

RESOLUTION #2014-07

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 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.

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 by a 4/5ths vote which shall contain direction as to repayment or balance. 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 fund for which the reserve is in place.

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 (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.

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 19th day of March, 2014

AYES: Brandon, Morrissette, Pace, Roberts, Whalen

NOES: None

ABSENT: None

ASTAIN: None



President, Board of Directors
Phelan Piñon Hills Community Services District

ATTEST:



Secretary, Board of Directors
Phelan Piñon Hills Community Services District

Phelan Piñon Hills Community Service District
2013/2014 Schedule
Approved March 19, 2014

BOARD DESIGNATED RESERVES

1. UNRESTRICTED RESERVES

	ENTERPRISE	GOVERNMENT	
	Fund 01	Fund 02	Total
1A. Contingency and Operations (Goal = Three to Six months)			
2013/14 Budget Total	\$5,171,936	\$362,738	\$5,534,674
Less:			
Depreciation	1,263,587	60,759	1,324,346
Debt Service (Interest)	261,480		261,480
	<u>3,646,869</u>	<u>301,979</u>	<u>3,948,848</u>
Reserve @ Three Months =	x 3/12	x 3/12	x 3/12
Contingency and Operating Reserve	911,717	75,495	987,212
Debt Service Reserve - CIEDB Loan (1 yr P&I.)	567,929		567,929
TOTAL RESERVE FOR OPERATIONS	<u>\$1,479,646</u>	<u>\$75,495</u>	<u>\$1,555,141</u>
1B. Property, Plant, and Equipment Replacement Reserve (Goal = 25%- 50%)			
Accumulated Depreciation 06/30/13	17,681,287	1,370,112	19,051,399
Reserve @ 25% =	4,420,322	342,528	4,762,850
Reserves used for WRAP project funding	-1,600,000 *		
TOTAL RESERVE FOR REPLACEMENT	<u>\$2,820,322</u>	<u>\$342,528</u>	<u>\$3,162,850</u>
1C. Disaster Response Reserve (Goal = 10 - 20%)			
Total Assets (Excluding Land& Wtr Rts) 06/30/12	35,940,822	2,452,849	38,393,671
Reserve @ 10% =	3,594,082	245,285	3,839,367
Reserves used for WRAP project funding	-1,600,000 *		
TOTAL RESERVE FOR DISASTER	<u>\$1,994,082</u>	<u>\$245,285</u>	<u>\$2,239,367</u>
SUB-TOTAL - RESERVES	<u>\$6,294,050</u>	<u>\$663,308</u>	<u>\$6,957,358</u>

Total Cash in Bank 06/30/13	5,671,338	4,683,161	10,354,499
2013/2014 Net Income = avail for CIP	-174,330	194,945	20,616
Total Cash Available	<u>\$5,497,008</u>	<u>\$4,878,106</u>	<u>\$10,375,114</u>
Difference between cash available and reserves	-\$797,043	\$4,214,799	\$3,417,756

2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD

Capital, Projects*, & Replacement Budget Current Year	2,376,440	265,000	2,641,440
TOTAL FUNDS NEEDED FOR CAPITAL PROJECTS	<u>\$2,376,440</u>	<u>265,000</u>	<u>\$2,641,440</u>

* WRAP = Water Rights Aquisition Project. The Board elected to borrow reserve funds to provide the cash necessary to fund this project.

