NORTH KINGS GROUNDWATER
SUSTAINABILITY AGENCY

Policy No:	NKGSA – ACCT-511
Policy Title:	Domestic Well Mitigation Program Revolving Fund Policy
Board Approval Date:	March 27, 2025
Revision/Review Date:	

Introduction

The North Kings Groundwater Sustainability Agency (Agency) shall create and maintain a Domestic Well Mitigation Program revolving fund (FUND) equivalent to $3,000,000.00, or at least three (3) years of Domestic Well Mitigation Program (PROGRAM) expenses based on the most recent three years of expenditures. These funds will be used to mitigate for domestic wells going dry within the Agency boundary in accordance with the Kings Basin Domestic Well Mitigation Program Rules and Regulations, approved by the Agency Board of Directors.

Purpose

The purpose of the PROGRAM FUND Policy is for the Agency is to ensure the stability of the PROGRAM. The PROGRAM FUND is intended to provide a source of funds to mitigate for domestic wells that go dry due to declining water levels within the Agency boundary. Creation of the PROGRAM FUND ensures there is adequate funding to cover expenses associated with mitigating for impacted domestic wells in accordance with the Kings Basin Domestic Well Mitigation Program Rules and Regulations. Each year, the Agency Board of Directors will approve funding through the regular budget approval process for the current year's PROGRAM expenses. Any funds remaining in the PROGRAM budget line item at the close of the fiscal year will be rolled over to the PROGRAM FUND until the total amount in the PROGRAM FUND is equal to $3,000,000.00 or at least three (3) years of average Domestic Well Mitigation Program expenses as explained later in this policy, whichever is less.

Maintaining a PROGRAM FUND allows a continuous funding source for the PROGRAM which is vital given significant variability in PROGRAM expenses due to various hydrologic conditions, the associated PROGRAM demands and the potential for changes in regulatory requirements associated with the PROGRAM. The PROGRAM FUND is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. Given the variability in PROGRAM demands, it is the intention of the Agency for PROGRAM FUNDS to be used to cover PROGRAM expenses exclusively and without the limitations of the fiscal year operations budget. The PROGRAM FUND Policy will be implemented in concert with the other governance and financial policies of the Agency and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans. The Agency Board of Directors will maintain authority to approve the annual funding for the PROGRAM through the budget approval process, until the PROGRAM cap is reached.

Definitions and Goals

The PROGRAM FUND is defined as the designated fund set aside by action of the Agency Board of Directors. The minimum amount to be designated for the PROGRAM FUND will be an amount sufficient to maintain the PROGRAM for one year. The PROGRAM FUND serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target PROGRAM FUND is equal to three years of average PROGRAM expenses based on the most recent three years, or $3M, whichever is less, with the understanding that due to variable climate conditions, the demands of the PROGRAM may fluctuate significantly from year to year.

The amount of the PROGRAM FUND will be calculated each year after approval of the revised annual budget, reported to the Advisory Committee, and included in the regular financial reports.

Accounting for Reserves

The PROGRAM FUND will be recorded in the financial records as Domestic Well Mitigation Program Revolving Fund. The PROGRAM will be funded and available in cash or cash equivalent funds and will be commingled with the general cash and investment accounts of the agency.

Funding of Reserves

The PROGRAM FUND will be funded with any budgeted but unexpended PROGRAM FUNDS each year until the minimum PROGRAM FUND amount is reached. The Board of Directors may from time to time direct that a other budgeted revenues be set aside for PROGRAM FUND.

Use of PROGRAM FUND

Use of the PROGRAM FUND is subject to the provisions of NKGSA-2021-002 (Signing and Spending Authority Policy) and the following three steps:

1. Identification of appropriate use of PROGRAM FUNDS. The Executive Officer and Fiscal Agent will identify the need for access to PROGRAM FUNDS and confirm that the use is consistent with the purpose of the PROGRAM FUND as described in this Policy. This step requires analysis of the reason for the expenditure and ensuring mitigation expenses are determined based on qualified activities included in the Domestic Well Mitigation Program Rules and Regulations.

2. Authority to use PROGRAM FUNDS. Authority for use of PROGRAM FUNDS is delegated to the Executive Officer in accordance with the Rules and Regulations for the Domestic Well Mitigation Program. The use of PROGRAM FUNDS will be reported to the Advisory Committee and Agency Board of Directors at scheduled meetings, accompanied by a description of the use of funds and PROGRAM FUND balances.

3. Reporting and monitoring. The Executive Officer is responsible for ensuring that the PROGRAM FUND is maintained and used only as described in this Policy. The Fiscal Agent will maintain records of the use of PROGRAM FUNDS including balances and individual Agency contributions. PROGRAM FUND reports will be provided to the Board of Directors each month.

Each member agency of the North Kings Groundwater Sustainability Agency will be contributing to the PROGRAM FUND based on the approved PROGRAM contributions. The Fiscal Agent will track member agency contributions to the PROGRAM FUND along with the total PROGRAM FUND accounting. Member agencies can inquire at any time which portion of the total PROGRAM FUND is attributed to their agency.

PROGRAM FUND Dissolution

In the event the PROGRAM FUND is dissolved as directed by the AGENCY Board of Directors, each agency would be credited to their member agency participation balance the portion their agency has contributed. Interest earned from the revenues from the PROGRAM FUND will be credited to the member agencies based on their portion of the total PROGRAM FUNDING.

Relationship to Other Policies

North Kings Groundwater Sustainability Agency shall maintain the following, existing policies (as amended from time to time), which may contain provisions that affect the creation, sufficiency, and management of the PROGRAM FUND.

- Financial Reporting Policy (NKGSA-ACCT-510)
- Budget Policy (NKGSA-ACCT-505)
- Investment Policy (NKGSA-ACCT-507)
- Operating Reserves (NKGSA-ACCT-506)

Review of Policy

This Policy will be reviewed by the Executive Officer and Fiscal Agent as needed if warranted by internal or external events or changes. Amendments to the Policy will be recommended by staff to the Board of Directors following approval by the NKGSA Advisory Committee.

The foregoing Domestic Well Mitigation Revolving Fund Policy was passed and adopted by the Board of Directors of the North Kings Groundwater Sustainability Agency, at a regular meeting thereof held on the 27th day of March 2025, by the following vote:

AYES: 7

NOES: 0

ABSENT: 0

Chairman, Board of Directors
Mr. Jerry Prieto
North Kings Groundwater Sustainability Agency

ATTEST:

Kassy D. Chauhan, P.E.
North Kings Groundwater Sustainability Agency
Executive Officer

Approved as to legal form and effect:

David Boyer, Esq, AALRR
Legal Counsel – North Kings Groundwater Sustainability Agency