

APPENDIX "I"

"Resolution adopting EGWD Reserve and Capital Investment Policy."

[Attached behind this cover page]

RESOLUTION No. 08.22.12.01

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE FLORIN RESOURCE CONSERVATION DISTRICT
ADOPTING A REVISED ELK GROVE WATER DISTRICT RESERVE AND CAPITAL
INVESTMENT POLICY

WHEREAS, the Board of Directors of the Florin Resource Conservation District ("District"), wishes to replace the policy regarding the establishment and maintenance of reserve funds adopted on June 27, 2012 by Resolution 06.27.12.04.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the District as follows:

Section 1. The Board of Directors hereby rescinds Resolution 06.27.12.04.

Section 2. The Board of Directors hereby approves and adopts the "Reserves and Capital Investment Policy" that is attached hereto as Exhibit "A."

Section 3. The Secretary to the Board shall certify to the passage and adoption of this resolution and the same shall take effect and be in force upon its adoption.

APPROVED AND ADOPTED this 22nd day of August, 2012.

AYES: *Lightfoot, Dawson, Mullberg, Nelson, and Perez*
NOES: *0*
ABSENT: *0*
ABSTAIN: *0*

Barrie Lightfoot
Barrie Lightfoot
Chairman of the Board of Directors

ATTEST:

Stefan Phillips
Stefan Phillips
Secretary to the Board of Directors

It is the policy of the District that all funds held in reserve be designated to specific uses. Consistent with Title 27 of the California Code of Regulations, the District holds cash reserves for special projects and operations. Such monies are not considered 'surplus' and shall not be made available for other uses without the express authorization of the Board of Directors.

This is a financial policy guided by sound accounting principles. The policy establishes several reserve funds to minimize adverse annual budgetary impacts from anticipated and unanticipated District expenses.

The adequacy of the target reserve year-end balance ranges and/or annual contributions will be reviewed annually during the budgeting and planning process and may be revised accordingly as necessary. The following District reserve fund categories are to be established:

1. Operating Reserve Fund
 - 1.1 Purpose: To ensure cash resources are available to fund daily administration, operations and customer services.
 - 1.2 Target Balance: 120 Days of the Annual Operations and Maintenance Budget
 - 1.3 Methodology/Rationale: The District should, in accordance with sound financial practices, have a minimum of 120 Days of operating reserves.
 - 1.4 Use of Funds: These funds will be used to pay for expenditures according to budget and expenditure authority. This fund will be accessed only upon the express pre-approval of the Board of Directors.
2. Capital Improvement Reserve Fund (Meter Retrofit Program, Supply/Distribution Improvements, Treatment Plant Improvements, Building Site Improvements and Other Improvements)
 - 2.1 Purpose: Funds are set aside for the new assets needed for the operations of the district that enhance or increase capacity.

- 2.2 Target Balance: Annual Capital Improvement Program Budget
- 2.3 Methodology/Rationale: The District needs to invest in the infrastructure necessary to improve and enhance the source capacity and other attributes of the District's infrastructure
- 2.4 Use of Funds: The funds will be used build new infrastructure or enhance current infrastructure to increase the District's capacity.
- 3. Capital Replacement Reserve Fund (Supply/Distribution Improvements, Treatment Improvements, Building Site Improvements and Other Improvements.)
 - 3.1 Purpose: Funds are set aside for the future replacement of existing assets.
 - 3.2 Target Balance: Annual Capital Replacement Budget
 - 3.3 Methodology/Rationale: The District records depreciation using the straight-line method over the estimated useful lives of the assets. The funds are reserved to replace District assets as they reach the end of their useful life.
 - 3.4 Use of Funds: The funds will be used to replace assets (furniture, computers, equipments, etc.) as necessary to further the mission and efficiency of the organization.
- 4. Elections and Special Studies Reserve Fund
 - 4.1 Purpose: To provide funds for various special studies, as needs arise in the District such as election costs, Board expenses, etc.
 - 4.2 Target Balance: \$120,000
 - 4.3 Methodology/Rationale: The District will, from time to time, be required or requested to participate in activities, which it could not have foreseen and therefore could not have budgeted for specifically.
- 5. Future Years Capital Improvement Reserve Fund (Meter Retrofit Program, Supply/Distribution Improvements, Treatment Plant Improvements, Building Site Improvements and Other Improvements)
 - 5.1 Purpose: Funds are set aside for the new assets needed for the operations of the district that enhance or increase capacity.
 - 5.2 Target Balance: 75% of the balance of the Unrestricted Reserves Funds not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital

- Replacement Reserve Fund and the Elections Special Studies upon conclusion of the annual audit.
- 5.3 Methodology/Rationale: The District needs to invest in the infrastructure necessary to improve and enhance the source capacity and other attributes of the District's infrastructure
 - 5.4 Use of Funds: The funds will be used build new infrastructure or enhance current infrastructure to increase the District's capacity.
 - 5.5 Purpose: To designate
6. Future Years Capital Replacement Reserve Fund (Supply/Distribution Improvements, Treatment Improvements, Building Site Improvements and Other Improvements.)
- 6.1 Purpose: Funds are set aside for the future replacement of existing assets.
 - 6.2 Target Balance: 25% of the balance of the Unrestricted Reserves Funds not allocated to the Operating Reserve Fund, Capital Improvement Reserve Fund, Capital Replacement Reserve Fund and the Elections Special Studies upon conclusion of the annual audit.
 - 6.3 Methodology/Rationale: The District records depreciation using the straight-line method over the estimated useful lives of the assets. The funds are reserved to replace District assets as they reach the end of their useful life.
 - 6.4 Use of Funds: The funds will be used to replace assets (furniture, computers, equipments, etc.) as necessary to further the mission and efficiency of the organization.

Guidelines

Staff shall perform a reserve analysis to be submitted to the Board of Directors as a part of the annual budget process.