



# Discussion on Use of Balancing Accounts

Finance and Insurance Committee  
Item 6c  
November 17, 2014

# Flow of Funds



# Board Designated Funds

- Revenue Remainder
  - Minimum reserves
  - 1.5 years of rate protection from sales net volatility
- Water Treatment Surcharge Stabilization Fund
  - Used for treatment surcharge increase mitigation
- Water Stewardship Fund
  - Used for water stewardship rate increase mitigation
- Water Rate Stabilization Fund
  - Target 3.5 years of rate protection from sales net volatility

# Use of Reserves over Target

- PAYGO
- Debt defeasance
- Any lawful purpose provided that fixed charge coverage is over 1.2x

# FY2013/14 Fund designations approved by Board

- |                         |         |
|-------------------------|---------|
| ● R&R Fund              | \$100 M |
| ● Conservation          | \$20 M  |
| ● OPEB                  | \$100 M |
| ● Water Management Fund | \$232 M |
| <hr/>                   |         |
| Total                   | \$452 M |
- Other Designations that could be considered:
    - Power (CRA and SWC)
    - SWC (Capital and OMP&R)
    - Other

# Other Agency Practices

SFPUC	Reserves over target used for Rate Stabilization, Debt Defeasance, Drought, Emergency or Rainy Day funds
EBMUD	Per Board's direction for Rate Stabilization, PAYGO
SDCWA	Reserves over target, discretionary use by Board for debt service coverage, smooth future rate increases



# Staff Recommendation

- Maintain current Administrative Code regarding use of reserves over target
  - Maintain flexibility
  - Provide stable and predictable water rates through WRSF

