

STEGE SANITARY DISTRICT

Reserve Fund Policy

July 2015

The approved policy of the Board is for the Reserve Fund to consist of an Operating Reserve and a Capital Reserve.

The Operating Reserve shall be equal to 60% of operating and maintenance costs. This level of funding adjusts annually to equal the District's actual costs from May to December, reflecting the lag in the collection of sewer service charges from the County tax roll.

The Capital Reserve shall be a 3-year average of the annual capital cost (i.e. average of the previous, current, and future year capital cost) plus the annual debt service cost. The goal is to ensure that the District will have adequate funds available on an annual basis to conduct sewer pipeline replacements or in case of an emergency such as an earthquake.