

**DRAFT**

**Policy Number:** Policy No. 2026-02

**Title:** SUSTAINABLE WATER RESOURCES FUND

**Effective Date:** XX

**Purpose:** Under the Commission regulations, 18 CFR Part 808, Subpart B, the Commission may assess penalties for violation of Commission orders, regulations, and docket conditions, or negotiate settlements in lieu of penalties.

In 2008 the Commission established the Compliance Reserve Fund (Fund), which was renamed in 2016 to the Sustainable Water Resources Fund. This Fund segregates and accumulates monies collected for civil penalties, settlement payments, and the interest earned on these funds. General Fund surpluses and other monies may also be transferred to the Fund. The Fund may be used for any purpose or function of the Commission authorized under the Susquehanna River Basin Compact.

This Policy replaces Policy No. 2016-01 and Commission Resolution 2016-06.

**Philosophy:** The Sustainable Water Resources Fund is not intended to be a fiscal stabilization fund. It is meant to serve as a cultivator for innovative and beneficial projects and studies and ongoing activities that don't have a revenue stream. It allows the Commission to pilot and conduct proof of concept for desirable initiatives to determine if they should be incorporated in the Commission's routine expenditures.

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### **Expenditures**

The Commission's programmatic activities are critical to the effective and efficient management and protection of the water resources of the basin. The Fund may be used to defray a portion of the cost of the Commission's regulatory costs and the costs of other programmatic activities through periodic transfers to the SRBC General Fund. The Fund may also be used to support expenditures that are required to promote or support the monitoring and/or study of the Basin's water resources.

### **Revenue**

The Sustainable Water Resources Fund shall receive revenues from the following sources:

1. Civil penalties assessed pursuant to 18 CFR Part 808, Subpart B
2. Settlement payments negotiated in lieu of civil penalties
3. Interest earned on Fund balances
4. General Fund surpluses, as authorized by Commission action
5. Other revenues, such as donations and grants, to offset fund expenditures

As appropriate all revenues shall be deposited into the SWRF account maintained in the Commission's accounting system and tracked separately from General Fund revenues

### **Investment of Funds**

Funds may be invested, upon direction of, and as may be determined to be available by, the Executive Director and Director, Administration & Finance. Authorized investment types shall be as set forth in the Commission's Investment Policy Statement, Policy 2026-01, and any subsequent updates or amendments to that statement.

### **Procedure**

Consistent with Commission approved budget and relevant resolutions the Executive Director and Director of Administration and Finance shall oversee all expenditures from this Fund. For any procurement that is authorized, the Commission shall follow its Procurement Procedures Policy, No. 2024-01, or any subsequently adopted update or amendment to that policy.

Transfers may be made from the Fund to the Commission's General Fund for any purpose or function of the Commission authorized by the Susquehanna River Basin Compact. All transfers from the Fund to the General Fund shall be authorized by the Commission prior to transfer.

The Fund shall maintain an unassigned fund balance equal to **no less than thirty-six (36) months of average annual SWRF expenditures**, calculated using a rolling three-year average.

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If, in accordance with the drawdown procedure set forth below, the Fund falls below the Minimum Reserve Target, planned expenditures will be reduced as appropriate.

**Annual Drawdown and Allocation of Funds**

As part of the annual budget development process, the Commission shall establish a planned annual drawdown of the Fund.

*Baseline Drawdown*

The planned annual drawdown generally should not exceed 6% of the fund balance subject to maintaining the minimum reserve requirement.

*Dynamic Drawdown*

The planned annual drawdown may also consider revenue received in the previous year to fund additional projects and activities

The Commissioners may deviate from this policy to account for exigent circumstances, or one-time or short term projects.