



Policy Title	Fiscal Stabilization Fund		
Policy Number	16	Effective:	9/3/2020

This Fiscal Stabilization Fund Policy (Policy) establishes guidelines for the management and administration of the Fiscal Stabilization Fund (Fund) at Clean Power Alliance of Southern California (CPA).

## **I. Objectives**

The Fund allows CPA to defer revenue in years when financial results are strong and to apply deferred revenue in years when financial results are negatively impacted by uncontrollable events. Deferring revenue in years when financial results are strong allows CPA to apply these funds in years when financial results are less robust, providing CPA with a tool to guard against rate shocks, maintain compliance with financial covenants, and achieve annual budget objectives.

Transfers to or from the Fund are expenditure neutral and no authority to expend funds is provided under this Policy.

## **II. Accounting**

### **A. Government Accounting Standards Board Standard**

The Fund is accounted for under Government Accounting Standards Board (GASB) Statement 62 and GASB Statement 63. GASB Statement 63 codifies and standardizes “the presentation of deferred outflows of resources and deferred inflows of resources and their effects on [state and local government’s] net position.”

### **B. Accounting of Fund Transfer**

Deferral of current revenue and a transfer into the Fund reduces revenue and the change in net position in that year by the same amount. Transfers from the Fund increase revenues and the change in net position in the year of the transfer. Net

position is the difference between assets and liabilities as reported in CPA's financial statements.

### **III. Reporting**

The Fund balance is recorded on the statement of net position in a separate section following liabilities entitled Deferred Inflows of Resources. Transfers to and from the Fund are recorded in the Statements of Revenues, Expenses and Changes in Net Position under Operating Revenues.

The Treasurer shall report all transfers to and from the Fund to the Finance Committee and the Board of Directors in the Quarterly or Annual Financial Statements for the applicable time period in which the transfer occurred.

### **IV. Authorized Transfers**

The Executive Director is authorized to exercise discretion and make transfers to and from the Fund consistent with the Policy objectives and under the following two conditions:

- A. Transfers when increases in the Net Position would exceed 4% in the absence of a transfer: Transfers to the Fund may occur when increases to the net position would exceed 4% of revenues in the absence of a transfer, provided the transfer does not result in a contribution to the net position that is less than 4% of revenues.<sup>i</sup>
- B. Transfers when increases in the Net Position would fall below 4% of revenues in the absence of a transfer from the Fund: Transfers from the Fund may occur when funds are available in the Fund and actual or anticipated increase in the net position would fall below the 4% of revenues in the absence of a transfer from the Fund.<sup>ii</sup>

### **V. Maximum Fund Balance**

The fund balance is capped at 10% of CPA annual revenues.

## **VI. Fund Holdings and Investments**

Fund balances are not required to be held in a separate account and may be commingled with other funds held by CPA. All fund balances are subject to CPA's Investment Policy.

## **VII. Policy Administration**

The Treasurer is the officer in charge of the administration of this Policy.

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<sup>i</sup> Example 1:

A	Annual revenues:	\$750 million
$B=A \times 4\%$	4% increase to net position:	\$30 million
C	Actual increase in net position before transfer:	\$32 million
$D=C-B$	Eligible to transfer to the Fund:	\$2 million

In the above example the actual increase to the net position is \$32 million and the Executive Director is authorized to transfer up to \$2 million to Fund.

<sup>ii</sup> Example 2:

A	Annual revenues:	\$750 million
$B=A \times 4\%$	4% increase in net position:	\$30 million
C	Actual increase in net position before transfer:	\$28 million
D	Fund balance before transfer:	\$2 million
$E=C-B$	Eligible to transfer from the Fund:	\$2 million

In the above example the actual increase in the net position before transfers is \$28 million, the Fund balance before transfer is \$2 million and the Executive Director is authorized to transfer the \$2 million from the Fund to operating revenues.