



Update to Reserve Policy

Finance & Administration Committee Meeting

November 16, 2020

Existing and Proposed Names of Reserves

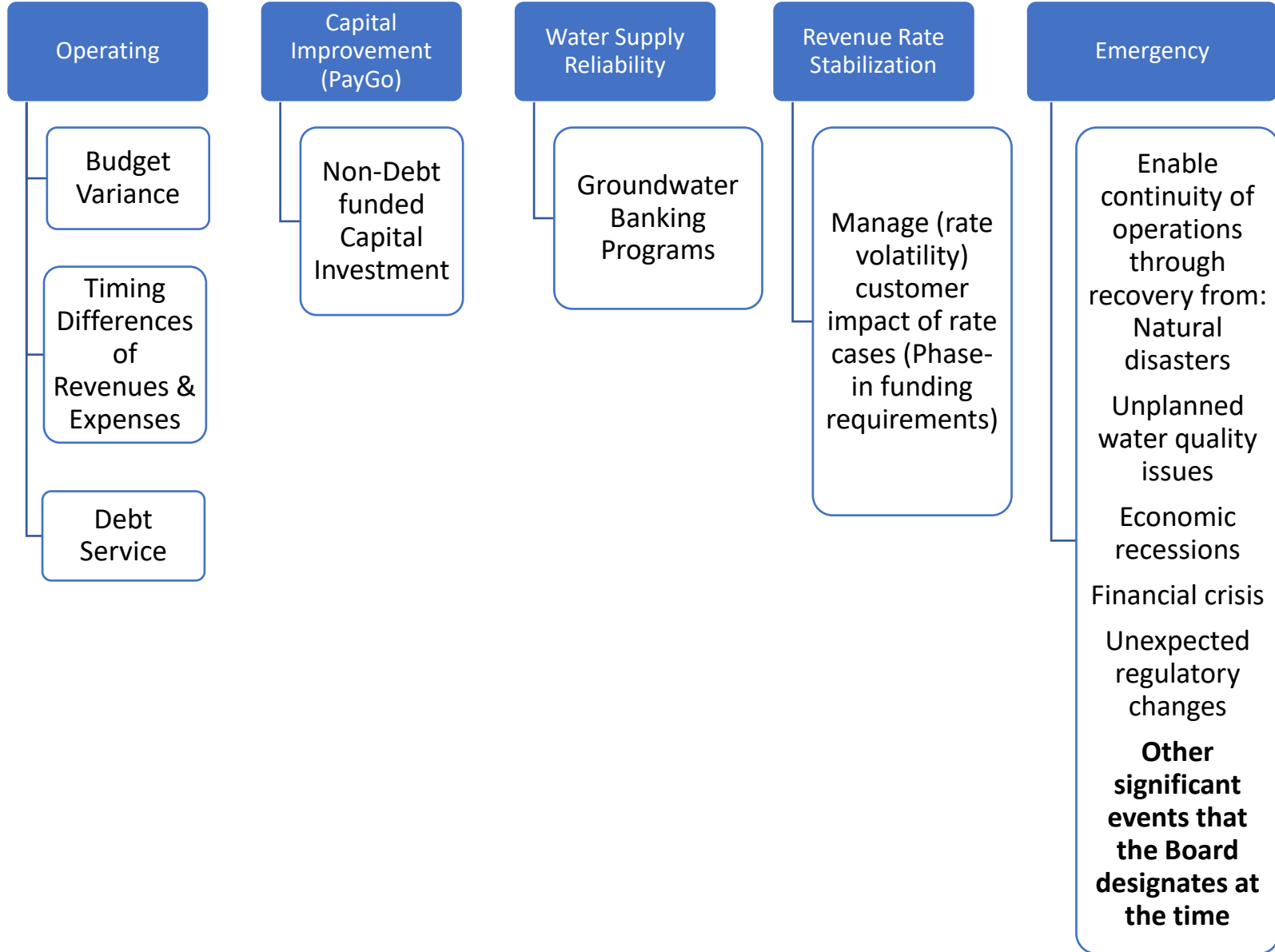
Existing Names of Reserves

- 1) Operating Reserve
- 2) Capital Improvement and Replacement Funds
- 3) Water Supply Reliability Reserve
- 4) Revenue Rate Stabilization Reserve
- 5) Emergency, or Contingency Reserve
- 6) Capital Reserve

Proposed Names of Reserves

- 1) Operating Reserve
- 2) Capital Improvement and Replacement (PayGo) Reserve
- 3) Water Supply Reliability Reserve
- 4) Revenue Rate Stabilization Reserve
- 5) Emergency, ~~or Contingency~~ Reserve

Purpose of Each Reserve



Existing vs Proposed Reserve Targets

Table 1 – Existing Reserves and Funding Criteria

TYPE OF RESERVE	REGIONAL	NWD	SCWD	VWD
Operating	25% of operating expenses plus one-year annual debt service less any restricted DSRF	25% of operating expenses plus 6 months of annual debt service	25% of operating expenses plus 6 months of annual debt service	25% of operating expenses plus 6 months of annual debt service
Capital Improvement & Replacement	Current budget pay-go projects	Current budget pay-go projects	Current budget pay-go projects	Current budget pay-go projects
Capital Reserve	3-YR average of annual depreciation	3-YR average of annual depreciation	3-YR average of annual depreciation	3-YR average of annual depreciation
Water Supply Reliability Reserve	Cost to produce 5,000-acre feet from banking programs	NA	NA	NA
Revenue Rate Stabilization	15% of operating revenue	10% of operating revenue	10% of operating revenue	10% of operating revenue
Emergency/Disaster	Equal to 365 days of operating expenditures	2% of net capital assets	2% of net capital assets	2% of net capital assets

Table 2 – Proposed Reserves and Funding Criteria

Proposed Reserves and Targets	
Reserve	Target
Operating	120 days of annual budgeted operating expense, including debt service
Capital (PayGo)	Current year budget for pay-go projects
Water Supply Reliability	The cost to produce 10,000-acre feet from the Agency's banking program in a dry year
Revenue Rate Stabilization	20% of annually budgeted operating revenues
Emergency	120 days of operating expenses, excluding debt service

Application of the Proposed Policy

FY 21 Existing Policy

Reserve	Target	Balance	% Funded
Operating	\$46,572,741	\$37,516,216	81%
Capital (PayGo)	\$43,484,506	\$33,354,022	77%
Capital	\$31,427,800	\$25,197,649	80%
Water Supply Reliability	\$3,000,000	\$3,000,000	100%
Revenue Rate Stabilization	\$12,673,455	\$12,673,455	100%
Emergency	\$38,770,799	\$36,170,306	93%
	<u>\$175,929,301</u>	<u>\$147,911,648</u>	84%

FY 21 Proposed Policy

Reserve	Target	Balance	% Funded
Operating	\$28,078,707	\$28,078,707	100%
Capital (PayGo)	\$43,484,506	\$71,013,141	163%
Water Supply Reliability	\$6,000,000	\$6,000,000	100%
Revenue Rate Stabilization	\$18,070,000	\$18,070,000	100%
Emergency	\$24,749,799	\$24,749,799	100%
Total	<u>\$120,383,013</u>	<u>\$147,911,648</u>	123%

\$147,911,648 \$27,528,635 remaining to allocate

Type of Reserve

Each reserve has specific uses and can be characterized as having an Active or Static balance.

Active: Amounts in the reserve are commonly used during the year

Static: Amounts in the reserve are held for infrequent use

Reserve	Type
Operating	Active
Capital Improvement & Replacement (PayGo)	Active
Water Supply Reliability	Active
Revenue Rate Stabilization Reserve	Static
Emergency	Static