



District of Lantzville

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1. PURPOSE

This Reserve and Surplus Policy (Policy) outlines the District of Lantzville's philosophy, guiding principles and objectives, in terms of its various reserves and surpluses. By reaching a clear understanding of its reserve/surplus objectives, and by continually measuring progress towards achieving those objectives, the District aims to attain greater financial stability and prosperity.

2. DEFINITIONS

"Accumulated Surplus" means the accumulated excess of revenues over expenditures from prior years.

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

"Non-Statutory Reserves" means those Reserves that may be established by bylaw if Council so desires, pursuant to the *Community Charter*.

"Reserve Fund(s) or Reserve(s)" means all of the District's Statutory and Non-Statutory Reserve Funds that have been set aside by bylaws for specified purposes by Council pursuant to legislation.

"Restricted or Appropriated Accumulated Surplus" means funds set aside from Unrestricted Accumulated Surplus for designated, future expenditures. These are sometimes also referred to as Reserve Accounts as they are not established by bylaw.

"Restricted Revenue" means revenues or receipts which are restricted by legislation, or that contain stipulations that create a liability, and which are deferred. Restricted Revenue is recognized as revenue in the period in which the qualifying expenses are incurred and/or the stipulations are met. Certain Statutory Reserve Funds, e.g. Parkland Acquisition Reserve Funds and Development Cost Charges Reserve Funds, are classified as Restricted Revenues for financial accounting and reporting purposes.

"Statutory Reserve Funds" means funds received from specific sources that are set aside for specified purposes as required by legislation. If monies are received from specific sources, certain Reserve Funds must be established for administering these funds. These Reserves are non-discretionary or mandatory.

"Unrestricted Accumulated Surplus" means the Accumulated Surplus amounts built up in the District's various operating funds that have not been designated for specific uses or purposes like Restricted Surplus.



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3. PHILOSOPHY AND GUIDING PRINCIPLES

3.1 Reserve/Surplus Philosophy

The District's reserve/surplus philosophy represents its rationale for establishing reserve and surplus monetary balances.

The District believes that it is financially prudent to set aside funds in Non-Statutory Reserves, in addition to those Statutory Reserves required under legislation, for the following reasons:

- The use of reserves to pay for one-time capital and/or operating expenses reduces the need to fund these expenses from taxation, user fees, debt, etc. Use of reserve funding also minimizes debt and related interest costs which have an ongoing budget impact;
- Funding non-reoccurring, one-time capital and/or operating expenses through operating budgets, as opposed to reserves, results in unnecessary fluctuations in property taxes and/or user fees;
- The establishment of regular, stable and incremental operating budget contributions to reserves results in reserve balances that can be used to fund one-time capital and/or operating expenses. These contributions then have predictable impact on property taxes and/or user fees;
- Budgeting "closer to the line" within operating budgets is possible when reserves are in place to fund operating irregularities or spikes. The reserves thus serve as a safety net;
- Having to set aside funds annually in reserves for major, future one-time costs reinforces the need to think, plan and save ahead of time for longer term expenditures; and
- Once reserves are built up to a certain level the interest earnings on these funds can be used to partially fund one-time capital and/or operating project costs which results in less pressure on operating budgets and related taxation and user fees.

The District believes that it is necessary to set aside funds in Unrestricted Accumulated Surplus accounts for the following reasons:

- Unrestricted Accumulated Surpluses can be used to pay for operating expenses before property taxes, user fees and/or other revenues are collected, which allows one to avoid borrowing and related interest costs for operating purposes; and
- Having Unrestricted Accumulated Surplus funds in place allows the District to respond to unforeseen emergencies which safeguards the organization and the community.



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3.2 Guiding Principles

The following guiding principles, which have shaped this Policy, build upon the District's reserve/surplus philosophy:

- Healthy reserve/surplus levels are important in achieving community goals including financial health and stability;
- The District will strive to be a leader, among local governments, in terms of financial health and stability;
- Reserve/surplus goals need to be consistent with and supportive of realistic longer-term financial plans;
- Reserve/surplus appropriations need to conform to the statutory/legal requirements of the *Local Government Act* and the *Community Charter*, generally accepted accounting principles (GAAP) and public sector accounting board (PSAB) recommendations.

4. NON-STATUTORY RESERVE FUNDS

Pursuant to subsection 188 (1) of the *Community Charter*, Council may, by bylaw, establish a Reserve Fund for a specified purpose and direct that money be placed to the credit of the Reserve Fund. The following Reserve Funds have been established under this legislation for the purpose(s) indicated:

4.1 Community Amenities Reserve Fund

The Community Amenities Reserve Fund has been established to account for the contributions received from developers pursuant to the District's Community Amenity Contributions Policy. The funds are to be used for the projects or expenditures outlined in the Policy.

4.2 Community Works Reserve Fund

The Community Works Reserve Fund has been established to account for funds received and used pursuant to the Administrative Agreement on the Canada Community-Building Fund (CCBF). Funds in this Reserve may only be used for projects or expenditures allowed for under the Community CCBF Agreement.

4.3 Financial Stabilization Reserve Fund

The Financial Stabilization Reserve Fund has been established for the following purposes:

For Emergent Operating Issues - the District is exposed to non-reoccurring costs related to various emergency events or situations, e.g. inclement weather, environmental hazards, etc. It is not possible to anticipate or budget for these emergent situations and it is not feasible to absorb the cost of such events in other budget areas in any given year.

For One-Time and Intermittent Projects - the District undertakes certain one-time and/or limited duration projects that are larger in terms of costs. Funding these projects from property taxation would result in annual spikes and subsequent declines in taxation; therefore, it is not prudent to fund these projects from on-going property taxation revenue.

To Offset Unrealized Revenues - some of the District's revenue sources, e.g. development fees, building permits, and subdivision inspection fees, are cyclical in nature and thus are subject to downturns in the economy. The District tries to anticipate economic downturns by



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budgeting for a base dollar amount of these revenues in its general operations. Despite its best efforts, the District is exposed to the possibility of unrealized revenues and/or declines in base revenues from year to year. One cannot always count on budgetary savings or other revenues to offset these revenue shortfalls.

4.4 General Capital Reserve Fund

The General Capital Reserve Fund has been established to fund new facilities and/or upgrades to existing facilities or buildings as well as general capital projects that are not specifically funded from other established reserves, including any associated debt repayments incurred as a result of borrowing for such projects.

4.5 Growing Communities Reserve Fund

The Growing Communities Reserve Fund has been established to account for the Growing Communities Fund Grant monies received from the Province of BC, which are to be used to pay for one-off infrastructure and amenity costs as detailed by the Province of BC.

4.6 Legal and Insurance Reserve Fund

The Insurance and Legal Reserve Fund has been established to pay for extraordinary and/or excessive legal and insurance costs (including associated deductibles) that cannot otherwise be paid for within existing legal and insurance budget allocations.

4.7 Parkland Infrastructure Reserve Fund

The Parkland Infrastructure Reserve Fund has been established to accumulate funds for general park improvements including related capital infrastructure. Interest from the Parkland Development Cost Charge account may also be credited to this Reserve Fund pursuant to subsection 567 (6) of the *Local Government Act* which states "Despite section 566 (2) [use of money in development cost charge reserve fund], interest earned on money in the park land development cost charge reserve fund may be used by the local government to provide for fencing, landscaping, drainage and irrigation, trails, restrooms and changing rooms, playground and playing field equipment on park land owned by the local government or owned by the Crown and managed by the local government". Thus, interest earnings from the Parkland Development Cost Charge account can be used for general park improvements throughout the community.

4.8 Property Acquisition Reserve Fund

The Property Acquisition Reserve Fund has been established for the purchase of real property, i.e. land and/or improvements, as directed by Council.

4.9 Transportation Infrastructure Reserve Fund

The Transportation Infrastructure Reserve Fund has been established for transportation infrastructure improvements, renewals and maintenance, including those related to roads, trails and pathways, as well as any associated debt repayments incurred as a result of borrowing for such projects.



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4.10 Vehicle and Equipment Reserve Fund

The Vehicle and Equipment Reserve Fund has been established to purchase municipal vehicles and equipment, including fire/rescue apparatus, and any associated debt repayments incurred as a result of borrowing for such vehicles and equipment. The equipment purchases are related to those which are attached to or part of the fleet vehicles, and/or any capital equipment used in the public works and fire/rescue departments.

4.11 Sewer Capital Reserve Fund

The Sewer Capital Reserve has been established for sewer utility capital projects including sewer conveyance system projects, and any capital equipment/systems required for sewer operations, including any associated debt repayments.

4.12 Water Capital Reserve Fund

The Water Capital Reserve Fund has been established for water utility capital projects including water treatment, conveyance and storage projects, water distribution system projects and any capital equipment/systems required for water operations, including any associated debt repayments.

4.13 Community Water Expansion Reserve Fund

The Community Water Expansion Reserve Fund has been established for capital expenditures related to the expansion of the Lantzville Water System.

4.14 District of Lantzville /Nanaimo Agreement & Non-Agreement Water Connection Reserve Fund

The District of Lantzville /Nanaimo Agreement & Non-Agreement Water Connection Reserve Fund will be used for accumulating water connection fees that are intended to be used for:

- a) Payment to the City of Nanaimo to expand the Lantzville/Nanaimo Water Agreement to include Lantzville (Lower Pressure Zone) as directed by Council, and
- b) The District of Lantzville's water distribution system capital repairs, replacement and maintenance.

In the event the City of Nanaimo or the District of Lantzville decide not to expand the Lantzville/Nanaimo Water Agreement to include Lower Lantzville, any funds in this reserve plus interest earned shall be credited to the Waterworks Replacement Reserve Fund, e.g. Water Capital Reserve Fund and/or the Community Water Expansion Reserve Fund, as directed by Council.



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5. STATUTORY RESERVE FUNDS

Pursuant to legislation, Council must establish certain Reserve Funds, if funds are received from specific sources. The District has established the following Statutory Reserve Funds as required by legislation:

5.1 Development Cost Charge (DCC) Reserve Funds (Restricted Revenue)

Per subsection 188 (2) (a) of the *Community Charter*, separate DCC Reserves need to be established for DCC collections and uses in accordance with section 566 of the *Local Government Act*. The following DCC Reserves have been established pursuant to the District's DCC bylaw and the related legislation:

- Drainage DCC
- Highway DCC
- Parkland DCC
- Sewer DCC
- Water System DCC

5.2 Land Sale Reserve Fund

Per subsection 188 (2) (e) of the *Community Charter*, funds received from the sale of land and improvements must be set aside to pay for any debt remaining in relation to the property and for acquiring land, improvements and other assets of a capital nature. The Land Sale Reserve Fund has been established for accumulating and expending monies as per this requirement.

5.3 Parkland Acquisition Reserve Fund (Restricted Revenue)

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 510 of the *Local Government Act* (cash received in-lieu of parkland funds upon subdivision) must be set aside in a Reserve Fund and must be used exclusively to purchase parkland. The Parkland Acquisition Reserve Fund has been established for accumulating and expending monies as per this requirement.

6. UNRESTRICTED ACCUMULATED SURPLUSES

The District needs to maintain Unrestricted Accumulated Surplus balances in its three operating funds (the General Operating Fund, the Sewer Operating Fund, the Water Operating Fund) for working capital purposes, i.e. to provide for operating expenditures before property taxes, user fees or other revenues are collected. Maintaining minimum working capital levels eliminates or reduces the need to borrow externally and/or internally for operations.

The District may also require emergency funds from time to time, from any one of its Unrestricted Accumulated Surplus balances, for unforeseen costs. When this occurs, the District needs to rely upon sufficient balances being available in the applicable Unrestricted Accumulated Surplus Fund.



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7. RESTRICTED ACCUMULATED SURPLUSES (RESERVE ACCOUNTS)

The District has set aside funds from its Unrestricted General Operating Fund Accumulated Surplus for the purposes defined below. These funds are known as Restricted Accumulated Surplus Funds or Reserve Accounts.

7.1 One-Time Projects Reserve Account

Funds in the One-Time Projects Reserve Account will be used for Council designated projects as approved by Council motions.

7.2 Tax Stabilization Reserve Account

The Tax Stabilization Reserve Account shall be used to accumulate funds to offset the tax impacts associated with new services or programs such as policing.

8. ADMINISTRATION

8.1 Reserve Contributions

Annual and/or periodic contributions to Reserve Funds shall be specific to each reserve, as approved by Council through the District's annual financial planning/budgeting process and/or through the year-end process.

8.2 Minimum and Optimal Reserve Balances

Minimum and optimal balances have been established for some of the District's Reserves Funds and for its Unrestricted Accumulated Surpluses, as shown in Schedule "A". These balances serve as guidelines. This schedule also shows the purpose of each Reserve Fund and Unrestricted Accumulated Surplus and the source(s) of funding applicable to each. The minimum balances ensure that the respective reserves are not depleted to the point where those balances are no longer able to serve their intended purpose(s). The optimal balances ensure that the District's guiding principles are achieved and that the respective balances do not grow beyond their intended purpose(s), creating idle assets that could be otherwise utilized for other corporate priorities. A formal review of actual, minimum and optimal fund balances shall be undertaken annually.

8.3 Internal Borrowing

Internal borrowing from specific Reserve Fund and Unrestricted Accumulated Surplus accounts shall be permissible as allowed for by legislation, if a clearly defined and attainable payback plan, including payment of foregone interest, is in place, as internal borrowing allows for more flexibility in terms of payback amounts and loan duration than that of external borrowing. Paybacks shall be executed according to the plan.

8.4 Year-End

At the end of each fiscal year, the District will review its Unrestricted Accumulated Surplus and Reserve Fund balances to determine whether there should be an allocation of Unrestricted Accumulated Surplus funds to specific Reserves to meet the District's reserve and surplus objectives including attaining or maintaining the optimal balances.



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8.5 District versus Departmental Surpluses

The District will not generally set aside specific departmental surpluses achieved in a particular year by a department for the use of the department that generated the surplus, as the District operates as an overall corporate body whereby the overall operating surplus is allocated on the basis of the greatest need(s) within the organization. Departmental surpluses in any year may also be needed to offset other departmental deficits, so that the overall organization remains in a surplus position. However, funds may be set aside as Restricted Surplus to complete certain priority departmental projects (see Section 7 above).

8.6 Responsibilities

The District's Director of Financial Services shall be responsible for:

- Recommending the necessary contributions and transfers so that the District's Reserve Funds and Unrestricted and Restricted Accumulated Surpluses are maintained in accordance with this Policy;
- Conducting an annual review of all Reserve Fund and Unrestricted and Restricted Accumulated Surplus balances including comparing actual levels with the established minimum and optimal levels within this Policy, and reporting the results of such a review to Council;
- Recommending changes to the minimum and optimal balance guidelines shown in this Policy; and,
- Recommending any revisions or amendments to this Policy, as may be required from time to time, as a result of changes in applicable statutes, accounting standards, economic conditions, etc.

8.7 Interest

Reserves Funds shall be paid and allocated interest based on their average annual balances and on the District's average rate of return on investments.

8.8 Guide and Transition

The minimum and optimal fund balance guidelines shown in this Policy serve as a guide in moving the District towards the goals or targets it wishes to attain, in terms of individual fund balances. The District's fund balances are not at the minimum or optimal levels at the time of enacting this Policy, however, the District is committed to transitioning towards its optimal targets. It is recognized that the minimum and optimal fund balances listed in this Policy are not binding.

Schedule "A" – Reserve/Surplus Summary

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS					
4.1 Community Amenities Reserve Fund	Amenity contributions received from developers pursuant the District’s Community Amenity Contributions Policy. The funds are to be used for the projects or expenditures outlined in the Policy.	<ul style="list-style-type: none"> ▪ Community Amenity fees received upon rezoning. 	N/A	N/A	Amenity projects listed in the Community Amenities Policy will have to be prioritized and updated, so as to fully utilize the funds.
4.2 Community Works Reserve Fund	To account for funds received and used pursuant to the Administrative Agreement on the Canada Community-Building Fund (CCBF).	<ul style="list-style-type: none"> ▪ Community Works Gas Tax funds distributed on a per capita basis through the UBCM. 	N/A	N/A	The intent is to spend all funds received.
4.3 Financial Stabilization Reserve Fund	For emergent operating issues, one-time or intermittent projects (operating or capital), and to offset unrealized revenues.	<ul style="list-style-type: none"> ▪ Annual budget allocations from the general operating fund as provided for in the financial plan. ▪ Transfer of any development/building revenues over and above established base amounts, if and when available. ▪ Other budgeted contributions from operations including any paybacks as a result of funds being advanced for specific projects. 	\$113,000 2% of General Operating Fund budget revenues.	\$226,000 4% of General Operating Fund budgeted revenues.	The Stabilization Reserve in part funds emergent issues and offsets unrealized revenues which generally do not exceed a percentage of the General Operating Fund budget.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS (continued)					
4.4 General Capital Reserve	To fund new facilities and/or upgrades to existing facilities or buildings as well as general capital projects that are not specifically funded from other established reserves, including any associated debt repayments incurred as a result of borrowing for such projects.	<ul style="list-style-type: none"> Annual budget allocations from the general operating fund as provided for in the financial plan. 	\$2,500,000 20% of historical value of General Capital assets.	\$5,000,000 40% of historical value of General Capital assets.	The District will have to eventually replace all of its general fund assets at future undeterminable costs, and it needs to accumulate funds to do so. Other new assets may also need to be purchased.
4.5 Growing Communities Reserve Fund	To account for the growing Communities Fund Grant monies received from the Province of BC, which are to be used to pay for one-off infrastructure and amenity costs as detailed by the Province of BC.	<ul style="list-style-type: none"> Communities Fund Grant monies received from the Province of BC. 	N/A	N/A	All funds received from Province will be utilized for authorized projects.
4.6 Legal and Insurance Reserve	To pay for extraordinary and/or excessive legal and insurance costs (including associated deductibles) that cannot otherwise be paid for within existing legal and insurance budget allocations.	<ul style="list-style-type: none"> Annual budget allocations from the general operating fund, sewer operating fund, and/or water operating fund as provided for in the financial plan. 	\$100,000 Approximately 2 liability insurance claim deductibles, 1 property claim deductible plus 30% of the legal services budget.	\$200,000 Approximately 3 liability insurance claim deductibles, 2 property claim deductibles plus 50% of the legal services budget.	The District's exposure is related to the level of the liability and property insurance deductibles and historical claims as well as and the level of the legal budget.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS (continued)					
4.7 Parkland Infrastructure Reserve Fund	For the purchase and installation of parks related capital infrastructure including upgrades and replacements thereof.	<ul style="list-style-type: none"> Any budgeted or designated allocations from the general operating fund and interest allocations from the Parkland DCC Reserve 	To be determined	To be determined	Based on long-term plan for improvements.
4.8 Property Acquisition Reserve Fund	For the purchase of real property.	<ul style="list-style-type: none"> Any budgeted or designated allocations from the general operating fund. 	To be determined	To be determined	Based on planned acquisitions.
4.9 Transportation Infrastructure Reserve	For transportation infrastructure improvements, renewals and maintenance, including those related to roads, trails and pathways, as well as any associated debt repayments.	<ul style="list-style-type: none"> Any budgeted or designated allocations from the general operating fund. 	\$3,900,000 20% of historical value of Roads Infrastructure assets	\$5,850,000 30% of historical value of Roads Infrastructure assets	Need sufficient funds to pay for the ongoing replacement or rehabilitation of transportation infrastructure at future undeterminable costs.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established and/or Comments
NON-STATUTORY RESERVE FUNDS (continued)					
4.10 Vehicle and Equipment Reserve	To purchase municipal vehicles and equipment, including fire/rescue apparatus, including any associated debt repayments. The equipment purchases are related to those which are attached to or part of the fleet vehicles, and/or any capital equipment used in the public works and fire/rescue departments.	<ul style="list-style-type: none"> ▪ Any budgeted or designated allocations from the general operating fund. 	\$800,000 20% of historical value of Vehicle & Equipment assets	\$1,600,000 40% of historical value of Vehicle & Equipment assets	Need to fund vehicle, apparatus and equipment replacements without borrowing, as well as new units which will be added to fleet.
4.11 Sewer Capital Reserve	For sewer utility capital projects including sewer conveyance system projects, and any capital equipment/systems required for sewer operations, as well as any associated debt repayments.	<ul style="list-style-type: none"> ▪ Net revenue/expense transfer available from sewer operations after budgeted amounts transferred to sewer operating surplus and/or other reserves. 	\$3,400,000 20% of historical value of Sewer Infrastructure assets	\$5,100,000 30% of historical value of Sewer Infrastructure assets	Replacement of sewer capital assets at future undeterminable costs. Borrowing should be avoided for the replacement of existing sewer infrastructure.

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Reserve Fund(s)
NON-STATUTORY RESERVE FUNDS (continued)					
4.12 Water Capital Reserve	For water utility capital projects including water treatment, conveyance and storage projects, water distribution system projects and any capital equipment/systems required for water operations, as well as any associated debt repayments.	<ul style="list-style-type: none"> Net revenue/expense transfer available from water operations after any budgeted amounts transferred to water operating surplus and/or other reserves. 	\$3,600,000 20% of historical value of Water Infrastructure assets	\$5,400,000 30% of historical value of Water Infrastructure assets	Replacement of water capital assets at future undeterminable costs. Borrowing should be avoided for the replacement of existing water infrastructure.
4.13 Community Water Expansion Reserve Fund	For capital expenditures related to expansion or extension of water system.	<ul style="list-style-type: none"> Annual budgeted allocation from the water operating fund. 	To be determined	To be determined	Dependent upon planned water expansions.
4.14 Lantzville/ Nanaimo Agreement & Non-Agreement Connection Fees	Agreement portion: To buy into the Nanaimo water system. Non-Agreement portion – for water capital projects.	<ul style="list-style-type: none"> Water connection fees from those hooking up to the water system 	To be determined	To be determined	To be determined

Reserve Fund(s)	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established and/or Comments
STATUTORY RESERVE FUNDS					
5.1 Development Cost Charge (DCC) Reserves for: - Drainage DCC - Highway DCC - Parkland DCC - Sewer DCC - Water System DCC	Holding account(s) for levies from developers to be used for approved DCC program projects.	<ul style="list-style-type: none"> ▪ DCC collections and credits. 	N/A	N/A	Spending is dependent upon actual DCC collections and credits. Borrowing should be avoided for DCC projects.
5.2 Land Sale Reserve Fund	To acquire land and/or, improvements, or other assets of a capital nature.	<ul style="list-style-type: none"> ▪ Funds received from the sale of land and improvements. 	N/A	N/A	Acquisitions are ultimately dependent upon land/property sales.
5.3 Parkland Acquisition Reserve Fund	To purchase parkland pursuant to the requirements of the <i>Community Charter</i> .	<ul style="list-style-type: none"> ▪ Developer cash contributions as per the requirements under the <i>Local Government Act</i> cash-in-lieu option. 	N/A	N/A	Acquisitions are dependent upon collections.

Surplus Fund(s)	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established and/or Comments
UNRESTRICTED ACCUMULATED SURPLUSES					
6. Unrestricted General Operating Fund Accumulated Surplus	For working capital purposes within the general operating fund and for unforeseen general operating emergency expenditures.	<ul style="list-style-type: none"> Any excess general operating fund revenues (including property taxes) over expenditures and transfers at the end of each fiscal year. 	<p>\$1,600,000</p> <p>50% of general fund property tax revenue less regular non-property tax revenue (estimated at \$3.2 million).</p>	<p>\$2,400,000</p> <p>75% of general fund property tax revenue less regular non-property tax revenue (estimated at \$3.2 million).</p>	Need to fund operating expenses before collecting property taxes and other revenues, and in doing so avoid borrowing for general operations. Also need to provide a balance for general emergency expenses that could not be provided for through other general reserves.
6. Unrestricted Sewer Operating Fund Accumulated Surplus	For working capital purposes within the sewer operating fund and for unforeseen sewer operating emergency expenditures.	<ul style="list-style-type: none"> Any excess sewer operating fund revenues (including user fees) over expenditures and transfers (including capital transfers) at the end of each fiscal year. 	<p>\$500,000</p> <p>50% of 2 years of budgeted cash sewer operating expenses (estimated at \$1.0 million).</p>	<p>\$750,000</p> <p>75% of 2 years of budgeted cash sewer operating fund expenses (estimated at \$1.0 million).</p>	Need to avoid borrowing for sewer operations. Also need to provide a balance for sewer emergency expenses that could not be provided for through other sewer reserves.
6. Unrestricted Water Operating Fund Accumulated Surplus	For working capital purposes within the water operating fund and for unforeseen water operating emergency expenditures.	<ul style="list-style-type: none"> Any excess water operating fund revenues (including user fees) over expenditures and transfers (including capital transfers) at the end of each fiscal year. 	<p>\$700,000</p> <p>50% of 2 years of budgeted cash water operating expenses (estimated at \$1.4 million).</p>	<p>\$1,050,000</p> <p>75% of 2 years of budgeted cash water operating expenses (estimated at \$1.4 million).</p>	Need to avoid borrowing for water operations. Also need to provide a balance for water emergency expenses that could not be provided for through other water reserves.

Surplus Fund(s)	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Rationale for \$ Levels Established and/or Comments
RESTRICTED ACCUMULATED SURPLUSES (RESERVE ACCOUNTS)					
7.1 One-Time Projects Reserve Account	Funds in the One-Time Projects Reserve Account will be used for Council designated projects as approved by Council motions.	<ul style="list-style-type: none"> Any budgeted or designated allocations from the general operating fund. 	To be determined	To be determined	To be determined
7.2 Tax Stabilization Reserve Account	The Tax Stabilization Reserve Account shall be used to accumulate funds to offset the tax impacts associated with new services or programs such as policing.	<ul style="list-style-type: none"> Any budgeted or designated allocations from the general operating fund. 	To be determined	To be determined	To be determined