

MANAGEMENT BOARD

Information Summary

April 8, 2009

Subject

AMWUA Reserve Fund Policy

Policy Question

What policy should be established regarding the use of the Reserve Fund?

Summary

The reserve fund dates back to the mid 1980s. The creation of the fund occurred when the AMWUA Board approved a lease agreement that included an incentive allowing for no lease payments during the first year of the lease. The Board decided to continue funding lease payments in the budget for that year with the understanding that those monies would be deposited into the LGIP investment account and used to offset future lease payments. The fund was used to offset lease payments, but with the addition of interest, the fund grew at a faster rate than was used for lease payments. As a result of the accumulating interest, the fund has grown as indicated in the attachment titled "AMWUA Reserve Fund Balance/Activity."

The Reserve Fund is presently being utilized to offset current expenditures as follows:

Capital Expenditures – AMWUA owns very little in the way of capital assets. Besides ordering office equipment, which is purchased infrequently and basically, only to replace worn-out items, AMWUA's main capital expenditure, every three to four years, consists of replacing the computer system, including software, and any necessary peripheral equipment, such as printers and scanners. In the Fiscal Year 2008-09 Budget, the Board approved the purchase of a new computer system utilizing the reserve fund.

Lease/Common Area Maintenance (CAM) – In an effort to reduce the impact on the budget from the building lease and CAM escalations, the reserve fund has been used to offset those increases. In the Fiscal Year 2008-09 Budget, the Board approved the use of \$60,500 from the reserve fund for that purpose.

Extraordinary and Nonrecurring Budget Items – The reserve fund was initially created to fund one-time events, such as financing the cost of a move. AMWUA is nearing the end of a 10-year lease (August 2011) and could very likely be relocating to new office space. The reserve fund is available for use to offset those costs.

Considerations

During last year's review of the AMWUA Budget, the Board recommended that AMWUA present the Board with a reserve fund policy.

Prior Committee Action

The policy question regarding the reserve fund was presented to the Board at their February 2009 meeting. At that meeting, the Board was presented with a policy proposing appropriate uses for the reserve fund. In addition to the proposed uses, the Board directed the AMWUA staff to make a recommendation regarding the minimum and maximum levels to be maintained in the fund.

Recommendation

Responding to the Board's directive, attached is a proposed Reserve Fund Policy suggesting the purposes for which the fund may be used, including funding levels.

AMWUA staff recommends that the AMWUA Management Board recommend adoption of the AMWUA Reserve Fund Policy.

Attachments

Attachment A – AMWUA Reserve Fund Policy

Attachment B – AMWUA Reserve Fund Balance/Activity