



OLYMPIC VALLEY PUBLIC SERVICE DISTRICT



FINANCIAL RESERVES POLICY – BIKE TRAIL SNOW REMOVAL

DATE: October 29, 2024
TO: District Board Members
FROM: Danielle Mueller, Finance and Administration Manager
SUBJECT: Financial Reserves Policy for Bike Trail Snow Removal Program

BACKGROUND: Since 2013, the District has provided snow removal services with its own forces 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).

Starting in the 2018-19 winter, the District contracted solely with Placer County for an annual flat fee. The annual contribution target to the *Bike Trail Snow Removal FARF* (for snowblower replacement) is \$25,000 so we're fully funded at the end of its anticipated useful life. The current balance is \$127,333. A new snowblower currently costs about \$200,000.

DISCUSSION: When annual expenses are less than revenues, excess revenues are placed into the Bike Trail Snow Removal Financial Reserve Fund (or FARF), 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 was implemented in concert with other financial policies of the District. There are no changes proposed for the fiscal year.

ALTERNATIVES:

1. No action; keep the Financial Reserves Policy as is.
2. Modify the Financial Reserves Policy.

FISCAL/RESOURCE IMPACTS: The Policy identifies how payments from the County, in excess of expenses, are managed and used.

RECOMMENDATION: No changes are proposed; therefore, keep the Bike Trail Snow Removal Program Financial Reserves Policy as is.

ATTACHMENTS: Financial Reserve Policy for the Bike Trail Snow Removal Program.

DATE PREPARED: October 23, 2024.

Policy 2025 Financial Reserves – Bike Trail Snow Removal

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.

(Adopted 11-19-2019; Reviewed 09-29-2020, Revised 10-26-2021, Reviewed 10-31-23)