




**ELECTRIC WATER SEWER STORMWATER**

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<b>POLICY:</b>	<u>Cash Reserves</u>	<b>DEPARTMENT:</b>	<u>Board</u>
<b>APPROVED:</b>	<u></u>	<b>REVIEWED / REVISED:</b>	<u>03/16/11</u>

It is the policy of the Board that each Utility Fund shall work to accumulate adequate cash reserves to meet ongoing utility expenses through emergencies, and that cash reserves be kept in liquid assets as specified in the current Investment Policy.

The level of adequacy shall be determined by the following formula, which shall be a target or guideline only. The Board recognizes that cash reserves that are too high constitute hoarding of the ratepayers' money and that cash reserves that are too low present too much risk of failure of utility assets and systems.

**Target Reserves shall be the Sum of the following:**

- 15% of current O & M Budget**
- 100% of annual P & I payments**
- 15% of current Capital Improvement Projects**
- 15% of current Five Year Plan**
- 50% of Prairie State Energy Campus Annual Fixed Costs (Elec. Only)**

**The Board recognizes that as of the adoption of this Policy actual cash reserves are significantly below the targets required by this Policy and therefore direct the General Manager to recommend appropriate rates and control expenses, to ensure a positive change in cash each year equal to 5% of the gross revenue of each fund.**

**Originated / Revised History**

Originated – 03/16/11

Revision 1 – 09/24/13