

Sewer System Operating Fund

Managing Bureau: Bureau of Environmental Services

Statement of Purpose: The purpose of the Sewer System Operating Fund is to account for revenues and expenses associated with the development, maintenance, and operation of the City's sanitary sewer and storm drainage system. Fund resources include sewer and drainage charges, wholesale contract revenues from other governmental jurisdictions, reimbursements for services provided to other bureaus, and reimbursements from the Sewer System Construction Fund for capital improvement expenses.

Sources of Revenue: Sanitary sewer and stormwater charges and fees, wholesale contract sewer charges, permits, rental income, inspection fees, fines, offsite stormwater management fees, interest earnings, refunds and other miscellaneous revenues. Sewer revenue and special assessment bond proceeds, developer-contributed public works permit trustee fees, sewer system development charges, and various local and state cost-sharing revenues.

Contingency Requirements: There are no specific contingency requirements for this fund. However, BES policy is to have a combined ending fund balance (net of receivables and other non-cash fund balances) within the Operating Fund and the Rate Stabilization Fund equal to or greater than ten percent of each year's operating expenses, as operating expenses are defined by sewer revenue bond covenants. The combined ten percent is consistent with industry standards, is a reasonable amount for cash flow requirements and funding of minor budget adjustments, and reflects the City's commitment to strong fiscal management of its sewer utility. If necessary, the Bureau may increase the combined ending fund balance requirement to provide a temporary reserve against any risks that may arise. In practice, BES has allocated the ten percent at two percent within the Operating Fund and eight percent within the Rate Stabilization Fund. Use of the contingency/ending fund balance is for any and all expenditures authorized for the fund within City Charter and annual budget.

Reserve Requirements: Reserves are held sufficient to satisfy the requirements of existing loan agreements. State Revolving Fund Debt Service Reserve maintains the debt service reserve required by the City's loan agreements with the State of Oregon Clean Water State Revolving Fund. The agreement requires the City to create a segregated Loan Reserve Account to maintain a loan reserve requirement equals 25% of one-half the annual debt service of accumulated loans, and shall use the funds in the Loan Reserve Account solely to pay amounts due until loans have been fully paid. No formal triggers are identified for utilizing this reserve, but it would be used if other funds are not available to pay debt service on loans. The loan agreements require that if reserve falls below the loan reserve requirement, the Bureau shall promptly deposit from the first Net Operating Revenues available after loan payments due; this would be a cash transfer from the parent fund.

Disposition of Funds: City Code Chapter 5.04.460 states that if the Sewer System Operating Fund is dissolved and discontinued, then any remaining balances in that fund shall be transferred to the City's General Fund. However, in no case shall any funds be transferred to the City's General Fund until all outstanding debt of the sewer system is repaid according to terms and conditions of related bond and note ordinances.