



# BOARD PACKAGE

February 21, 2024

Special Board Meeting – 5:00 p.m.

**SPECIAL BOARD MEETING AGENDA**  
February 21, 2024 – 5:00 p.m.  
Phelan Community Center  
4128 Warbler Road, Phelan, CA 92371  
& 3075 Johnson Drive, Ventura, CA 93003  
& Via Conference Call (see below)

**SPECIAL BOARD MEETING – 5:00 P.M.**

**Call to Order** – Pledge of Allegiance

**Roll Call**

1) **Approval of Agenda**

2) **Public Comment** – Under this item, any member of the public wishing to directly address the Board on any item of interest that may or may not be within the subject matter jurisdiction of the Board, but not listed on the agenda, may do so at this time. However, the Board is prohibited by law from taking any action on any item not appearing on the agenda unless the action is otherwise authorized by the Brown Act. Any member of the public wishing to directly address the Board on any item listed on the agenda may do so when the item is being considered by the Board. *If you wish to address the Board, please do so by the method listed on the first page of this agenda.* Speakers are requested to be brief in their remarks. The Chair may limit each speaker to a comment period of five (5) minutes.

3) **2023/2024 Budget Workshop**

- a) Review and Discussion Regarding Budget Policy
- b) Review and Possible Acceptance of Draft Capital and Repair and Maintenance Plans
- c) Discussion and Possible Adoption of Reserves Schedule for 2023/2024

4) **Review of Action Items**

5) **Adjournment**

*Pursuant to Government Code Section 54954.2(a), any request for a disability-related modification or accommodation, including auxiliary aids or services, that is sought in order to participate in the above-agendized public meeting should be directed to the District's General Manager at (760) 868-1212 at least 24 hours prior to said meeting.*

Agenda materials can be viewed online at [www.pphcsd.org](http://www.pphcsd.org)

**Remote Viewing:**

To watch the livestream (view only – nonparticipating), visit our YouTube channel:

[PPHCSD YouTube Channel Link](#)



**Mission Statement:**

*The Mission of the Phelan Piñon Hills Community Services District is to efficiently provide authorized services and maximize resources for the benefit of the community.*

**Authorized Services:**

- Water
- Parks & Recreation
- Street Lighting
- Solid Waste & Recycling

**Remote Participation:**

To provide public comment, or otherwise participate remotely, select the meeting you wish to attend on the District's website and then click the "Join Remote Meeting" option.

<https://www.pphcsd.org/meetings>

*Please be advised that remote participation and livestreaming options are provided as a courtesy to the public and technical issues could occur, resulting in delays or the inability to participate remotely or livestream. It is recommended that you attend in person to ensure you are able to participate.*

**Written Comments:**

You may also email your public comment to the Board Secretary at [ksevy@pphcsd.org](mailto:ksevy@pphcsd.org) by the meeting start time listed on this agenda. Your comment will be added to the record by the Board Secretary.

*Please check the District website for updates on this meeting. We encourage you to sign up for our email notifications by emailing [ksevy@pphcsd.org](mailto:ksevy@pphcsd.org) or by visiting our website and completing the signup form at [www.pphcsd.org](http://www.pphcsd.org) under the "Agendas and Minutes" tab.*

# Agenda Item 3a

Review and Discussion  
Regarding Budget Policy



A. 4176 Warbler Road  
P.O. Box 294049  
Phelan, CA 92329  
P. (760) 868-1212  
F. (760) 868-2323  
W. [www.pphcsd.org](http://www.pphcsd.org)

## MEMORANDUM

**DATE:** February 21, 2024  
**TO:** Board of Directors  
**FROM:** Don Bartz, General Manager  
By: Kim Sevy, HR & Solid Waste Manager/District Clerk  
**SUBJECT:** Review & Discussion Regarding Budget Policy.

---

### STAFF RECOMMENDATION

For the Board to Review Resolution No. 2023-10; Adopting a Budget Policy.

### BACKGROUND

The Board last reviewed the Budget Policy at the February 15, 2023, Board Workshop. The Policy was amended to remove a specific title and replace it with "Finance Staff" and to spell out "Board of Directors" instead of utilizing an undefined acronym. The Finance Committee reviewed the revised policy on March 14, 2023, and had no additional changes and the Policy was adopted by the Board on April 12, 2023.

At this time, there are no staff recommended changes. Should the Board have any desired revisions, the Policy can be amended as part of the meeting or brought back with the changes for possible adoption.

### FISCAL IMPACT

None

### ATTACHMENT(S)

Resolution No. 2023-10

**RESOLUTION NO. 2023-10**  
**RESOLUTION OF THE BOARD OF DIRECTORS OF**  
**THE PHELAN PIÑON HILLS COMMUNITY SERVICES DISTRICT**  
**ADOPTING A BUDGET POLICY**

**WHEREAS**, the Board of Directors desires to adopt a Budget Policy; and

**WHEREAS**, the objective of the Policy is to provide staff the procedures and guidelines upon which to prepare the annual budget; and

**WHEREAS**, a Budget Policy has been presented to the Board of Directors of the Phelan Piñon Hills Community Services District in the form attached to this Resolution and marked "Budget Policy."

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors of the Phelan Piñon Hills Community Services District does hereby adopt and approve the District "Budget Policy" attached hereto, which the Policy is by this reference incorporated herein.

**APPROVED, SIGNED, AND ADOPTED** by the Board of Directors of the Phelan Piñon Hills Community Services District at a regular meeting held on the 12<sup>th</sup> day of April, by the following vote:

AYES:           Hays, Kujawa, Roberts, Snyder

NOES:

ABSTENTIONS:

ABSENT:

  
\_\_\_\_\_  
President, Board of Directors  
Phelan Piñon Hills Community Services  
District

ATTEST

  
\_\_\_\_\_  
Secretary,  
Phelan Piñon Hills Community Services  
District and of the Board of Directors

## **BUDGET POLICY**

### **TABLE OF CONTENTS**

		<u>Page</u>
Section 1	Introduction	2-5
Section 2	Fiscal Integrity	6-7
Section 3	Revenue	8
Section 4	Expenses	9
Section 5	Capital Expenditures	10
Section 6	District Reserves	10

## **SECTION 1. INTRODUCTION**

1.1 **Introduction** - This general Budget Policy is the basis upon which staff develops budget recommendations and establishes funding priorities within the limited resources the Phelan Piñon Hills Community Services ("District") has available to provide services.

1.2 **Budget Parameters** - The budget is a plan agreed to by the District's Board of Directors and the General Manager. It will contain information and data regarding the goals and priorities of the District and its revenue requirements for expected expenditures. Adopted budgets will comply with this budget policy. The General Manager has the primary responsibility for formulating and implementing the budget proposals in line with the Board of Directors priority directions. The budget is prepared by District staff in the Finance Department with input from District management.

1.3 **Government Code** - California Government Code 61110 states the following regarding budgets for special districts.

- A. On or before July 1 of each year or, for districts using two one-year budgets or a biennial budget, every other year, the Board of Directors may adopt a preliminary budget that conforms to generally accepted accounting and budgeting procedures for special districts.
- B. The Board of Directors may divide the preliminary budget into categories, including, but not limited to, the following:
  - 1. Maintenance and operation
  - 2. Services and supplies
  - 3. Employee compensation
  - 4. Capital outlay
  - 5. Interest and redemption for indebtedness
  - 6. Designated reserve for capital outlay
  - 7. Designated reserve for contingencies
- C. On or before July 1 of each year or, for districts using two one-year budgets or a biennial budget, every other year, the Board of Directors shall publish a notice stating all of the following:
  - 1. Either that it has adopted a preliminary budget or that the general manager has prepared a proposed final budget which is available for inspection at a time and place within the district specified in the notice.



2. The date, time, and place when the board of directors will meet to adopt the final budget and that any person may appear and be heard regarding any item in the budget or regarding the addition of other items.
3. The Board of Directors shall publish the notice at least two weeks before the hearing in at least one newspaper of general circulation in the district pursuant to Section 6061.
4. At the time and place specified for the hearing, any person may appear and be heard regarding any item in the budget or regarding the addition of other items. The hearing on the budget may be continued from time to time.
5. On or before September 1 of each year or, for districts using two one-year budgets or a biennial budget, every other year, the board of directors shall adopt a final budget that conforms to generally accepted accounting and budgeting procedures for special districts. The general manager shall forward a copy of the final budget to the auditor of each county in which the district is located.

1.4 **Public Hearing** - In accordance with California Government Code 61110 stated above, the District will hold a public hearing and will publish the required notice at least two weeks before the hearing. Any person may appear and be heard regarding any item in the budget or regarding the addition of other items.

Because the District's budgets may contain items that require notices to customers, a Draft Budget will be presented to the Board of Directors in advance, giving staff the authorization to move forward with noticing requirements. A copy of the draft budget will be made available for public inspection on the District's website and at the District's main office.

1.5 **Budget Calendar & Deadlines** - Finance Staff will prepare and present the Budget Calendar to the General Manager, the Board of Directors, and staff before the beginning of March in the calendar year that a budget is to be adopted.

The California Government Code requires the District to adopt a final budget on or before September 1st in the year a budget is to be adopted. Because the District's fiscal year begins July 1st, the budget will be approved before the end of June to allow for the authorization of expenditures.

1.6 **Accounting Method** - The budget will be prepared using the same

accounting methodology as the District's Annual Financial Report to allow for consistency and transparency between the two documents. The account method used for both documents will be the accrual method of accounting.

1.7 **Budget Elements** - The budget will include all of the elements listed below. It will be presented in a public-friendly format. All of the schedules will be consistent in format and the total amounts will agree throughout the document. The budget will contain comparisons to prior budgets and actual data.

- A. Budget Message
- B. Budgetary Control and Financial Practices
- C. Financial Policies
- D. Sources of Revenue
- E. Rates and Fees
- F. Organizational Chart
- G. Staffing Levels
- H. Department Functions and Goals
- I. Financial History and Budget Comparison
- J. Budget Overview
- K. Statement of Revenues and Expenditures
- L. Fund Balances and Cash Flow Projections
- M. Reserves Schedule
- N. Debt Service Analysis
- O. Capital Expenditure Descriptions
- P. Five Year Forecast
- Q. Statistical Section
- R. Glossary

1.8 **Budget Amendments** - If a significant change to operations occurs after the budget has been adopted, the District should propose an amendment to the budget. California Government Code 61111 states the following regarding budget amendments for special districts.

- A. At any regular meeting or properly noticed special meeting after the adoption of its final budget, the Board of Directors may adopt a resolution amending the budget and ordering the transfer of funds between categories, other than

transfers from the designated reserve for capital outlay and the designated reserve for contingencies.

- B. The Board of Directors may authorize the general manager to transfer funds between budget categories, other than transfers from the designated reserve for capital outlay and the designated reserve for contingencies.

1.9 **Budgetary Control – Level of Control** – The General Manager can go over or be under budget on a line-item basis, with explanation, as authorized in the District Purchasing Policy, provided it does not impact the overall Budget.

## **Section 2. FISCAL INTEGRITY**

The District recognizes that long-term fiscal stability ensures that authorized services will continue uninterrupted. It is the District's intention to maximize the level of service provided. The most critical planning tool is an accurate and fiscally responsible budget. Ongoing operating expenditure budgets should not exceed the amount of ongoing revenue budgets that finance these costs. Cash balances will be allocated in accordance with the District's Cash Reserve Policy. The District will maintain the fiscal integrity of its operating and capital improvement budgets which provide services and maintain the District's infrastructure.

2.1 **Best Practices** - The Government Finance Officers Association and the National Advisory Council on State and Local Budgeting provide guidance on budgeting best practices and should be referred to for updated information.

2.2 **Balanced Budget Definition** - The District considers a budget as balanced if there are sufficient net revenues to cover the cost of operations and debt service. The District will always adopt a budget that is balanced. The District considers a budget as fully funded if the budget is balanced and there is sufficient cash from operations to contribute the amounts necessary to fund the Operating Funds, the Capital Improvement Funds and the Rate Stabilization Funds as outlined in the District's Cash Reserve Policy. The District will strive toward a fully funded budget. If there is a revenue gap, the budget will indicate how and when this gap will be eliminated.

2.3 **Public Involvement** - Public involvement during the budget process will be encouraged. The District will hold a budget workshop in an informal setting to encourage input from the public. The budget will be discussed in advance in open session and will be included in the posted agenda. A Public Hearing will be held and proper publishing requirements will be met at a minimum.

2.4 **Periodic Reporting** - Staff will provide comparison reports to the General Manager and the Board of Directors on a quarterly basis at a minimum, to monitor revenues and expenditures and to provide information regarding any major variances from budget. Monthly comparison reports will be provided to all department managers to monitor expenditures and to plan the year as it progresses in an effort to stay within the adopted budget in accordance with the District's Purchasing Policy.

### **SECTION 3. REVENUE**

3.1 **Guidelines for Revenue Budget** - Revenue will be budgeted conservatively. Generally, revenue estimates shall not assume growth rates in excess of inflation and scheduled rate increases. Any revenue that carries a level of uncertainty should not be included in the budget.

3.2 **Budget Assumptions** - The basis for budget assumptions will include water meter estimates, water consumption estimates, franchise fees, leases, property taxes, approved rate studies, and District priorities.

3.3 **Operating Revenue** - Operating revenue is defined as ongoing charges and fees for services provided.

3.4 **Rates** - The rates and fees for all services will be clearly listed. Rates will be set with guidance from the Board of Directors and the General Manager. Rates will not be higher than the cost of service delivery, including capital requirements and cash reserve requirements.

3.5 **Non-Recurring Revenue** - The budget should not include non-recurring revenue because it cannot be relied on. Non-recurring revenue is defined as income that is one-time and/or not expected to continue.

## **SECTION 4. EXPENSES**

4.1 **Guidelines for Expense Budget** - Expenses will be budgeted bottom up, meaning every line item detail will be reviewed and estimated. Input from department managers and supervisors will be utilized to provide operational knowledge.

4.2 **Budget Assumptions** - The basis for staff budget assumptions will be established by known increases (such as Edison increases), COLA, and market fluctuations (such as gasoline prices).

4.3 **Operating Expenses** - Operating expenses are the ongoing costs required to provide services. The categories from the District's annual financial report will be utilized to provide consistency and transparency between the two documents. Large variances compared to prior actuals and budgets must be identified.

4.4 **Non-Recurring Expenses** - Non-recurring expenses are defined as costs that are not expected to continue and/or cannot be reliably forecasted. Unanticipated expenses should not be included in the budget but all expenses that can be identified should be accounted for.

## **SECTION 5. CAPITAL EXPENDITURES**

5.1 **Guidelines for Capital Expenditure Budget** - The Capital Expenditure Budget will be coordinated with the District's current Infrastructure Replacement Plan or Capital Improvement Plan. Capital expenditures will include ten years of anticipated expenditures and must not exceed the cash available as shown in the five year forecast.

5.2 **Infrastructure Plan** - The District will prepare a plan for capital improvement projects. This plan will provide the basis for the Capital Expenditure Budget.

5.3 **Project Descriptions** - Every project will include a description of the work to be done and the funding source.

5.4 **Effects on Operating Costs** - All projects will be analyzed to determine the effect on either operating expenses or operating revenues.

5.5 **Equipment Purchases** - Significant capital equipment purchases will be planned. Information regarding the District's fleet with anticipated replacement year and cost will be provided.

## **SECTION 6. DISTRICT RESERVES**

6.1 **Guidelines for Reimbursement of Reserves** - It is the goal of the Board to reimburse reserves by an amount equal to 10% of the amount borrowed. Consideration for this goal will be utilized in preparation of the Budget.

# Agenda Item 3b

Review and Possible Acceptance  
of Draft Capital and Repair and  
Maintenance Plans



Phelan Pinon Hills Community Services District

Enterprise Capital Improvement Projects

	Item No.	Location	Description											Notes		
				2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032		2032-2042	
Chromium Mitigation Projects	1	Well 14 SP 1.1	Well Profiling <i>(Contingent on state ruling)</i>				\$450,000.00									
		Well 12 SP 1.1	Equip with Cr6 Packer			\$150,000.00										
		Well 18 SP 1.1 / 1.4	Additional Water Supply				\$2,000,000.00									
		Well No. 15 - Azalea Road SP 1.1	Well, Equip, 12" pipeline 6K LF (\$2.4mil)	\$1,555,000.00												
		Storage Tank - Reservoir 6A (Prop. 1.5 MG) SP 1.1	Existing 6A (0.4 MG) <i>(Contingent on Fed. Funding (HUD) \$2 milFed./\$700,000 District)</i>				\$2,700,000.00								Approvs req. for \$2 m - Budgeted in 2025/2026 depending on approval	
		Reservoir 6A Other Cost SP 1.1	Design / Studies		\$100,000.00										Design for 6A Tank	
		Future Reservoir Site	Land Aquistition	\$50,000.00												
<b>Sub-Total Cr6:</b>				<b>\$1,605,000.00</b>	<b>\$100,000.00</b>	<b>\$150,000.00</b>	<b>\$5,150,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	
Civic Center	2	Civic Center Project (APN 3066-261-10) (See Government Funds, Civic Center Project for add. Costs)	Professional Services	\$100,000.00	\$237,958.05											
			Construction SP 1.7			\$8,000,000.00	\$500,000.00									Updated to reflect Steeno's 9-20-22 quote and additional contingency requirement
<b>Sub-Total Civic Center:</b>				<b>\$100,000.00</b>	<b>\$237,958.05</b>	<b>\$8,000,000.00</b>	<b>\$500,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	
Master Plan (Reservoirs)	3	Reservoir 7A (1.1 MG) SP 1.4	7A-1 (.079 MG) 7A-2 (.079 MG)						\$2,035,000.00							
		Other Cost SP 1.4	Design / Equipping / Studies						\$100,000.00							
		Reservoir L1 (0.35 MG) SP 1.4	L1 (.483 MG)						\$647,500.00							
		Other Cost SP 1.4	Design / Equipping / Studies						\$100,000.00							
Master Plan (Pipelines) 2022-2027	4	Sundown Road (Wilson Ranch/Roosevelt)	P1-1,900 LF : Replace 6" with 8"				\$252,700.00									
		Phelan Road (Sheep Creek / Centola)	P3 -9,500 LF : New Install 12"							\$1,989,200.00						
		Pinon Hills Road (Nielson / Maria)	P13-1,300 LF : New Install 8"	\$157,300.00												
		Atsina Road (Mono / Solano)	P14-1,400 : New Install 8"					\$186,200.00								
		Fremontia Road (Glenview / Oasis)	P15-2,600 LF : Replace 6" with 8"						\$314,600.00							
Master Plan (Pipelines) 2032-2042	5	Smoke Tree (Soledad / Highway)	P2-6,500 LF : Replace 6" with 12"											\$1,358,500.00		
		Buckwheat / Phelan / Cholla / Minero	P4-14,750 LF : Replace 6"-8" with 12"											\$3,082,750.00		
		Brawley Road (Eaby / Schlitz)	P5-1,400 LF : Replace 6" with 8"											\$224,000.00		
		Phelan Road (Baldy Mesa / Shasta)	P6-9,300 LF : Replace 6" with 12"											\$1,636,800.00		
		Highway 138 / Ponderosa / Pine Tree	P7-8,300 LF : Replace 6" with 12"													
		Buckthorne Road (Highway 138)	P8-1,300 LF : Replace 6"-8" with 12"													
		White Fox Trail (Minero / Pionero)	P9-1,300 LF : Replace 6" with 12"													
		Acanthus Street (Bonaza / Palmdale)	P10-1,300 LF (12"): New Install 12"													
		Pinero Road (Phelan Rd.)	P11-350 LF : Replace 8" with 12"													
		Mirage Road (Mango / Progress)	P12-2,500 LF : New Install 12"													
<b>Sub-Total Master Plan CIP:</b>				<b>\$157,300.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$252,700.00</b>	<b>\$186,200.00</b>	<b>\$3,197,100.00</b>	<b>\$1,989,200.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$6,302,050.00</b>		
Smithson Springs	6	Smithson Springs Canyon Tank and Pipeline	Construction (Capture Tank)				\$25,000.00									
Land	7	Future Expansion Sites (general)	Purchase			\$100,000.00										
Wells	8	Well 16 SP 1.1 / 1.4	Additional Water Supply							\$2,800,000.00						
Meters	9	Meter Replacement Program SP 1.5	Infrastructure													
			O & M	\$1,000,000.00	\$700,000.00											
Boosters	10	Booster and Appurtenance Replacements	Electrical Panel Replacement			\$135,000.00	\$135,000.00	\$135,000.00	\$135,000.00	\$135,000.00	\$135,000.00	\$135,000.00	\$135,000.00	\$135,000.00		
			Building Replacement													
			Pump/Motor/Pipework Replacement													
Reservoirs	11	Storage Tank - Tank at Well 2 Tank 3 (Prop. .5 MG) SP 1.1	Infrastructure					\$1,000,000.00								
Planning	12	Urban Water Management Plan	Report			\$25,000.00	\$15,000.00			\$25,000.00						
	13	Water Master Plan (update hydraulic model)	Report							\$88,000.00						
<b>Sub-Total CIP (Items 6-12):</b>				<b>\$1,000,000.00</b>	<b>\$700,000.00</b>	<b>\$260,000.00</b>	<b>\$175,000.00</b>	<b>\$1,135,000.00</b>	<b>\$135,000.00</b>	<b>\$248,000.00</b>	<b>\$2,935,000.00</b>	<b>\$135,000.00</b>	<b>\$135,000.00</b>	<b>\$135,000.00</b>		
<b>Sub-Total CIP (Items 1-12):</b>				<b>\$2,862,300.00</b>	<b>\$1,037,958.05</b>	<b>\$8,410,000.00</b>	<b>\$6,077,700.00</b>	<b>\$1,321,200.00</b>	<b>\$3,332,100.00</b>	<b>\$2,237,200.00</b>	<b>\$2,935,000.00</b>	<b>\$135,000.00</b>	<b>\$135,000.00</b>	<b>\$6,437,050.00</b>		

Phelan Pinon Hills Community Services District

Enterprise Capital Purchases

	No.	Item	Description											Notes		
				2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032		2032-2042	
Vehicles	14	Operations Vehicles / Equipment	Equipment													
			GM Vehicle (80% Enterprise)													
			Field Trucks	\$100,000.00	\$65,000.00	\$72,500.00	\$76,000.00	\$80,000.00	\$84,000.00	\$88,000.00	\$93,000.00	\$97,000.00	\$102,000.00			
Software & Hardware	15	Servers	Server						\$40,000.00				\$40,000.00	Updated from \$3,500 based on server and workstation upgrade recommendations		
Sub-Total (Capital Purchases):				\$100,000.00	\$65,000.00	\$72,500.00	\$76,000.00	\$80,000.00	\$124,000.00	\$88,000.00	\$93,000.00	\$97,000.00	\$102,000.00	\$40,000.00		
Total CIP and Capital Purchases:				\$2,962,300.00	\$1,102,958.05	\$8,482,500.00	\$6,153,700.00	\$1,401,200.00	\$3,456,100.00	\$2,325,200.00	\$3,028,000.00	\$232,000.00	\$237,000.00	\$6,477,050.00		

### Enterprise 10-Year Repair and Maintenance Plan

	No.	Item	Description												Notes		
				2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	2032-2042			
Projects	1	Tank Maintenance STS 10-Year Contract (2021 to 2030)	*Cost included in Tank Contract - Blast and Recoat (10-Year STS Contract)	\$267,200.00	\$48,300.00	\$267,200.00	\$48,300.00	\$48,300.00	\$48,300.00	\$48,300.00	\$48,300.00	\$48,300.00	\$48,300.00	\$48,300.00		Contract amounts swapped in FY 23-24 and FY 24-25 due to budget constraints in FY 23-24	
			Exterior Tank Rehab (8A, 7A-1, 7A-2, 8B, 7B, 3C-2, 1C-1, 1C-2)	*	*		*										
			1.0 MG Tank Interior Rehab (1A-3, 1C-2, & 2C-2 (\$215K/per cost over 4-years)	*	*	*											
		2	Level Control/Pump Control/High Pressure Blow-off Control Valves / PRV Station maintenance. Well #14 PRV (164 valves total each year)	Maintenance	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00		
		3	Well Rehabilitation / Equipping / Maintenance	Emergency Well Rehab		\$125,000.00	\$115,000.00	\$115,000.00	\$115,000.00	\$115,000.00	\$115,000.00	\$115,000.00	\$115,000.00	\$115,000.00	\$115,000.00		
				Equip Mountain Well (Well 17)	\$120,000.00												Originally budgeted in 2023/2024
				Rehab Well 2A & Well5			\$200,000.00										Originally budgeted in 2022/2023
		4	Booster Rehabilitation (4 per year)	Rehabilitation	\$80,000.00	\$80,000.00	\$85,000.00	\$85,000.00	\$85,000.00	\$85,000.00	\$85,000.00	\$85,000.00	\$85,000.00	\$85,000.00	\$85,000.00		
		5	SCADA (System SCADA Upgrade completed 2015)	Site Upgrade	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00		Originally budgeted in 2023/2024
		6	PRV (Emergency By-Pass)	Rebuild / Replacement / Maintenance	\$10,000.00	\$15,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00	\$10,000.00		
		7	Leak Maintenance Program	Service Line Replacement (150/yr)	\$115,000.00	\$120,000.00	\$150,000.00	\$158,000.00	\$166,000.00	\$174,000.00	\$183,000.00	\$192,000.00	\$202,000.00	\$212,000.00			Increase due to increase of 184% in materials cost
			Water Pipeline Lowering/Covering	\$136,000.00	\$68,000.00	\$61,000.00	\$58,000.00	\$96,000.00	\$110,000.00	\$110,000.00	\$110,000.00	\$110,000.00	\$110,000.00				
	8	Solar - Operation and Maintenance - SunPower	O & M Contract (2016-2026)	\$35,575.00	\$35,575.00	\$35,575.00	\$35,575.00	\$35,575.00	\$35,575.00	\$35,575.00	\$35,575.00	\$35,575.00	\$35,575.00	\$35,575.00			
	9	SCADA TESCO Maintenance Contract	Support Services & Training	\$15,000.00	\$6,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00			
	10	Lab Analysis	UCMR5			\$15,000.00											
	11	Site Maintenance	Vegetation Mitigation (CAL Fire)	\$10,000.00	\$5,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00			
<b>Total Enterprise Repair and Maintenance Plan:</b>				<b>\$818,775.00</b>	<b>\$532,875.00</b>	<b>\$999,775.00</b>	<b>\$570,875.00</b>	<b>\$616,875.00</b>	<b>\$638,875.00</b>	<b>\$647,875.00</b>	<b>\$656,875.00</b>	<b>\$666,875.00</b>	<b>\$676,875.00</b>	<b>\$0.00</b>			

Phelan Pinon Hills Community Services District

Government Funds Capital Improvement Projects

	No.	Location	Description										Notes	
				2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031		2031/2032
Phelan Park Exp.	1	Design/Engineering SP 2.1	Phase 3 & 4											Note: \$4 million is a tentative placeholder for grants/grant match should the District be awarded one, remainder to be funded by District - \$8.5 remain. balance of project
		Construction SP 2.1				\$ 4,000,000.00	\$ 8,500,000.00							
		Construction SP 2.1				\$915,000.00								
Civic Center Bldg.	2	Government Portion of Phase I (See Enterprise Funds, Civic Center Project for add. Costs)	Design / Engineering (5%)											
			Site Dev./Improvements (30%)			\$2,800,000.00								
			Building Const. (5%) SP 2.3											
Com Cent./Gym	3	Community Center / Gymnasium SP 2.1	Design / Engineering											
			Buildout										\$4,300,000.00	
			Remaining Buildout											
Leg.	4		Poll	\$10,000.00		\$15,000.00								
Rehab.	5	Pinon Hills Community Building (Old Fire Station)	Rehabilitation			\$100,000.00								
Plans	6	Solid Waste Rate Study	Report											
Solid Waste & Rec.	7		Potential Capital Projects	\$35,000.00	\$35,000.00	\$40,000.00	\$40,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	
<b>Sub-Total Projects:</b>				\$45,000.00	\$35,000.00	\$7,870,000.00	\$8,540,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$4,345,000.00	

Government Funds Capital Purchase

	No.	Item	Description										Notes	
				2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031		2031/2032
Vehicles	8	Vehicles / Equipment	Equipment											
			GM Vehicle (20%)											
			Vehicle (Solid Waste)			\$65,000.00								
			Truck (Parks)				\$76,000.00							
<b>Sub-Total Purchases:</b>				\$0.00	\$0.00	\$65,000.00	\$76,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>Total Government Funds CIP &amp; Capital Purchases</b>				\$45,000.00	\$35,000.00	\$7,935,000.00	\$8,616,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$4,345,000.00	

**Government Funds - Repair and Maintenance Plan**

*Items in Orange are Placeholder Items.*

	No.	Item	Description	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	Notes		
Parks and Recreation	8	Community Centers	Roof				\$60,000.00			\$40,000.00						
			HVAC	\$8,000.00	\$8,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00	\$12,000.00			
			Paint Exterior				\$20,000.00	\$18,000.00								
			Paint Interior	\$11,000.00			\$11,000.00									
			Ceiling Tiles		\$20,000.00											
			Vinyl Floors									\$18,000.00	\$18,000.00	\$18,000.00		
			Carpet				\$6,000.00									
			Drinking Fountains	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00		
			Tables and Chairs	\$1,500.00	\$2,000.00		\$2,000.00									
			Storage Shed													
			Kitchen Appliances	\$7,000.00	\$7,000.00	\$7,000.00	\$7,000.00	\$7,000.00	\$22,000.00	\$7,000.00	\$7,000.00	\$7,000.00	\$7,000.00	\$7,000.00		Note: \$15,000 in 27/28 for commercial stove if needed
			Water Heaters	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00		
			Kitchen Floors									\$6,500.00	\$6,500.00	\$6,500.00		
			Bathroom Fixtures/Partitions	\$7,500.00	\$20,000.00											
	Bathroom Floors									\$5,000.00	\$5,000.00	\$5,000.00				
	9	Parking Lots	Parking Lots													
	10	Street Light Décor														
	11	Existing Parks	Play Equipment				\$15,000.00	\$25,000.00							Note: \$15k for painting basketball courts in 25/26 and \$25k for swing set in 26/27	
			Shelters								\$50,000.00					
			Walkways/Table Pads													
Landscape			\$12,000.00	\$12,000.00	\$13,000.00	\$13,000.00	\$13,000.00	\$13,000.00	\$13,000.00	\$13,000.00	\$13,000.00	\$13,000.00				
Hardscape			\$10,000.00													
Amenities (Tables, Benches, etc)			\$17,200.00		\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00		Note: \$2,500 for drinking fountain	
Bathroom Facilities	\$2,800.00	\$2,800.00	\$3,500.00	\$6,500.00	\$3,500.00	\$3,500.00	\$3,500.00	\$3,500.00	\$3,500.00	\$3,500.00	\$3,500.00		Note: \$3,000 for paint in addition to \$3,500 placeholder amount			
<b>Sub-Total Repair &amp; Maintenance Parks &amp; Rec.:</b>				<b>\$83,500.00</b>	<b>\$78,300.00</b>	<b>\$44,500.00</b>	<b>\$161,500.00</b>	<b>\$87,500.00</b>	<b>\$59,500.00</b>	<b>\$134,500.00</b>	<b>\$74,000.00</b>	<b>\$74,000.00</b>	<b>\$74,000.00</b>			

# Agenda Item 3c

Discussion and Possible  
Adoption of Reserves Schedule  
for 2023/2024

## MEMORANDUM

**DATE:** February 21, 2024

**TO:** Board of Directors

**FROM:** Don Bartz, General Manager  
By: Lori Lowrance, Assistant General Manager/CFO

**SUBJECT:** Discussion & Possible Adoption of Reserves Schedule for 2023/2024

---

### STAFF RECOMMENDATION

Staff recommends for the Board to approve the 2023/2024 Reserves Schedule in compliance with Resolution No. 2023-07.

### BACKGROUND

After the final audit is approved for the prior year, generally in January of each year, the Board is to consider and approve the reserve schedule for that year. The reserves policy was established by the Board after a series of workshops in 2012. Modifications were made to the policy in 2016 and in 2020. The current Resolution was adopted by the Board on February 22, 2023. The reserves schedule for 2023/2024 is attached for consideration.

### FISCAL IMPACT

Total Reserves: \$10,436,562  
Change in Reserves: -\$115,770

### ATTACHMENT(S)

Resolution No. 2023-07; Establishing a Reserves Policy  
2023/2024 Proposed Schedule for Resolution 2023-07

**Phelan Piñon Hills Community Service District**  
**2023/2024 Schedule**  
**Draft - 02/21/2024**

BOARD DESIGNATED RESERVES	ENTERPRISE	GOVERNMENT	Total
1. UNRESTRICTED RESERVES	Fund 01	Fund 20/22/24/25	
<b>1A. Contingency and Operations (Goal = 6 mo. No less than 3 mo.)</b>			
2023/24 Budget Total	\$9,676,613	\$1,372,466	\$11,049,078
Less:			
Depreciation	1,777,836	92,760	1,870,596
Debt Service (Interest)	512,710		512,710
	<u>7,386,067</u>	<u>1,279,706</u>	<u>8,665,772</u>
<b>Reserve @ Three Months =</b>	x 3/12	x 3/12	x 3/12
Contingency and Operating Reserve	<u>1,846,517</u>	<u>319,926</u>	<u>2,166,443</u>
<b>TOTAL RESERVE FOR OPERATIONS</b>	<b>\$1,846,517</b>	<b>\$319,926</b>	<b>\$2,166,443</b>
<b>1B. Property, Plant, and Equipment Replacement Reserve (Goal = 2 to 4 Years of Depreciation)</b>			
Annual Depreciation YE 06/30/23	1,895,488	92,697	1,988,185
<b>Reserve = (Goal = 4x Annual Depreciation. No less than 2x)</b>	5,212,592	2.75 254,917	5,467,510
Reserves used for WRAP project funding 2012	-564,735 *		-564,735
Reserves used for Water Rights funding AVW	-476,400 *		-476,400
<b>TOTAL RESERVE FOR REPLACEMENT</b>	<b>\$4,171,458</b>	<b>2.20 \$254,917</b>	<b>\$4,426,375</b>
<b>1C. Disaster Response Reserve (Goal = 10% of Depreciable Asset Value)</b>			
Total Assets (Excluding Land & Wtr Rts) 06/30/23	50,760,428	2,140,727	52,901,155
<b>Reserve @ 10% =</b>	5,076,043	214,073	5,290,115
Reserves used for WRAP project funding 2012	-564,735 *		-564,735
Reserves used for Water Rights funding AVW	-476,400 *		-476,400
<b>TOTAL RESERVE FOR DISASTER</b>	<b>\$4,034,908</b>	<b>8% \$214,073</b>	<b>\$4,248,981</b>
<b>1D. Rate Stabilization Reserves (Goal 5% to 10% of Water Revenue)</b>			
2023/2024 Budget for Water Meter and Consumption	<u>\$7,673,575</u>		<u>7,673,575</u>
Reserve = (Goal = 10%. No less than 5%)	<u>\$383,679</u>	5%	<u>\$383,679</u>
<b>TOTAL RESERVES</b>	<b>\$10,436,562</b>	<b>\$788,916</b>	<b>\$11,225,478</b>

Total	20	22	23	25
Government	General Government	Parks & Recreation	Street Lighting	Solid Waste
<b>1,372,466</b>	116,274	778,024	18,691	459,476
<b>92,760</b>	5,160	87,600	0	0
<b>1,279,706</b>	111,114	690,424	18,691	459,476
<b>319,926</b>	27,779	172,606	4,673	114,869
<b>319,926</b>	27,779	172,606	4,673	114,869
<b>92,697</b>	5,150	87,547	0	0
<b>254,917</b>	14,163	240,754	0	0
<b>254,917</b>	14,163	240,754	0	0
<b>2,140,727</b>	633,222	1,507,505	0	0
<b>214,073</b>	63,322	150,750	0	0
<b>214,073</b>	63,322	150,750	0	0
<b>788,916</b>	105,264	564,111	4,673	114,869

**2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD**

Capital, Projects*, & Replacement Budget Current Year	700,000	0	700,000
<b>TOTAL FUNDS NEEDED FOR CAPITAL PROJECTS</b>	<b>\$700,000</b>	<b>\$0</b>	<b>\$700,000</b>

\* WRAP = Water Rights Acquisition Project. The Board elected to borrow reserve funds to provide the cash necessary to fund this project. Water Operations revenue is used to reimburse the 2012 WRAP funding and for the 2021 AVW Water Rights funding.

Prior Reserves	\$10,552,332	\$686,392	\$11,238,724
Change in Reserves	-\$115,770	\$102,524	-\$13,246



**RESOLUTION NO. 2023-07**  
**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE PHELAN PIÑON HILLS COMMUNITY SERVICES DISTRICT  
ESTABLISHING A POLICY FOR DISTRICT RESERVES**

**WHEREAS**, the Phelan Piñon Hills Community Services District ("District") is a public agency organized and operating as a Community Services District pursuant to California Government Code Section 61000 et seq.; and

**WHEREAS**, the District is authorized by Government Code Section 61100 to supply water for beneficial uses; acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space; acquire, construct, improve, maintain, and operate street lighting and landscaping on public property, public rights-of-way, and public easements; and collect, transfer, and dispose of solid waste, and provide solid waste handling services, including, but not limited to, source reduction, recycling, and composting activities; and

**WHEREAS**, the District is governed by a five-member Board of Directors ("Board") expressly authorized by Government Code Section 61040(a) to establish policies for the operation the District's functions and services; and

**WHEREAS**, the Board is also expressly authorized by Government Code Section 61112 to establish reserve accounts for the District's finances; and

**WHEREAS**, the implementation of District policy over a period of many years as resulted in the accumulation of funds to be utilized for a variety of District activities and to protect the District's customers and taxpayers from the financial impacts of catastrophic events and from fluctuations in District expenses; and

**WHEREAS**, this Board wishes to provide for the creation of certain unrestricted reserve accounts, and to set forth in writing the District's policy regarding the accumulation of reserves, the purposes for which they may be expended, and the levels which the District should strive to maintain;

**WHEREAS**, a Policy for District Reserves has been presented to the Board of Directors of the Phelan Piñon Hills Community Services District in the form attached to this Resolution and marked "Policy for District Reserves."

**NOW, THEREFORE, BE IT RESOLVED** by the District's Board of Directors of the Phelan Pinon Hills Community Services District as follows:

Section 1.

"Policy for District Reserves" ("Policy"), attached hereto and incorporated herein by this reference, is hereby adopted and provides for the deposit of revenue into certain restricted funds, the creation of certain unrestricted reserve accounts, and the accumulation and administration of reserves in each.

Section 2.

The Policy adopted by this Resolution supersedes Resolution No. 2020-02 adopted by the District's Board of Directors on February 5<sup>th</sup>, 2020, and shall take effect immediately upon its adoption.

**APPROVED, SIGNED, AND ADOPTED** by the Board of Directors of the Phelan Piñon Hills Community Services District at a regular meeting held on the 22nd day of February 2023, by the following vote:

AYES: Hays, Hoffman, Kujawa, Roberts, Snyder

NOES:

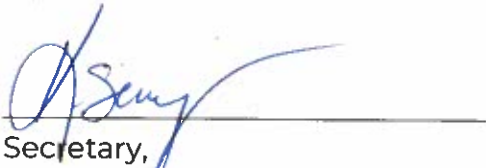
ABSTENTIONS:

ABSENT:



President, Board of Directors  
Phelan Piñon Hills Community Services  
District

ATTEST



Secretary,  
Phelan Piñon Hills Community Services  
District and of the Board of Directors

## **POLICY FOR DISTRICT RESERVES**

### **TABLE OF CONTENTS**

		<u>Page</u>
Section 1	Unrestricted Reserves	2
Section 2	Reserve for Operations	2
Section 3	Reserve for Replacement	2
Section 4	Reserve for Disaster Response	2
Section 5	Reserve for Rate Stabilization	3
Section 6	Additional Accounts	3
Section 7	Annual Reports	3

---

## **SECTION 1. UNRESTRICTED RESERVES**

1.1 **Reserve for Operations** – A "Reserve for Operations" is hereby created for the District's general account, to which the Board may appropriate unrestricted District revenues. Each such Reserve for Operations may be utilized to pay the cost of operating the District's general system, including unanticipated costs of operation. The District shall endeavor to maintain in each Reserve for Operations an amount sufficient to pay for six months of normal operation but not less than three months of normal operation. However, funds appropriated to any Reserve for Operations may be accessed at any time for any other District purpose, upon approval by the Board by a 4/5ths vote which shall contain direction as to repayment or balance. Funds appropriated to a Reserve for Operations may be invested in the same manner as other District surplus funds, and the earnings thereon shall be credited to the fund for which the reserve is in place.

1.2 **Reserve for Replacement** – A "Reserve for Replacement" is hereby created for the District's general account to which the Board may appropriate unrestricted District revenues. Each Reserve for Replacement may be utilized to replace the District's physical plant, as needed. The District shall endeavor to maintain in each Reserve for Replacement an amount approximately equal to two times, not to exceed times, of the total annual depreciation of the District's physical plant for the District's general system and as reflected in the annual audit of the District Presented to the Board each year. However, the funds appropriated to each Reserve for Replacement may be accessed at any time for any other District purpose, upon approval by the Board by a 4/5ths vote which shall contain direction as to repayment or balance. Funds appropriated to a Reserve for Replacement may be invested in the same manner as other District surplus funds, and the earnings thereon shall be credited to the fund for which the reserve is in place.

1.3 **Reserve for Disaster Response** – A "Reserve for Disaster Response" is hereby created for the District's general account to which the Board may appropriate unrestricted District revenues. Each Reserve for Disaster Response may be utilized to procure such equipment and supplies, perform such repairs, employ such personnel, and take such other measures as may be necessary or appropriate in the event of a disaster or calamity requiring District response. The District shall endeavor to maintain in each Reserve for Disaster Response an amount approximately equal to Ten Percent (10%) of the original cost of the District's physical plant (the value of depreciable assets per the annual independent audit) for the District's general system and as reflected in the annual audit of the District presented to the Board each year. However, the funds appropriated to each Reserve for Disaster Response may be accessed at any time for any other District purpose, upon approval by the Board by a 4/5ths vote which shall contain direction as to repayment of balance.

Funds appropriated to a Reserve for Disaster Response may be invested in the same manner as other District surplus funds, and the earnings thereon shall be credited to the fund for which the reserve is in place.

1.4 **Reserve for Rate Stabilization** – A "Reserve for Rate Stabilization" is hereby created for the District's water enterprise to which the Board may appropriate unrestricted District revenues. Each such Reserve for Rate Stabilization may be utilized to smooth out revenue variability resulting from various factors (weather, drought events, legislative mitigation, etc.) and ensure that adequate resources are available during such times that might otherwise require large rate increases by the District's water enterprise. The District shall endeavor to maintain in each Reserve for Rate Stabilization an amount equal to ten percent (10%) of the District's budgeted water meter and consumption revenue but not less than five percent (5%) of normal operation. However, funds appropriated to any Reserve for Rate Stabilization may be accessed at any time for any other District purpose upon approval by the Board by a 4/5ths vote which shall contain direction as to repayment or balance. Funds appropriated to a Reserve for Rate Stabilization may be invested in the same manner as other District surplus funds, and the earnings thereon shall be credited to the fund for which the reserve is in place.

## **SECTION 2. ADDITIONAL ACCOUNTS**

In addition to the unrestricted accounts identified above, the Board may approve the creation of such additional accounts, whether temporary or permanent (such as Capital Improvement Projects and system update/replacement projects identified in the Budget and/or associated with the District's Water Master Plan), as the Board deems necessary or appropriate, by amendment to this resolution or by simple motion. In such event, the Board will identify the purposes for which such additional accounts are created, provide guidance as to the amount which the District should endeavor to maintain in each such account, and establish the limits and restrictions pertaining thereto.

## **SECTION 3. ANNUAL REPORTS**

Each year, the District's General Manager shall provide the Board with a report indicating the beginning and ending balance for each of the reserve funds, or accounts created pursuant to this policy, and the purposes for which expenditures have been made therefrom and shall make recommendations to replenish or augment fund or account balances as appropriate.