

**Resolution by the Meiners Oaks County Water District  
Board of Directors Establishing  
Reserve Fund Policies**

February 19, 2008  
Resolution No. (21908-1)

**Whereas**, the Meiners Oaks County Water District operates a potable water production and distribution system under the authority of the California Water Code and by permit of the California Department of Health Services and;

**Whereas**, the District's surplus revenues from operations are reserved for the planned repair and replacement of the District's infrastructure, emergency repairs, capital improvements, and a resource to meet the on-going financial responsibilities of the District regardless of seasonal variations in cash flow from operating revenues, and;

**Whereas**, the Board of Directors finds that an Operations Reserve Fund equal to one-sixth (1/6) of the annual operating expense budget is required to provide funds to assure that routine financial obligations of the District can be met without incurring late charges or other penalties as a result of variations in cash flow from receivables, and;

**Whereas**, the Board of Directors finds that a Capital Replacement Fund must be maintained by the District to fund on-going replacement of the District's aging infrastructure and that contributions to this fund must be made annually based upon a scheduled depreciation of the District's facilities, and;

**Whereas**, the Board of Directors received and accepted a Facilities Replacement Report in February 2007 provided by the District's Consulting Civil Engineer and the report the annual depreciation values of the District's major facilities along with a 30 year replacement schedule, and;

**Whereas**, the Board of Directors finds that the facilities replacement plan can be funded over many years and contributions to the fund can be increased incrementally to reduce the impact to the cost of service to the District's customers, and;

**Whereas**, the Board of Directors also finds that funding capital replacement is critical to maintaining service to the District's customers and;

**Whereas**, the Board of Directors finds that from time to time funds are also needed to make capital improvements to the infrastructure as new requirements are imposed by regulatory agencies and as new technology offers the means to reduce operating costs, and;

**Whereas**, the Board of Directors finds that in addition to reserving funds for capital replacement a minimum level of funds must be available for emergencies to assure timely repair of damaged facilities and to avoid unnecessary accrual of debt, and;

**Whereas**; the Board of Directors finds that in the event of an emergency all reserves shall be available to make necessary repairs and meet all on-going financial obligations and that a total minimum reserve level shall be maintained by the District at all times, and;

**Whereas**, all reserves are subject to ordinary inflation and must be adjusted annually, and;

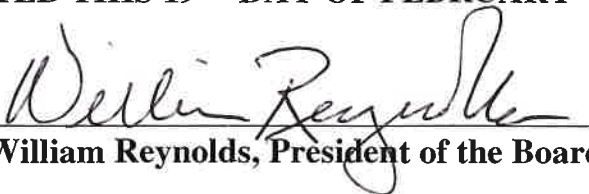
**Now, Therefore Be It Resolved** by the Board of Directors of the Meiners Oaks County Water District on February 19, 2008, that for the purposes of financial planning, the District shall allocate surplus revenues annually to the following reserve funds and maintain those funds at the following minimum levels over the course of the next five years:

Reserve Funds	Current	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Operating</b>	\$ 130,000	\$ 135,720	\$ 141,692	\$ 147,926	\$ 154,435	\$ 161,230
Annual Increase	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
<b>Capital</b>						
<b>Replacement and Improvement</b>	\$ 1,160,000	\$ 864,280	\$ 718,308	\$ 452,074	\$ 645,565	\$ 838,770
Annual Contribution to Reserve					\$ 200,000	\$ 200,000
<b>Emergency</b>	\$ 1,290,000	\$ 1,000,000	\$ 860,000	\$ 600,000	\$ 800,000	\$ 1,000,000

(Emergency is the Total of All Reserves)

**It Is Further Resolved** that the Board of Directors shall make every effort to prevent the Emergency Reserve from falling below \$600,000 and the Board shall make every effort to begin regular contributions to the Capital Replacement and Improvement Reserve beginning in 2011.

**PASSED, APPROVED AND ADOPTED THIS 19<sup>TH</sup> DAY OF FEBRUARY 2008.**

  
William Reynolds, President of the Board

**ATTEST:**  
  
Sherrie Russell, Secretary