

REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type : Fiscal Management
Policy Title : Water Efficiency Program Reserve Policy
Policy Number : 500.19
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WATER EFFICIENCY PROGRAM RESERVE POLICY

The policy establishes Water Efficiency Program (WEP) level of reserve funds to mitigate current and future risks due to revenue shortfalls, unanticipated expenses and expense fluctuations due to grant implementation/management. These funds are a crucial consideration in long-term financial planning. An adequate level of reserves is necessary to effectively administering both the regional Water Efficiency Program and its associated grants. The reserve balance will be reviewed annually during the WEP budgeting process and may be revised as necessary, including but not limited to temporary suspension or reduction of indicated minimum target balance.

- I. Water Efficiency Program Reserve Fund
 - A. Purpose: To ensure resources to support the RWA Water Efficiency Program (Program)'s ability to effectively administer grant programs, respond to drought emergencies, adapt to changing regulations and establish reserve funding in the event of unexpected program revenue loss.
 - B. Use of Funds: These funds will be used specifically for the purpose(s) stated above. Designation and/or use of the funds, will be approved by the Regional Water Efficiency Program Advisory Committee (RWEPAC).
 - C. Rationale: Over the last several decades years, the Water Efficiency Program has developed into a multifaceted complex program, requiring the establishment of a stabilization fund to ensure all faucets of the program continue to run effectively, are financially supported and can respond to changing supply or programmatic conditions in a timely manner.

- D. Target Balance: The target balance for WEP reserve is \$150,000 for grant administration cash flow, 17% of Water Efficiency Program annual budget for program reserve, and \$50,000 for drought response/program design. If the net target balance is exceeded (above a 10% buffer), the Water Efficiency Program Manager will designate overage towards supporting programs and/or reducing program supplier dues after consultation with program participants. Corrective action may be taken in the same fiscal year or planned for the next fiscal year, as approved by the RWE PAC.
- E. Replenishment: The RWE PAC and/or the RWA Board have the option to approve a program dues increase or identify another revenue source to replenish the stabilization fund to the target balance level.