

COLORADO PARKS AND WILDLIFE COMMISSION POLICY

TITLE: FINANCIAL RESERVES

Effective Date: June 12, 2015

I. PURPOSE

The purpose of this policy is to establish a required minimum level of financial reserves that will be maintained in funds administered by the Colorado Division of Parks and Wildlife (CPW), in order to insure both long and short term financial sustainability.

II. AUTHORITY

A. C.R.S. § 33-1-110 (6)

B. C.R.S. § 33-1-112

III. DEFINITIONS

A. **Reserve:** The difference between current assets and current liabilities in a given fund, as of the end of the fiscal year, calculated in accordance with generally accepted accounting principles and standards. Synonymous with the terms Working Capital and Fund Balance.

B. **Wildlife Cash Fund:** The fund created pursuant to 33-1-112, which provides primary funding for general wildlife-related operations and is financed largely through hunting and fishing license fees.

C. **Earmarked Funds:** Specific sources of funds within the Wildlife Cash Fund that are restricted by statute such that they cannot be used to pay for general wildlife-related operations.

IV. POLICY STATEMENT

This policy applies to the Wildlife Cash Fund only. No reserve targets will be established for other funds managed by CPW, since these funds either already have a statutorily required reserve, or are dedicated to narrow, specific purposes, or are primarily used to fund multi-year capital projects.

The primary purpose of this commission reserve policy will be to provide a “rainy day” fund, to cover shortfalls between revenues and expenditures arising from significant unexpected dips in revenues or increases in costs.

To the extent that a portion of the reserve in the Wildlife Cash Fund is made up of earmarked funds, and therefore would not be available to cover contingencies, the minimum required reserve will be on top of the portion of the reserve attributable to these earmarked funds.

To provide for financial contingencies, a minimum reserve range will be maintained in the Wildlife Cash Fund. This minimum range will be \$7 to \$9 million over and above the portion of the Wildlife Cash Fund reserve attributable to earmarked funds.

By their nature, unanticipated drops in revenues or increases in costs cannot be forecast. Particularly if unanticipated events occur near the end of the year, it is conceivable that the reserve could be drawn down below the upper end of the minimum range before steps could be taken to reduce costs or increase revenues.

If the Wildlife Cash Fund reserve drops below the upper end of the minimum range, the director will present an action plan to the commission for its approval. Generally, the goal of the action plan would be to build the reserve to a level above the upper end of the minimum range as soon as practical. The action plan could include drawing the reserve below the lower end of the minimum range in the short term, but drawing the reserve below this level would require prior approval by the commission.

This policy will be reviewed by the commission every three years.

V. IMPLEMENTATION

The reserve should be built up from its level as of June 30, 2014 to the upper end of the minimum range within five years (by the end of FY 19-20), with a goal of building the reserve by about \$1.5 million per year over that period.