

## Reserve Policy:

### 1. Purpose:

The Mark Twain Health Care District (the District) shall maintain reserve funds from existing unrestricted funds as designated by the District's Reserve Policy. The Reserve Policy is modeled after the California Special Districts Association: **Special District Reserve Guidelines**. (2<sup>nd</sup> edition). This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a. Fund replacement and major repairs for the District's physical assets
- b. Fund regular replacement of computer/technology hardware and software
- c. Fund designated conservation projects/programs or other special uses not otherwise funded by grants or requiring additional monetary support. (\$3 million)
- d. Fund Capital improvements
- e. Maintain Minimal operational sustainability in periods of economic uncertainty
- f. Fund long term Debt and contract obligations for 2-3 years ongoing

The District shall account for reserves as required by Governmental Accounting Standards Board Statement No. 54, which distinguishes reserves as among these classes: non-spendable, restricted, committed, assigned and unassigned. The reserves stated by this policy, unless otherwise required by law, contract or District policy shall be deemed "assigned" reserves.

### 2. Policy:

Use of District Reserves is limited to available "Unrestricted" Funds (not obligated by law, contract or agreement), including donations, interest earned, fees for service or other non-grant earnings. All special use funds will be designated by formal action of the Board of Directors.

- a. Technology Reserve Fund:  
Technology Reserves will accumulate from existing unrestricted funds. The minimum target amount of Technology Reserves will be \$1,000,000.
- b. Valley Springs Health & Wellness Center; Operational Reserve Fund:  
Designated Project/Special Use Reserves will accumulate from existing unrestricted funds with a minimum target amount of \$2,200,000. The Reserve amount will be determined on each annual review and be based on the projected and historical expense of the Center. This fund will provide for 180 days of operational expenses.
- c. Lease and Contract Reserve Fund:  
Financial obligations related to long-term leases and contracts that exceed more than one year and are ongoing will be reserved. Examples of this would be the utility payment obligations in the MTMC lease.
- d. Capital Improvement Reserve Fund:

Capital Improvements Reserve will accumulate from existing unrestricted funds with a minimum target amount of \$12,000,000. Designated Capital Improvement Funds may be used to cover major facility improvements (construction installation of new doors or windows, replacing doors and windows, roof replacement, HVAC replacement, alarm system installation, parking lot and outside lighting improvements and hospital lease termination etc.).

- e. Loan Reserve Fund: Any long-term loans (greater than 5 years) will have a debt service reserve fund that will encompass three years of debt payment on an ongoing basis. This fund will have a minimum target amount of \$1,300,000.

### **3. Using Reserve Funds:**

- a. Technology Reserve:  
Technology Reserves will be used to purchase hardware and software in support of District operations, with the intent of maintaining modern technology for employees and patients. This fund can also be used for technology dependent equipment such as radiology or electrocardiography.
- b. Valley Springs Health & Wellness Center; Operational Reserve Fund can be used to support operations at the center, including all line items listed on the Valley Springs Health & Wellness Center operations budget.
- c. Lease and Contract Reserve Fund can be used to meet lease and contract long-term obligations such as MTMC utility payments.
- d. Capital Improvements Reserve:  
Capital Improvements Reserves shall be limited to cost related to making changes to improve or maintain capital assets, increase their useful life, or add to the value of these assets.
- e. Loan Reserve Fund: Any long-term loans (greater than 5 years) will have a debt service reserve fund that will encompass three years of debt payments on an ongoing basis. This fund is designated primarily, but not exclusively, to the USDA 30-yr construction loan.

### **4. Monitoring Reserve Levels:**

The Executive Director or CEO, in collaboration with the District Accountant or CFO, shall perform a reserve status analysis annually, to be provided to the Board of Directors for annual deliberation / approval of Budget and Reserve Funds.

Additional information may be provided to the Board of Directors upon the occurrence of the following events:

- a. When a major change in conditions threatens the reserve, levels established by this policy or calls into question the effectiveness of this policy;
- b. Upon Executive Director/CEO and/or Board request.

Reference: Special District Reserve Guidelines, California Special Districts Association, 2<sup>nd</sup> edition.