

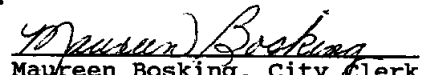
RESOLUTION OF THE COUNCIL OF THE CITY OF LOMPOC
COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA

IN THE MATTER OF: ESTABLISHING POLICY FOR THE ELECTRIC UTILITY FUND CASH RESERVE REQUIREMENTS NO: 4348(94)

I, Maureen Bosking, City Clerk of the City of Lompoc, County of Santa Barbara, State of California, do hereby certify that the following resolution, proposed by Councilmember Michael Siminski, seconded by Councilmember George Stillman, was duly passed and adopted by the Council of the City of Lompoc at a regular meeting thereof assembled this 19th day of April, 1994, by the following vote, to wit:

AYES: Councilmember: Mary Leach, William Mullins, Michael Siminski,
George Stillman, Mayor Joyce Howerton.
NOES: Councilmember: None.
ABSENT: Councilmember: None.

(SEAL)


Maureen Bosking, City Clerk
City of Lompoc

WHEREAS, on April 16, 1990, City Council established a minimum cash reserve level at not-less-than \$4,000,000 and that a maximum amount for the Electric Fund be established; and

WHEREAS, City Council has not previously adopted a formal written policy for determining the amounts of such reserve; and

WHEREAS, Section 3390 of the City's Code set forth "the functions of the Electric Commission are to recommend and act in an advisory capacity to the City Council in all matters that pertain to the operation of the City electric system,...."; and

WHEREAS, Subsection c of that same section defines one function of the Electric Commission to be to "review and (make) recommendations concerning the bi-annual budget for the electric utility prior to adoption by City Council," to include "evaluation of staffing levels, operating costs, capital expenditures, projected revenues, and level of cash reserves"; and

WHEREAS, the Electric Commission is now recommending to Council a methodology for determining amounts to be set aside into specific components of the cash reserve with recommended limits for these components; and

WHEREAS, staff has developed and the Electric Commission has reviewed a recommended methodology for determining component reserve amounts, which mechanism resulted from the comparative analysis of a number of alternatives; and

WHEREAS, the Electric Commission has found that it would be in the best interest of the Electric Utility Fund, the City and the City's ratepayers to adopt the following methodology as policy for determining the Cash Reserve Requirements for the Electric Utility Fund.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF LOMPOC DOES HEREBY RESOLVE AS FOLLOWS:

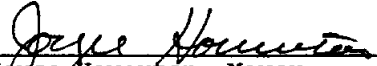
That the policy for determining the Cash Reserve Requirements for the Electric Utility Fund be established as follows:

1. Operating Reserve. That a Operating Reserve be established based on 60 days of Budgeted Operating Expenses. This reserve would be adjusted during the

budget process.

2. Employee Benefits Reserve. That a Employee Benefits Reserve be established based on the projected liability for accrued vacation and other leave time. This reserve would be adjusted during the budget process.
3. Major Disaster Reserve. That a Major Disaster Reserve be established based on 6.5% of the projected value of the Electrical Plant and Equipment (before depreciation). This reserve would be adjusted during the budget process.
4. Rate Stabilization Reserve. That a Rate Stabilization Reserve be established for the Electric Utility Fund. The initial level for this reserve be set at \$2,000,000 for FY 93-94 and be raised to \$2,250,000 for FY 94-95 and FY 95-96. For each year thereafter, the reserve would be adjusted by the January Consumer Price Index, All Urban Consumers for the Los Angeles-Anaheim-Riverside area. This Reserve will be available to draw on when the pricing of purchased electric power warrants it.

PASSED AND ADOPTED THIS 19th day of April, 1994.



Joyce Howerton, Mayor
City of Lompoc

ATTEST:



Maureen Bosking, City Clerk
City of Lompoc