

# **Napa Vallejo Waste Management Authority**

## **Operating Reserve Policy**

### Policy

Establish and maintain an operating reserve of no less than approximately 30 days of expenditures and no greater than approximately 90 days of expenditures.

Minimum Operating Reserve – Approximately 30 days (1/12) of annual expenditures

Maximum Operating Reserve – Approximately 90 days (1/4) of annual expenditures

### Use of Reserve

The operating reserve is to be used to provide sufficient cash during times when revenues lag expenditures, as well as for funding emergency situations. Establishing an operating reserve does not provide the Authority to exceed board approved appropriations during any fiscal year. Increasing appropriations to draw on these reserves requires board approval either during the annual budget process or through official board action at regularly scheduled meeting.

### Establishing and Maintaining Reserve

- At the end of each fiscal year, the Authority Executive Director shall analyze the financial position of the authority and determine if there are surplus funds to add to the operating reserve. If a surplus exists, the Executive Director will recommend to the Board an action item to designate the specific amount as Operating Reserve. This provides the necessary authority to the Auditor to record such transaction on the Authority's financial statements.
  
- If the operating reserve is below the minimum, the Authority Executive Director shall propose a budgeted surplus for the following year to fulfill the minimum requirements.
  
- If the operating reserve achieves the maximum, the Authority Executive Director shall make recommendations to the Board for appropriate action. Examples include: increasing appropriations to purchase prior year deferrals of necessary operating supplies, repairs or minor equipment; adding to the capital replacement designation; issuing a short-term or one time discount to rate payers.

### Policy Review

This policy shall be reviewed by the Authority Executive Director and Auditor annually with recommendations to the Authority Board to maintain the policy as is, or enhance the policy, at least once every five fiscal years.