



**EXHIBIT**  
**Board of Directors**  
**January 19, 2015**

**Recommendation for Reserve Funding for 2015 Budget Surplus**

**Overview**

On November 18, 2014 the GVR Board of Directors adopted a Reserve Policy. This policy can be found in Section V-Fiscal/Accounting Subsection 2 of the Corporate Policy Manual (CPM). Under Section B. Maintenance of GVR Financial Reserve System, which was updated on August 25, 2015, it states that “The Controller will make an annual adjustment to reserve funds to bring balances into line as described and defined in the GVR Financial Reserve System, which may include moving money between funds. Once created, each reserve fund may be drawn upon immediately. Each year, these draws from the reserve funds shall be replaced first before assigning excess revenue over expenses to any other use.”

The Policy goes on to describe the Funding Source for each of the three (3) different types of reserve funds: Operating, Capital Replacement and Initiative & Innovation.

- For the Operating Reserve Fund, “Additional contributions necessary to reach and exceed the minimum fund balance (one year’s legal obligations) may come from GVR corporate contributions from excess revenue over expenses at the close of each fiscal year, at a rate up to 50% of total revenue less expenses.”
- For the Capital Replacements Reserve Fund, the Policy states: “Additional contributions necessary to exceed the minimum fund balance (\$2M) may come from two (2) sources:  
i. a contribution up to 50% of annual depreciation calculated for the forthcoming fiscal year and ii. GVR corporate contributions from excess revenue over expenses at the close of each fiscal year.”
- For the Initiatives & Innovation Reserve Fund: “Additional contributions necessary to reach and exceed the minimum fund balance (\$500,000 at the beginning of the fiscal year) may come from other GVR corporate financial resources, including GVR reserve funds, year-end annual budget net revenue and other sources.”

## **Recommendation**

Allocate the estimate \$1M 2015 Budget Surplus in the following manner:

1. First, replace \$15,000 in the Capital Replacements Fund and \$172,500 in the Initiative & Innovation Reserve Fund, against the draws that were taken in 2015, to follow policy requirements.
2. Second, allocate 100% of the remainder of the \$1M estimated excess revenue over expenses as a result of GVR, Inc. operations for the year ended December 31, 2015 to the Capital Replacements Reserve Fund. This amount is estimated to be approximately \$812,500 following expenditures.

## **Rationale**

In 2015, GVR, Inc., began a comprehensive facility assessment project with WSM, Architect and Engineering firm. The expected outcome is a set of recommendations for facility improvements and repurposing which will require an as yet unknown amount of funding. The additional allocation to Capital Replacement Reserves could ultimately be used to fund these recommendations.



**As of December 31, 2015**

<b>Capital Replacement Reserve Fund-Temporarily Restricted</b>	3520	3,140,789	
Reserve Funding @ \$50,000 per month-Jan-Dec. 2015		600,000	
* Abrego North Pool Leak Investigation		( 15,000 )	
Settlement with Lovitt& Touche and Travelers		75,000	
*** Replace Leak Investigation Funds		15,000	
*** Remainder of excess revenue over expenses		812,500	
	<b>Ending Balance</b>		<b>4,628,289</b>
<b>Initiatives &amp; Innovation Reserve Fund-Temporarily Restricted</b>	3500	2,069,845	
* Start-up Loan to GVR Foundation		( 15,000 )	
* Construction of Pickleball Courts at East Center		( 150,000 )	
** Boundary Expansion Referendum		( 7,500 )	
*** Replace all 2015 draws		172,500	
	<b>Ending Balance</b>		<b>2,069,845</b>
<b>Operating Reserve Fund-Temporarily Restricted</b>	3515	789,366	
		0	
	<b>Ending Balance</b>		<b>789,366</b>
	<b>Reserve Fund Totals</b>		<b><u>7,487,500</u></b>

\* Approved by Board of Directors on March 17, 2015

\*\*\* Approved by Board of Directors on January 19, 2016