



RESOLUTION NO. 2026-38
OF THE BOARD OF DIRECTORS OF THE NEVADA IRRIGATION DISTRICT
AMENDMENT TO DISTRICT POLICY
3040 – RESERVES

WHEREAS, the Nevada Irrigation District (the "District") intends to establish, and revise from time to time, administrative policies to guide the operations and management of the District; and

WHEREAS, Reserves are particularly important to the District because a single failure of a treatment plant, pipeline, canal, pump station, dam, or other critical facility can require substantial expenditures with little advance notice;

WHEREAS, the revised Reserve Policy 3040 updates reserve categories, target balances, and funding procedures based on current operational, capital, and financial requirements.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of the Nevada Irrigation District hereby adopts the following policy updates as attached, and shall be incorporated herein:

#3040 - Reserves

That the attached policy shall be incorporated into the District Policy Manual, and the Board Secretary is hereby authorized to assign and revise policy numbers, and format and reformat the attached, as needed for an organized, comprehensive, policy manual.

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PASSED AND ADOPTED by the Board of Directors of the Nevada Irrigation District at a regular meeting held on the 14th day of October, 2026, by the following vote:

AYES:	Directors: Heck, Stephens, Johansen, Fowler, Bierwagen
NOES:	Directors: None
ABSENT:	Directors: None
ABSTAINS:	Directors: None



President of the Board of Directors

Attest: 

Secretary to the Board of Directors

Nevada Irrigation District

POLICY MANUAL

POLICY TITLE: Reserves

POLICY NUMBER: 3040

3040.1 PURPOSE OF RESERVES

3040.1.1 The purpose of the Nevada Irrigation District's (District) Reserve Policy is to ensure that the District will, at all times, have sufficient funding available to meet its operating, capital, and debt service cost obligations. Reserves will be managed to allow the District to fund ongoing operations and maintenance, as well as costs consistent with the annually updated Capital Improvement Program and other long-term plans, while avoiding significant rate fluctuations due to changes in cash flow requirements.

Reserves also support the District's creditworthiness and borrowing capacity. Bond investors and rating agencies generally evaluate liquidity, debt-service coverage, financial policies, and available reserves when assessing an agency. Strong financial reserves can therefore contribute to better credit ratings and potentially lower borrowing costs, ultimately benefiting customers. The Reserves Policy covers all reserve funds of the District, unless specifically required by external statute and loan covenants.

Two times per year, reserves shall be reported, analyzed, and presented to the Board of Directors during the annual budget process and the mid-year budget adjustment. Any reserve balances below the levels stated in this policy must be approved by the Board and identified in the adopting resolution for the annual budget.

3040.2 TYPES OF RESERVES

3040.2.1 There are three major types of reserves: Legally Restricted Reserves, Unrestricted Designated Reserves, and Unrestricted Undesignated Reserves (also referred to as available fund balance). Legally Restricted Reserves have restrictions imposed by law, bond covenants, or other contractual obligations. Unrestricted Designated Reserves are set aside for a specific purpose as determined by the Board of Directors. Unrestricted Undesignated

Reserves are the remaining cash balances and can be utilized if appropriated by the Board of Directors. Staff calculates reserve balances and presents them to the Board of Directors during the annual budget cycle.

3040.3 RESTRICTED RESERVES

3040.3.1 The Debt Service Reserve is governed by debt covenants for the District's debt. The trustee holds these reserves during the term of the debt and uses them if the District cannot meet its required debt service obligation. These reserves will be used to make the final debt service payments in accordance with debt covenants. Accrued interest earnings on this reserve balance shall be calculated according to debt covenants.

3040.3.2 Bond/Loan/Fiduciary Proceeds Reserve shall be established when the District acts as fiduciary holding proceeds for specific debt/loan or improvement district. These reserves will be used for specific project purposes in accordance with debt issuance obligations.

3040.4 UNRESTRICTED DESIGNATED RESERVES

3040.4.1 Operating Reserves may be used to fund unplanned and unforeseen expenditures related to Water Fund 10, Recreation Fund 30, and Hydroelectric Fund 50. The reserve also ensures sufficient liquidity to meet cash-on-hand needs.

Fund 10 and 50 Operating Reserve minimums are established to be 6 months of annual budgeted expenditures. Fund 30 and 70 Operating Reserve minimums are established to be 3 months of annual budgeted expenditures.

Operating Reserves shall be funded from revenue received by each operating fund or by budgeted transfers. Operating Reserves shall receive funding prior to all other reserves.

3040.4.2 Capital Reserves are established to accumulate sufficient reserve funds necessary to ensure timely acquisition, replacement, and upgrade of the District's infrastructure and capital assets. This reserve is established for each Capital Fund (Water Capital Fund 15, Recreation Capital Fund 35, and Hydroelectric Capital Fund 55).

The minimum reserve levels are as follows:

- Water Capital Fund 15: Target reserve set at 50% of the total combined five-year depreciation expense from audited financials.
- Hydroelectric Capital Fund 55: Capital Reserve target set at the five-year average cost of capital program. Hydroelectric Capital Fund 55

FERC Reserve is set at \$35 million. Hydroelectric Capital Fund 55 Power Purchase Expiration Reserve is set at \$15 million.

- Recreation Capital Fund 30: Target reserve set at 50% of the total combined five-year depreciation expense from audited financials.

Capital Reserves shall be funded from budgeted transfers.

- 3040.4.3** Insurance and Catastrophic Occurrence Reserves are established to help: a) pay for claims in excess of insurance coverage limits, and b) provide immediate funds in case of a catastrophic occurrence. This reserve shall have a minimum reserve balance of \$5,000,000 and a maximum balance of \$10,000,000.

This reserve can be funded by Water Fund 10 and/or Hydroelectric Fund 50. Any events that require the use of reserve funds shall be replenished by the specific Department responsible for use of these funds.

Insurance and Catastrophic Occurrence Reserves shall be funded from revenue received by each operating fund or by budgeted transfers.

- 3040.4.4** Accrued Leave Reserve estimates the annual payout for accrued vacation, sick leave, and compensatory time on record as of the last day of each budget year. Each Department (Water, Hydroelectric, Recreation) shall include this reserve in its operating fund in an amount equal to 30% of the current portion liability associated with employees in that Department. The current portion estimates the expected accrued leave expense for the fiscal year.

Accrued Leave Reserves shall be funded from revenue received by each operating fund or by budgeted transfers.

3040.5 UNRESTRICTED UNDESIGNATED RESERVES

- 3040.5.1** The amount of cash fund balance remaining in each fund. Use of these funds shall be appropriated by the Board of Directors.

Adopted: June 26, 2013 via Resolution No. 2013-24

Revised: March 11, 2015 via Resolution No. 2015-06

Revised: August 24, 2016 via Resolution No. 2016-31

Revised: November 9, 2016 via Resolution No. 2016-43

Revised: February 28, 2018 via Resolution No. 2018-06

Revised: July 24, 2019 via Resolution No. 2019-24

Revised October 14, 2026, via Resolution No. 2026-38