

**RESOLUTION NO. 2017-06**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE SUMMERLAND SANITARY DISTRICT ESTABLISHING A  
DISTRICT'S RESERVE FUND POLICY**

**WHEREAS**, the Board of Summerland Sanitary District has received a Financial Plan and Rate Study report from Raftelis Financial Consultants (Raftelis) dated December 6, 2017 (Raftelis Report) which recommends target reserves for the District's funds.

**WHEREAS**, The Board of Directors of Summerland Sanitary District has determined to adopt those recommendations made by Raftelis.

**NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:**

1. **Created.** The reserve funds set forth in section 3 (three) are hereby created. The General Manager shall establish and maintain the reserve funds in accordance with this policy. All dollar amounts indicated are 2017 dollars.
2. **Utilization.** The reserve funds created will be utilized for the specific purposes set forth in this Resolution. Both funds 5215 and 5216 are established funds. With this Resolution the Board of Directors is establishing a new Capital Replacement and Repair Fund 5217.
3. **Funds**

A. Operations Reserve Fund 5215

**Purpose:** Operations reserve fund shall be used to meet ongoing cash flow requirements as well as unanticipated increases in operating cost. These funds may also be used to ensure sufficient funding for District purposes in the event of an unanticipated increase in operating cost, such as those caused by large unexpected fluctuations in energy costs, or deduction in wastewater revenues. Unrestricted reserve funds may be used for any proper district purpose.

**Funding:** The Operations Reserve Fund shall be funded by income from annual sewer fees and property tax. The recommended minimum balance by Raftelis is 6 (six) months of annual operating cost. The recommended reserve target by Raftelis for FY2018 is \$470,000 (see Rate Study Report December 6, 2017, page 12, Table 4-5: Reserve Policies).

B. Capital Facilities Fund 5216

**Purpose:** Capital Facilities Fund reserve was established as required by Government Code section 66013.

Funding: The Capital Facilities Fund Reserve shall be funded by fees collected under Ordinance No. 10: "Establishing of a new Capital Facility Recovery Fee" are to be deposited in this capital facilities fund. "The District shall account for the charges in a manner to avoid any comingling with any other monies of the District, except for investments and shall expend these charges solely for the purpose for which these charges were collected."

C. Capital Replacement and Repair Fund 5217.

Purpose: Capital Replacement and Repair Fund Reserve shall be used for capital expenditures and emergency funding.

Funding: The Capital Replacement and Repair Fund Reserve fund includes any excess revenues that are part of the unrestricted reserve fund. The Capital Replacement and Repair fund should have a minimum balance of 1 (one) year of annual system depreciation. The annual system depreciation recommended by Raftelis is \$142,000 for FY2018. The recommended emergency target for this fund by Raftelis is \$2 million (see Rate Study Report December 6, 2017, page 12, Table 4-5: Reserve Policies)

**PASSED AND ADOPTED** by the Governing Board of SUMMERLAND SANITARY DISTRICT this 14<sup>th</sup> day of December 2017, by the following vote:

AYES: J. Colomy, B. Franklin, J. Franklin, D. Novis, M. Tucker

NAYS: /

ABSENT: /



Martin Tucker  
Martin Tucker  
President Board of Directors  
SUMMERLAND SANITARY DISTRICT

ATTEST:  
B. Franklin

Betty Franklin, Secretary