
Rosamond Community Services District

3036- Reserves

POLICY TITLE: Reserves

POLICY NUMBER: 3036

3036.1 The District will maintain utility reserves/funds required by law, ordinance and bond covenant, to provide cash working capital for normal and ordinary operations, and also provide some insurance against economic downturns and emergencies. Minimum reserve funds, excluding bond reserve funds, will be as follows:

3036.1.1 Operations and Maintenance Fund — this fund reflects the timing difference between billing for revenues and payment expenses. This fund can also be used to cover unanticipated cash operating expenses or lower than expected revenue collections. The basis for establishing a minimum total operating reserve level for the District the District will be three (3) months of O&M levels for the upcoming year where O&M is made up of Personnel Expenses and Direct Operating Expenses and are taken from the most current approved budget.

3036.1.2 Debt Service Fund — the District will maintain a debt service fund as required by law, legal and or contractual, obligation and or bond covenant, and will be 125% of the next required debt service payment for internal loans..

3036.1.3 Repair and Replacement Fund —the minimum balance of this fund should be based upon 25% of the annual accumulated depreciation.

3036.1.4 Rate Stabilization Fund — this fund is available for the District to transition any needed rate increases over a year or a number of years. It is recommended the minimum balance be based on 10% of the District's annual rate revenues.

3036.1.5 Facilities Capacity Fee/Connection Fee Fund — this fund segregates and separately accounts for the revenues collected from connection charges levied against new growth. This fund must be maintained from all other funds and used to offset capital projects costs or debt service related to new development..

3036.1.6 Catastrophe/Emergency Fund — the catastrophe/emergency reserve is intended to protect the District against the financial impacts of unanticipated emergencies. It provides funding for emergency repairs or failure of essential equipment that needs to be replaced immediately. At a minimum the catastrophe/emergency reserve will be set at \$1,000,000. This level of catastrophe/emergency reserves will be deemed sufficient to finance the required cash flow until adequate emergency financing can be secured from outside conventional sources. Cash reserve accounts for all debt instruments, not limited to bonds SFR etc., shall be fully funded in the timeline reflected in current and future bond covenants. The appropriate reserves shall be formally transferred and restricted in accordance with all legal requirements..

3036.1.7 Water Acquisition Fund — this fund accounts for revenues generated for the purposes of acquiring additional water rights. This fund would be accounted for separately from all other funds.

3036.1.8 The District's Board may establish other reserves for specific needs that are over and above the reserves noted above.

Adopted Feb 6, 2018