description and Funding. A Replacement, Rehabilitation and Upgrade Fund (Fund 06) is established for the purposes and uses described in this policy. The fund is funded from the transfer of surplus monies from the General Fund (Fund 10) described above.

b. Purpose and Use. The purpose of the fund is to finance capital improvement projects to replace, rehabilitate and upgrade the existing plant, facilities, equipment, and appurtenances. The fund will be used for such capital improvement projects estimated to cost \$25,000 or greater. A capital improvement project costing less than \$25,000 generally will be funded from the General Fund (Fund 10).

c. Target Balance. The Replacement, Rehabilitation and Upgrade Fund balance shall be equal to the unexpended revenue balance of transfers to and from the General Fund (Fund 10). The Agency periodically will evaluate and adjust the target balance as appropriate for anticipated future capital needs of the wastewater facilities. The Replacement, Rehabilitation and Upgrade Fund shall have a minimum target balance equal to fifty percent (50%) of the projected five years (current, plus four) of the planned budget for the capital improvement projects.

d. Withdrawal Authority. The Agency General Manager may transfer monies from the Replacement, Rehabilitation and Upgrade Fund to meet the General Fund (Fund 10) minimum target balance and to use for any authorized purpose to the extent of the General Manager spending authority as established by Agency Ordinance No. 3-2015 (or amended or successor purchasing and public works contracting ordinance). Any withdrawal and use of the fund beyond the General Manager spending authority requires Board approval.

3. Emergency and Contingency Reserve Fund

a. Description and Funding. An Emergency and Contingency Reserve Fund (Fund 07) is established for the purposes and uses described in this policy. The fund will be funded by available Agency funds and revenue. The Agency periodically may fund the Emergency and Contingency Reserve Fund through an appropriation in the Agency budget. The Agency will strive to replenish the fund as part of the budget in any fiscal year following any year in which money was withdrawn from the fund.

b. Purpose and Use. The Emergency and Contingency Reserve Fund is intended to manage Agency financial obligations, mitigate risks due to revenue shortfalls and unanticipated expenses, aid in long-term financial planning, and insulate ratepayers from large, abrupt increases in service charges. The fund is established for the following purposes and may be used for the following expenditures and needs: to fund costs and expenses arising out of or caused by an emergency or disaster; to fund unbudgeted and unanticipated capital improvements, repairs, and replacements; to pay unbudgeted and unanticipated operation, maintenance, management, or administrative expenses that are not covered by regular operating revenue; to pay uninsured losses; and, to cover other cash flow needs due to revenue delays or funding shortfalls.

c. Target Balance. The target fund balance is a minimum of \$4 million. The Agency Board will review this fund on an annual basis during the budget process, and based on a recommendation of the General Manager, will establish the fund amount for the fiscal year in an amount that is a minimum of the target balance, unless otherwise determined by the Board.

d. Withdrawal Authority. The Agency General Manager may transfer monies from the Emergency and Contingency Reserve Fund to meet the General Fund (Fund 10) and/or the Replacement, Rehabilitation and Upgrade Fund (Fund 06) minimum target balance and to use for any authorized purpose to the extent of the General Manager spending authority as established by Agency Ordinance No. 3-2015 (or amended or successor purchasing and public works contracting ordinance). Any General Manager-authorized withdrawal from the fund shall be reported to the Board of Directors at its next Board meeting. Any withdrawal and use of the fund beyond the General Manager spending authority requires Board approval.

Adopted by the TTSA Board of Directors this 15th day of June 2022.



LaRue Griffin
Secretary to the Board

Approved: 06/15/22