

Saddle Creek Community Services District
Regular Board Meeting April 17, 2018

AGENDA SUPPORTING DATA

7. DISCUSSION AND ACTION ITEMS

g. Discussion and Action related to the draft equipment replacement reserve program.

Recommended Motion

I move to approve the Equipment Replacement Reserve and direct the preparation of the final Equipment Reserve policy.

Background

In April 2017, the Board considered a draft policy establishing an equipment replacement reserve funded with Measure A. The purpose of the reserve is to ensure that adequate funds are available for replacement of all district equipment according to a schedule that maximizes its reliability and cost predictability.

Staff has conducted an evaluation of our current and future equipment inventory, documented its condition and necessary replacement schedule to ensure reliability and predictability, as well as to control maintenance costs. The future cost of equipment replacement (inflation) was calculated. A necessary annual reserve contribution was determined based on the equipment replacement schedule; which is an amount of cash to be deposited in a reserve fund for future replacements as well as to fund the cost of current annual replacements.

Consistent with standard reserve practices, a higher level of contribution is needed in the first years of reserve establishment to begin building funding in excess of current annual capital needs. After reviewing various scenarios, we have determined that an annual reserve contribution of \$46,550 is necessary beginning in the 2018/19 fiscal year, forward. In addition, it is estimated that an additional \$31,450 will be required in fiscal years 2018/19 and 2019/2020 for equipment replacement in addition to the amount of the \$46,550 reserve deposit.

An increase of the Measure A Special Tax, as planned, is necessary to fund the equipment replacement reserve. Upon direction by the Board, staff will return to the May Board meeting with the final equipment reserve policy language.