



## **Non-Rate and Non-Fee Revenue and Reserve Use Policy**

**July 26, 2017**

<b>Purpose</b>	The purpose of the Non-Rate and Non-Fee Revenue and Reserve Use Policy (policy) is to provide guidance to the Sacramento Regional County Sanitation District (Regional San) staff on using the Non-Rate and Non-Fee Revenue (NRNFR) and related reserves to fund discretionary programs that advance Regional San’s mission, goals and objectives, but that cannot be typically funded using revenues received from rates and fees.
<b>Applicability</b>	This policy applies to Regional San.
<b>Reference Documents</b>	10-Year Strategic Plan 2016-2026 Annual Strategic Action Plans
<b>Background</b>	<p>NRNFR is typically generated from interest earnings on cash (both reserves and unrestricted funds), lease income, sale of recycled water and digester gas, and proceeds from the sale of assets, such as salvaged equipment and scrap metals. For approximately 20 years, Regional San has been using NRNFR to offset sewer rates for low income residents through its Sewer Lifeline Rate Assistance Program (SLRAP) and for industrial customers through its Industrial Incentive Program (IIP) to retain industrial customers in the region.</p> <p>In 1997, the Regional San Board of Directors (Regional San Board) approved a policy establishing that SLRAP funding would take priority over the IIP funding, in case of a shortfall in the NRNFR. To manage short-term fluctuations, the Regional San Board also established an Incentive Reserve of \$3.5 million to be used in case of a funding shortfall. Due to the economic recession during 2008-09, the SLRAP participation and associated costs have increased substantially. Concurrently, the NRNFR has declined due to low interest earnings. The NRNFR was projected to be insufficient to meet the funding needs of both SLRAP and IIP. To address this shortfall, the Regional San Board, in 2012, approved the setting of industrial sewer rates for full cost recovery with the provision of providing discounts when NRNFR funding was available.</p> <p>In 2014, the Regional San Board approved a policy to guide staff on the use of the NRNFR and Incentive Reserve to fund the SLRAP and IIP.</p> <p>In addition, Regional San established a \$10 million reserve for SLRAP in early 2000s, and this reserve currently has approximately \$6.5 million.</p>

**General  
Policy  
Provisions**

**Annual Revenue Allocation**

The NRNFR may be used for the following types of programs with fiscal year funding limits:

- **SLRAP – up to \$3 million**

Funding under this category will be used to support sewer rate assistance by providing rebates for eligible low-income customers, homeless shelters and housing centers. Rate assistance for low-income customers will receive funding priority. The remaining funding for this category will be prorated and distributed among the homeless shelters and housing centers.

- **Environmental stewardship programs and projects – 40% of remaining funding, not to exceed \$1.25 million**

Funding under this category will be used for projects that protect or enhance water quality of the regional waterways and groundwater within the following subcategories:

1. American River Parkway riparian habitat and river cleanup – a minimum of \$500,000 or 17.5% of available funding for this category, whichever is lower
2. Connection of residences or small communities with failing septic systems to the Regional San sewer system – a minimum of \$500,000 or 17.5% of available funding for this category, whichever is lower
3. Watershed management – remainder of funding allocated to this category

- **Regional economic development competitiveness programs – 30% of remaining funding, not to exceed \$1 million**

Funding under this category will be used to develop programs that support the economic vitality of the region, such as reducing or eliminating sewer impact fees for targeted commercial and industrial customers and, when funding is available, reducing sewer rates for these customers.

- **Public education programs – 20% of remaining funding, not to exceed \$500,000**

Funding under this category will be used for educational programs including outreach to local area schools ranging from elementary to university levels, employment and trade educational programs, and tours of the wetlands, lakes, and riparian forests of the Bufferlands around the treatment plant.

- **Other issues or projects as approved by the Regional San Board or the District Engineer – 10% of remaining funding, not to exceed \$250,000**

Funding under this category will be used for efforts that are relevant to Regional San’s mission/vision/values, but not covered under the programs listed above.

The District Engineer is authorized to approve the funding for the programs listed above from the NRNFR not to exceed an aggregate total of \$6 million per year for all programs.

Regional San will periodically review the funding used in each of the program categories. If allocated funding is not being used in a program category, the funding may be distributed to the other categories based on the needs in those categories.

**Funding Prioritization**

Funding for the program types identified above will be prioritized using the following general criteria:

1. Relevance to mission/vision/values
2. Support of Strategic Plan progress
3. Provision of regional benefits
4. Ability to leverage other funding

**Reserve Management**

The current two reserves, SLRAP and Incentive Reserves, will be combined and renamed as the NRNFR Reserve, which will have an initial amount of \$10 million. The reserve will be used to manage the NRNF revenue and expenditure fluctuations with the ultimate goal of maintaining a \$10 million reserve on an annual basis. With Regional San Board approval, the reserve limits may be reduced to fund projects and activities that exceed annual allocation limits.

<b>Authority</b>	The District Engineer is authorized to take all actions necessary to implement this policy.
<b>Reporting Requirements</b>	Annual report to the Board with the list of projects and activities funded with NRNFR in the prior year and progress made in achieving Regional San’s mission, goals, and objectives.
<b>Effective Date</b>	This policy will become effective July 26, 2017.  This policy supersedes all previous policies for non-rate and non-fee revenue and reserve use for SLRAP and IIP.