



Post Office Box 151
Bakersfield, CA 93302
Tel: (661) 616-6500
Fax: (661) 616-6550

Kern River Watershed Coalition Authority (KRWCA) Financial Policies

A. Reserve Policy

Due to variability of annual costs, KRWCA wishes to maintain reserves in order to buffer the variability and fund unanticipated or unexpected costs as well as allow for cash flow. A standard reserve policy is to establish reserves equivalent to a one-year annual operating budget or a different amount as set by the Board. KRWCA's annual operating budget is approximately \$3.3 million. KRWCA currently has a projected 2014 carry over estimate of \$950,000 which can be considered for a reserve fund. The current reserve levels are insufficient to meet the one-year operating budget level.

The Executive Committee, Finance Committee and staff have reviewed the KRWCA Finances and have completed a cash flow analysis. The following reserves were considered: 1) General Operating reserve; 2) Capital reserve, and 3) Unrestricted reserve. At this time it is proposed that KRWCA collect a sufficient amount to fund Coalition activities and will not collect funds for a reserve. The cash-flow analysis identified approximately \$950,000 of funds that will be used to establish an Unrestricted Reserve.

General Operating Reserve: Will not be established at this time.

Capital Reserve: KRWCA solicited input from members on establishing a Capital Reserve to be available for funding the cost associate with the installation of future monitoring wells without requiring significant adjustment in rates. In addition, in order to be considered for financing of monitoring well installation we would have to show a history of collecting fees for a Capital Reserve. It was determined that landowners/members would rather have capital costs covered on a pay as you go basis. Therefore, KRWCA will NOT be developing a Capital Reserve Fund for future monitoring well installation. Installation of wells will be paid for by landowners/members at the required time. NOTE: This may require the need for a significant increase in acreage fees at the time of well installation. This may also foreclose our ability to have financing options in the future.

Unrestricted Reserve: Will be established to ensure that the Coalition can fund unanticipated cost and allow for cash flow without requiring a supplemental bill to members.

Recommendation: The Committee's and Staff recommend that reserves be set at the levels shown in the Summary of KRWCA Reserves:

**Summary of KRWCA Reserves:**

RESERVES	Current	Recommendation	Difference
General Operating Reserve	\$0	\$0	\$0
Capital Reserve	\$0	\$0	\$0
Undesignated Reserve	\$0	\$950,000	
Total:	\$0	\$950,000	\$950,000

B. KRWCA Fee Schedule

Staff proposes the following fee schedule:

2015 Fee Schedule	
New 2014/2015 Membership (NOI process):	Late Acreage Fee (after 8/4/2014) & CVRWQCB Fees
Annual Membership Fee:	\$100
General Order Fee:	\$50
Membership/Parcel Transfer Fee:	\$200 (if both transferor and transferee are members of KRWCA and parcel is already enrolled as irrigated acres)
Enrolled as "0" irrigated acres:	No acreage fee
"0" acres now irrigated acres:	Applicable acreage fees at time of enrolling as "0"

C. Annual Review of Policies

KRWCA Financial Policies will be reviewed annually.