

**Berry Creek Metropolitan District
Financial Reserves Policy
March 2011**

Berry Creek Metropolitan District has designated four separate reserve accounts to ensure that adequate amounts are maintained for Operating, Replacements, TABOR and Capital projects. Further definition of these separate reserves is outlined below. The purpose of this policy is to establish a range of appropriate levels in each of these funds. The reserves are designed to be dynamic and utilized when needed. Minimum levels of each reserve have been considered and the low end of the range shall serve as those amounts. The Board of Directors of Berry Creek Metropolitan District shall reserve the right to modify these reserve amounts with a vote. Approval for lowering reserve amounts shall be a "Super Majority" vote; defined as a minimum of four (4) of five (5) affirmative BCMD Board members. Careful consideration shall be given to allowing reserves to fall below the ranges indicated.

Unforeseen events and potential shortfalls in revenue collection should be considered before modification of minimum reserve levels so as not to leave the District in a position where they are unable to meet the requirements of the District

Operating Reserves - The District should maintain an operating reserve. The operating reserve is designed to provide working capital for routine operations of the District and to lessen the impacts of revenue fluctuations. In general, approximately 100% of the annual budgeted operating expenditures should be held as an operating reserve. A portion of the District's General Fund Balance equal to 100% of the annual operating budget shall be designated ("committed") by action of the Board of Directors as the Operating Reserve.

75% TO 125% OF THE ANNUAL OPERATING BUDGET

Replacement Reserves - The District shall also designate ("commit") a portion of the fund balance in the General Fund for the replacement of fixed assets (a "Replacement Reserve"). The Replacement Reserve balance should be calculated using a replacement reserve schedule. This schedule is to include the future replacement costs of all District fixed assets expected to be replaced within a twenty year time horizon. The schedule should show the year the assets are expected to be replaced, and the annual amount of funding expected to be needed so that funds will be available to replace the assets. The replacement reserve schedule should be updated annually for new additions and deletions. Items to be included in the replacement reserve calculation shall ultimately be approved by the Board of Directors. Upon creation of the replacement reserve schedule, a portion of the District's General Fund Balance in an amount equal to the present funding requirement of the replacement reserve schedule shall be designated through action by the Board of Directors as the balance in the Replacement Reserve account. Annually thereafter funds shall be designated through action by the Board of Directors for the Replacement Reserve account equal to the funding requirement for the replacement reserve schedule.

100% TO 150% OF THE CAPITAL IMPROVEMENTS PLANNED TO BE
COMPLETED OVER THE NEXT 12 MONTHS.

75% TO 100% OF THE CAPITAL IMPROVEMENTS PLANNED TO BE COMPLETED IN MONTHS 12 THROUGH 24.

25% TO 50% OF THE CAPITAL IMPROVEMENTS PLANNED TO BE COMPLETED IN MONTHS 24 THROUGH 48.

10% TO 20% OF THE CAPITAL IMPROVEMENTS PLANNED TO BE COMPLETED BEYOND 48 MONTHS.

TABOR Emergency Reserve - TABOR requires that the District maintain an emergency reserve in an amount equal to 3% of the District's fiscal year spending. A portion of the District's General Fund Balance in an amount equal to the TABOR Emergency Reserve shall be shown as being restricted for this purpose.

3% OF THE DISTRICTS ANNUAL EXPENDURES.

Capital Projects Reserve – The District has historically funded capital projects either through the issuance of bonds or through “pay as you go” for smaller projects. If the District issues bonds to be used for specific capital projects, the use of the bond proceeds is restricted to the specific projects for which the bonds are issued. Such restricted funds shall be shown as a Capital Projects Reserve portion of the General Fund Balance.

Additionally, since the District uses the “pay as you go” method for funding many capital projects, the Board of Directors shall consider reserving additional funds for future capital projects which are not included on the Replacement Reserve schedule. Such future capital projects may be either specifically identified as a reserve for unidentified future capital projects. A portion of the District's General Fund Balance in an amount to be determined by the Board of Directors shall be designated (“committed”) by action of the Board as designated (“committed”) for Capital Projects.

50% TO 75% OF THE ANTICIPATED CAPITAL PROJECTS NOT INCLUDED IN THE REPLACEMENT RESERVE.