
Municipality of Cumberland Policy 02-01
Annual Capital Reserve Allocations Policy

This policy shall apply to all wastewater infrastructure owned and/ or operated by the Municipality of Cumberland County.

1. Major components will be identified for each system owned and operated by the Municipality of Cumberland County.
2. Approximate quantities of each component identified will be established.
3. Life expectancy and current per unit replacement cost will be estimated for each component.
4. A 50% capital cost recovery from senior levels of government will be projected for all components with life expectancies of 50years or greater.
5. Current overall replacement cost for each major component will be calculated by multiplying the approximate quantities by the current per unit replacement cost and by the 50% capital cost recovery where applicable.
6. The standard rate of return on investment will be projected at 1.5% net of inflation.
7. The annual reserve allocation required for future replacement of each component shall be calculated based on the current replacement value, the life expectancy of the component and the standard rate of return. The amount of the annual allocation may be recalculated periodically if the replacement cost changes.
8. The annual reserve allocation for each system will be the sum of the allocations for all components in the system.

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9. Where an annual reserve allocation, in the opinion of Council, imparts an undue financial burden on system users, reserve allocations for some components may be deferred if the following conditions are met:
- a. the components have been constructed or substantially upgraded within the previous 20 years; and
 - b. the components have a life expectancy of 50 years or greater.

<u>Clerk's Annotation For Official Policy Book</u>	
Date of Notice to Council Members of Intent to Consider [7 days minimum]: _____	
Date of Passage of Current Policy: _____ June 19, 2002	
I certify that this Policy was adopted by Council as indicated above.	
_____	_____
Clerk	Date