

RESOLUTION NO. 26-09

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) and amended June 26, 2019 (Resolution 19-09) 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 target of 180 days of budgeted Operating and Maintenance (O&M) expenses.

2. Capital Reserves

This reserve covers planned and unforeseen capital needs that are necessary to meet regulatory requirements, system reliability and future needs. This reserve will be set at a minimum amount equal to the annual average of 5-year CIP plan.

3. Emergency Reserves

This reserve covers major, unplanned emergency events that threaten the District's ability to provide continuous water service and cannot be reasonably

funded through operating or capital reserves. This reserve is intended primarily to fund the emergency replacement or construction of a production well in the event of a catastrophic failure. The Emergency Reserve will be maintained at a minimum target level of \$2.0 million, representing the estimated cost to design, permit, and construct a replacement well.

4. 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:

1. Annual Review And Administration

Reserve balances shall be reviewed at least annually in connection with adoption of the District's budget and capital improvement plan. The General Manager or Finance Director shall report the actual balance, target balance, funding source, legal restriction, and recommended action for each reserve. If a reserve falls below its minimum or target level, the District shall identify a reasonable replenishment plan through the budget, rate-setting, or capital planning process. If a reserve exceeds its target and is not legally restricted, the Board may direct the excess to capital projects, rate stabilization, debt reduction, reserve reclassification, or other lawful District purposes.

SECTION 3:

This Resolution will become effective immediately upon adoption and will remain effective unless repealed or superseded. This Resolution amends Resolution19-09, adopted June 26, 2019.

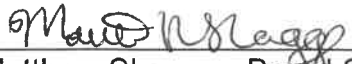
PASSED, APPROVED AND ADOPTED this 24th day of June, 2026 by the following vote:

Ayes: Directors Arthur, Bowden, Leazer, Woods, and Coghill
Noes: None
Abstain: None
Absent: None



Bob Coghill, President
Board of Directors

Attest:



Matthew Shragge, Board Secretary
Twentynine Palms Water District

