

South Fork Estates Mutual Water Company

Minimal Amount of Funds in Reserve Policy

Adopted on 1.22.26

1. Purpose

To ensure the company maintains a financial reserve sufficient for **continuous operation** of its water production, transmission, and distribution facilities, in compliance with the **Safe Drinking Water Acts** (state and federal).

2. Legal Basis

This policy is adopted pursuant to:

- **California Corporations Code §14301.3(b)**
- **AB 54** and **AB 240**
- Federal Safe Drinking Water Act (42 U.S.C. §300f et seq.)
- California Safe Drinking Water Act (Health & Safety Code §116270 et seq.)

3. Reserve Fund Requirements

The company shall maintain a **minimum reserve fund** equal to the greater of:

- **10% of the annual operating budget**, or
- **Annual amortized cost of critical infrastructure replacement**, based on a reserve study.

Reserve Components May Include:

- Emergency repairs
- Scheduled replacements (e.g., wells, tanks, mains)
- Regulatory compliance upgrades
- Inflation-adjusted asset depreciation

4. Reserve Study

A reserve analysis shall be conducted **at least every 5 years** to assess:

- Asset lifespans and replacement costs
- Inflation and cost escalation
- Reserve adequacy and funding gaps

5. Fund Management

- Reserve funds shall be a designated amount determined by the board.
- Funds may be invested conservatively to preserve capital and offset inflation.
- Withdrawals require board approval and documentation.

6.  Funding Schedule

The board shall adopt an annual funding plan to build and maintain reserves through:

- Monthly base meter fees
- Reserve-specific assessments
- New connection fees (based on asset replacement cost per user)

7.  Policy Review

This policy shall be reviewed **every three years** or upon significant changes in infrastructure, regulations, or financial conditions.

Review & Revision History

Date	Action	By
7.19.25	New Policy	Patricia Pliskin, Secretary SFEMWC