



Memo

To: Board of Directors
From: Gary Belair, Board Director
Date: February 16, 2022
Re: Motion - Adopt Chapter 9, Article 7 Fixed Asset Funds Policy

Motion

I move to adopt Chapter 9, Article 7 Fixed Asset Funds Policy as presented.

Background

HSVPOA recognizes the duty to adequately fund both current operations and provide for timely execution/saving for approved fixed assets projects which may start at the beginning of a budget year when revenue has yet to be collected or which will require funding over multiple years. The Finance & Planning Committee proposed the Fixed Asset Funds Policy to establish the existence of and the management of Fixed Asset Funds accounts. Fixed Asset funds are intended to be used to accumulate cash that will be used periodically to invest in approved fixed assets of HSVPOA as defined in the updated Operations and Maintenance Table (O&M Tables) and approved budget. Unlike Emergency Reserve Funds, Fixed Asset funds are accumulated with the intention that they will be used as an on-going resource to manage spending.

To establish the funds, the Board of Directors will designate minimum amounts for each fund per the proposed policy. All funds will be funded and maintained in a bank account or investment fund in accordance with HSVPOA Investment Policy.

Adoption of Chapter 9, Article 7 Fixed Asset Funds Policy was discussed by the Board at the February 2, 2022, Discussion Session.

**CHAPTER 9, ARTICLE 7
FIXED ASSET FUNDS POLICY**

SECTION 1. PURPOSE: To establish the existence of and the management of Fixed Asset Funds accounts. Fixed Asset funds are intended to be used to accumulate cash that will be used periodically to invest in approved fixed assets of HSVPOA (examples of fixed assets are physical facilities, infrastructure, utilities, and fleet) as defined in the updated Operations and Maintenance Table (O&M Tables) and approved budget. Unlike Emergency Reserve Funds (Reference Chapter 1, Article 10) Fixed Asset funds are accumulated with the intention that they will be used as an on-going resource to manage spending.

SECTION 2. DEFINITIONS AND GOALS: HSVPOA shall maintain two separate Fixed Asset funds, as follows.

- A. Utility Fixed Asset Fund.** To be funded through net utility earnings (except as noted in Section 3) and used to fund water and wastewater maintenance, repair and/or expansion. The funding levels are designated by the Board of Directors from time to time as detailed in Section 3 and Section 4.
- B. General Fixed Asset Fund.** To be funded through net earnings (excluding water and waste water operations and funds designated for a specific purpose). The funding levels are designated by the Board of Directors from time to time as detailed in Section 3 and Section 4.

SECTION 3. PHILOSOPHY: HSVPOA recognizes the duty to adequately fund both current operations and provide for timely execution/saving for approved fixed assets projects which may start at the beginning of a budget year when revenue has yet to be collected or which will require funding over multiple years. The use of these funds will be identified in the O&M Tables and budgeting process. For approved expenditures that require funding at the beginning of the year, for which revenue has not been collected, these funds will provide a means to early start that project. The replenishment of these Fixed Asset funds will come from the revenue generated throughout the year that was budgeted for the fixed asset. The intent is to allow for the execution of approved fixed asset items throughout the year and reduce year-over-year project carry over.

Beginning in 2022 and at least biennially thereafter, the Board of Directors in conjunction with the General Manager and Controller, and with advice from the Finance and Planning Committee will review and confirm/adjust the Fixed Asset Funds targets looking forward 3-5 years. Upon Board approval of a change in targeted funding levels, the table in Section 4 will be updated to reflect Board decision. The Board of Directors may from time to time direct that a specific source of revenue other than net earnings be set aside for these Funds. Examples may include onetime gifts, special grants or special appeals.

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SECTION 4. FUNDING FIXED ASSET FUNDS: To establish the funds, the Board of Directors has designated the following Minimum amounts for each of the funds. These funds were accumulated from existing unrestricted net earnings as of 06/30/2021:

Basis	Date Last Set	Minimum Amount	Funded Amount	Last Funded Date	Comments
UTILITY Fixed Asset Fund					
Initial Board Funding Level	6/2021	\$666,117	\$666,117	6/2021	
GENERAL Fixed Asset Fund					
Initial Board Funding Level	6/2021	\$1,500,000	\$1,500,000	6/2021	

The accounts will be replenished (as applicable) by the Controller throughout the year of execution.

SECTION 5. INVESTING FIXED ASSET FUNDS: The Fixed Asset Funds will be funded and maintained in a bank account or investment fund in accordance with the HSV Investment Policy. Interest earned on the Utility and the General Fixed Asset Funds will remain within those funds.

SECTION 6. FUND SHORTFALLS: It is recognized that the Fixed Asset Funds balances will be dynamic and variable. It is suggested, however, that the Minimum levels defined in Section 4 be available at each year end to support subsequent year operations. If any Fixed Asset account falls below 80% of the balances established in Section 4 at the end of a calendar year, then subsequent budgets will allocate funds to restore these balances in no more than three (3) years.

SECTION 7: USING FIXED ASSET FUNDS:

- A. Projects in the approved budget that require funding at the beginning of the year are candidates for usage of these funds in accordance with sections 7.B-D of this document.
- B. The General Manager, working with the Controller and POA staff, will identify reasons for accessing the Fixed Asset Funds and confirm the use is consistent with the purpose as described in this policy. The General Manager will perform the following:
 - 1. Analyze the reason for the needed funds.
 - 2. Assess the availability of any other sources of funds.
 - 3. Evaluate the time period that the funds will be required.
- C. The General Manager will submit to the Board a project request including a description of the project, necessary resources, a listing of needed funds and appropriate timelines.
- D. Upon approval, the General Manager is then authorized to spend funds in accordance with Policy Chapter 9 Article 3 (Purchasing Policy).

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- E. The Controller will provide quarterly reporting of disposition of Fixed Asset Funds, status of replacements/repairs and outlook for replenishment of funds as revenue is collected throughout the year and affirming compliance to this policy.
- F. Assets in any of the above funds may only be used for the purpose of that fund and shall not be withdrawn, borrowed against, or transferred to any other fund.