



RESOLUTION No. 2019-24
OF THE BOARD OF DIRECTORS OF THE NEVADA IRRIGATION DISTRICT

2019 AMENDED BUDGET

WHEREAS, Nevada Irrigation District (NID) is an irrigation district formed and existing under the provisions of Division 11 of the Water Code of the State of California; and

WHEREAS, NID owns and maintains a system of reservoirs, canals, pipelines, treatment facilities, storage tanks, and related facilities to deliver treated and untreated (raw) water to NID customers in Nevada, Placer and Yuba Counties; and

WHEREAS, on December 12, 2018, the Board of Directors adopted the 2019 Budget which included the preliminary 2019 Cost of Service Rates; and

WHEREAS, on April 24, 2019, the Board of Directors adopted and approved a 5.72 percent rate increase over the next three years, which was less than the final 2019 Cost of Service recommended rates; and

WHEREAS, the Board waived Policy 3040.4.1 – Operating Reserves, which established the minimum level operating reserves to be maintained at six months of annual budgeted operating costs; and

WHEREAS, the Board requested the 2019 operating expense budget to be reduced by five percent along with a reciprocal reduction in revenues; and

WHEREAS, the acquisition of the Deer Creek Powerhouse is anticipated in 2020; additional costs not previously accounted for in the 2019 budget have been included.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Nevada Irrigation District as follows:

1. The Board of Directors hereby approves the 2019 Amended Budget.
2. District Policy Number 1070: Contributions/Donations – Requests by Non-Profit/Community Organizations for contributions, donations and sponsorships, is suspended until which time all reserve funds are appropriately funded.

3. District Policy Number 2174: Education, is suspended until which time all reserve funds are appropriately funded.
4. District Policy Number 3040.4.1: Operating Reserves, is to be modified to reflect the temporary waiver of the minimum reserve level of six months of annual budgeted operating costs; until which time all reserves are appropriately funded.
5. District Policy Number 3040.4.3: Community Investment Stabilization Reserve, is to be suspended until which time all reserves are appropriately funded.
6. District Policy Number 3040.4.4: Capital Improvement / Replacement Reserve, establish the following minimum reserve levels for the District's three Capital Improvement/Replacement funds:
 - a. Water: \$22,000,000
 - b. Recreation \$500,000
 - c. Hydroelectric \$15,000,000
 - d. FERC License \$35,000,000
7. District Policy Number 3040.4.6: Watershed Stewardship Reserve, as amended.
8. This Resolution shall take immediate effect upon its adoption.

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PASSED AND ADOPTED by the Board of Directors of Nevada Irrigation District at a regular meeting duly called and held within the District on the 24th day of July 2019 by the following roll call vote:

AYES: Directors: Heck, Peters, Miller, ~~and Wilcox~~
NOES: Directors: Bierwagen
ABSENT: Directors: None
ABSTAINS: Directors: Wilcox

President of the Board of Directors

Attest:

Secretary to the Board of Directors

Nevada Irrigation District

POLICY MANUAL

POLICY TITLE: Contributions/Donations – Requests by Non-Profit / Community Organizations

POLICY NUMBER: 1070 – This policy is suspended until reserves are appropriately funded.

The purpose of this policy is to provide direction to the General Manager, the Administrative Practices Committee and the Board of Directors for handling requests for contributions and/or donations to non-profit / community organizations. It is important for the District to be involved in the various communities it serves. The District may fulfill requests for contributions to non-profit / community organizations when the organization can show their direct relationship to watershed health, water quality, agriculture or natural resources.

- 1070.1** The General Manager shall have the discretion to approve requests for contributions up to \$500.
- 1070.2** The Administrative Practices Committee shall have the discretion to approve requests for contributions between \$501 and \$2,000.
- 1070.3** The Board of Directors shall have the discretion to approve requests for contributions of \$2,001 or more.
- 1070.4** Contributions and donations are not to exceed a maximum annual amount of \$7,500.

Adopted: October 13, 2010 via Resolution No. 2010-56

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

Nevada Irrigation District

POLICY MANUAL

POLICY TITLE: Education
POLICY NUMBER: 2174 - This policy is suspended until reserves are appropriately funded.

The purpose of education sponsored by the District is to provide for the necessary education of its employees that is appropriate and advantageous to the mission of the District.

2174.1 The Human Resources Manager shall be responsible for staff leadership and coordination efforts. Final authorization will be the responsibility of the District. The following guidelines will provide each Department Manager with standards for recommendations:

2174.1.1 Only regular employees in good standing will be considered for educational coursework.

2174.1.2 All educational requests must outline in writing the following information:

- a) Cost
- b) Location
- c) Dates
- d) Course description

2174.1.3 College courses will be sponsored including continuing education oriented toward degrees of a general nature. The employee must have the approval of their Department Manager, the Human Resources Manager and the General Manager prior to enrollment. Courses directly related to the job will be paid at one hundred percent (100%) upon satisfactory completion; courses not directly related to the job will be paid at fifty percent (50%) upon satisfactory completion.

2174.1.4 The annual contribution for education will not exceed \$2,000 per employee.

2174.1.5 Should an employee terminate an authorized course prior to its completion without Department Manager approval, the total cost of the course, or a portion thereof, shall be the employee's responsibility.

Adopted: June 25, 2014 via Resolution No. 2014-40
Revised: July 24, 2019 via Resolution No. 2019-24

Nevada Irrigation District

POLICY MANUAL

POLICY TITLE: Reserves
POLICY NUMBER: 3040

3040.1 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 in a manner that allows 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.

Adequate reserves and sound financial policies promote the District's bond ratings in the capital markets; provide financing flexibility; avoid potential restrictive debt covenants; and stabilize rates. The Reserve Policy covers all reserve funds of the District. Unless specifically required by external statute and loan covenants, interest earnings on Hydroelectric, Recreation and other pooled monies is credited to Water Working Capital cash reserve for administrative support provided by Water staff.

On a quarterly basis, reserves shall be reported and analyzed, along with the District's adopted budget, portfolio investment, short-term forecasting and budget vs actual reports in sufficient detail to understand balance movement..

3040.2 There are three major types of reserves: Legally Restricted Reserves, Unrestricted Designated Reserves and Unrestricted Undesignated Reserves. 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 is the remaining cash balances and referred to as operating/working capital cash. Reserve balances are considered in each update to the fiscal plan, Capital Improvement Program and Long-Term Financial Forecast during the annual budget cycle consistent with the Board's rate setting goal.

3040.3 RESTRICTED RESERVES

3040.3.1 The Capacity Fee Reserve is established to provide funds for qualifying new projects and expansion of existing District facilities in compliance with

Government Code Section 66013. All capacity fees received shall be deposited to this water reserve together with all interest earned on this balance. A target balance of \$2,000,000 shall be maintained in this reserve for expansion related capital needs of the water system.

3040.3.2 The Debt Service Reserve is governed by debt covenants for the District's debt. These reserves are held by the trustee during the term of the debt and are to be used in the event that the District is unable to 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.

3040.3.3 Bond/Loan/Fiduciary Proceeds Reserve shall be established when 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 contractual obligations. Any interest earnings on this reserve balance shall be calculated according to contractual obligations.

3040.4 UNRESTRICTED DESIGNATED RESERVES

3040.4.1 Operating Reserve may be used to fund anticipated deficits in operations and maintenance and provide funding for unplanned and unforeseen expenditures.

The reserve strives to maintain a minimum level of six months of annual budgeted operating costs using a three-year running average, approximately 180 days of operating cash for an individual Division (Water, Hydroelectric, Recreation). Waiver of this requirement is in effect until capital improvement/replacement reserve (3040.4.4) is achieved within individual Funds.

3040.4.2 The Water Rate Stabilization Reserve may be used to provide rate stability to the District's Customers.

The Water Rate Stabilization Reserve will be funded when annual water revenues exceed water expenditures along with interest earned and will be used on an "as needed basis"; such as when an unanticipated project is expected to immediately increase rates. The Water Rate Stabilization Reserve will be used to meet these unforeseen increases in expenses or decreases in revenues so as to buffer the amount and timing of rate increases. This will be reviewed annually by the Board during the budget review and adoption process and adjusted accordingly.

3040.4.3. Community Investment Stabilization Reserve shall be used for Community Investment Program projects. The reserve shall be funded from the unused annual Community Investment Program budget up to a maximum of

\$1,500,000. Funding for this reserve is suspended until the District's individual Fund operating reserves (3040.4.1) reach minimum levels.

3040.4.4 Capital Improvement / Replacement Reserve is established to accumulate sufficient reserve funds necessary to insure timely acquisition, replacement, and upgrade of the District's Infrastructure and capital assets. This reserve is established for each Division (Water, Hydroelectric, Recreation). The District funds Water's capital reserves when non-operating income is positive. Hydroelectric and Recreation funding occurs when operating income is positive as these Divisions do not have non-operating income. The minimum reserves for the three Funds areas follows: Water \$22,000,000, Hydroelectric \$15,000,000, Hydroelectric FERC: \$35,000,000 Recreation \$500,000. The priority calculation of these reserves is in accordance with policy 3040.6.

3040.4.5 Insurance and Catastrophic Occurrence Reserve is 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 should have a minimum reserve balance of \$5,000,000 and a maximum balance of \$10,000,000.

The Water and Hydroelectric Divisions shall initially fund this reserve equally. Any events that require the use of reserve funds shall be replenished by the specific Division responsible for use of these funds.

3040.4.6 Watershed Stewardship Reserve shall be used for any expenditure incurred in the maintenance and improvement of the District's watershed. The Board will strive to maintain a minimum reserve balance of \$500,000.

3040.4.7 Accrued Leave Reserve estimates maximum annual payout for accrued vacation, sick leave and compensatory time on record as of the last day of each budget year. This reserve shall be funded by each division (Water, Hydroelectric, Recreation) in an amount equal to 50% of the liability associated with the employees in that division.

3040.5 UNRESTRICTED UNDESIGNATED RESERVES

3040.5.1 Operating/Working Capital Cash shall be the balance remaining in accordance with 3040.6. All receipts and expenditures shall be processed through operating/working capital cash accounts.

3040.6 ORDER OF RESERVE CALCULATION

The order used to calculate cash reserves is according to the following priority beginning with number 1) using unaudited quarterly operating results as follows:

- 1) The Finance Manager/Treasurer shall calculate the District's total cash for each division.
- 2) Restricted Cash Reserves shall be established in accordance with policy 3040.3

- 3) Accrued Leave Reserve levels shall be established in accordance with policy 3040.4.7
- 4) Operating Reserve levels shall be established in accordance with policy 3040.4.1
- 5) Capital Improvement/Replacement Reserve levels established in accordance with policy 3040.4.4
- 6) Community Investment Reserve levels shall be established in accordance with policy 3040.4.3
- 7) Watershed Stewardship Reserve levels shall be established in accordance with policy 3040.4.6
- 8) Insurance and Catastrophic Reserve levels shall be established in accordance with policy 3040.4.5
- 9) Operating/Working Capital Cash levels shall be established in accordance with policy 3040.5.1
- 10) Water Rate Stabilization Reserve levels established in accordance with policy 3040.4.2

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