

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
ADMINISTRATIVE CODE**

§2009 RESERVE POLICY –

Reserves include all cash and investments held by MWDOC. Reserves are categorized as follows:

- a. **Unrestricted – Designated** - These reserves have been established for specific purposes as Designated by the Board of Directors.
- b. **Unrestricted** - Funds in unrestricted and undesignated reserves may be used for any purpose, including funding general operations, water use efficiency programs and capital expenditures.
- c. **Restricted** - Restricted reserves are funds whose use is governed by statute or other legal restrictions such as bond covenants, contracts, etc.

Restricted

- a. **WEROC Reserve** - WEROC reserves include annual operating and capital funds held for WEROC purposes. All revenues and expenditures for WEROC purposes flow through the WEROC Reserve. WEROC reserves fluctuate on an as needed basis with some reserves held for unforeseen expenses and to enhance infrastructure and emergency systems. The WEROC expenditures and reserve are approved by the MWDOC Board and the WEROC contracted contributors.

Unrestricted – Designated

- a. **Operating Reserve** - The Operating Reserve is established to fund emergency expenditures, unbudgeted and unanticipated costs, and provide working capital if needed. MWDOC has established a target for the Operating Reserve to equal 120 days cash on hand.
- b. **Election Reserve** - The Election Reserve is managed to fund seven elections every four years. The estimated cost of elections and needed reserve levels shall be updated annually as part of the budget process. If the amounts in the Election Reserve exceed the estimated costs, the Board may consider other uses that would lower the long-term costs of the District.
- c. **OPEB Reserve** - The Board requested staff to fully fund the OPEB liability in 2016. The Actuarial recommendation is to fund between 85%-95% of the liability and put the remaining amount in a reserve fund, as to not overfund the OPEB trust. This recommendation was implemented in September 2016 with the reserve balance of \$209,000 to equal MWDOC's Unfunded Liability at that time. The reserve will be re-evaluated every two years beginning in 2018 after each actuarial study, and funds may be transferred to the OPEB trust to stay within the funding range.

Unrestricted

- a. **General Operations Fund** – Revenues are deposited in the General Operations Fund and are used to pay for annual operating expenses. Revenues include annual meter and groundwater charges generally paid in the first quarter of the fiscal year. Each year as part of the annual budget process, MWDOC will estimate commitments, liabilities and other carryover obligations to be retained in the General Operations Fund. Any amounts in excess of these liabilities and carryover amounts may be used for any legal purpose in the following budget year, including offsetting budgeted costs, credits or refunds to MWDOC member agencies, pre-payment of pension obligations, or any other purpose as determined by the MWDOC Board of Directors.
- b. **Water Purchase Payments Fund** - Amounts paid by MWDOC member agencies for water purchases in advance of the date payments are due to the Metropolitan Water District are held in the Water Supply Fund.
- c. **Conservation Fund** - The Conservation Fund includes grants and MET and member agency payments for Water Use Efficiency projects and programs. Funds from the Conservation Fund are used to meet Water Use Efficiency and conservation program costs. The Conservation Fund may have a negative balance as MWDOC pays upfront for rebates and invoices for reimbursement.
- d. **Trustee Activities Fund** – This fund holds deposits from Member Agencies for specific trustee activities (e.g., activities associated with the Allen McCulloch Pipeline) and any unused funds will be returned to the Member Agencies who provided funding.

M-4/19/06; M-6/16/10; 6/1/11 (Settlement Agreement); M-6/17/15; M-6/21/17; M-3/15/23