

RESOLUTION NO. 2011- 14

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE COASTSIDE COUNTY
WATER DISTRICT AMENDING RESERVE FUND POLICY**

WHEREAS, on June 12, 2007, by Resolution No. 2007-06, the Board of Directors of the CoastsidE County Water District adopted a policy for maintaining certain reserves; and

WHEREAS, the Board of Directors reviewed that policy in light of the Water Financing Plan prepared by the District's rate consultant, Bartle Wells Associates, as updated in June 2011, and determined it is appropriate to amend that policy.

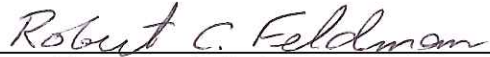
NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the CoastsidE County Water District hereby adopts the amended Reserve Fund Policy attached to this resolution.

PASSED AND ADOPTED this 12 day of July, 2011, by the following vote:

AYES: Director Coverdell, Vice-President Donovan, Director Mickelsen,
President Feldman

NOES:

ABSENT: Director Larimer



President, Board of Directors
CoastsidE County Water District

ATTEST:



Secretary of the District

COASTSIDE COUNTY WATER DISTRICT

RESERVE FUND POLICY

A. PURPOSE

Prudent financial planning and fiscal responsibility includes anticipating and preparing for future funding requirements as well as unforeseen and unexpected emergencies, disasters, and other events. The Coastside County Water District (District) has established reserve funds for its long term organizational and operational stability, and the reserve funds enable the District to minimize significant rate fluctuations due to unforeseen and unexpected cash flow requirements. This Reserve Fund Policy is to ensure that the District accumulates, manages, maintains, and uses certain financial resources only for specified purposes.

B. RESERVE FUNDS

The District's reserve funds are established, maintained, and set aside for a specific, designated purpose, and therefore are restricted in the way they can be used.

C. SPECIFIC RESERVE FUNDS

The District maintains the following reserve funds:

1. Capital and Operating Reserve. The Capital and Operating Reserve is to be used only (1) for unforeseen capital projects that are necessary to meet regulatory requirements, system reliability, and future needs; and (2) to cover cash flow shortages caused by a short-term, unexpected disruption of anticipated revenue or when expenses become due before the anticipated revenue to pay those expenses is received. It is the goal of the District to maintain the Capital Reserve in excess of 15% of the annual operating revenue.
2. Rate Stabilization Fund. The purpose of the Rate Stabilization Fund is to reduce water revenue requirements in order to smooth water rate adjustments over time. Withdrawal of funds from the Rate Stabilization Fund must be approved by the Board of Directors at the time of approving the annual budget and considering an amendment of the rate and fee schedule, and such approval must include a schedule for replenishing the funds withdrawn. It is the goal of the District to maintain a balance of at least \$250,000 in the Rate Stabilization Reserve.

D. MANAGEMENT OF RESERVE FUNDS

The Board of Directors, in consultation with the General Manager, will be responsible for managing the reserve funds. The Board of Directors must authorize the expenditure of money from all of the District's reserve funds. The Board Finance Committee annually will review the balance of the reserve funds, work collaboratively with the General Manager to ensure the accuracy of the annual report, and evaluate the goals and purposes of each reserve fund and recommend adjustments as may be necessary or desirable.