



BOARD POLICY

DESIGNATED FUNDS

I. PURPOSE

- A. The purpose of the policy is to provide for Designated Funds which are to be set aside for specific purposes related to the management and operation of the Agency.
- B. Designated Funds are financial resources available to finance expenditures and are not limited by legal or contractual requirements and may be appropriated elsewhere at the discretion of the Governing Board.

II. POLICY

- A. The following Designated Funds have been established by the Governing Board. Each Designated Fund shall be used for the purpose outlined below and shall have the respective minimum balance requirements.

SEE NEXT PAGE



Big Bear Area Regional Wastewater Agency Policies and Procedures

Designated Funds

Fund	Purpose	Fund Balance	Minimum Balance Requirements
Liquidity	This fund shall be used to fund Agency operations and provide cash flow during periods where expenditures exceed revenues.	\$2,200,000	The Liquidity Fund shall operate as a revolving fund and will be drawn down as needed and repaid with cash flow. The minimum balance of \$2,200,000 is required on May 1 of each year. The minimum balance may increase or decrease based on the subsequent fiscal year's operating and maintenance budget.
Debt Service	This fund shall be used to pay principal and interest due on outstanding debt.	Based on annual debt service.	The minimum balance shall be established and funded on July 1 in the amount of the current year's debt service. The minimum balance shall be reduced during the year as principal and interest are paid.
Capital and Replacement Fund – Current Year	This fund shall be used to fund current year capital expenditures.	Based on annual capital expenditures.	The minimum balance shall be established and funded on July 1 of each year in the amount of the current year's budgeted capital expenditures. The minimum balance shall be 1) increased by additional appropriations for capital expenditures and 2) reduced during the year as capital expenditures are made.
Capital and Replacement Fund – Future Years	This fund may be used to fund future capital expenditures.	Varies	No minimum balance requirement. This fund is a balancing fund and reflects the difference between the cash balance and the combined total of the Agency's other funds and represents the amount of cash available for future capital expenditures.
Contingency Fund	This fund shall be used to fund emergencies or unexpected outflows and shall be allocated as follows:		
	Emergency	\$500,000	The Agency shall maintain a minimum balance of \$500,000 throughout the fiscal year unless drawn on for the purposes outlined.
	Operating	Two months of operating expense.	The Agency shall establish the operating portion of the contingency fund on July 1 of each year based on the operating expense of the current year and which may be drawn on after Board appropriation for unexpected operating expenses.

Committee Recommendation: August 7, 2012
Board Approval: August 22, 2012