

## RESOLUTION NO. 19-09

### A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TWENTYNINE PALMS WATER DISTRICT AMENDING THE RESERVE POLICY

**WHEREAS**, the Board of Directors of the Twentynine Palms Water District recognize that prudent financial management and best practices dictate that the District maintain appropriate reserves for emergency use, capital projects, obligations accruing on a current basis that will be paid in the future, and those required as a result of legal or external requirements.

**WHEREAS**, the Board of Directors promote a reserve policy that establishes sound formal fiscal reserve criteria, which will be the foundation that ensures strong fiscal management and a policy that guides future District decisions, builds adequate reserves over time, helps minimize significant rate increases from year to year, promotes equity over the years, helps the District to meet its short and long-term obligations, and ensures that the District maintains the highest possible credit rating.

**WHEREAS**, given the District's aging infrastructure and related increase in facility maintenance needs, the District's existing reserve policy as adopted by the Board on March 25, 2015 (Resolution 15-02) must be updated to increase minimum reserve levels in order to address potential risks, be more in line with best practice reserve levels and enable the District to continue to comply with state regulations and unfunded mandates.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Twentynine Palms Water District that the following reserve levels are established and adjusted annually when the budget is adopted:

#### **SECTION 1:**

##### 1. Operating Reserves

This reserve covers contingency funds to continue operations in the event of an unanticipated cash shortfall. This reserve provides continuity of service during an unexpected event, whether it be economic shortfall, natural disaster, or other extreme event. This reserve will be set at a minimum of 180 days of budgeted Operating and Maintenance (O&M) expenses.

##### 2. Capital Reserves

This reserve covers unforeseen and emergency capital needs that are necessary to meet regulatory requirements, system reliability and future needs. This reserve will be set at a minimum amount of 6% of total capital assets.

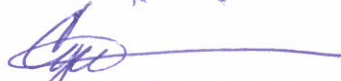
##### 3. Primary and Secondary Impact Fees

This Restricted Reserve is funded by Developer Impact Fees and can only be used to create additional capacity or distribution within the District. There are no set minimums for this reserve.

**SECTION 2:** This Resolution will become effective immediately upon adoption and will remain effective unless repealed or superseded. This Resolution amends Resolution No. 15-02, adopted March 25, 2015, in its entirety.

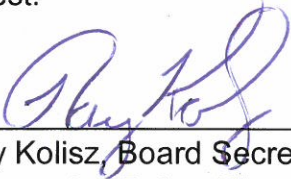
**PASSED, APPROVED AND ADOPTED** this 26<sup>th</sup> day of June, 2019 by the following vote:

Ayes: Directors Coghill, Leazer, Stephenson, and Giannini  
Noes: None  
Abstain: None  
Absent: Director Horn



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Carol Giannini, President  
Board of Directors

Attest:



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Ray Kolisz, Board Secretary  
Twentynine Palms Water District

