

Sewer System Rate Stabilization Fund

Managing Bureau: Bureau of Environmental Services

Statement of Purpose: The Sewer System Rate Stabilization Fund was created in 1987 to enable the Bureau of Environmental Services to smooth the forecasted rate increases by managing fluctuations in sewer system revenues over several years. To calculate debt service coverage ratios, the bureau's master bond ordinance requires Sewer System Operating Fund transfers to this fund to be treated as operating expenditures; similarly, transfers to the Operating Fund from this fund are treated as operating revenues.

Sources of Revenue: The fund receives cash transfers from the Sewer System Operating Fund, and interest earnings.

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 transfers to the Sewer System Operating Fund up to the annual budget appropriation.

Reserve Requirements: There are no reserve requirements for this fund.

Disposition of Funds: City Code Chapter 5.04.460 states that if any of the funds associated with the Sewer System are dissolved and discontinued, then any remaining balances in that fund shall be transferred to the Sewer System Operating Fund.