

RESOLUTION NO. 2-2001

A RESOLUTION ESTABLISHING SEWER AUTHORITY MID-COASTSIDE
RESERVE FUNDS POLICY

RESOLVED, by the Board of Directors of the Sewer Authority Mid-Coastside, San Mateo County, California, that:

WHEREAS, the Board has determined that sound financial management policy should include specific guidelines for accumulating and managing Authority reserve funds, and;

WHEREAS, purposes of reserve funds include but are not limited to operating costs, provision for emergencies and other unanticipated expenses, financing of repair and replacement of Authority facilities, and financing the construction of new facilities, all as necessary to fulfill purposes of the Authority, and;

WHEREAS, the Board has established by Resolution 1-2001 a Sewer Authority Mid-Coastside Reserve Funds Policy;

NOW, THEREFORE, IT IS ORDERED, as follows:

1. The existing Reserve Funds Policy established by Resolution 1-2001 is hereby repealed.
2. The Sewer Authority Mid-Coastside Reserve Funds Policy, dated March 26, 2001, attached hereto is hereby adopted as the policy of the Authority.

* * * * *


I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted by the Board of Directors of the Sewer Authority Mid-Coastside at a meeting thereof held on the 26th day of MARCH, 2001 by the following vote:

AYES, Directors: Carlevaris , Woren , Coleman , Boyd , Taylor .

NOES, Directors: Ptacek

ABSENT, Directors: Ruddock

ABSTAIN, Directors None .



Chairman
Sewer Authority Mid-Coastside

COUNTERSIGNED:



Secretary
Sewer Authority Mid-Coastside

SEWER AUTHORITY MID-COASTSIDE

RESERVE FUNDS POLICY

1. Sewer Authority Mid-Coastside (SAM) shall establish and maintain reserve funds as follows:

Operating Reserve Fund

Purpose	Working cash flow Fluctuations in revenue and expenses
Level of reserve	\$250,000
Interest earnings	Transfer to Capital Replacement/Emergency Reserve Fund

Capital Replacement/Emergency Reserve Fund

Purpose	Fund equipment and facilities replacement and rehabilitation, existing users' share of new capital projects, emergency projects
Level of reserve	As established by Board of Directors
Source of funds	Member agency assessments Net operating revenue
Interest earnings	Accrue to the fund balance

Connection Fee Fund

Purpose	Fund facilities to serve new growth Restricted for system expansion costs
Source	SAM Regional Connection Fee surcharge to be established by Board of Directors
Level of reserves	Will fluctuate depending on revenue and expenses, in accordance with capital spending plan
Interest earnings	Retained in Connection Fee Fund

2. Reserve funds will be designated for and restricted to uses as outlined in this Policy.
3. Upon adoption of this Policy, any existing reserve funds, with the exception of those required by law or by provisions of other SAM programs, will be eliminated and balances transferred to the new reserve funds, beginning with the Operating Reserve.

SEWER AUTHORITY MID-COASTSIDE

MEMORANDUM

DATE: March 22, 2001

TO: BOARD OF DIRECTORS
Sewer Authority Mid-Coastside

FROM: David R. Dickson
Manager

SUBJ: Resolution Adopting Revised Reserve Funds Policy

At the meeting of February 26, 2001, the SAM Board passed Resolution No. 1-2001, which established a SAM Reserve Funds Policy. In drafting the Policy, staff had endeavored to address the concerns of Chairman Woren, who wanted provisions regarding refund of money to the member agencies. Chairman Woren, who was not at the February 26 meeting, has indicated that the Policy did not meet his concerns and asked that staff present a revised policy for the Board's consideration.

A copy of the revised Reserve Funds Policy, showing changes from the version previously approved, is attached.

Staff feels it is important that SAM have a Reserve Funds Policy with which all the member agencies agree.

Recommended Action

Staff recommends that the Board discuss the revised Reserve Funds Policy, suggest any additional changes as necessary to arrive at a policy with which all member agencies agree, and approve the revised Reserve Funds Policy.



David R. Dickson
Manager

4. \$250,000 of existing undesignated reserves will be allocated to the Operating Reserve Fund, with the remainder going to the Capital Replacement/Emergency Reserve Fund.
5. Balance of the Operating Reserve Fund will be maintained at the \$250,000 level by replacing any funds temporarily borrowed from the Fund.
6. Interest earned on the Operating Reserve will be deposited in the Capital Replacement/Emergency Reserve Fund.
7. After funding the Operating Reserve, the remainder of existing undesignated reserves will be allocated to the Capital Replacement/Emergency Reserve Fund.
8. SAM will keep an accounting of each member agency's contributions to and withdrawals from the Capital Replacement/Emergency Reserve.
9. The initial balance of the Capital Replacement/Emergency Reserve will be treated as an asset of the Authority.
10. Member agency assessments for funding the Capital Replacement/Emergency Reserve will be based on approved project budgets and the SAM Long-Term Financial Plan.
11. Interest on the Capital Replacement/Emergency Reserve will accrue to the Capital Replacement/Emergency Reserve and will be allocated to the member agencies in proportion to allocation of the reserve balance.
12. The SAM Board of Directors will establish a minimum Capital Replacement/Emergency Reserve Fund balance. SAM will assess member agencies as necessary to maintain the minimum balance.
13. Net operating revenue on expense budgets (excess of assessments over expenses) in any SAM budget year will be ~~held in the Capital Replacement/Emergency Reserve Fund~~ refunded to the member agencies in proportion to their contributions during that budget year. The refund will be issued no later than December 31 following the close of the budget year.
14. 14. Net operating loss on expense budgets (excess of expense over assessments) in any SAM budget year will be ~~paid from the Capital Replacement/Emergency Reserve Fund~~ billed to the member agencies in proportion to their contributions during that budget year. When SAM

projects that expenses will exceed assessments, it will recalculate monthly member agency billings to collect sufficient funds to meet expenses.

15. The SAM Board may, by resolution, return to the member agencies any reserve funds in excess of those determined necessary to fulfill purposes of the Authority.
16. SAM will establish a Connection Fee Reserve Fund, to be funded by a SAM Regional Connection Fee surcharge.
17. All SAM reserve funds shall be invested in accordance with SAM investment policy.