

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: Fahrlander, Roberts, Anderson, Johnson, Morrissette

ABSENT: None

ASTAIN: None

Debbi Bishop
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)**

Contingency and Operating Reserve		x	3/12	
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\$ 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
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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
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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