

**RESOLUTION NO. 2024-21**

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT  
APPROVING AMENDMENTS TO THE DISTRICT RESERVE POLICIES**

**WHEREAS**, in the past, the Los Osos Community Services District adopted Resolutions 2006-23, 2007-24, 2012-09, 2016-14 and 2017-11 establishing a District Reserves Policies and establishing reserve account balances by fund; and

**WHEREAS**, the District desires to amend said Reserve Policies to reflect the current fiscal needs of the District; and

**WHEREAS**, additional descriptions and authority have been added to clarify use and replenishment of the reserves; and

**WHEREAS**, it is the District's desire to have clear documentation of the basis of the Reserve Policies and prior actions to amend past Reserve Policies.

**NOW, THEREFORE, BE IT RESOLVED** that the Los Osos Community Services District Board of Directors does hereby approve amendments to the District Reserve Policy as contained in EXHIBIT A herein.

On the motion of Director Womack, seconded by Director Faircroy, and on the following roll call vote, to wit:

Ayes: Directors Womack, Faircroy, Cesena, Ochylski

Noes: -

Abstain: -

Absent: Gatchell


The foregoing resolution is hereby passed, approved, and adopted by the Board of Directors of the Los Osos Community Services District this 5<sup>th</sup> day of December 2024.

  
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Marshall E. Ochylski  
President, Board of Directors  
Los Osos Community Service District

ATTEST:

  
\_\_\_\_\_  
Ron Munds  
General Manager

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Daniel Cheung  
District Legal Counsel

**SECTION 1: RESERVE POLICIES****A. Administrative - Fund 100**

1. General Contingency Reserve which will fund acquisitions and upgrades of software, hardware, equipment and systems that are used to provide centralized services to all funds of the District will not exceed \$50,000. This will be funded by total appropriation savings in the Administrative Fund at the close of each fiscal year or as otherwise directed by the Board at the adoption of the annual budget. Once the reserve goal is met, any surplus will be credited back proportionally to the various funds.

**B. Fire - Fund 301:**

1. A Vehicle, Equipment & Fire Engine Replacement Reserve shall be established for the orderly and timely replacement of emergency equipment, apparatus and accessories. The annual funding goal is equal to the amount of depreciation of replaceable equipment for the year increased by inflationary costs determined by the higher of an amount based on CPI change as per Section 3 or an amount based on industry trends on replacement values. During the years that appropriating the annual funding goal is not financially feasible, a baseline funding of \$130,000 is appropriated annually. Until such time that the maximum funding goal is reached, catch-up funding will be appropriated in any year whenever it becomes financially feasible. The maximum funding goal is for the reserves to be equal to the total accumulated depreciation of replaceable equipment increased by inflationary costs or 5%, whichever is higher, and is intended to approximate replacement costs in any given year. A vehicle, equipment and fire engine replacement schedule is prepared by the General Manager, with consultation from the Fire Chief, or his/her designee that will validate increases or decreases to the reserves funding as requested in the budget of the upcoming year in accordance with this section. Upon the purchase of a new vehicle, the Vehicle Reserve will be reduced by a corresponding amount. A comprehensive review of the adequacy of the reserve shall be completed at least every two years.
2. Capital Outlay Reserve shall be established for the replacement, upgrade, expansion or improvement of buildings, structures and facilities that are used by the department to house personnel or equipment. Funding goal is an annual appropriation of at least \$10,000, with a cumulative maximum goal of \$5 million. During years where there is a surplus of funds, allocate the surplus to the Capital Outlay Reserve.
3. A General Contingency Reserve shall be established to meet contingency expenditures resulting from natural disasters or from unforeseen circumstances. The annual funding goal for this reserve account is \$10,000 with a maximum cumulative goal of at least 15% of the Fire Fund's Operating and Maintenance annual budget.

**C. Water – Fund 500:**

1. A Rate Stabilization Reserve shall be established to:
  - i. Equalize revenues should District income from the Utility billings decrease due to conservation efforts initiated by the District or by the public; and

The funding goal of this Rate Stabilization Reserve shall be \$32,000 annually until such time as this Rate Stabilization Reserve reaches a total of ten (10%) percent of the total annual water Operation and Maintenance Budget as approved by the Board of Directors from time to time.

2. A General Water Contingency Reserve shall be established for Emergency Operations should a natural or other disaster occur that would temporarily interrupt the District's income from Utility bills, to repair District facilities, and to provide funding for unforeseen circumstances not covered by the District's Operation and Maintenance Budget. The funding goal of this reserve account is an annual appropriation of at least \$57,000 per year up to a maximum cumulative goal of sixty (60%) percent of the District's annual Operation and Maintenance Budget as approved by the Board from time to time.
3. A Water Capital Outlay Reserve will be established for the replacement of water infrastructure. The funding goal of the Water Capital Outlay Reserve is to fund the timely replacement of water infrastructure and facilities as referenced in the District's Water Master Plan or other subsequent water planning documents approved by the District. The annual funding goal of this reserve will be determined during periodic water rate studies approved by the Board from time to time.. The long-term cumulative funding goal is to maintain a minimum reserve balance of \$1,000,000 while also funding the capital improvement projects identified in the the five-year Capital Improvement Plan approved by the Board annually.

**D. Drainage - Fund 800:**

1. A Drainage Capital Outlay Reserve fund shall be established for the replacement of equipment and facilities associated with the operation of District drainage services. The funding goal of this Capital Outlay Reserve will be at least \$10,000 per annum with a total funding goal of \$500,000. The total funding goal may be adjusted by the Board of Directors from time to time as part of the adoption of the annual budget. The maximum goal is set to a level that is sufficient to replace at least half of the drainage equipment and facilities at any point.
2. A General Contingency Reserve shall be established for contingency expenditures resulting from natural disasters or unforeseen circumstances. Funding goal for this reserve account is \$5,000 per annum with a cumulative funding goal of \$50,000. When this goal is reached, it shall be funded with an annual increase in accordance with the CPI index change as per Section 3 applied to the balance of this reserve as of the last audited fiscal year.

**E. Solid Waste – Fund 650**

1. General Contingency Reserves not to exceed \$ 200,000 is established to cover state mandated regulatory requirements, subsequent expenditures and costs associated with administering the terms and conditions in the District's franchise agreement for solid waste hauling services and fund any future solid waste programs or services approved by the Board. Annual appropriation for this reserve will be no more than \$ 75,000 annually until the maximum cumulative reserve goal of \$200,000 is reached at which time funding will be equal to the change in the CPI index as per section 3 applied to the balance of this reserve as of the last audited fiscal year.
2. When the reserve fund balance is achieved, and upon the Board's discretion, the remaining unallocated funds may be utilized for programs to provide customer financial relief during the solid waste rate setting process or other rate relief opportunities.

**SECTION 2: RESERVE FUNDING INCLUDING INVESTMENT INCOME**

Reserve funding sources include rates, charges, special taxes, and property taxes collected by the District related to the services referenced in Section 1 of this Resolution.

All interest and other investment income earned on funds held in reserves or designations will be added to the associated Reserve/Designation Balance. Reserves and Designations that have reached their cumulative funding goal will continue to increase with investment income unless the Board approves a specific amount cap to a specific reserve or designation.

In any year where there is a major shortfall in revenues due to unusual circumstances which may or may not be under the control of the Board of Directors, funding for Reserves is held in abeyance and is subsidiary to the funding of Operations and Maintenance expenditure accounts. After the circumstance is resolved, funding for Reserves for all years that were not fully funded will be restored whenever feasible. A description of the unusual circumstance will be presented to the Board at the time the Proposed Budget or the Final Budget is presented along with a statement of the impact on the reserves funding goals.

**SECTION 3: INCREASE FUNDING OF RESERVES EQUAL TO THE INCREASE IN THE CONSUMER PRICE INDEX (CPI)**

Funding increases to Reserves on account of the change in CPI Index as used in Section 1 is computed as the percentage change in the average of the annual averages of the last calendar year over the prior calendar year using the Los Angeles-Long Beach-Anaheim CPI and the San Francisco-Oakland-Hayward CPI for all consumer items. This section will apply once certain reserves reach their maximum funding goal and is intended to bring the reserve in line with current values each year.

**SECTION 4: ANNUAL ALLOCATION OF FUND BALANCE**

The positive net fund balance at the end of each fiscal year will be allocated, by the Board, to other reserves within the originating budget.

Proceeds of sale of fixed assets will automatically roll over to the subsequent fiscal year as increases to the Vehicle or Equipment Reserve if one exists or to the Capital Outlay Reserve unless the Board directs otherwise during the adoption of the annual budget.

**SECTION 5: TRANSFERS**

Pursuant to Government Code Section 61112(c), the District Board of Directors may only transfer reserve funds for purposes other than the purposes outlined in Section 1, above, by a four-fifths (4/5) vote of the total membership of the Board of Directors and upon a finding that the reserves are no longer required for the designated purpose. In this instance, the funding may then be allocated to another reserve within the originating fund. Reserve transfers are limited to funding shortfalls in other related budget categories of the particular service and to funding shortfalls in administrative services budget.