

**RESOLUTION NO. 2017-02-02**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SERRANO WATER DISTRICT ESTABLISHING CERTAIN  
RESERVE GOALS AND ALLOCATING DISTRICT FUNDS  
TO DESIGNATED RESERVE ACCOUNTS**

WHEREAS, Water Code Section 24390 authorizes the Board of Directors, by resolution, to establish special accounts from the general fund when they are convenient for the efficient and economical operation of the District; and

WHEREAS, a substantial portion of the District's supply, transmission and delivery infrastructure is in excess of fifty years old, and it is prudent for the District to establish a reserve accounts for the repair and replacement of these facilities, and the construction of new facilities when needed; and

WHEREAS, the District has historically relied for a significant portion of its water supply on surface water captured and stored in Santiago Reservoir; however, that facility was constructed in the early 1930s and will require significant improvements in order to maintain its structural stability and meet current regulatory standards, and it is therefore prudent for the District to establish a reserve account to fund these necessary improvements; and

WHEREAS, due to drought, historic weather patterns and related matters, the available native water supplies diverted to Santiago Reservoir have fluctuated significantly over the past several years due to drought and other conditions, and it is prudent for the District to establish a reserve account to purchase water when necessary; and

WHEREAS, the District is located in Southern California, which is an active earthquake zone and prone to wildfires, and it is prudent for the District to establish a reserve account to respond to emergency conditions; and

WHEREAS, the Board of Directors has determined that it is in the best interest of the District and its residents, water users and customers, to plan for future contingencies that could affect the supply and delivery of water, by establishing and funding special reserve accounts.

WHEREAS, the State of California Division of Safety of Dams has determined that the outlet tower at Santiago Reservoir must be repaired or replaced, and the District recognizes that significant funds will be required in the future to pay the cost of the outlet tower repair.

NOW, THEREFORE, the Board of Directors of the Serrano Water District has hereby resolved as follows:

Section 1. The Board of Directors hereby establishes the following special reserve accounts:

(a) Water Purchase Reserve Account. Funds from the Water Purchase Reserve Account may be used to purchase water whenever the Board of Directors determines that

insufficient surface water or groundwater supplies are available to meet the reasonably foreseeable demands of its residents, water users and customers. The ultimate amount to be allocated to and maintained in the Water Purchase Reserve Account shall be \$1,800,000.

(b) Emergency Contingency Reserve Account. Funds from the Emergency Contingency Reserve Account may be used to respond to emergency or catastrophic events, such as earthquakes, wildfires, landslides, floods, or major system breaks or outages, which threaten the integrity of the District's water supply, transmission and delivery system or water quality, and which require funds greater than those normally maintained in the general fund to repair or restore the District's facilities. The ultimate amount to be allocated to and maintained in the Emergency Contingency Reserve Account shall be \$750,000.

(c) Capital Construction Reserve Account. Funds from the Capital Construction Reserve Account may be used to pay for the repair, rehabilitation or replacement of existing District infrastructure, and the construction of new District facilities approved by the Board of Directors, where the costs exceed those that the Board of Directors determines should be allocated from the unallocated general fund. The ultimate amount to be allocated to and maintained in the Capital Construction Reserve Account shall be \$1,500,000.

(d) Well Construction Reserve Account. Funds from the Well Construction Reserve Account may be used to pay for the cost of designing, developing and constructing one or more groundwater production facilities to be approved by the Board of Directors. The ultimate amount to be allocated to and maintained in the Well Construction Reserve Account shall be \$1,500,000.

(e) Santiago Reservoir Dam Capital Improvement Reserve Account. Funds from the Santiago Reservoir Dam Capital Improvement Reserve Account may be used to pay for the repair, rehabilitation, improvement or replacement of facilities comprising or related to Santiago Reservoir Dam that are approved by the Board of Directors, where the costs exceed those that the Board of Directors determines should be allocated from the unallocated general fund. The ultimate amount to be allocated to and maintained in the Santiago Reservoir Dam Capital Improvement Reserve Fund is \$4,000,000.

Section 2. The Board hereby allocates the following amounts from unrestricted general funds to the following special reserve accounts:

(a) The Board has heretofore allocated the sum of \$1,800,000 to the Water Purchase Reserve Account.

(b) The Board has heretofore allocated the sum of \$750,000 to the Emergency Contingency Reserve Account.

(c) The Board has heretofore allocated the sum of \$1,500,000 to the Capital Construction Reserve Account.

(d) The Board has heretofore allocated the sum of \$1,500,000 for the construction of a new well.

(e) The Board allocates \$4,000,000 to the Santiago Reservoir Dam Capital Improvement Reserve Account.

Section 3. The Board of Directors hereby designates the District's chief financial officer to have oversight responsibility for the special reserve accounts established by this Resolution.

Section 4. The Board of Directors establishes as its policy the goal, over time, of allocating available unrestricted general funds to meet the financial goals and ultimate amounts of each special reserve account.

Section 5. District Staff shall periodically report to the Board of Directors regarding the status of the special reserve accounts established by this Resolution.

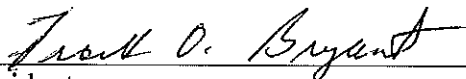
Section 6. This Resolution amends and restates Resolution No. 2013-09-01, adopted on September 10, 2013."

APPROVED AND ADOPTED by the Board of Directors of the Serrano Water District at a regularly scheduled Board meeting held on February 14, 2017.


Directors: YES: Haight, Pharris, Jr., Mills, Bryant

Directors: NO:

Directors: ABSTAIN:

  
\_\_\_\_\_  
President

ATTEST:

  
\_\_\_\_\_  
District Secretary