

STEGE SANITARY DISTRICT

Working Capital and Reserve Fund Policy

June 2022

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

The Operating Working Capital shall be equal to 60% of operating and maintenance costs. This level of funding adjusts annually to equal the District's actual costs from April 15 to December 15, reflecting the lag in the collection of sewer service charges from the County property tax roll.

The Capital Improvement Working Capital 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 or natural disaster such as an earthquake.

The Capital Reserve is a reserve, or set-aside, established in 2019 that will be accumulated over time and used every five to ten years for major improvements. Annual funding of \$45,000 will accumulate \$225,000 (plus interest earnings) over five years, which could fund retrofits of the Administration Building such as HVAC improvements, roof repairs, repaving the parking lot, etc. This reserve could also provide funding following a natural disaster such as a fire or earthquake.