

## RESOLUTION NO. 14-225

### A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MISSION HILLS COMMUNITY SERVICES DISTRICT ESTABLISHING A RESERVE POLICY

(rescinds and replaces Resolution 97-134, Resolution 102  
and Policy 3030)

**WHEREAS**, the Mission Hills Community Services District (the "District") is a community services district duly formed under California Government Code Section 61000 et seq. to provide community services within the District's service area, including water and wastewater services; and

**WHEREAS**, it is the intention of the Board of Directors of the District to maintain the financial health and stability of all the District's systems; and

**WHEREAS**, prudent fiscal management includes the setting of an annual budget and long range planning for the orderly replacement of capital equipment and facilities; and

**WHEREAS**, the purpose of establishing Operating Reserves is to ensure sufficient cash resources are available to fund daily administration, operations and maintenance of providing water, wastewater and street sweeping services; and

**WHEREAS**, the purpose of establishing Capital Replacement Reserves is to provide monies for the current and future replacement of existing capital assets as they reach the end of their useful lives; and

**WHEREAS**, the purpose of establishing Emergency Reserves is to provide protection against an unforeseen catastrophic loss and a cushion for inaccuracy in the long range replacement program; and

**WHEREAS**, the policies formalized in this resolution are for the establishment and maintenance of a Reserve Policy for the District.

**NOW, THEREFORE BE IT RESOLVED** by the Board of Directors of the Mission Hills Community Services District that:

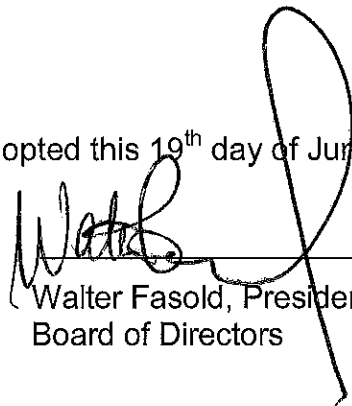
1. The District shall establish and maintain a Depreciation Schedule of assets. The Useful Life Guidelines, published by the Office of the State Controller, and the Straight Line method will be used to calculate monthly depreciation expenses. Depreciation will be included in the annual operating expense budget. The District shall establish rates to generate sufficient revenue to fully fund this depreciation expense and place it in reserves.
2. The goal of the District is to maintain reserves at a level that equals or exceeds the sum of the following components:
  - a. Operating Reserve Requirement: Target balance is 20 percent of the current annual operating expense budget. This amount is intended to meet cash flow needs and unplanned expenses.

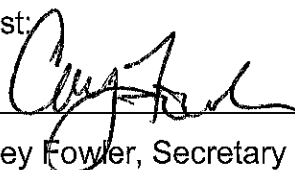
- b. Emergency Reserve Requirement: Target balance is 5 percent of the value of capital assets. This amount is intended as protection against catastrophic loss and to provide a cushion for inaccuracy in long range replacement program.
  - c. Capital Replacement Reserve Requirement: Target balance is 75 percent of the total value of accumulated depreciation. This amount is intended to replace assets and fund capital projects.
3. Reserves will be held, invested and reported in accordance with the District's Investment Policy.
  4. Connection fees, development fees, and funds collected from development agreements paid to the District to serve new developments with water and wastewater services are designated as restricted reserves. They will be deposited into a separate reserve account, invested and reported in accordance with the District's Investment Policy and be used to expand infrastructure and facilities to serve new development. Funds will be administered and maintained in accordance with Government Code § 66013.
  5. This Resolution rescinds and replaces Resolution 97-134 and Resolution 102 codified in the Mission Hills Community Services District Policy Manual, Policy Number 3030.
  6. Adoption of this Resolution requires a four-fifths vote of the Board of Directors.

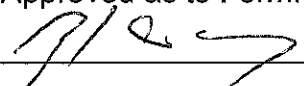
On motion of Director Naughton, seconded by Director Mac Kenzie and on the following roll call vote, to wit:

<b>AYES:</b>	Directors:	Fasold, Hayes, Jones, Mac Kenzie, and Naughton
<b>NOES:</b>		None
<b>ABSTAIN:</b>		None
<b>ABSENT:</b>		None

The foregoing Resolution was passed and adopted this 19<sup>th</sup> day of June, 2014.

  
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Walter Fasold, President  
Board of Directors

Attest:  
  
\_\_\_\_\_  
Casey Fowler, Secretary

Approved as to Form:  
  
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Ziyad I. Naccasha, District Counsel