Unrestricted Reserve Options

Year-end 2019 Surplus = Approximately $964,546

- **Add to Master Plan / Compliance Fund with LGIP** – this option is the same option agreed upon for funds accumulated during budget year 2019. With several projects in the planning phase this remains a good option considering the cost and magnitude of the projects on the table. There is no question of if the money will be needed, but rather when at this time. The application of these funds to projects would reduce the amount needed from a Clean Water Fund loan to complete the projects.

- **Debt Reduction -** $832,521 remains on CWF loan 4380-03 (ICA) and prepayment would realize an additional savings of about $46,987 in interest. This CWF loan was for the elimination of the subtraction method, various interceptor improvements and the install of the large barrel siphon. Prepayment of a Clean Water Fund loan does require preapproval from the Department of Administration/Clean Water Fund. The next payment is due on November 1st.

  If the District pays off the loan and Darboy/Combined Locks stay on their payment schedules it would appear as a revenue in the budget and would have sewer rate implications unless segregated outside the budget. The member communities could be given the option to repay the District or stay on their respective payback schedules. The interest rate on the CWF loan is 2.365% while the District is currently earning just 0.2% on funds invested in the LGIP.

  Given the current economic realities of the past few months, this option becomes more favorable as the interest that the District forgoes is now minimal due to the miniscule investment interest rates being offered. This would remove the necessity to collect about $205k in debt service in the 2021 District budget.

- **Leave in the Unrestricted Asset Account –** the higher fund balance would be used in setting the 2021 HOVMSD budget with a large increase in the amount available to the Fund Balance Applied and would offset the amount needed in sewage revenue for 2021. This would essentially result in an indirect and deferred rebate back to the member communities through the Fund Balance Applied Formula in the annual budget.