



CAPITAL REGION SOUTHWEST WATER SERVICES COMMISSION

Replaces: Reserve Policy approved March 18, 2021

Policy Name: 5 – Reserve

Related Bylaws and Policies: Bylaw 01/2021

Date Approved: Feb 8/24

Chairman: *[Signature]*

Commission Manager: *[Signature]*

Next Review Date: January 1, 2027

Policy Objective:

The purpose of this policy is to ensure the Commission is able to meet present and future obligations and promote long term fiscal sustainability.

Policy:

The following outlines the philosophy surrounding Capital Region Southwest Water Services Operating and Capital Reserves:

Definitions:

Operating Reserve – An internally restricted balance designated to stabilize the Commission’s operational financial requirements.

Capital Reserve - An internally restricted balance designated to fund expenditures that are capital in nature.

1) Operating Reserves

The operating reserves provide sustainable operating funds to ensure the Commission can provide adequate levels of service during unplanned and unforeseen events or conditions. They help reduce the impact of rate changes on members and can be set aside for specific future liabilities.

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The operating reserves held by the Commission are as follows:

- a) General Operations Reserve
 - i. Purpose: To fund one-time expenditures of an operating nature; subsidize unexpected expenditures; smooth the impact of financial changes; and assist in funding future specific liabilities.
 - ii. Guiding Principles: Annual budgeted transfer
- b) Rate Stabilization Reserve
 - I. Purpose: To manage and mitigate the impact of rates charged from year-to-year and to mitigate any large true-up requirement from EPCOR.
 - II. Guiding Principles: Annual budgeted transfer
- c) Emergency Operations Reserve
 - i. Purpose: To manage and mitigate the impact of extraordinary expenses incurred due to significant unplanned events that would otherwise impose significant financial demands on the current year's revenues.
 - ii. Guiding Principles: Balance will be replenished as required.

2) Capital Reserves:

Capital reserves are established to fund expenditures of a capital nature, including the replacement and upgrading of existing assets or the construction of new assets and infrastructure. These reserves are used to support the Commission's long-term capital planning.

The capital reserves held by the Commission are as follows:

- a) Equipment - General Capital Reserve
 - i. Purpose: To provide necessary funds for the scheduled repair, maintenance, and replacement of existing tangible capital assets.
 - ii. Guiding Principles: Annual budget transfer
- b) Future Water Capacity Reserve
 - i. Purpose: To provide necessary funds for future capital requirements as outlined in the Water Master Plan.
 - ii. Guiding Principles: Annual budget transfer as directed by the Water Master Plan

Responsibilities and Authorities:



The Capital Region Southwest Water Services Commission Board of Directors is responsible for the review and approval of this policy at the review date specified and every 4 years thereafter.

The Commission Manager is responsible for the development, implementation, monitoring, and adherence to this policy.