

Policy Number: 2.7.0

Title: RESERVES FOR CAPITAL PROJECTS

Introduction:

This policy establishes the amounts that shall be set aside each year to fund capital projects.

Ends:

The District recognizes that it needs to set aside funds to maintain, enhance and replace the equipment and facilities owned, operated and maintained by the District.

1. Each year, the District shall set aside a minimum of 3.5% of annual revenues to fund capital projects. Revenues shall include:
 - a. Property tax revenue
 - b. Water revenues
 - c. Sewer revenues
 - d. Park revenues
2. Revenues from connection fees shall be used exclusively to fund capital projects and shall be accounted for separately.
3. Each year, during the annual budget process, the Budget & Finance Committee shall recommend to the Board of Directors which capital projects, if any, should be funded during the coming fiscal year and which capital projects are forecasted for the subsequent four (4) years.
4. The following restrictions shall apply: (a) expenditures which will not extend the useful life of a structure or will only bring the facility to a sound condition are considered maintenance expenses and shall not be funded from the reserves, (b) feasibility studies, facility master plans or other analytical or research activities which do not relate directly to the implementation of a capital project shall not be financed through the reserves.
5. Monies for capital projects shall be withdrawn from connection fees before monies are withdrawn from other accounts.

Responsibility:

Each year, the Budget & Finance Committee shall recommend, for approval by the Board of Directors, the percent of annual revenues to be reserved for capital projects. The General Manager shall recommend annually, during the budget process, which capital projects should be funded.