

Resolution No 2020-04

Resolution of the Johnsville Public Utility District Board of Directors
Adoption Financial Reserve Policy

The Johnsville Public Utility District Board of Directors does hereby resolve as follows:

PURSUANT to the absence of a legal mandate or statutory guidance the Johnsville Public Utility District hereby adopts a Financial Reserve Policy following guidance set forth by the California Special Districts Association (CSDA) for developing and maintaining a prudent [reserve](#).

Reserves are the foundation of the sustainable delivery of core services. Establishing prudent reserves, creates significant benefits including: 1. Savings to balance budgets 2. Emergency preparedness 3. Stable rates 4. Well-maintained infrastructure 5. Investment in the future.

Maintaining a reserve fund has made it possible for Johnsville to upgrade water services on Church Street (2015-2016); Clean and service our two redwood water tanks(2014-2015). Refurbish our water source, Bennett Dam; upgrade our fire protection system by installing new fire hydrants (2013-2014).

However, lack of a formal Financial Reserve Policy has put us in the position of depleting a resource without replenishing the resource

Equipment breaks, wears out, or becomes obsolete. In 2017 we experienced all these events. our tanks reached the end of their useful life, the computer control panel in our plant failed, and our chlorine system was deemed obsolete. Additionally, operational costs are projected to increase. A certain level of skepticism and prudence implies insufficient reserves jeopardize the district's long-term sustainability.

The Johnsville PUD is unique in that we have a small customer base. Our service connections consist of 46 residential, 1 commercial, 1 park, 15 standby lots and 1 commercial lot. By code we are required to maintain a mandated water capacity for fire and potable water.

A functional reserve policy gives us the ability to deal with the failure of short- lived assets, unexpected expenses, and increasing operational costs without adjusting rates at every fluctuation. Reserve funds support our Five-Year Capital Improvement Plan, our Five-Year Budget Plan, and our day to day operations and maintenance costs.

Lacking further guidance, the Johnsville Public Utility District Board of Directors recognizes the importance of the finding of the Plumas County Municipal Service Review (MSR) (final) adopted August 14,2017. In 2017 LAFCO's MSR noted the Johnsville Public Utility District lacked a Financial Reserve Policy.

WHEREAS, the Board of Directors finds, determines and declares as follows:

The district has depleted its financial reserves below a prudent level.

It is predicable operations and maintenance cost will increase.

There is not an established plan to recover the costs of short- lived assets.

Now, Therefore Be it Resolved that, the Johnsville Public Utility District Board of Directors hereby finds, determines, declares and concludes the necessity of a Financial Reserve Policy which will be updated annually.

In regards, the administration of the Financial Reserve Policy the board establishes guidelines for managing financial reserves and best practice procedures for determining adequate reserve. At a minimum the reserve will be maintained at three times the historic operations and maintenance expense (4- year average). Deficits will be recaptured over a three-year period, unless the board determines this recovery rate is not feasible based on the current rate structure, financial commitments, and future projections.

FURTHERMORE, the Board of Directors shall periodically conduct proceedings to determine a need for additional revenues, financing, restrictions and regulations which may be necessary to safeguard the financial stability of the Johnsville Public Utility District and its mission to provide high quality, reliable, and safe water services for consumption and fire protection to all customers at all times at reasonable rates.

Passed, approved and adopted this _____ day of _____, _____ by the following votes:

Ayes:

Nays:

Absent:

Attest:

David A. Piepho, Chairman
Johnsville Public Utility District

Secretary of Board of Directors