

RESOLUTION 2026-13

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE BEAUMONT-CHERRY VALLEY WATER DISTRICT
AMENDING THE DISTRICT'S POLICIES AND
PROCEDURES MANUAL PART III**

WHEREAS, on March 18, 2009 the Board of Directors of the Beaumont-Cherry Valley Water District adopted Resolution 2009-05, establishing a Policy and Procedures Manual applicable to Board of Directors and District staff; and

WHEREAS, the District's Reserves Policy was originally adopted by the Board of Directors on July 14, 2010, via Resolution No. 2010-10 as a stand-alone policy document, and was incorporated into Part III of the District's Policies and Procedures Manual; and

WHEREAS, the Board of Directors has reviewed and considered the revisions to the subject policy attached hereto and listed below, finds the new or revised policies relevant and acceptable, and it to be in the best interests of the District that the following actions be taken,

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Beaumont-Cherry Valley Water District as follows:

- The BCVWD Policies and Procedures Manual Part III is updated to include the revised Policy 5044 attached hereto as Exhibit A.

ADOPTED this 13th day of MAY, 2026, by the following vote:

AYES: COVINGTON, HOFFMAN, RAMIREZ, SLAWSON, WILLIAMS

NOES:

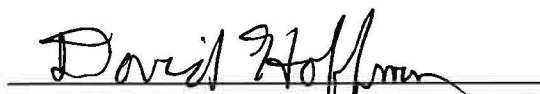
ABSTAIN:

ABSENT:

ATTEST:



Director Lona Williams, President of the
Board of Directors of the
Beaumont-Cherry Valley Water District



Director David Hoffman, Secretary to the
Board of Directors of the
Beaumont-Cherry Valley Water District

Attachment: Exhibit A Policy 5044 Reserves

POLICY TITLE: RESERVES

POLICY NUMBER: 5044

5044.1 Policy. In order to adequately meet the water needs of the communities of Beaumont and Cherry Valley, the Board of Directors authorizes the prudent accumulation and management of reserve funds. This policy establishes the fundamental guidelines to be used in management of the District's reserve funds, to identify appropriate use of reserve funds, and sources for funding the reserves. Separate policies direct the investment of these funds and capital improvement budgeting. The Board recognizes that the accumulation of adequate reserves is critical for the continued provision of services, planning for future growth demands, and replacement of system assets.

5044.2 Definitions. Reserves shall be identified as restricted or unrestricted. Restricted reserves are funds that are not appropriable; that is, they cannot be freely spent or are limited by legal or contractual requirements. Examples include capital fees that are collected for a specific purpose and debt service reserves. Unrestricted reserves are funds that are set aside based upon board policy or plans. Examples include reserves dedicated for operations, capital improvements, and rate stabilization.

5044.3 Reserves Established. To provide accountability of public funds, the following reserves are established:

1. Restricted Reserves

- a. **Reserves for Future Capital Commitments.** These restricted reserves are established by resolution to ensure that specific fees are set aside to provide for expansion of the domestic water system. The following developer impact fees are in place at this time:
 - i. Front footage
 - ii. Wells
 - iii. Water rights
 - iv. Water treatment plant
 - v. Facility fees

The Board establishes these restricted reserves by resolution. The annual minimum funded is represented by fees collected during the year. The Board will review these reserves in the first quarter, in conjunction with adoption of the Capital Improvement Budget. Appropriation of these reserves shall be done by Board action. Funds appropriated to these reserves shall be invested in the same manner as other District investments, and interest earnings shall be credited to the restricted reserves.

- b. **Reserve for Funds Held for Others.** The Board establishes these Restricted Reserves in the General Fund, to be used to segregate funds held for others, including refundable or prepaid deposits. Reserve balances will be reviewed annually, and will be adjusted to equal the amount of funds held for others at year-end (December 31). Funds maintained in these reserves shall be invested in the same manner as other District investments.
- c. **Debt Service Reserve.** The Board establishes this Restricted Reserve, to be used to provide for repayment of debt. The Installment Payment Fund accumulates all accrued debt service payments until transferred to the Bank for payment. This reserve will be maintained at the minimum required by funding covenants. Funds appropriated to this reserve shall be invested in the same

manner as other District investments, and interest earnings shall be credited to the restricted reserve.

2. **Board Designated Unrestricted Reserves**

- a. **Board Designated Reserves for Emergencies and Contingencies.** These reserve funds are provided to ensure continued service to the District's customers and service areas, for events which are impossible to anticipate and budget for. The ability of the District to quickly restore facilities and services is critical to the public health and safety of our residents. The Emergency Reserve will be used to fund unanticipated emergency repairs (for example, earthquake damage) that are necessary for the continued provision of service to District customers, where service would otherwise be inhibited or interrupted. The Emergency Reserve shall be adjusted annually to a minimum of 15% of the annual operating budget. Emergency Reserves may be established for other operations of the District upon recommendation by the General Manager.

Reserves for Contingencies are authorized as provision for contingent liabilities which the District may be aware of from time to time. These reserves may be established by the Board at an amount to be recommended by the General Manager and legal counsel, and may or may not be maintained over time, at the Board's discretion. No minimum or maximum is established as they are funded based upon a case-by-case basis.

- b. **Board Designated Capital Replacement Revolving Fund.** The Board recognizes that ongoing replacement of capital facilities, and additional investment in capital is essential to maintain the desired level of service for District customers and meet increased demand upon services.

This reserve shall be earmarked for the purchase of operating equipment, physical plant, infrastructure, water conservation projects, and other capital items. They are designed to stabilize funding for capital by accumulating "pay as you go" reserves available for necessary capital purchases. This reserve's fund balance parameters will be reviewed and determined annually, in connection with the adoption of the District's Capital Improvement Budget.

Ongoing funding of this reserve is intended to be done through any sources available for capital improvements, including operating revenues, and initial funding may be provided from any sources other than restricted revenues. Funds appropriated to the Capital Improvement Reserve may be accessed at any time for any other District purpose upon approval of the Board. Funds appropriated to the Capital Improvement Reserve shall be invested in the same manner as other District funds, and the earnings shall be credited to the District's General Fund.

- c. **Board Designated Reserve for Operations.** The Reserve for Operations will be used to maintain working capital for current operations, including vendor payments, payroll expenses, and other budgeted operating expenses. The reserve is the minimum cash and securities to be held in the Operating Fund on December 31 of each year, to be used for working capital purposes and to ensure continuity of customer services regardless of cash flow. The Board will review

these reserves annually, and shall fund them from any sources other than restricted revenues.

The District shall endeavor to maintain in the Reserve for Operations a minimum amount sufficient to pay for three months of budgeted operating expenditures, not exceeding a maximum of six months budgeted operating expenditures. However, funds appropriated to the Reserve for Operations may be accessed at any time for any other District purpose, upon approval by the Board. Funds appropriated to the Reserve for Operations shall be invested in the same manner as other District funds, and the earnings shall be credited to the District's General Fund.

- d. **Other Reserves.** In addition to the restricted and unrestricted reserves identified above, the Board may approve the creation of other such reserves, whether temporary or permanent, as the Board deems necessary. In such an event, the Board will identify the purpose for which such reserves are created, provide guidance as to how funds are to be appropriated for the reserves, and establish limits and restrictions pertaining to these accounts.

5044.4 Use of Reserves. Appropriation of reserves will be done by Board action, incorporated into a Board resolution approving payment or appropriation, with specific language approving the use of reserves or by adoption of the annual Operating or Capital Improvement Budgets.

5044.5 Annual Review. Each year the Board shall receive a report indicating the beginning and ending balance of reserve funds and the purposes for which expenditures have been made, and shall annually consider replenishment, augmentation, or amendment of the reserve balances as appropriate. This report will be prepared as of the fiscal year end, and will be provided to the Board no later than June 30 of each year.