

102 GENERAL FUND RESERVE POLICY

102.1 Purpose. TRWD desires to maintain a prudent level of financial resources to guard against unexpected temporary revenue shortfalls or unpredicted one-time expenditures. The General Fund Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities. This Policy is intended to document the appropriate General Fund Reserve level to protect TRWD's creditworthiness.

This Policy establishes the amounts the District will strive to maintain in its General Fund Reserve, how the General Fund Reserve will be funded, and the conditions under which General Fund Reserves may be used.

102.2 Scope. This Policy shall apply to the General Fund.

102.3 Definitions and Acronyms.

Cash Balance: The sum of cash and cash equivalents of an accounting fund.

Cash Equivalent: In the context of cash flows reporting, cash equivalent means short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash and (2) so near the investments' maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, "original maturity" means maturity as of the date the investment is acquired.

Fund Balance: The difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources in a governmental fund.

General Fund: Used to account for all financial resources not accounted for in some other fund.

Non-Recurring Item: An expenditure that has not occurred in the previous two years and is not expected to occur in the following year.

Reserve: The portion of the Fund Balance that is intended to provide stability and respond to unplanned events or opportunities.

TIF: The Tax Increment Finance agreement with the City of Fort Worth which collects incremental revenues from a designated project area.

Unassigned Fund Balance: The difference between total Fund Balance in a governmental fund and its non-spendable, restricted, committed, and assigned components.

Variable Revenues: Those revenues with little predictability or basis for estimate from year-to-year (such as oil and gas revenues or interest income).

102.4 Reserve Levels. Reserves will be made up of the following three levels:

1. General Reserves. Equivalent to 25% of yearly budgeted on-going operating expenditures and capital expenditures of the General Fund. TRWD staff will evaluate the financial stability of the General Fund revenues annually to ensure the reserve requirement remains adequate.
2. Variable Revenue Reserves: \$10,000,000
3. Debt Service Reserves – \$10,000,000

The combination of these three levels comprise the total reserves.

TRWD will measure its compliance with this General Fund Reserve Policy on or about September 30 each year, or as soon as practical after final year-end account information becomes available. During the course of the year, the Finance Department shall closely monitor TRWD's revenues and expenditures to ensure Reserves are not used beyond those authorized by the Board of Directors in this Policy.

If, based on the analysis and forecasting of TRWD staff, the target levels of Reserves are not being met or are likely to not be met, Fund Balance levels will be provided by the Finance Department to the General Manager. Should the projected year-end Fund Balance be below the minimum Reserves amount established by this Policy, the General Manager or designee shall establish a plan to replenish the Reserve based on the requirements outlined in this Policy.

102.5 Funding the Reserve. Funding of General Fund Reserve targets will generally come from excess revenues over expenditures or one-time revenues.

102.6 Conditions for Use of Reserves. It is the Board of Directors' intent to limit use of General Fund Reserves to address unanticipated, non-recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures. Reserves may, however, be used to allow time for TRWD to restructure its operations in a deliberate manner. Reserves may also be used when TIF revenues are less than debt service.

102.7 Authority Over Reserves. The Board of Directors may authorize expenditures from Reserves. The General Manager shall ensure that the Finance Department regularly reports both current and projected Reserve levels to the Finance and Audit Committee and to the Board.

102.8 Replenishment of Reserves. In the event that Reserves are used resulting in a balance below the level set forth in this Policy, the Chief Financial Officer shall develop and present a plan to the General Manager that will be included in the formulation of a forecast presented to the Board during the annual budget process.

102.9 Excess Reserves. In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used at the discretion of the General Manager for any lawful purpose in a manner that complies with Board policy.

102.10 Periodic Review of the Targets. The General Manager or designee shall review Reserves annually to ensure that they are appropriate given the District's economic and financial risk factors.