



# FINANCE

## RESERVE AND SURPLUS

FIN.42



### POLICY

*Date Policy Adopted: October 5, 2009*  
*Date Policy Amended: December 7, 2009*

*Council Resolution Number: RC09/656*  
*Council Resolution Number: RC09/781*

### TABLE OF CONTENTS

SECTION 1 - OBJECTIVES AND GUIDING PRINCIPLES .....	2
SECTION 2 - OPERATING AND CAPITAL RESERVE FUNDS.....	3
SECTION 3 - UNAPPROPRIATED SURPLUSES.....	6
SECTION 4 - STATUTORY RESERVE FUNDS.....	6
SECTION 5 - ADMINISTRATION.....	7
SECTION 6 - GLOSSARY.....	9
APPENDIX "A" - RESERVE/SURPLUS SUMMARY.....	11

## SECTION 1 - OBJECTIVES AND GUIDING PRINCIPLES

### 1.1 Objectives

The District's objectives in terms of its various reserves and surpluses are set out in this Reserve and Surplus Policy (Policy). By reaching a clear understanding of its reserve and surplus objectives, and by continually measuring progress towards achieving those objectives, the District can attain greater fiscal stability and prosperity.

### 1.2 Guiding Principles

The following principles form the basis for this Policy:

- 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;
- Actual reserve/surplus balances need to be benchmarked with other jurisdictions and with pre-determined targets on an ongoing basis to gauge whether financial health is being achieved;
- 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.

## SECTION 2 - OPERATING AND CAPITAL 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 for the purpose(s) so identified:

### 2.1 Financial Stabilization Reserve Fund

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

***For Major Emergent Operating Issues*** - the District is exposed to major non-reoccurring costs related to various emergency events or situations, e.g. inclement weather, environmental hazards, etc. These emergent situations cannot be anticipated and budgeted for 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 intermittent projects that are larger in terms of costs. If these projects were funded from property taxation, annual spikes and subsequent declines in taxation would result; 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 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 to declines in base revenues from year to year. One cannot always count on budgetary savings or other revenues to always offset these shortfalls.

### 2.2 Insurance Reserve Fund

The Insurance Reserve has been established to offset the cost of insurance claims and deductibles, the magnitude and timing of which is often indeterminable. The District's insurance exposure is in part due to the fact that the District maintains higher insurance deductibles and thus self-insures up to a pre-determined dollar amount, so as to reduce annual insurance premiums.

### 2.3 Legal Reserve Fund

The Legal Reserve has been established to offset the cost of major legal costs/claims, the magnitude and timing of which is often indeterminable.

### 2.4 Forestry Reserve Fund

The Forestry Reserve has been established to offset any operating losses that may occur in any given year within the District's forestry operations and to fund major one-time forestry related expenditures for equipment or other purposes. The forest industry can be cyclical in nature, and by setting aside these reserve funds, general taxation (or the taxpayers) is (are) not exposed to operating losses that may occur in the forestry area.

**2.5 Policing Reserve Fund**

A Policing Reserve has been established for special policing projects or expenditures. Major policing expenditures can come forward without any forewarning and it is often not possible to fund these projects via taxation or other reserves.

**2.6 Community Amenity Project Reserve Fund**

The Community Amenity Project Reserve has been established pursuant to Council policy LAN.40 - Financial Contributions for Community Amenities, to accumulate community amenity contributions that will be used to fund those community amenity projects listed within the LAN.40 policy.

**2.7 Vehicle and Equipment Reserve Fund**

The Vehicle and Equipment Reserve has been established to replace the municipal vehicles and equipment included in the District's fleet.

**2.8 Roads Capital Reserve Fund**

The Roads Capital Reserve has been established for capital roads projects, as the District has a major road network that needs be renewed on an ongoing basis.

**2.9 Gaming Reserve Fund**

The Gaming Reserve has been established pursuant to the District's Host Financial Assistance Agreement with the province to hold and expend gaming revenues as per the Agreement. These funds can be used for any municipal purpose.

**2.10 Community Works Gas Tax Reserve Fund**

The Community Works Gas Tax Reserve has been established to account for funds received and used pursuant to the Community Works Gas Tax Agreement. Funds in this reserve need to be used for projects allowed for under the Community Works Gas Tax Agreement.

**2.11 General Capital Project Reserve Fund**

The General Capital Reserve has been established to fund general capital projects that are not specifically funded from other established Reserves. Capital projects that will be funded from this reserve are budgeted within the District's long-term capital plan.

**2.12 General Debt Retirement Reserve Fund**

The General Debt Retirement Reserve has been established to accumulate funds that can be utilized for early retirement of general debt. The District can take advantage of early long-term debt retirement opportunities if it has sufficient funds available, thereby saving interest costs.

**2.13 Major Capital Reserve Fund**

The Major Capital Reserve Fund has been established to fund or partially fund large construction projects that have been designated as being major corporate project priorities by council.

**2.14 Information Systems Reserve Fund**

The Information Systems Reserve has been established for information system and technology projects including communications systems, which are capital in nature. Technology can change rapidly within the information systems area and often comes at a large cost. This reserve is needed to keep pace with technology and to take advantage of technological improvement/efficiency opportunities.

**2.15 Refuse Reserve Fund**

The Refuse Reserve has been established for capital landfill expansion and/or improvement projects.

**2.16 Sewer Capital Reserve Fund**

The Sewer Capital Reserve has been established for sewer utility capital projects including regional sewer treatment projects, non-regional sewer conveyance system projects and any capital equipment/systems required for sewer operations. This reserve will also be used for early retirement of sewer debt, as funds permit.

**2.17 Water Capital Reserve Fund**

The Water Capital Reserve Fund has been established for water utility capital projects including regional water treatment, conveyance and storage projects, non-regional water distribution system projects and any capital equipment/systems required for water operations. This reserve will also be used for early retirement of water debt, as funds permit.

**2.18 Cemetery Reserve Fund**

The Cemetery Reserve Fund has been established to provide funds for expansion of the Cemetery including any land acquisition that may be required. A portion of cemetery fees will be directed to this reserve.

## SECTION 3 - UNAPPROPRIATED SURPLUSES

The District needs to maintain Unappropriated Surplus balances in its three operating funds (the General Operating Fund, the Sewer Operating Fund, and the Water Operating Fund), for working capital purposes, i.e. to provide for operating expenditures before property taxes and/or user fees 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 Unappropriated Surplus balances, for unforeseen costs. When this occurs the District needs to rely upon sufficient balances being available in the applicable Unappropriated Surplus area (general operating, water or sewer).

## SECTION 4 - STATUTORY RESERVE FUNDS

If monies are received from specific sources, certain Reserve Funds must be established for administering these funds, as per specific legislation. These Reserve Funds are termed by the District to be Statutory Reserve Funds, and are as noted below.

### 4.1 Development Cost Charge (DCC) Reserve Funds

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:

- Highway Facilities (Mission Area) DCC
- Cedar Valley Highway Facilities DCC
- Cedar Valley Drainage DCC
- Cedar Valley Environmentally Sensitive Parkland Acquisition DCC
- Cedar Valley Environmentally Sensitive Parkland Development DCC
- Cedar Valley Sewer DCC
- Cedar Valley Sewer Local Improvement Area DCC
- Cedar Valley Water DCC
- Horne Street Overpass DCC
- Silver Creek Parkway Parkland DCC
- Silverdale Industrial Water DCC
- Silverdale Industrial Sewer DCC
- Regional Sewer Treatment DCC
- Regional Water Supply DCC

#### **4.2 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 has been established for accumulating and expending monies as per this requirement.

#### **4.3 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 for paying any debt remaining in relation to the property and for acquiring land, improvements and other assets of a capital nature. The Land Sale Reserve has been established for accumulating and expending monies as per this requirement.

#### **4.4 Cemetery Perpetual Care Reserve Fund**

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.

## **SECTION 5 - ADMINISTRATION**

#### **5.1 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.

#### **5.2 Minimum and Optimal Reserve Balances**

Minimum and optimal fund balance guidelines have been set for some of the District's Operating and Capital Reserves Funds, Unappropriated Surpluses and Statutory Reserve Funds as shown in attached Appendix "A". The purpose and source(s) of funding applicable to each Fund are also shown in this Appendix. The minimum balances ensure that the respective balances are not depleted to the degree that 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) and thus create idle assets that could be otherwise utilized for other corporate priorities. A formal comparative review of actual, minimum and optimal fund balances shall undertaken annually.

#### **5.3 Internal Borrowing**

Internal borrowing from specific Reserve Fund, Unappropriated Surplus and Statutory Reserve Fund balances 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 plan.

#### **5.4 Responsibilities**

The District's Financial Officer shall be responsible for:

- Recommending the necessary contributions and transfers so that the District's Operating/Capital Reserve Funds, Unappropriated Surpluses and Statutory Reserve Funds are maintained in accordance with this Policy;
- Conducting an annual review of all Operating/Capital Reserve Fund, Unappropriated Surplus and Statutory Reserve Fund balances including comparing actual levels with the established minimum and optimal levels within this Policy and with other jurisdiction benchmarks, 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.

#### **5.5 Interest**

Operating/Capital Reserves Funds and Statutory Reserve Funds shall be paid and allocated interest based on average annual balances and the District's average rate of return on investments.

#### **5.6 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. It is recognized that the District's fund balances are not at the minimum or optimal levels at the time of enacting this Policy, however, the District is transitioning towards its optimal targets.



## SECTION 6 - GLOSSARY

The following terms used in this Policy and are defined as follows:

- (1) **"Accumulated Surplus"** means the accumulated excess of revenues over expenditures from prior years which has not been set aside for specific purposes.
- (2) **"Annual Surplus"** means the accumulated excess of revenues over expenditures for the current year.
- (3) **"Reserve Funds"** means funds that are set aside for a specified purpose by council pursuant to subsection 188 (1) of the *Community Charter*. These reserves are established via District bylaws and are discretionary on the part of council.
- (4) **"Reserves"** means all of the District's Reserve Funds and Statutory Reserve Funds.
- (5) **"Statutory Reserve Funds"** means funds set aside for specified purposes as required by and pursuant to specific legislation. These Reserves are established via District bylaws and are non-discretionary on the part of Council.
- (6) **"Unappropriated Surplus"** means the accumulated surplus built up in the District's various operating funds that has not been designated for specific uses.

**District of Mission - Reserve and Surplus Policy  
Appendix "A" – Reserve/Surplus Summary**

<b>Fund(s)</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Dec. 31/08 Balance</b>	<b>Rationale for \$ Levels Established</b>
<b>RESERVE FUNDS</b>						
Community Amenity Reserve	To accumulate community amenity contributions for approved projects (see LAN. 40 policy).	<ul style="list-style-type: none"> <li>▪ Volunteered developer contributions from residential re-zonings.</li> </ul>	Sufficient balance to fund budgeted or planned Community Amenity projects.	Sufficient balance to fund budgeted or planned Community Amenity projects.	\$426,000	Community Amenity projects should not be budgeted if Community Amenity contribution projections indicate lack of available funding.
Forestry Reserve	To offset any operating losses that may occur in any given year within the District's forestry operations and/or for Forestry equipment purchases.	<ul style="list-style-type: none"> <li>▪ Any annual profit from forestry operations, over and above approved transfers to other reserves.</li> </ul>	\$1,000,000 (equivalent of worst annual operating loss X 2 plus \$100,000 for equipment, rounded to nearest \$100,000)	\$1,500,000 (equivalent of worst annual operating loss X 3 plus \$200,000 for equipment, rounded to nearest \$100,000)	\$755,000	The reserve needs to protect the taxpayer from possible operating losses over a period of industry downturn and provide for larger, non-recurring equipment purchases.
Policing Reserve	For special policing projects or expenditures.	<ul style="list-style-type: none"> <li>▪ Excess traffic fine sharing revenue not utilized within the annual policing operations.</li> <li>▪ Budget savings from policing and/or other budget areas when available and if approved for allocation.</li> </ul>	\$400,000 5% of RCMP contract expenditures rounded to the nearest higher \$100,000	\$800,000 10% of RCMP contract expenditures rounded to the nearest higher \$100,000	\$151,000	Unanticipated, major RCMP contract expenditures can arise at any time. These expenditures are a percentage of the RCMP contract budget.
Roads Capital Reserve	For roads capital and replacement projects.	<ul style="list-style-type: none"> <li>▪ Allocations from net soil removal revenues/expenses.</li> <li>▪ \$5.00 per tonne of refuse disposed of at the landfill site.</li> </ul>	\$500,000	\$1,500,000	\$488,000	Sufficient funds to pay for 2 major road repairs experienced in the past.

**District of Mission - Reserve and Surplus Policy**  
**Appendix "A" – Reserve/Surplus Summary**

<b>Fund(s)</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Dec. 31/08 Balance</b>	<b>Rationale for \$ Levels Established</b>
<b>RESERVE FUNDS (cont'd)</b>						
Gaming Reserve	Any municipal purpose pursuant to the District's Host Financial Assistance Agreement with the Province of BC.	<ul style="list-style-type: none"> <li>▪ Gaming funds received pursuant to the District's Host Financial Assistance Agreement with the Province of BC.</li> </ul>	N/A	N/A	\$560,000	Reserve level and related spending is dependent upon gaming funds received. The intent is to spend all funds received.
Community Works Gas Tax Reserve	To be used pursuant to the Community Works Gas Tax Agreement.	<ul style="list-style-type: none"> <li>▪ Federal Community Works Gas Tax funds distributed by the Union of BC Municipalities (UBCM).</li> </ul>	N/A	N/A	\$1,467,000	The intent is to spend all funds received, per our Community Works Gas Tax Agreement.
Insurance Reserve	To offset the cost of insurance claims and deductibles.	<ul style="list-style-type: none"> <li>▪ Annual budgeted allocations from general operating fund (property taxation), sewer operating fund, water operating fund, equipment operations, refuse operations and forestry operations.</li> </ul>	\$500,000	\$750,000	\$422,000	Two times and three times the major claims deductible amount of \$250,000 per incident.
Legal Reserve	To offset the cost of major legal costs/claims.	<ul style="list-style-type: none"> <li>▪ Annual budgeted allocations from general operating fund (property taxation), sewer operating fund, water operating fund, equipment operations, refuse operations and forestry operations.</li> </ul>	\$100,000	\$200,000	\$0	Approximately one times and two times the annual general legal budget.
General Capital Reserve	To fund general capital projects not specifically funded from other established Reserves.	<ul style="list-style-type: none"> <li>▪ Annual budgeted allocation from General Operating Fund (property taxation).</li> <li>▪ Share of any excess Forestry profit(s) when available and as provided</li> </ul>	\$6,000,000	\$15,500,000	\$2,262,000	Minimum: interest generated is funding 20% of on-going capital program. Optimum: interest generated is funding

**District of Mission - Reserve and Surplus Policy  
Appendix "A" – Reserve/Surplus Summary**

Fund(s)	Purpose	Funding Source(s)	Minimum \$ Level	Optimum \$ Level	Dec. 31/08 Balance	Rationale for \$ Levels Established
<b>RESERVE FUNDS (cont'd)</b>						
General Debt Retirement Reserve	To accumulate funds that can be utilized for early debt retirement.	<ul style="list-style-type: none"> <li>▪ Budgeted allocations from General Operating Fund (property taxation), based on savings from retired debt issues.</li> </ul>	N/A	N/A	\$0	Levels are omitted as dates and amounts related to the opportunity to pay out various debt issues vary by issue, and as this is a new reserve. Partial payouts can also be made.
Major Capital Reserve	To fund major high priority construction projects as designated by Council.	<ul style="list-style-type: none"> <li>▪ Annual budgeted allocations from General Operating Fund (property taxation).</li> </ul>	N/A	N/A	\$0	The intent is to use these funds for major capital projects as designated by Council, and to thus reduce borrowing for these projects. The minimal and optimal levels are dependent upon Council's priorities and the amount of debt the organization will incur.
Information Systems Reserve	For information systems and technology projects.	<ul style="list-style-type: none"> <li>▪ Annual budgeted allocations from general operating fund (property taxation), and sewer, water, equipment, refuse and forestry operations.</li> </ul>	\$110,000	\$220,000	\$241,000	Approximately 50% and 100% of average, annual information systems capital budget.
Refuse Reserve	For landfill expansion and/or improvement projects, environmental emergencies, as well as specially approved initiatives or projects	<ul style="list-style-type: none"> <li>▪ Net of revenues, expenditures/transfers in refuse area operations.</li> </ul>	\$500,000	Fully funded landfill capital plan.	\$2,692,000	Need to have sufficient balances to fund longer terms refuse capital program (see capital plan for details).Minimum

**District of Mission - Reserve and Surplus Policy  
Appendix "A" – Reserve/Surplus Summary**

	undertaken for waste clean-up, reduction, reuse or recycling.					based on having emergency balance in place.
<b>Fund(s)</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Dec. 31/08 Balance</b>	<b>Rationale for \$ Levels Established</b>
<b>RESERVE FUNDS (cont'd)</b>						
Financial Stabilization Reserve	For major emergent operating issues, one-time and intermittent projects, and to offset unrealized revenues.	<ul style="list-style-type: none"> <li>▪ Annual allocation from general operating budget as provided for in financial plan.</li> <li>▪ Share of any excess Forestry profit(s) when available and as provided for in financial plan.</li> <li>▪ Transfer of any development revenues over and above established base amounts, if and when available.</li> <li>▪ Other budgeted contributions from operations including any paybacks as a result of funds advanced for specific projects.</li> </ul>	\$450,000 1% of General Operating Fund revenues.	\$1,100,000 2.5% of General Operating Fund revenues.	\$715,000	Stabilization in part funds emergent issues and offset unrealized revenues which generally do not exceed a percentage of the General Operating Fund budget.
Vehicle and Equipment Reserve	To replace municipal vehicles and equipment included in the District's fleet.	<ul style="list-style-type: none"> <li>▪ Net of vehicle &amp; equipment charges recovered from various departments (usage rates) and vehicle/equipment operating expenditures</li> <li>▪ Proceeds from the sale of fleet vehicles and equipment</li> </ul>	\$1,000,000	Fully funded equipment capital plan.	\$2,445,000	Minium funds available to fund upcoming year of vehicle and equipment replacements and ability to fund all schedudule replacements internally without borrowing.

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Appendix "A" – Reserve/Surplus Summary**

<b>Fund(s)</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum \$ Level</b>	<b>Dec. 31/08 Balance</b>	<b>Rationale for \$ Levels Established</b>
<b>RESERVE FUNDS (cont'd)</b>						
Sewer Capital Reserve	For Sewer Utility capital projects including regional sewer treatment projects, non-regional sewer conveyance system projects, any sewer equipment that is not part of the fleet, and for sewer debt retirement.	<ul style="list-style-type: none"> <li>▪ Net revenue/expense transfer available from sewer operations less any budgeted amounts transferred to sewer operating surplus and/or other reserves.</li> </ul>	Fully funded sewer capital program, based on existing capital plan.	Fully funded sewer capital infrastructure replacement program, based on projected replacement costs for all assets.	\$6,090,000	Borrowing should be avoided for replacement of existing infrastructure.
Water Capital Reserve	For Water Utility capital projects including regional water treatment, conveyance and storage projects, non-regional water distribution system projects, any water equipment that is not part of the fleet and for water debt retirement.	<ul style="list-style-type: none"> <li>▪ Net revenue/expense transfer available from water operations less any budgeted amounts transferred to water operating surplus and/or other reserves.</li> </ul>	Fully funded water capital program, based on existing capital plan.	Fully funded sewer capital infrastructure replacement program, based on projected replacement costs for all assets.	\$2,221,000	Borrowing should be avoided for replacement of existing infrastructure.
Cemetery Reserve Fund	For cemetery expansion including any land aquisition	<ul style="list-style-type: none"> <li>▪ A portion of cemetery fees.</li> </ul>	Fully funded cemetery expansion plan.	Fully funded cemetery expansion plan.	\$0	Expansion needs to be funded without debt.

**District of Mission - Reserve and Surplus Policy**  
**Appendix "A" – Reserve/Surplus Summary**

<b>STATUTORY RESERVE FUNDS</b>						
<b>Fund(s)</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum Target \$ Level</b>	<b>Dec. 31/08 Balance</b>	<b>Rationale for \$ Levels Established</b>
Cemetery Perpetual Care Reserve	Funds to provide for perpetual care of cemetery after closure.	<ul style="list-style-type: none"> <li>▪ Care fund contributions as per bylaw.</li> </ul>	N/A	Adequate balance to provide for perpetual care of the cemetery after closure.	\$663,000	Requirement is legislated.
Development Cost Charge (DCC) Reserves	Holding account(s) for levies from developers to be used for approved DCC programs/projects.	<ul style="list-style-type: none"> <li>▪ DCC collections and credits.</li> </ul>	N/A	N/A	\$5,522,000	Spending is dependent upon actual DCC collection and credits.
Land Sale Reserve	To acquire land, improvements and other assets of a capital nature.	<ul style="list-style-type: none"> <li>▪ Funds received from the sale of land and improvements.</li> </ul>	N/A	Adequate balance to fund strategic land acquisitions, per the long-term capital plan.	\$120,000	Acquisitions are dependent upon land/property sales.
Neighbourhood Parkland Acquisition Reserve	To purchase neighbourhood parkland as allowed for under the <i>Local Government Act</i> .	<ul style="list-style-type: none"> <li>▪ Developer cash contributions as per the requirement under the <i>Local Government Act</i> cash-in-lieu option.</li> </ul>	N/A	Adequate balance to fund parkland acquisitions, per the long-term capital plan.	\$1,714,000	Acquisitions are dependent upon collections.

**District of Mission - Reserve and Surplus Policy**  
**Appendix "A" – Reserve/Surplus Summary**

<b>UNAPPROPRIATED SURPLUSES</b>						
<b>Fund(s)</b>	<b>Purpose</b>	<b>Funding Source(s)</b>	<b>Minimum \$ Level</b>	<b>Optimum Target \$ Level</b>	<b>Dec. 31/08 Balance</b>	<b>Rationale for \$ Levels Established</b>
General Operating	For working capital purposes within the general operating fund and for unforeseen general operating emergency expenditures.	<ul style="list-style-type: none"> <li>▪ Any excess general operating fund revenues (including property taxes) over expenditures and transfers at the end of each fiscal year.</li> </ul>	\$3,600,000	\$7,300,000	\$2,195,000	Minimum: one month of general fund operating expenditures. Optimum: two months of general fund operating expenditures.
Sewer Operating	For working capital purposes within the sewer operating fund and for unforeseen sewer operating emergency expenditures.	<ul style="list-style-type: none"> <li>▪ Any excess sewer operating fund revenues (including user fees) over expenditures and transfers (including capital transfers) at the end of each fiscal year.</li> </ul>	\$600,000	\$1,200,000	\$698,000	Minimum: two months of sewer fund operating expenditures. Optimum: four months of sewer fund operating expenditures.
Water Operating	For working capital purposes within the water operating fund and for unforeseen water operating emergency expenditures.	<ul style="list-style-type: none"> <li>▪ Any excess water operating fund revenues (including user fees) over expenditures and transfers (including capital transfers) at the end of each fiscal year.</li> </ul>	\$690,000	\$1,380,000	\$830,000	Minimum: two months of sewer fund operating expenditures. Optimum: four months of sewer fund operating expenditures.