

## **FINANCIAL POLICIES AND PROCEDURES**

**POLICY NUMBER:** FP-116  
**SUBJECT:** KIRT BROOKS MEMORIAL WATER ENVIRONMENT SCHOLARSHIP FUND ANNUAL GRANT APPROPRIATION  
**EFFECTIVE DATE:** September 16, 2009  
**REVISION DATE:** April 16, 2018  
**REVIEW DATE:** April 16, 2018  
**APPROVED BY:** CWEA Board of Directors

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### **POLICY**

The Association will pursue procedures that enhance prudent and systematic determination of annual total scholarship grant appropriation and in performing related activities associated with award of grants from the Kirt Brooks Memorial Water Environment Scholarship Fund (Scholarship Fund).

### **PROCEDURES**

1. **DELEGATION OF AUTHORITY:** The following procedure shall be followed to determine and approve total annual grant appropriation from the KBMWES Fund.
  - A. The Executive Director will recommend, to the Operations Committee, an amount for annual appropriation from the Scholarship Fund, to be used for distribution of grants by the Scholarship Committee. The appropriation amount shall be calculated as described in this Policy.
  - B. The Operations Committee will review the recommendation by the Executive Director and make a recommendation to the Board, which shall consider the recommendation for final approval.
  - C. Upon final approval from the Board, the Scholarship Committee will recommend individual grant amounts to the Operations Committee, with a total amount not to exceed the approved annual appropriation.
  - D. The Executive Director shall be responsible for keeping records of all appropriations, including associated calculations and justification, and will provide a historical summary report to the Operations Committee with each annual recommendation.
2. **SCHEDULE:**
  - A. Each year, under the oversight of the Operations Committee, activities and actions governed by this policy shall be performed to enable consideration of appropriation recommendations by the Board of Directors at its fall Board meeting.

### 3. OBJECTIVES:

- A. Prudence: CWEA shall act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:
- i. the duration and preservation of the Scholarship Fund;
  - ii. the purposes of the Scholarship Fund;
  - iii. general economic conditions;
  - iv. the possible effect of inflation or deflation;
  - v. the expected total return from income and the appreciation of investments;
  - vi. other resources of CWEA; and
  - vii. investment policies of CWEA.
- B. Sustainability: Sustainability incorporates the concept of providing for current needs without sacrificing the needs of future generations. As a steward of the Scholarship Fund, CWEA is committed to maintaining the health and longevity of the Scholarship Fund. CWEA will evaluate the long-term impacts of its decisions and will strive to choose those actions with the greatest long-term benefits.
- C. Consistency: Produce a steady and predictable spending pattern, whereas short-term large capital gains will only slightly increase spending and short-term major losses will only slightly lower spending.

### 4. BASIS FOR DETERMINATION OF ANNUAL GRANT APPROPRIATION:

#### A. Calculation Methodology

- i. For each of four quarters prior to determination of appropriation:
  - a. Sum the Scholarship Fund's value at the end of the preceding 12 quarters;
  - b. Divide by 12; and
  - c. Multiply by 1.25 %.
  - d. The resulting value shall be the amount effectively set aside for the corresponding quarter.
- ii. Sum the four amounts calculated as described in Item 4.A.i, corresponding to each of the four quarters prior to determination of appropriation, and round down to the nearest \$100 increment. This shall be the amount of appropriation for the upcoming years grant funding, subject to the limitations and allowable adjustments described below.

#### B. Limitations to Appropriation Amount

- i. If appropriation amount, calculated as described in Item 4.A, will result in appropriation of more than 7% of the total fund value at the end of the immediate last quarter, appropriation amount shall be held at a maximum of 7% of the total fund value.

#### C. Allowable Adjustments to Appropriation Amount

- i. If the adequacy of this policy to meet its stated objectives is in question due to unanticipated and extreme economic or non-economic conditions, the Operations Committee may elect to reduce the recommended appropriation amount to less than the amount calculated as described in Item 4.A.
5. REPORTING: On an annual basis, accompanying the recommendation for scholarship grant appropriation, the Executive Director shall submit a summary report to the Operations Committee on the past grant appropriations, the current status of the Scholarship Fund investment account, and a justification for the current grant appropriation recommendation. The summary report shall include:
  - A. Current Scholarship Fund investment account balance
  - B. Scholarship Fund investment account balance changes from prior year, such as:
    - i. Contributions
    - ii. Interest income or dividends
    - iii. Distributions
  - C. Rate of interest or dividend since prior year
  - D. The funding level of the Scholarship Fund.
  - E. Summary calculations for justification of appropriation amount recommendation
6. REVIEW: The following procedures will be followed to ensure that this policy statement is consistent with the stipulations of CWEA Resolution No. 91-01, *Guidelines for Establishing the Endowment for and Academic Scholarship Fund*, and with CWEA Resolution No. 09-07, Resolution to Clarify the Kirt Brooks Memorial Water Environment Scholarship Fund as a Board-Designated Internal Endowment:
  - A. The Operations Committee shall review this policy every ten years or any time when there have been annual investment losses in the fund exceeding 10% or two consecutive year losses exceeding 15% in total. The Committee and shall recommend to the Board any changes as may be appropriate.