

# DISTRICT COMPILED POLICIES

## CHAPTER 6 – FINANCE

### 6.01 Fees and Charges

- (A) The manager will establish fees for District services based on policy guidelines established by the Board. These policy guidelines include:
- (1) Fees will be calculated to achieve the desired level of cost recovery based on direct cost for each service type.
  - (2) Fees will be established for out-of-district users of District services that are equitable with fees for District residents recognizing the contribution made by District residents through property taxes.
  - (3) Appropriate fee discounts will be established for select user groups including seniors, youth, patrons with disabilities, and the military. Only District residents will be eligible for fee discounts. Only one discount may be applied to each fee.
  - (4) The “THPRD Scholarship Program” will provide accommodation for low-income District residents in the form of a limited amount of user fee waivers.
  - (5) Fees will periodically be compared against similar fees for both public and private sector providers.
  - (6) Fees will be adjusted and implemented, as necessary, to ensure continued equity, consistency and fairness.
- (B) The Board will review District fee policy as needed to ensure fees are in line with these guidelines.

### 6.02 Debt Policies

- (A) The District use of non-general obligation supported debt should not negatively impact future operations.

*Working Guidelines: The District should not issue any new non-general obligation debt until other financial targets are met, unless the source of future annual debt service is identified, with preference toward using debt for projects that provide cost savings or revenue enhancements.*

- (B) The District use of non-general obligation debt should provide an appropriate matching of the benefits provided to the cost of the debt service.

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- (1) Working Guidelines – use of debt: *Non-general obligation debt should be used for projects that provide savings or revenue enhancements that meet or exceed the debt service costs, and for land acquisition or capital improvements. Non-general obligation debt may be used to finance capital replacements in an emergency situation.*
- (2) Working Guidelines – term of debt: *The term of non-general obligation debt should not exceed 100% of the weighted average life of the projects being funded.*

### 6.03 Minimum Fund Balances / Reserves

- (A) The District should maintain an appropriate level of ending fund balance in the General Operating Fund to provide financial stability and minimize service disruptions.

*Working Guidelines: The District should maintain ending general operating fund balance levels of 10 percent of operating expenses. In any year in which the District is not at the targeted fund level, the budgeted contingency or unappropriated ending fund balance will be increased by 1% of property tax revenues.*

- (B) The District should measure its obligation for replacement of assets and ensure that replacements are managed in a manner that does not negatively impact District services.
  - (1) Working Guidelines – measurement of replacement obligation: *The District should measure the replacement obligation based on deferred replacements (i.e. backlog) for both major and routine replacements plus percentage of life used for major replacements.*
  - (2) Working Guidelines – prioritization of maintenance replacements funding: *The District should priority fund all major items replacements (subject to condition of asset deferrals) a minimum of \$350,000 of routine replacements, and fund the balance of routine replacements based on available funding.*

### 6.04 Cost Recovery

- (A) The District should establish consistent guidelines to measure the full cost of District programs and capital projects.
  - (1) Working Guidelines – operating programs: *The District will measure the cost of providing services for both the direct cost and indirect cost. The direct cost includes all the specific identifiable expenses (fixed and*

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*variable) associated with providing a service, program or facility; these costs would not exist without the service or program. The indirect cost encompasses overhead (fixed and variable) including the administrative cost of the District; these costs would exist without any of the specific services or programs.*

- (2) Working Guidelines – capital projects: *The District should measure the cost of capital projects based on the direct external cost plus the full cost (including indirect cost allocations) of District staff time to manage the projects.*

- (B) The District should maintain fee policies that utilize the measurement of cost recovery / subsidy of District programs subject to other District goals.

*Working Guidelines: The desired level of cost recovery of direct costs will be based on the level of public versus private benefit the service provides as sorted by into five tiers:*

- a. Tier 5, mostly individual benefit, will have desired cost recovery of 200%,*
- b. Tier 4, considerable individual benefit, will have desired cost recovery of 150%,*
- c. Tier 3, individual and community benefit, will have desired cost recovery of 100%.*
- d. Tier 2, considerable community benefit, will have desired cost recovery of 75%,*
- e. And Tier 1, mostly community benefit, will have little to no cost recovery from fees.*

*Categories of District services have been sorted and assigned a cost recovery tier through the Service and Financial Sustainability Assessment. Service categories can move between tiers, if necessary, but only upon completion of an established review process with criteria consistent with those that drove the initial tier assignment.*

- (C) The District should recognize cost recovery of internal support functions for activities funded by special or restricted funds to ensure that there are no hidden interfund subsidies.

*Working Guidelines: The District should charge the cost of staff support to capital projects, and should recognize an interfund reimbursement so that all capital costs are borne by the capital projects fund.*

### 6.05 Cost / Benefit Analysis

The District should establish a consistent methodology of measuring cost / benefit analysis that can be used for proposed capital expansion or acquisitions.

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Working Guidelines: *The District should assess cost / benefit based on net present value of net financial returns using a discount rate equal to the District current borrowing rate.*

### 6.06 Financial Goal Measurement

- (A) The District should establish, through the long-term financial planning process, financial goals and strategies and should periodically review these goals and strategies.

Working Guidelines: *The District should review the goals and strategies annually as part of the Board of Directors annual goals and objectives.*

- (B) The District should periodically measure progress toward financial goals.

Working Guidelines: *The District should develop an annual reporting process for measuring progress toward financial goals.*

### 6.07 Capital Replacement Reserve Fund

- (A) The District will create and maintain a separate Capital Replacement Reserve Fund for the purpose of funding life cycle repair/replacement projects for the District's capital assets (Goal 2 from the District's Service and Financial Sustainability Plan, 2013).

- (B) The District will establish a target funding level for the reserve fund that is adequate to fund identified replacements as they come due.

(1) Working Guidelines – funding level: *The reserve fund target funding level should be based on the aggregate cost of replacement multiplied by the percentage of asset life expired as of the date of the target calculation.*

(2) Working Guidelines – target funding: *The assets to be used to calculate the reserve fund target funding level will be all assets that the District classifies as Major Replacements assets.*

- (C) The District will fund the Capital Reserve fund using general operating revenues at an amount necessary to maintain the funding target.

(1) Working Guidelines – Funding to target: *Until the Capital Reserve fund is funded at the reserve fund target funding level, the District will transfer funds*

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*into the reserve fund at an amount sufficient to reach the reserve fund target funding level by the end of fiscal year 2024/25. Funding of the reserve will be not less than a net of \$850,000 each fiscal year.*

- (2) Working Guidelines – Funding after meeting target: *Once the Capital Reserve fund is funded at the Target funding level, the District will fund the reserve at an annual amount necessary to maintain the balance at the reserve fund target funding level.*
  
- (D) The District will utilize replacement funds to fund replacements included in the target balance calculation.
  - (1) Working Guidelines: *The capital replacement reserve will cover the full cost of the applicable asset replacement, even if the actual cost exceeds the amount set aside in the reserve.*
  
  - (2) Working Guidelines: *The timing of actual replacements using replacement reserve funds will be based on an actual condition of asset assessment, and not solely based on an estimated useful life.*
  
  - (3) Working Guidelines: *The capital replacement reserve fund can only be expended for the replacement of assets in the target balance calculation.*
  
- (E) Any use of the replacement reserve fund that exceeds the funded balance for that item will be repaid to the reserve by the general fund.
  - (1) Working Guidelines: *Repayment of an excess payment by the reserve fund will be established each year through the budget process.*