

Phelan Piñon Hills Community Services District

4037 Phelan Road, Suite C-1 • P. O. Box 294049 • Phelan, CA 92329-4049 • (760) 868-1212 Fax (760) 868-2323

PHELAN PIÑON HILLS COMMUNITY SERVICES DISTRICT

SPECIAL BOARD MEETING AGENDA

April 12, 2011

Phelan Senior Center

9856 Sheep Creek Road, Unit A, Phelan, CA

SPECIAL BOARD MEETING – 5:30 P.M.

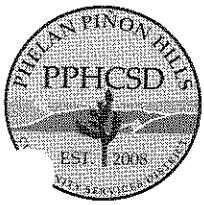
1. **Call to Order** – Pledge of Allegiance
2. **Roll Call**
3. **Public Comment** – Under this item, any member of the public wishing to directly address the Board on any item of interest that is within the subject matter jurisdiction of the Board, but not listed on the agenda, may do so at this time. 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 complete a Comment Card and present it to the Board Secretary. Speakers are requested to be brief in their remarks. The Chair may limit each speaker to a comment period of five (5) minutes.
4. **Fiscal Framework Workshop**
5. **Adjourn**

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.

Phelan Piñon Hills Community Service District

Fiscal Framework Policies

1. **PPHCSD Water, Park & Recreation, Solid Waste Master Plans**
 - a. Provides the basis for the PPHCSD Capital Expenditure Budget for the next five to ten years
 - b. Projects must be prioritized by the Board of Directors
 - c. First year is the FY1 1-12 Capital Expenditure Budget
2. **PPHCSD Capital Project Funding Policy**
 - a. Funding through borrowing
 - b. Funding from reserves
3. **PPHCSD Reserve Policy**
 - a. Reserve for Operations
 - b. Reserve for Replacement – Funded through Water Operations depreciation
 - c. Reserve for Disaster Response
 - d. Reserve for Debt Service
4. **PPHCSD Debt Service / Reserve Replacement Policy**
 - a. Adjust rates to provide debt service or Reserve Replacement
5. **PPHCSD Water Operations Net Income Policy**
 - a. Water Operations Net Income at breakeven, including depreciation
6. **PPHCSD Rate Tier Policy**
 - a. Multiple tier rate structure
 - b. Base tiers established to fund fixed expenses
 - c. Higher tiers to encourage water conservation based on variable expenses



Phelan Piñon Hills Community Services District

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DATE: April 12, 2011
TO: Board of Directors
FROM: Don Bartz, General Manger
Debbie Bishop, Board Secretary
SUBJECT: Fiscal Framework Workshop

RECOMMENDATION

None

BACKGROUND

As per the Boards request at the March 23, 2011 Fiscal Framework Workshop, staff provided a worksheet for the Board Members to provide their recommended reserve levels. The Board Members recommendations are attached.

FISCAL IMPACT

Unknown

Attachment: Board Members recommended reserves worksheets

Phelan Piñon Hills Community Service District

Reserve Policy - RECOMMENDED RESERVES

Name: Joe Fahrlender

(Director submitting recommendation)

1. UNRESTRICTED RESERVES

1A. Contingency and Operations

2010/11 Budget Total		\$	5,435,936	
Less:				
Depreciation (Budgeted)	\$	817,500		
Debt Service (Interest)		<u>130,000</u>	<u>947,500</u>	
			4,488,436	
** Three Months (Goal = 3 to 6 months)			x	3
Contingency and Operating Reserve	\$			<u>1,122,109</u>
Debt Service Reserve - CIEDB Loan (1 yr.)	\$			<u>290,000</u>
TOTAL RESERVE FOR OPERATIONS				\$1,412,109

1B. Property, Plant, and Equipment Replacement Reserve

Accumulated Depreciation 06/30/10	\$	14,104,486		
** Reserve % (Goal = 25%- 50%)	x	<u>15%</u>	\$	<u>2,115,673</u>
TOTAL RESERVE FOR REPLACEMENT				\$2,115,673

1C. Disaster Response Reserve

Total Assets (Excluding Land)	\$	35,234,603		
** Reserve % (Goal = 10 - 20%)	x	<u>5%</u>	\$	<u>1,761,730</u>
TOTAL RESERVE FOR DISASTER				\$1,761,730
SUB-TOTAL - RESERVES				\$5,289,512

2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD

Capital, Projects, & Replacement Budget Current Year	\$	<u>3,118,000</u>		
TOTAL RESERVE FOR CAPITAL PROJECTS				\$3,118,000
TOTAL RESERVES				\$8,407,512

Total Cash in Bank 06/30/10	1,058,085
Total Cash in LAIF 06/30/10	278,716
Total Cash in Int Checking & CD 06/30/10	11,111,123
Cash at County	5,378
2010/2011 Net Income	<u>617,852</u>
Total Cash Available	\$13,071,154
Difference between cash available and reserves	\$4,663,642

ppncsa reserves.xis

Phelan Piñon Hills Community Service District

Reserve Policy - **RECOMMENDED RESERVES**

Name: Ken Anderson

(Director submitting recommendation)

1. UNRESTRICTED RESERVES

1A. Contingency and Operations

2010/11 Budget Total		\$	5,435,936	
Less:				
Depreciation (Budgeted)	\$	817,500		
Debt Service (Interest)		<u>130,000</u>	<u>947,500</u>	
			4,488,436	
** Three Months (Goal = 3 to 6 months)			x	3
Contingency and Operating Reserve	\$		<u>1,122,109</u>	
Debt Service Reserve - CIEDB Loan (1 yr.)	\$		<u>290,000</u>	
TOTAL RESERVE FOR OPERATIONS				\$1,412,109

1B. Property, Plant, and Equipment Replacement Reserve

Accumulated Depreciation 06/30/10	\$	14,104,486		
** Reserve % (Goal = 25%- 50%)	x	<u>10%</u>	<u>\$ 1,410,449</u>	
TOTAL RESERVE FOR REPLACEMENT				\$1,410,449

1C. Disaster Response Reserve

Total Assets (Excluding Land)	\$	35,234,603		
** Reserve % (Goal = 10 - 20%)	x	<u>5%</u>	<u>\$ 1,761,730</u>	
TOTAL RESERVE FOR DISASTER				\$1,761,730
SUB-TOTAL - RESERVES				\$4,584,288

2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD

Capital, Projects, & Replacement Budget Current Year	\$	<u>3,118,000</u>		
TOTAL RESERVE FOR CAPITAL PROJECTS				\$3,118,000
TOTAL RESERVES				\$7,702,288

Total Cash in Bank 06/30/10	1,058,085
Total Cash in LAIF 06/30/10	278,716
Total Cash in Int Checking & CD 06/30/10	11,111,123
Cash at County	5,378
2010/2011 Net Income	<u>617,852</u>
Total Cash Available	\$13,071,154
Difference between cash available and reserves	\$5,368,866

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Phelan Piñon Hills Community Service District

Reserve Policy - **RECOMMENDED RESERVES**

Name: Charlie Johnson

(Director submitting recommendation)

1. UNRESTRICTED RESERVES

1A. Contingency and Operations

2010/11 Budget Total		\$	5,435,936	
Less:				
Depreciation (Budgeted)	\$	817,500		
Debt Service (Interest)		<u>130,000</u>	<u>947,500</u>	
			4,488,436	
** Three Months (Goal = 3 to 6 months)		x	<u>3</u>	
Contingency and Operating Reserve	\$		1,122,109	
Debt Service Reserve - CIEDB Loan (1 yr.)	\$		<u>290,000</u>	
TOTAL RESERVE FOR OPERATIONS				\$1,412,109

1B. Property, Plant, and Equipment Replacement Reserve

Accumulated Depreciation 06/30/10	\$	14,104,486		
** Reserve % (Goal = 25%- 50%)	x	<u>25%</u>	\$ <u>3,526,122</u>	
TOTAL RESERVE FOR REPLACEMENT				\$3,526,122

1C. Disaster Response Reserve

Total Assets (Excluding Land)	\$	35,234,603		
** Reserve % (Goal = 10 - 20%)	x	<u>10%</u>	\$ <u>3,523,460</u>	
TOTAL RESERVE FOR DISASTER				\$3,523,460
SUB-TOTAL - RESERVES				<u>\$8,461,691</u>

2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD

Capital, Projects, & Replacement Budget Current Year	\$	<u>3,118,000</u>		
TOTAL RESERVE FOR CAPITAL PROJECTS				\$3,118,000
TOTAL RESERVES				<u>\$11,579,691</u>

Total Cash in Bank 06/30/10	1,058,085
Total Cash in LAIF 06/30/10	278,716
Total Cash in Int Checking & CD 06/30/10	11,111,123
Cash at County	5,378
2010/2011 Net Income	<u>617,852</u>
Total Cash Available	\$13,071,154
Difference between cash available and reserves	\$1,491,463

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Phelan Piñon Hills Community Service District

Reserve Policy - **RECOMMENDED RESERVES**

Name: Al Morrissette

(Director submitting recommendation)

1. UNRESTRICTED RESERVES

1A. Contingency and Operations

2010/11 Budget Total \$ 5,435,936

Less:

Depreciation (Budgeted) \$ 817,500

Debt Service (Interest) 130,000

947,500

4,488,436

** Three Months (Goal = 3 to 6 months)

x 3

Contingency and Operating Reserve \$ 1,122,109

Debt Service Reserve - CIEDB Loan (1 yr.) \$ 290,000

TOTAL RESERVE FOR OPERATIONS \$1,412,109

1B. Property, Plant, and Equipment Replacement Reserve

Accumulated Depreciation 06/30/10 \$ 14,104,486

** Reserve % (Goal = 25%- 50%)

x 25% \$ 3,526,122

TOTAL RESERVE FOR REPLACEMENT \$3,526,122

1C. Disaster Response Reserve

Total Assets (Excluding Land) \$ 35,234,603

** Reserve % (Goal = 10 - 20%)

x 10% \$ 3,523,460

TOTAL RESERVE FOR DISASTER \$3,523,460

SUB-TOTAL - RESERVES \$8,461,691

2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD

Capital, Projects, & Replacement Budget Current Year \$ 3,118,000

TOTAL RESERVE FOR CAPITAL PROJECTS \$3,118,000

TOTAL RESERVES \$11,579,691

Total Cash in Bank 06/30/10 1,058,085

Total Cash in LAIF 06/30/10 278,716

Total Cash in Int Checking & CD 06/30/10 11,111,123

Cash at County 5,378

2010/2011 Net Income 617,852

Total Cash Available \$13,071,154

Difference between cash available and reserves \$1,491,463

Phelan Piñon Hills Community Service District

Reserve Policy - **RECOMMENDED RESERVES**

Name: Mark Roberts

(Director submitting recommendation)

1. UNRESTRICTED RESERVES

1A. Contingency and Operations

2010/11 Budget Total		\$	5,435,936	
Less:				
Depreciation (Budgeted)	\$	817,500		
Debt Service (Interest)		<u>130,000</u>	<u>947,500</u>	
			4,488,436	
** Three Months (Goal = 3 to 5 months)			x	3
Contingency and Operating Reserve	\$		<u>1,122,109</u>	
Debt Service Reserve - CIEDB Loan (1 yr.)	\$		<u>290,000</u>	
TOTAL RESERVE FOR OPERATIONS				\$1,412,109

1B. Property, Plant, and Equipment Replacement Reserve

Accumulated Depreciation 06/30/10	\$	14,104,486		
** Reserve % (Goal = 25%- 50%)	x	<u>20%</u>	\$	<u>2,820,897</u>
TOTAL RESERVE FOR REPLACEMENT				\$2,820,897

1C. Disaster Response Reserve

Total Assets (Excluding Land)	\$	35,234,603		
** Reserve % (Goal = 10 - 20%)	x	<u>10%</u>	\$	<u>3,523,460</u>
TOTAL RESERVE FOR DISASTER				\$3,523,460
SUB-TOTAL - RESERVES				\$7,756,467

2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD

Capital Projects & Replacement Budget Current Year	\$	<u>1,200,000</u>		
TOTAL RESERVE FOR CAPITAL PROJECTS				\$1,200,000
TOTAL RESERVES				\$8,956,467

Total Cash in Bank 06/30/10	1,058,085
Total Cash in LAIF 06/30/10	278,716
Total Cash in Int Checking & CD 06/30/10	11,111,123
Cash at County	5,378
2010/2011 Net Income	<u>617,852</u>
Total Cash Available	\$13,071,154
Difference between cash available and reserves	\$4,114,688

ppncsa reserves.xls

RESOLUTION #2011-05

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PHELAN PIÑON HILLS COMMUNITY SERVICES DISTRICT ESTABLISHING A POLICY FOR DISTRICT RESERVES

WHEREAS, this Board is charged with responsibility for providing water, developing and maintaining parks and street lighting to and for customers located within the District's boundaries; for the construction, operation, maintenance, repair and replacement of facilities to treat, store, transport and deliver water to District customers, and for the construction, operation, maintenance, repair and replacement of park facilities, and for the installation, maintenance, and operation of street lighting, and for the collection and accumulation of revenues necessary to accomplish these purposes; 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;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Phelan Piñon Hills Community Services District hereby 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, as follows:

1. Unrestricted Reserves.

a) 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 three months of normal operation but not exceed six 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, 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 District's Governmental General Fund.

b) Reserve for Replacement. A "Reserve for Replacements" is hereby created for the District's general account to which the Board may appropriate unrestricted District revenues. Each Reserve for Replacements may be utilized to replace the District's physical plant, as needed. The District shall endeavor to maintain in each Reserve for Replacements an amount approximately equal to twenty-five percent (25%), not to exceed fifty percent (50%), of the total accumulated amount of 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, plus 100% of the prior year's depreciation. However, the funds appropriated to each Reserve for Replacements may be accessed at any time for any other District purpose, upon approval by the Board. Funds appropriated to a Reserve for

Replacements may be invested in the same manner as other District surplus funds, and the earnings thereon shall be credited to the District's Governmental General Fund.

c) 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 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. 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 District's Governmental General Fund.

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.

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 resolution and the purposes for which expenditures have been made therefrom and shall make recommendations to replenish or augment fund or account balances as appropriate.

ADOPTED this 6th day of April, 2011.

President, Board of Directors
Phelan Piñon Hills Community Services District

ATTEST:

Secretary, Board of Directors
Phelan Piñon Hills Community Services District

CERTIFICATION

I, Deborah Bishop, Secretary of the Board of Directors of the Phelan Piñon Hills Community Services District, hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of said District at the regular meeting of said Board held on the 6th day of April, 2011, by the following vote:

AYES: NOES: Fahrlender, Roberts, Anderson, Johnson, Morrissette

ABSENT: None

ASTAIN: None

Deborah Bishop, Board Secretary

Phelan Piñon Hills Community Service District

Reserve Policy

2010/2011

BOARD DESIGNATED RESERVES

1. UNRESTRICTED RESERVES

1A. Contingency and Operations - Six Months Operations

2010/11 Budget Total		\$	5,435,936
Less:			
Depreciation	\$	817,500	
Debt Service (Interest)		130,000	947,500
			4,488,436
** Three Months (Goal = 3 to 6 months)	x		3/12
Contingency and Operating Reserve		\$	1,122,109
Debt Service Reserve - CIEDB Loan (1 yr.)		\$	290,000
TOTAL RESERVE FOR OPERATIONS			\$1,412,109

1B. Property, Plant, and Equipment Replacement Reserve

Accumulated Depreciation 06/30/10		\$	14,104,486
** Reserve % (Goal = 25%- 50%)	x		25%
		\$	3,526,122
TOTAL RESERVE FOR REPLACEMENT			\$3,526,122

1C. Disaster Response Reserve

Total Assets (Excluding Land)		\$	35,234,603
** Reserve % (Goal = 10 - 20%)	x		10%
		\$	3,523,460
TOTAL RESERVE FOR DISASTER			\$3,523,460
SUB-TOTAL - RESERVES			\$8,461,691

2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD

Capital, Projects, & Replacement Budget Current Year		\$	3,118,000
TOTAL RESERVE FOR CAPITAL PROJECTS			\$3,118,000
TOTAL RESERVES			\$11,579,691

Total Cash in Bank 06/30/10			1,058,085
Total Cash in LAIF 06/30/10			278,716
Total Cash in Int Checking & CD 06/30/10			11,111,123
Cash at County			5,378
2010/2011 Net Income (without Depreciation) avail for CIP			617,852
Total Cash Available		\$	13,071,154
Difference between cash available and reserves			\$1,491,463