

RESOLUTION NO. 2020-02
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 No. 4180.”

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 No. 4180, "Policy for District Reserves," 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.

Policy No. 4180 adopted by this Resolution supersedes Resolution No. 2016-04 adopted by the District's Board of Directors on May 4, 2016, 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 5th day of February 2020, by the following vote:

AYES: Johnson, Kujawa, Philips, Roberts

NOES:

ABSTENTIONS:

ABSENT: Hoffman



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 NO. 4180

SECTION 4181. TABLE OF CONTENTS

		<u>Page</u>
Section 4181	Table of Contents	1
Section 4182	Unrestricted Reserves	2
	Reserve for Operations	2
	Reserve for Replacement	2
	Reserve for Disaster Response	2
	Reserve for Rate Stabilization	3
Section 4183	Additional Accounts	3
Section 4184	Annual Reports	3

SECTION 4182. UNRESTRICTED RESERVES

4182.01 **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.

4182.02 **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 four 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.

4182.03 **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.

4182.04 **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.

4183. 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.

4184. 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.

**Phelan Piñon Hills Community Service District
2019/2020 Schedule - Resolution 2020-02**

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	ENTERPRISE Fund 01	GOVERNMENT Fund 20/22/24/25	Total
BOARD DESIGNATED RESERVES			
1. UNRESTRICTED RESERVES			
1A. Contingency and Operations (Goal = 6 mo. no less than 3 mo.)	\$7,336,160	\$620,415	\$7,956,576
2019/20 Budget Total			
Less:			
Depreciation	1,829,827	110,391	1,940,218
Debt Service (Interest)	353,450		353,450
Reserve @ Three Months =	5,152,883	510,024	5,662,907
Contingency and Operating Reserve	1,288,221	127,506	1,415,727
Debt Service Reserve - Loans (1 yr P&I)	940,157		940,157
TOTAL RESERVE FOR OPERATIONS	\$2,228,378	\$127,506	\$2,355,884
1B. Property, Plant, and Equipment Replacement Reserve (Goal = 2 to 4 Years of Depreciation)			
Depreciation YE 06/30/19	2,010,956	108,102	2,119,058
Reserve = PY Reserve needed for upcoming CIP	6,412,103	270,256	6,682,359
Reserves used for WRAP project funding 2012	-1,369,305		-1,369,305
Reserves used for Water Rights funding 2015	-476,874		-476,874
TOTAL RESERVE FOR REPLACEMENT	\$4,585,924	\$270,256	\$4,856,179
1C. Disaster Response Reserve (Goal = 10 - 20%)			
Total Assets (Excluding Land & Wtr Rts) 06/30/19	46,463,376	1,932,986	48,396,362
Reserve @ 10% =	4,646,338	193,299	4,839,636
Reserves used for WRAP project funding 2012	-1,369,305		-1,369,305
Reserves used for Water Rights funding 2015	-476,874		-476,874
TOTAL RESERVE FOR DISASTER	\$2,800,158	\$193,299	\$2,993,457
1D. Rate Stabilization Reserves (Goal 5% to 10% of Water Revenue)			
2019/2020 Budget for Water Meter and Consumption Reserve = 5%	\$5,513,995	\$0	5,513,995
	\$275,700	\$0	\$275,700
TOTAL RESERVES	\$9,870,159	\$591,060	\$10,461,220
2. ADDITIONAL RESERVES IDENTIFIED BY THE BOARD			
Capital, Projects*, & Replacement Budget Current Year	711,200	230,600	941,800
TOTAL FUNDS NEEDED FOR CAPITAL PROJECTS	\$711,200	\$230,600.00	\$941,800
* WRAP = Water Rights Acquisition Project. The Board elected to borrow reserve funds to provide the cash necessary to fund this project. Daily/lease revenue is used to reimburse for 2012 WRAP funding and Chromium-6 revenue is used to reimburse for 2015 Water Rights funding.			

	20	22	23	25	
	Total Government	General Government	Parks & Recreation	Street Lighting	Solid Waste
Budget	620,415	54,271	479,195	8,568	78,381
Budget	110,391	37,777	72,615	0	0
Budget	510,024	16,494	406,581	8,568	78,381
Budget	127,506	4,124	101,645	2,142	19,595
Budget	127,506	4,124	101,645	2,142	19,595
Pg 28 Audit	108,102	35,031	73,071	0	0
Pg 28 Audit	270,256	87,579	182,677	0	0
Pg 21 Audit	1,932,986	564,840	1,368,146	0	0
Pg 21 Audit	193,299	56,484	136,815	0	0
Budget	193,299	56,484	136,815	0	0
Budget	591,060	148,186	421,137	2,142	19,595

Budget	\$9,413,677	\$629,429	\$10,043,105
Change in Reserves	\$456,483	-\$38,368	\$418,114