

STALLION SPRINGS COMMUNITY SERVICES DISTRICT

Resolution No. 2002-25

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE STALLION SPRINGS COMMUNITY SERVICES
DISTRICT DESIGNATING ACCOUNTS AS RESERVE
ACCOUNTS PURSUANT TO ARTICLE XIII B, SECTION
5 OF THE CALIFORNIA CONSTITUTION**

WHEREAS, the Board of Directors of this District wish to insure the financial and operational integrity of the district, the Stallion Springs Community Services District has established an account entitled the Capital Improvement Account to provide contingency, emergency and reserve funds of which funds may be expended for specified purposes including improvement, expansion, replacement or repair of district facilities and to supplement the District's fiscal requirements in years of inadequate funding:

WHEREAS, the Board of Directors of this District has established within the account entitled the Capital Improvement Account a breakdown of each department in which monies can be separated by department:

WHEREAS, by vote of the people of the State of California, on November 6, 1979, Article XIII B was added to the California Constitution. Section 5 of said Constitutional Amendment provides for establishment of contingency, emergency, unemployment reserve, retirement, sinking fund, trust or similar funds as deemed reasonable and proper.

WHEREAS, it is in the best interests of the District and its landowners that the foregoing account be maintained which accounts or funds are reasonable and proper.

NOW THEREFORE BE IT RESOLVED BY THIS BOARD AS FOLLOWS:

1. The Stallion Springs Community Services District considers a reserve policy for the District to be a critical part of the overall mission statement. The Stallion Springs C.S.D. mission statement is as follows: "The mission of Stallion Springs C.S.D. is to provide the highest quality of services as designated by law to the community. The services shall be provided in an efficient, economical and reliable manner. The Stallion Springs Board, Management and Staff are committed to promoting a safe, courteous and positive attitude in accomplishing our mission".

2. The Stallion Springs C.S.D. is an independent special district with many areas of responsibilities to the community of Stallion Springs. The District maintains separate accounts for various areas of responsibilities. Separate accounts would involve expenses and revenues and reserves. The District, each year presents, and operates a balanced budget for each fiscal year. The District's philosophy over the years has been to avoid borrowing money if at all possible and pay for services rendered from existing funds.

3. Each year the General Manager prepares a budget for the upcoming fiscal year. The budget is broken down by each department and reflects in the budget revenues and expenses. The budget would also reflect projected monies set aside for reserves or projected shortfalls that may call for reserves. The budget is reviewed by the finance committee and approved by the Stallion Springs Board of Directors. Each year after the close of the preceding fiscal year the General Manager presents to the finance committee and the Stallion Springs Board of Directors a report that addresses the actual revenue and expenses for each department. A recommendation is presented by the General Manager to the Stallion Springs Board of Directors in regard to money available by department for reserves and money needed from reserves to make up a shortfall by a department. At a monthly meeting of the Stallion Springs Board of Directors (at which the public is invited) the Board will vote and provide direction in regard to the General Managers recommendation for funds to be placed in the Capital Improvement Reserve Account by department and the need, when a yearly operating deficit occurs, to withdraw funds from the Capital Improvement Account by department.

4. The Stallion Springs Community Services District sees a need for a reserve fund account, entitled the Capital Improvement Account, for the following reasons:

A. Capital Improvements and other capital needs. The Stallion Springs C.S.D. realizes that the District must look at infrastructure, vehicles, equipment, etc. and maintain, replace and upgrade such items in order to run the operations of the District properly.

B. Rate stabilization funds. From time to time the District would be in need of reserve money to make up a shortfall in the existing years operation for a specific department. The General Manager would present the request to the Board of Directors at a Board Meeting. The request would note the money needed to be taken from reserves, the reason for the shortfall and the solution so that the shortfall would not be ongoing. The Board would be asked to approve withdrawing funds from the specific departments Capital Reserve Account and place that money in the operations of the department to make up for the shortfall.

C. Emergency needs. From time to time emergencies arise. These emergencies may be natural disasters, a breakdown in equipment or a large break in the infrastructure. These emergencies require funds to address and care for the problem. A reserve fund is necessary to care for these needs. The department requiring the emergency need would consider the money necessary to care for the emergency. The General Manager would request to the Board of Directors at a Board Meeting (the public is always welcome) money to be withdrawn from the specific departments reserve fund to handle the emergency. Should there not be enough funds in the specific department to handle the emergency the General Manager would request that funds be borrowed from another departments reserve fund within the District with a time frame to pay back the various departments reserve fund noted in writing.

D. The General Manager will from time to time bring to the Boards attention the need for funds to properly replace or repair capital items. The Board of Directors may elect to utilize reserve funds to fund capital improvements as opposed to borrowing funds.

E. Reserves may be used to pay off Debt Service. The District attempts to not incur a debt in both its operations and capital needs but should a debt occur reserves may be necessary to assist in paying off the debt. The decision in this regard will be based on a recommendation by the General Manager and approval from the Board of Directors at a Board of Directors Meeting. Please note that there are instances where borrowing money may be less "expensive" than using the reserve funds.

F. Contingency Reserve. This would be money necessary for unusual cash flow requirements, unforeseen operating expenses, such as new regulatory requirements, revenue shortfalls and economic uncertainties, such as downturns in the economy.

5. The investing of Stallion Springs Community Services District Reserves. The Board of Directors has directed that monies designated for the Capital Reserve Fund be placed in Kern County Account 50390. The Kern County Fiscal Committee is responsible for the investment of such funds. The Board of Directors of Stallion Springs is informed from time to time by the county regarding the financial return on the district reserve monies.

6. The Stallion Springs Board of Directors and Staff realize that the District is fiscally responsible to the property owners and residence of Stallion Springs. A reserve account for the proper operation of Stallion Springs is necessary. The Board of Directors will always do everything within its power to keep an open dialogue with the community in regard to the need for reserves, where reserve funds are needed and the reason for expending reserve funds.

PASSED, APPROVED AND ADOPTED this 17th day of December, 2002 by the

following roll call vote:

AYES: Director Voelker, Director Mueller, Director Keller, Director Patrick, Chair
Craft

NOES:

ABSENT:

ABSTAIN:

Signed:



Tom Craft, President
Board of Directors

Attest:



David Aranda, Secretary
Board of Directors

David Aranda, Secretary
Board of Directors