**POLICY TITLE: Financial Reserves Policy**

**POLICY NUMBER: 4026**

**4026.1 Purpose:** The purpose of the Reserves policy for the Bethel Island Municipal Improvement District (“District”) is to ensure the stability of the mission, programs, employment, and ongoing operations of the District and to provide a source of internal funds for District priorities.

The Reserves 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.

**4026.2 Operating Reserve:** The Operating Reserve is 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 a financial bridge between property tax revenues. The Operating Reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the District for the Operating Reserves to be used and replenished within a reasonably short period of time (within the fiscal year). The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors (July 31, 2006).

The initial Operating Reserve Fund was set at $200,000 at the July 31, 2006 special board meeting. The Operating Reserve serves a dynamic role and may be reviewed and adjusted in response to both internal and external changes.

**4026.2 Accounting for Reserves:** The Reserve Funds will be recorded in the financial records as Operating Reserve. The Fund will be funded and available in cash or cash equivalent funds. The Operating Reserve will be comingled with other funds in the District’s main money market account. Amounts borrowed from the Operating Reserve will be tracked and reported to the public at each monthly board meeting in the Treasurer’s Report.

**4026.3 Funding of Reserves:** The initial Operating Reserve Fund was funded from milestone 1 of the amended Delta Coves Settlement Agreement dated October 13, 2005. The Board of Directors may, from time to time, direct that a specific source of revenue be set aside for additional Operating Reserves.

**4026.4 Use of Reserves:** The District Manager and staff will identify the need to access reserve funds and confirm that the use is consistent with the purpose of the reserves 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 reserves, and evaluation of the time period that the funds will be needed and replenished.

Authority to use the Operating Reserves is delegated to the District Manager as long as approval is received from two Directors (two Directors must sign the bank transfer form authorizing the transfer of funds from the main money market account to the general checking account). The use of the Operating Reserves will be reported at the next monthly regular Board meeting on the Treasurer’s Report.

The District Manager is responsible for assuring that the Reserve Funds are maintained and only used as described in this policy. Upon approval for the use of the Reserve Funds, the District Manager will maintain records of the use of funds and plan for replenishment.

**4026.5 Review of Policy** This policy will be reviewed every other year, at minimum, by the Board of Directors, or sooner if warranted by internal or external events or changes.