

RESOLUTION NO. 2019-11-5

PLATTE CANYON WATER AND SANITATION DISTRICT
ARAPAHOE AND JEFFERSON COUNTIES, COLORADO

A RESOLUTION ADOPTING A REVISED CASH RESERVE POLICY

WHEREAS, the Board of Directors (“Board”) of the Platte Canyon Water and Sanitation District (“District”) has the power and authority pursuant to § 32-1-1001(1)(m) C.R.S., to adopt rules, regulations and policies not in conflict with the Constitution and the laws of this State for carrying on the business, objects and affairs of the Board and of the District; and

WHEREAS, staff has revised and updated the District’s Cash Reserve Policy revised and approved on June 28, 2019 and is recommending the Board adopt the revised Cash Reserve Policy dated November 22, 2019; and

WHEREAS, the Board desires to adopt said policy and has determined that such action is in the best interest of the District and its inhabitants.

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Platte Canyon Water and Sanitation District as follows:

Section 1. Adoption of Cash Reserve Policy. The Cash Reserve Policy for the Platte Canyon Water and Sanitation District, dated November 22, 2019, as attached hereto as Exhibit A and incorporated herein by this reference IS hereby approved and adopted effective as of November 22, 2019.

Section 2. Interpretation. The Board, acting through its manager, and based upon the advice of its legal counsel and any other consultants deemed appropriate, reserves the right to interpret and change or rescind the adopted Policy at any time and in addition, reserves the right to determine the meaning, purpose and effect of the Policy based upon generally accepted standards and practices and rules of interpretation.

Section 3. Severability. If any part or provision of this Resolution is adjudged to be unenforceable or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Resolution, it being the Board’s intention that the various provisions hereof are severable.

Section 4. All Acts, Order and Resolutions. All acts, orders, and resolutions or parts thereof of the Board which are inconsistent or in conflict with this Resolution, are hereby repealed to the extent only of such inconsistency or conflict.

Section 5. Effective Date. The provisions of this Resolution shall take effect as of November 22, 2019.

ADOPTED on this 22nd day of November 2019, by the Board of Directors of the Southwest Metropolitan Water and Sanitation District.

PLATTE CANYON WATER AND
SANITATION DISTRICT

By: Richard D. Rock
Richard D. Rock, President

Attest:

William Buckner
William Buckner, Secretary

Exhibit A

PLATTE CANYON WATER & SANITATION DISTRICT

Cash Reserve Policy

Date:

November 22, 2019

Purpose:

The purpose of this policy is to provide guidance and direction for the annual review and adoption of an appropriate cash reserve for various uses for Platte Canyon Water and Sanitation District.

Policy:

It is the policy of Platte Canyon Water and Sanitation District (District) to annually review and establish an adequate level of cash reserves for operations, capital improvements, debt service, and other needs prescribed by the Board of Directors. The review will be based on the criteria set forth below and will be conducted during the annual budget review process.

Background:

Platte Canyon Water and Sanitation District was organized in 1959. Many of the District's assets are reaching or have exceeded their expected useful life. At the same time, the TABOR Amendment has restricted the District's ability to raise revenues over a short period of time to meet unexpected expenses. These circumstances necessitate establishment and preservation of a cash reserve to meet both planned short term and long-term expenditures as well as unplanned emergencies. Therefore, a review of the District's cash needs will be conducted on annual basis during the budget review process using the following criteria which may be amended by the Board from time to time.

Criteria:

The criteria used to evaluate the level of cash reserves shall incorporate three elements; operational needs, new and replacement capital needs, and debt service requirements.

Operating Reserve

The operating reserve component of the cash reserve will be based on a set percentage of District operating expenses. The District has only one source of consistent revenue which is ad valorem taxes assessed upon all real property within the District. Since the District's ability to increase this revenue source is restricted by TABOR, it is necessary that the operating reserve be set at a high enough level to allow the District to fully meet routine and emergency operating expenses over a reasonable period. The Board of Directors has determined that the operating reserve portion of the cash reserve should be set at 100 percent of annual operating expenses less expenses attributable to contract operations.

Capital Reserve

The capital reserve portion of the cash reserve will be based on the greater of the projected capital expenses for the next three years, or a set percentage of the replacement cost of all District assets adjusted for depreciation.

The percentage will be reviewed on an annual basis but is initially set and 10 percent of the present value of replacement/rehabilitation costs.

Debt Service Reserve

The District is currently debt free and it is not anticipated that debt will be incurred in the foreseeable future. However, should the District incur debt, it is proposed that a reserve component be added to the cash reserve based on debt service requirements established by bond or loan requirements.