

Exhibit A

PLATTE CANYON WATER & SANITATION DISTRICT

Cash Reserve Policy

Date:

November 29, 2018

Purpose:

The purpose of this policy is to provide guidance and direction for the annual review and adoption of an appropriate cash reserve for various uses for Platte Canyon Water and Sanitation District.

Policy:

It is the policy of Platte Canyon Water and Sanitation District (District) to annually review and establish an adequate level of cash reserves for operations, capital improvements, debt service, and other needs prescribed by the Board of Directors. The review will be based on the criteria set forth below and will be conducted during the annual budget review process.

Background:

Platte Canyon Water and Sanitation District was organized in 1959. Many of the District's assets are reaching or have exceeded their expected useful life. At the same time, the TABOR Amendment has restricted the District's ability to raise revenues over a short period of time to meet unexpected expenses. These circumstances necessitate establishment and preservation of a cash reserve to meet both planned short term and long-term expenditures as well as unplanned emergencies. Therefore, a review of the District's cash needs will be conducted on annual basis during the budget review process using the following criteria which may be amended by the Board from time to time.

Criteria:


The criteria used to evaluate the level of cash reserves shall incorporate three elements; operational needs, new and replacement capital needs, and debt service requirements.

Operating Reserve

The operating reserve component of the cash reserve will be based on a set percentage of District operating expenses. The District has only one source of consistent revenue which is ad valorem taxes assessed upon all real property within the District. Since the District's ability to increase this revenue source is restricted by TABOR, it is necessary that the operating reserve be set at a high enough level to allow the District to fully meet routine and emergency operating expenses over a reasonable period. The Board of Directors has determined that the operating reserve portion of the cash reserve should be set at 100 percent of annual operating expenses less expenses attributable to contract operations.

Capital Reserve

The capital reserve portion of the cash reserve will be based on the greater of the projected capital expenses for the next 10 years, or a set percentage of the the replacement cost of all District assets adjusted for depreciation.



The percentage will be reviewed on an annual basis but is initially set and 10 percent of the present value of replacement/rehabilitation costs.

Debt Service Reserve

The District is currently debt free and it is not anticipated that debt will be incurred in the foreseeable future. However, should the District incur debt, it is proposed that a reserve component be added to the cash reserve based on debt service requirements established by bond or loan requirements.