

**Effective date:** February 5, 2019

**Resolution No.:** 39/2019

**Subject:** Reserve Policy

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## 1 PURPOSE OF POLICY

This policy has been developed to provide guidance and direction for the development, maintenance, and the use of City's reserve funds.

## 2 DEFINITIONS

**"Accumulated Surplus"** means the accumulated excess of revenues over expenditures from prior years which has not been set aside for specific purposes

**"Annual Surplus"** means the accumulated excess of revenues over expenditures for the current year

**"Non-Statutory Reserve"** means funds allocated for a specified purpose but not established by bylaw

**"Statutory Reserve"** means a reserve fund established by bylaw for a specified purpose as per the *Community Charter*

## 3 POLICY ADMINISTRATION

### 3.1 RESPONSIBILITIES

The Chief Financial Officer is assigned the responsibility of financial administration for the City including ensuring the keeping of and the oversight of all reserve/surplus funds, and investing funds until required in statutorily authorized investments.

The Controller shall be responsible for:

- Ensuring the establishment, keeping and maintenance of all reserve, surplus and other municipal funds in compliance with provincial enactments, City bylaws and this policy;
- Conducting an annual review of the reserve, surplus and other municipal funds and reporting the results to City Council;
- On an "as required basis" but at least every two years recommending revisions or amendments to this policy, due to changes in applicable statutes, accounting standards, or economy.

## **CORPORATE PURPOSE**

Reserves must have a unique and specific corporate purpose. Every effort must be made to:

- Reduce complexity by combining amounts with similar purposes,
- Eliminating those with redundant or outdated purposes,
- Re-focusing departmental reserves to corporate purposes and strategic plans.

### **3.3 RESERVE CONTRIBUTIONS**

Annual and/or periodic contributions to reserve funds shall be specific to each reserve, as approved by Council through the City's annual financial planning bylaw, and as required by section 188 of the *Community Charter* and section 566 of the *Local Government Act*, as amended or replaced from time to time.

### **3.4 MINIMUM AND OPTIMUM RESERVE BALANCES**

A minimum and optimum balance shall be established if considered necessary for each Statutory Reserve. The minimum balance will ensure that each Statutory Reserve is not depleted to the degree that it is no longer able to serve its intended purpose. The optimum balance ensures the City's guiding principles are achieved and that excess funds are not remaining idle that could be otherwise utilized for other corporate priorities. A review of actual, minimum and optimal Statutory Reserve balances shall be undertaken annually. The minimum and optimal reserve balances are shown in Section 9, Appendix.

Minimum and optimum reserve balances may be established for Non-Statutory Reserves but is not required.

### **3.5 INTERNAL BORROWING**

A payment from a reserve/surplus fund to another reserve/surplus fund established for another purpose, shall be permissible as allowed for by legislation, if a clearly defined and attainable payback plan, including payment of foregone interest, is established by the resolution that authorizes the payment. Such payments from one reserve/surplus fund to another allows for more flexibility in terms of payback amount and loan duration than external borrowing. Paybacks shall be executed according to plan, including the time for repayment, the calculation of the foregone interest and the obligation in the case of a Statutory Reserve to repay the amount with interest before the money is needed for the purpose of the first Statutory Reserve.

### **3.6 INTEREST**

All Statutory Reserve funds will earn interest each year. Interest will be calculated based on the average fund balances at the end of year using the City's average rate of return on investments. Per subsection 189 (1) of the *Community Charter*, any interest earned in a reserve fund must be used only for the purpose for which the fund was established.

### **3.7 GUIDE AND TRANSITION**

The minimum and optimal fund balance guidelines shown in this policy serve as a guide in moving the City towards the goals or targets it wishes to attain, in terms of individual fund balances. It is recognized that the City's fund balances may not be at the minimum and optimal levels at the time of policy creation.

## **4 GUIDING PRINCIPLES AND OBJECTIVES**

### **GUIDING PRINCIPLES**

All reserve and surplus funds must be established, maintained and used for a specified purpose as mandated by this policy, statute, or City by-law, including the financial plan.

The City's management of reserve and surplus funds needs to conform to the statutory and legal requirements of the *Local Government Act* and the *Community Charter*.

### **OBJECTIVES**

The primary objectives of the City's reserve and surplus funds are to:

#### **a. Ensure Stable and Predictable Levies**

The City recognizes that unstable and unpredictable levies can adversely affect residents and businesses in Penticton. In order to maintain stable and predictable levies and fees, the City will endeavor to maintain sufficient reserves to buffer the impact of any unusual or unplanned cost increases and revenue volatility over multiple budget cycles.

#### **b. Focus on Long-Term Financial Stability**

The City recognizes that adequate reserve/surplus levels are important in achieving community goals including financial health and stability. The City will strive to be proactive in achieving long-term financial stability and balancing the costs of maintaining reasonable reserves/surplus levels to current and future taxpayers.

#### **c. Safeguard and Maintain Existing Assets**

The City has an inventory of specialized machinery, equipment, technology and infrastructure that are necessary for the efficient delivery of services to the public. These capital assets need to be maintained and replaced according to their service lifecycles. The capital asset reserve balances are focused on maintaining enough funds overall to manage risk of asset failure with a focus on annual spending and investment on infrastructure rather than maintaining significant balances in reserve. Typically, funds established to maintain are for maintaining existing service levels.

#### **d. Provide for Operating Emergencies**

The City is exposed to unusual operating emergencies resulting from climatic events, catastrophic events, law enforcement issues, legal claims, insurance claims, tax assessment appeals, environmental hazards and various other events. It may not be feasible, or cost-effective, to absorb the costs in one budget cycle. The City will establish and maintain what Council considers to be reasonably adequate reserves to minimize the financial impact of such emergencies, extensive service interruptions, and prevent risks to infrastructure and public safety.

#### **e. Finance New Capital Assets**

The use of reserve funds for financing new capital assets is an effective means of matching one-time funds to one-time capital projects. In addition, the City requires financial resources to leverage external funding or to quickly respond to opportunities that could provide capital infrastructure through private sector or public

partnerships, and other alternative service delivery methods. Typically new capital assets are for an increase to service levels.

## **5 ACCUMULATED SURPLUSES**

The City needs to maintain accumulated surplus balances in its four operating funds (general, electric, sewer, and water) for working capital or cash flow purposes. Maintaining minimum working capital funds minimizes the need to borrow externally and/or internally to cover operating expenses before property taxes, user fees and other revenues are collected.

## **6 STATUTORY RESERVES**

The minimum and optimal reserve balances further to section 3.4 are shown in Section 9, Appendix.

### **6.1 AFFORDABLE HOUSING RESERVE**

This reserve is to provide funding for the purpose of funding expenditures for or in respect of Affordable Housing projects that provide social or not-for-profit for those in need.

### **6.2 ALTERNATIVE TRANSPORTATION RESERVE**

This reserve is to provide funding solely for transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation.

### **6.3 ASSET SUSTAINABILITY**

This reserve is to provide funding solely for replacement or significant repair that would increase estimated useful life of existing capital assets.

### **6.4 CAPITAL RESERVE FUND**

This reserve is to fund new capital and replacement projects in the general fund including roads, traffic signals, curb and gutters, sidewalks and streetlights. This reserve can also be used to fund other capital projects as needed.

### **6.5 COMMUNITY WORKS RESERVE FUND**

This reserve is to be used pursuant to the Community Works Gas Tax Agreement; funds to be used to build and revitalize public infrastructure that supports national objectives of productivity and economic growth, a clean environment and strong cities and communities. This reserve will be used for eligible projects as set out in the Community Works Gas Tax Agreement.

### **6.6 ELECTRIC CAPITAL RESERVE FUND**

This reserve is to fund electric utility equipment, buildings, land improvements and infrastructure.

### **6.7 EQUIPMENT REPLACEMENT RESERVE FUND**

This reserve is to fund the replacement of City equipment including fleet and heavy equipment, fire trucks and information technology assets.

### **6.8 LAND ACQUISITION FUND**

Per subsection 188 (2) (e) of the *Community Charter*, funds received from the sale of land and improvements must be set aside in a reserve and used for paying any debt remaining in relation to the property and for acquiring land, improvements and other assets of a capital nature.

## **6.9 LOCAL IMPROVEMENT FUND**

This reserve is to provide funding for financing the construction or provision of local improvement works or local service area works or services payable by special charges

## **6.10 OFF-SITE PARKING RESERVE FUND**

This reserve is to provide funding for new and existing off-street parking spaces in specified areas.

## **6.11 PARKLAND ACQUISITION RESERVE FUND**

Per subsection 188 (2) (b) of the *Community Charter*, Funds received from the sale or disposal of parkland as well as funds received pursuant to section 941 of the *Local Government Act* (parkland funds received upon subdivision) must be set aside in a reserve and be used exclusively to purchase parkland. The parkland acquisition reserve fund has been established for accumulating and expending monies as per this requirement.

## **6.12 PUBLIC AMENITY RESERVE FUND**

This reserve is to provide funding solely for the purposes of community park improvements, Community Centre improvements, parkland acquisition, acquisition of equipment necessary to service higher elevation buildings, and other amenities as determined from time to time.

## **6.13 SEWER CAPITAL RESERVE FUND**

This reserve is to fund sanitary sewer utility equipment, buildings, land improvements and infrastructure.

## **6.14 TAX SALE LANDS RESERVE FUND**

This reserve is funded from all sales of City land and buildings through the annual tax sale.

## **6.15 WATER CAPITAL RESERVE FUND**

This reserve is to fund water utility equipment, buildings, land improvements and infrastructure.

## **7 NON-STATUTORY RESERVES**

### **7.1 ASSET EMERGENCY**

This reserve is to fund unplanned non-budgeted asset emergency costs that occur during the year.

### **7.2 CEMETERY LAND**

This reserve is to fund the purchase of future Cemetery lands.

### **7.3 CLIMATE ACTION**

This reserve is to provide funding for carbon neutral initiatives; part of working towards carbon neutrality as per the Climate Action Charter.

### **7.4 ELECTION**

This reserve is to fund election expenses that occur every 4 years.

### **7.5 ELECTRIC SURPLUS**

This reserve is for working capital purposes in the electric operating and capital funds.

### **7.6 FINANCIAL STABILIZATION**

The financial stabilization reserve has been established for the following purposes:



**Significant Operating Events and Environmental Emergencies** – these appropriations are for major non-recurring costs related to significant operating events and various emergency events or situations, for instance significant legal costs/claims, inclement weather, environmental hazards, and the like.

**Revenue Stabilization and Operating Contingency** – these appropriations are intended to stabilize the impacts of cyclical revenue downturns and operating cost increases that are largely temporary and not within the City's ability to adjust to in the short-term.

**One-Time and Intermittent Projects** – these appropriations are to allow the City the flexibility to fund one-time and intermittent operating projects without resulting in a spikes and declines in general taxation.

#### **7.7 GAMING**

This reserve is to support Council strategic priorities and initiatives; this fund can be used for any municipal purpose however Council provides direction for use through a Council resolution.

#### **7.8 GENERAL SURPLUS**

To cover cash flows and working capital before property tax revenues are collected.

#### **7.9 INVESTMENT INCOME**

This reserve is intended to stabilize the impacts of cyclical interest revenue downturns caused by interest rates fluctuations.

#### **7.10 MARINAS**

This reserve is to fund renovations and repairs for the City's marina's and marina infrastructure.

#### **7.11 RECYCLING**

This reserve is to provide funding for recycling initiatives or reductions in recycling levies as per the agreement with Recycle BC.

#### **7.12 PARKING AND REVITALIZATION**

This reserve is to fund parking lot improvements in the City's lots.

#### **7.13 PUBLIC ART**

This reserve is to fund public art projects and/or pieces to be displayed throughout the City.

#### **7.14 RCMP**

This reserve is to fund major non-recurring costs related to significant RCMP events.

#### **7.15 SEWER EQUIPMENT REPLACEMENT**

This reserve is to fund the replacement of sewer equipment for the septage receiving facility.

#### **7.16 SEWER SURPLUS**

This reserve is for working capital purposes in the sewer operating and capital funds.

#### **7.17 STORM WATER RESERVE**

This reserve is for working capital purposes in the storm sewer cost center for operating and capital funding.

#### **7.18 WATER SURPLUS**

This reserve is for working capital purposes in the water operating and capital funds.

### **7.19 WEST BENCH CAPITAL**

This reserve is to fund future replacement of West Bench capital infrastructure.

### **7.20 WEST BENCH WATER**

This reserve is to fund the water sales pricing offset provided to West Bench customers.

## **8 MANDATORY RESERVES**

### **8.1 DEVELOPMENT COST CHARGES**

Per subsection 188 (2) (a) of the *Community Charter*, separate Reserves need to be established for DCC collections and use, under section 935 of the *Local Government Act*. The following DCC Reserves have been established for the purpose so identified in the associated DCC bylaws and are as follows:

- Roads DCC
- Parks DCC
- Drainage DCC
- Waste Water DCC
- Water DCC

### **8.2 CEMETERY PERPETUAL CARE**

The Cemetery Care Reserve is established in accordance with the Cemeteries Act, to upkeep the cemetery grounds/facilities upon closure of the cemetery. As per this legislation, current interest income earned on the Reserve balance may be used to offset cemetery operating and capital expenditures. Annual cemetery operating and capital expenditures are approved by Council through the annual budgeting process.

## 9 APPENDIX

The reserves/surplus policy appendix includes additional detail on the City's reserve funds including the funding source, minimum and optimum levels and the rationale for levels established.

### RESERVE AND SURPLUS POLICY APPENDIX

#### STATUTORY RESERVES

Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
<b>Affordable Housing Reserve</b>	To accumulate Affordable Housing contributions for approved projects	Developer contributions from amenity zoning or Phase Development Agreements (PDA)	Sufficient balance to fund budgeted affordable housing projects	Sufficient balance to fund budgeted or planned Affordable Housing projects	Affordable Housing projects should not be budgeted if Affordable Housing contribution projections indicate lack of available funding
<b>Alternative Transportation Reserve</b>	To fund transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation	Cash in lieu of required parking	N/A	N/A	Contributions are dependent upon collections
<b>Asset Sustainability Reserve</b>	To fund major repairs, upgrades, replacement and expansions of municipal buildings, ancillary structures and site services, and other core City assets in the general fund. Excludes electric, sewer, water and storm capital	Annual contribution from taxation, gaming funding, net capital funding allocations as necessary and facility fee revenue collected from ticket sales at the South Okanagan	\$2,000,000 1% of total cost of facilities and roads tangible assets (excluding water and sewer buildings)	\$8,000,000 4.0% of total cost of facilities and roads tangible capital assets (excluding water and sewer buildings)	The minimum and optimum levels are based on maintaining a sufficient balance in all capital reserves to cover risk of uninsured asset failure



<b>Reserve</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Rationale for \$ Levels Established</b>
<b>Capital Reserve</b>	To fund general fund capital and replacement projects including roads, curb and gutters, and sidewalks. Includes linear assets – roads and bridges; as well as other assets as needed	Events Centre Contribution consists of any excess unutilized capital funding during the fiscal year. Capital works reserve is the flow through reserve to allocate additional capital funding	\$1,300,000 1.5% of total cost of roads	\$2,600,000 3% of total cost of roads	The minimum and optimum levels are based on maintaining a sufficient balance in all capital reserves to cover risk of uninsured asset failure
<b>Community Works Reserve</b>	To be used pursuant to the Community Works Gas Tax Agreement; funds to be used to build and revitalize public infrastructure that supports national objectives of productivity and economic growth, a clean environment and strong cities and communities. Fund utilized for ongoing enhancements and betterments to the community and Council strategic capital projects	Federal Community Works Gas Tax funds distributed by the Union of BC Municipalities (UBCM)	N/A	N/A	Reserve level and related spending is dependent upon funds received
<b>Electric Capital Reserve</b>	To fund electric utility equipment and infrastructure	Excess funds Transferred from accumulated	\$750,000 1% of total cost of electric fund	\$5,000,000 7% of total cost of electric fund	The minimum and optimum levels are based on maintaining a

<b>Reserve</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Rationale for \$ Levels Established</b>
		surplus electric	tangible capital assets	tangible capital assets	sufficient balance in all capital reserves to cover risk of uninsured asset failure
<b>Equipment Replacement Reserve</b>	To fund the purchase and replacement of City fleet and heavy equipment, including fire trucks. Includes sewer, water fleet and heavy equipment	Contributions are allocated amongst City departments from all funds based on annual equipment rates and equipment usage. Net capital funding allocations as necessary Net gain/loss from fleet and heavy equipment disposals. Annual contribution from taxation	\$1,000,000 2.5% of total cost of equipment	\$3,200,000 8.0% of total cost of equipment	Fleet failure is a risk to the City and does interrupt business operations therefore minimum and maximum balances are based on ensuring enough funds remain to replace the most expensive fleet asset. The annual reserve contributions will be based on planned capital spending and priority needs
<b>Land Acquisition Reserve</b>	To purchase strategic land in the City, and to pay any remaining debt on such lands, or to acquire other assets of a capital nature	Funds received from the sale or disposal of City held lands (except Parkland)	N/A	Adequate balance to fund land acquisitions per Council's strategic priorities	Acquisitions are dependent upon collections
<b>Local Improvement Reserve</b>	To be used for financing the construction of local improvement or local service area works or	Monies allocated from general revenue and monies expended	N/A	N/A	Contributions are dependent upon local improvement projects

<b>Reserve</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Rationale for \$ Levels Established</b>
	services	from and prepaid to the fund			
<b>Off-Site Parking Reserve</b>	To provide new and existing off street parking spaces	Funds received in lieu of required parking	N/A	N/A	Contributions are dependent upon collections
<b>Parkland Acquisition Reserve</b>	To purchase parkland as per the <i>Community Charter</i> .	Funds received from the sale or disposal of parkland, and parkland funds received upon subdivision.	N/A	Adequate balance to fund parkland acquisitions per Council's strategic priorities.	Acquisitions are dependent upon collections
<b>Public Amenity Reserve</b>	To accumulate community amenity contributions for approved projects	Developer contributions from amenity zoning or Phase Development Agreements (PDA) from residential or other re-zonings	N/A	Sufficient balance to fund budgeted or planned Community Amenity projects	Community Amenity projects should not be budgeted if Community Amenity contribution projections indicate lack of available funding
<b>Sewer Capital Reserve</b>	To fund sewer utility equipment and infrastructure.	Excess funds Transferred from accumulated surplus sewer	\$1,500,000 2% of total cost of sewer fund tangible capital assets	\$3,700,000 5% of total cost of sewer fund tangible capital assets	The minimum and optimum levels are based on maintaining a sufficient balance in all capital reserves to cover risk of uninsured asset failure.
<b>Tax Sale Lands Reserve</b>	To accumulate proceeds from any sales of City land and buildings	Sales of City land and buildings through tax sale	N/A	N/A	Contributions are dependent upon tax sale property transfers
<b>Water Capital Reserve</b>	To fund water utility equipment and	Excess funds Transferred from	\$1,600,000 2% of total cost of water	\$4,000,000 5% of total cost of	The minimum and optimum levels are based on

<b>Reserve</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Rationale for \$ Levels Established</b>
	infrastructure.	accumulated surplus water.	fund tangible capital assets	water fund tangible capital assets	maintaining a sufficient balance in all capital reserves to cover risk of uninsured asset failure.

## NON-STATUTORY RESERVES

Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
<b>Asset Emergency Reserve</b>	To fund unbudgeted unanticipated emergency costs related to repair or replacement of assets	Excess funds transferred from accumulated surplus general as per the Year End Surplus policy	\$250,000 .1% of general fund assets (buildings, equipment and roads)	\$2,500,000 1% of general fund assets (buildings, equipment and roads)	Asset failure is a risk to the City and does interrupt business operations therefore minimum and maximum balances are based on ensuring enough funds remain to fund a minimal emergent issue
<b>Cemetery Land Reserve</b>	To purchase future Cemetery lands	Contribution from the general fund allocated as necessary	N/A	N/A	
<b>Climate Action Reserve</b>	To provide funding for carbon neutral initiatives; part of working towards carbon neutrality as per the Climate Action Charter commitment	Annual transfer from community works gas tax reserve in lieu of purchasing carbon offsets, in addition to annual CARIP (Climate Action Revenue Incentive Program) funding	N/A	N/A	CARIP grants of approximately \$30,000 per year are received from the Province as part of being a member of the Climate Action Charter commitment.
<b>Election Reserve</b>	To fund election expenses	One quarter of expected election expenses are budgeted annually, in years outside of election year this amount is transferred to the reserve	N/A	N/A	Funding level is depending on expected election expenses in election year

<b>Reserve</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Rationale for \$ Levels Established</b>
<b>Electric Surplus</b>	For working capital purposes in the electric operating fund	Annual electric operating surplus	\$2,800,000 7.5% of net expenditures	\$5,750,000 15% of net expenditures	To provide cash flows before utility fees are collected
<b>Financial Stabilization Reserve</b>	For major emergent operating issues, one-time and intermittent projects, and to offset unrealized revenues	Excess funds transferred from accumulated surplus general as per the Year End Surplus policy	\$650,000 1.0% of operating fund revenues (less Collections for other Governments)	\$1,600,000 2.5% of operating fund revenues (less Collections for other Governments)	Funds emergent issues and offset unrealized revenues which generally do not exceed a percentage of the general operating fund budget
<b>Gaming Reserve</b>	To accumulate gaming revenues and fund priorities established by City Council	Gaming funds received pursuant to the City's Host Financial Assistance Agreement with the Province of BC	\$500,000 25% of projected revenues in case of unplanned reduction in revenues	N/A	Reserve level and related spending is dependent upon gaming funds received.
<b>General Surplus</b>	To cover cash flows and working capital before property tax revenues are collected	Annual general operating surplus	\$4,000,000 7.5% of net expenditures	\$7,950,000 15% of net expenditures	To provide cash flows before property taxes are collected. Excess balances transferred as per the Year End Surplus policy
<b>Investment Income</b>	To offset unrealized budgeted investment revenues due to decline in interest rates	General revenue in excess of allocation from budget of investment income	\$250,000 25% of expected investment income for a year		Significant decreases in investment income can happen any time there is a decline in interest rates
<b>Marina Reserve</b>	To fund renovations for both Skaha and Okanagan marinas	Net lease revenue of both Skaha and Okanagan marinas	N/A	N/A	Reserve level and related spending is dependent upon funds received



<b>Reserve</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Rationale for \$ Levels Established</b>
<b>Recycling Reserve</b>	To fund recycling initiatives or to offset reductions to recycling rates	Recycle BC funds as per agreement	N/A	N/A	Reserve level and related spending is dependent upon funds received
<b>Parking and Revitalization Reserve</b>	To fund parking lot improvements in City owned parking lots	Long term rentals of City parking lots	N/A	N/A	Reserve level and related spending is dependent upon funds received
<b>Public Art Reserve</b>	To fund public art projects to be displayed throughout the City	Contribution from the general fund allocated as necessary	N/A	N/A	Reserve level and related spending is dependent upon funds received
<b>RCMP Reserve</b>	To fund unbudgeted RCMP contract expenses due to unforeseen events	Surplus of RCMP yearly contract expenditures under budgeted expenditures as per the Year End Surplus policy	N/A	\$400,000, based on two major events	Unanticipated, major RCMP contract expenditures can arise at any time. These expenditures are a percentage of the RCMP contract budget
<b>Sewer Equipment Replacement Reserve</b>	To fund replacement of sewer equipment for septage receiving	Surplus funds from septage receiving facility operations	N/A	N/A	
<b>Sewer Surplus</b>	For working capital purposes in the sewer operating fund	Annual sewer operating surplus	\$400,000 7.5% of net expenditures	\$800,000 15% of net expenditures	To provide cash flows before utility fees are collected
<b>Storm Water Reserve</b>	For working capital purposes for the Storm Utility	Excess of revenue over expenditures in the Storm Water Cost	\$150,000 7.5% of net expenditures	\$300,000 15% of net expenditures	To provide cash flows before utility fees are collected

Reserve	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established
	infrastructure, including capital	Centre			
<b>Water Surplus</b>	For working capital purposes in the water operating fund	Annual water operating surplus	\$400,000 7.5% of net expenditures	\$765,000 15% of net expenditures	To provide cash flows before utility fees are collected
<b>West Bench Capital Reserve</b>	To fund West Bench water utility infrastructure.	One time funding from the Regional District of the South Okanagan	N/A	N/A	
<b>West Bench Water Reserve</b>	To offset monthly water sales pricing	One time funding from the Regional District of the South Okanagan	N/A	N/A	

Certified Correct:



Angie Collison, Corporate Officer