

## RESOLUTION NO. 16R-11

### A POLICY OF THE BOARD OF DIRECTORS OF THE BIGHORN-DESERT VIEW WATER AGENCY ESTABLISHING CRITERIA FOR AGENCY FINANCIAL RESERVES

**WHEREAS**, the Board of Directors of the Bighorn-Desert View Water Agency, acting as the elected legislative body of the Agency, so far as practical, shall fix such rate or rates for water in the Agency.

**WHEREAS**, in each improvement district, provide for repairs and depreciation of all works, provide a reasonable surplus for improvements, extension, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due, pursuant to California State Water Code Appendix, Section 112-25.

**WHEREAS**, In order to fulfill the fiduciary responsibilities of the Agency, the financial reserve account shall be established, maintained and updated periodically.

**NOW THEREFORE**, it shall be the Policy of the Agency to manage financial reserves according to the following criteria.

Financial reserves consist of the funds retained in the Agency's account with the Local Agency Investment Fund (LAIF) or other authorized financial institution.

The Local Agency Investment Fund or other financial reserve accounts shall consist of the following sub-accounts:

Account No. 01-00--133030 – LAIF Cash Account **and/or**  
Account No. 01-00-131250 Pacific Western Bank Cash Account

Sub-Accounts to LAIF and/or Pacific Western Bank

- 1) Customer Deposits
- 2) Emergency Contingencies
- 3) Replacement & Refurbishment
- 4) Encumbered for Projects
- 5) Bond Debt Service Fund
- 6) ID GM Restricted Reserve Fund

Authorization for use of funds within the financial reserve sub-accounts shall be as follows:

1. Current Customer Deposits: The balance in this fund represents the approximate balance of customer deposits held by the Agency and refunded per the current Rules and Regulations for Water Service.
2. Emergency Contingencies Fund: Expenditures from this fund shall be authorized by the Board of Directors upon presentation of evidence that unencumbered cash is not available to meet an immediate need such as water system repairs or in response to an unforeseen circumstance (e.g. water quality issue or natural disaster).

3. Replacement & Refurbishment Fund: Expenditures from this fund shall be authorized by the Board of Directors upon presentation of project costs not contemplated in the annual Operating Budget (e.g. well pump replacement or refurbishment, well rehabilitation, reservoir rehabilitation, etc.).
4. Encumbered Funds for Approved Projects: As the Board of Directors authorizes expenditures from another reserve account the specified account will be reduced and the Encumbered Funds account will be increased to show that the funds have been appropriately "set aside" for payment of invoices as the authorized work proceeds.
5. Bond Debt Service Fund: Represents the difference between the total cash reserves and the balances in the identified funds.
6. ID GM Restricted Reserve Fund: Represents the balance remaining of cash transferred from CSA 70/W-1 (Landers) that is to be held for the benefit of the ratepayers and property owners with the dissolved district. This fund is also "restricted" for use on "Capital Replacement and Capital Expansion" per San Bernardino Local Agency Formation Commission (LAFCO) Resolution No. 3197 dated March 26, 2015.

Fund Goals: The Board of Directors hereby establishes "fund goals", which should be reviewed periodically to maintain effectiveness, for the following reserve account funds:

- Emergency Contingencies Fund Minimum Goal: \$200,000
- Replacement & Refurbishment Fund Minimum Goal: \$300,000
- Bond Debt Service Fund Goal: \$233,000 (Annual Debt Service for Bighorn Mountains ID 1, Desert View, and Mojave Water Agency Morongo Basin Pipeline Debt)

**BE IT RESOLVED** by the Board of Directors of the Bighorn-Desert View Water Agency:

1. Adopts this Resolution 16R-11 Establishing Criteria for Agency Financial Reserves; and
2. Policy No. 13R-14 is hereby rescinded.

**PASSED, APPROVED, AND ADOPTED** by the Board of Directors to Bighorn-Desert View Water Agency this 23th day of August 2016.

By J. Larry Coulombe  
J. Larry Coulombe, President of the Board

ATTEST:

Judy Cor-Lorono  
Judy Cor-Lorono, Secretary