

RESOLUTION NO. 2014-7

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
NEWHALL COUNTY WATER DISTRICT
REVISING RESOLUTION NO. 2009-10
ESTABLISHING ITS RESERVE POLICY**

WHEREAS, the Newhall County Water District (District) provides retail water service to customers within its boundaries; and,

WHEREAS, the District maintains funds in unrestricted and Board restricted accounts for such purposes as capital improvement and replacement projects, operations and maintenance expenses, debt service, emergency and disaster response, rate stabilization; and,

WHEREAS, the prudent management of the District requires that reserve funds be established and maintained to fund scheduled and unscheduled expenses, that the amount of funds specifically dedicated to each purpose be identified; and the reserve funding levels be periodically reviewed to ensure they will be adequate to meet the projected needs of the District; and

WHEREAS, the Board of Directors has reviewed the recommendations of staff, and determined that it is in the best interest of the District to establish dedicated reserve funds for the various purposes identified by the staff and to implement a formal policy regarding the level of funding and the use of reserve funds.

NOW THEREFORE, the Board of Directors of the Newhall County Water District does hereby resolve that the following reserve policy be adopted and implemented as follows:

**Newhall County Water District
Reserve Policy**

- 1. The District will maintain sufficient revenues to meet its operating expenses, debt service, depreciation expenses, and prescribed reserves.**
- 2. The District will hold cash and/or investments in reserve as authorized by the District's Investment Policy, and state and federal laws.**
- 3. The District reserves will be adjusted each year based on the operating surplus (deficit) at the conclusion of each fiscal year, according to reserve fund prioritization.**

The District will maintain a reserve of cash and/or investments for purposes, shown immediately below.

RESERVE funds are to be used for purposes identified to ensure the continued orderly operation of the District's water system. They include, but are not limited to the following:

Operations and Maintenance

The O&M Reserve Fund is intended to provide a mechanism for the District to immediately undertake unanticipated operation and maintenance activities and encompass cash flow fluctuations, including emergency repairs. The ideal level for the O&M Reserve Fund is 15% of total annual operating expenses.

Rate Stabilization

The Rate Stabilization Reserve Fund is intended to supplement District revenues to meet District expenses, including purchased water and power, during periods of extraordinary operating revenue deficits in lieu of a rate increase. The ideal level for the Rate Stabilization Reserve Fund is 10% of District annual operating revenue.

Debt Service

The Debt Service Reserve Fund is intended to provide funds to meet the District's debt service obligations and maintain revenues at levels sufficient to meet the rate covenant requirements. The ideal level for the Debt Service Reserve Fund will equal six month's debt service.

Emergency/Disaster

The Emergency/Disaster Reserve Fund is intended to establish a contingency amount to sustain the District in the event of a disaster/emergency. Funding will be used to repair or replace damaged District facilities and supplement operations during the emergency/disaster period. The ideal level for the Emergency/Disaster Reserve fund is 100% of the earthquake/flood insurance deductible.

The Director of Finance/Administration shall invest funds held in the Operation and Maintenance Reserve Fund, Rate Stabilization Reserve Fund, Debt Service Reserve Fund, and Emergency/Disaster Reserve Fund in accordance with the District's Investment Policy.


4. District reserves will be funded on a priority basis using currently available revenues, with restricted reserve funds receiving first priority funding status over unrestricted reserve funds.
5. The District Reserve Policy shall become effective on the date adopted. By direction of the Board, the District staff shall take all actions necessary to implement this policy and establish the designated funds.

RESOLVED FURTHER, The District reserves the right to amend or terminate the within policy at any time.

RESOLVED FURTHER, The Board of Directors instructs staff to add this resolution to the Policies, Rules and Regulations as Appendix Y.


PASSED, APPROVED AND ADOPTED Resolution No. 2014-7 at a regular meeting of the Board of Directors of Newhall County Water District held on February 13, 2014, and was adopted by the following vote:

AYES:	Directors ATKINS, COLLEY, GUTZEIT, MORTENSEN, PLAMBECK
NOES:	Directors
ABSTAIN:	Directors



**B. J. ATKINS, President,
Board of Directors of the
Newhall County Water District**


ATTEST:



**Karin J. Russell
Secretary of the Board of Directors of
Newhall County Water District**

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

I, Karin J. Russell, Secretary of Newhall County Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution 2014-7 of the Board of Directors of Newhall County Water District adopted at a Regular Meeting held on February 13, 2014, and that the same has not been amended or repealed.



Karin J. Russell, Secretary,
NEWHALL COUNTY WATER DISTRICT

DATED: February 13, 2014

(July 1, 2016)

	*Reserve Requirement	*Amount Funded	Required Funding	% Funded
<u>Operations and Maintenance</u>	\$1,394,389	\$132,561	\$1,261,828	9.51%

The O&M Reserve Fund is intended to provide a mechanism for the District to immediately undertake unanticipated operation and maintenance activities and encompass cash flow fluctuations, including emergency repairs. The ideal level for the O&M Reserve Fund is 15% of the operating expenses.

<u>Rate Stabilization</u>	1,109,938	248,270	861,668	22.37%
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The Rate Stabilization Reserve Fund is intended to supplement District revenues to meet District expenses, including purchased water and power, during periods of extraordinary operating revenue deficits in lieu of a rate increase. The ideal level for the Rate Stabilization Reserve Fund is 10% of the operating revenue.

<u>Debt Service</u>	944,777	944,777	0	100.00%
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The Debt Service Reserve Fund is intended to provide funds to meet the District's debt service obligations and maintain revenues at levels sufficient to meet the rate covenant requirements. The ideal level of for the Debt Service Reserve Fund will equal six months annual debt service.

<u>Emergency/Disaster</u>	1,500,000	1,500,000	0	100.00%
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The Emergency/Disaster Reserve Fund is intended to establish a contingency amount to sustain the District in the event of a disaster/emergency. Funding will be used to repair or replace damaged District facilities and supplement operations during the emergency/disaster period. The ideal level for the Emergency/Disaster Reserve fund is 100% of the earthquake/flood insurance deductible.

TOTAL RESERVES	\$4,949,104	\$2,825,608	\$2,123,496	57.09%
	*Reserve Requirement	*Amount Funded	Required Funding	% Funded

**Based on FY 2017 Draft Budget*