



# TOWN POLICY

## COUNCIL POLICY: Reserves Policy

**POLICY NUMBER: R-40**

**RESOLUTION NUMBER: 16-4**

**ADOPTED: January 12, 2016**

### The purpose of this policy is to:

Establish guidelines for the management of existing reserves and the establishment of new reserves. Managing reserves is a prudent business practice that will enhance the Town's cash flow management, ability to provide for future operating and capital requirements, and ability to maintain a more consistent mill rate and user rates when faced with unexpected or non-recurring expenses.

### General Guidelines

- 1) A reserves listing as of December 31<sup>st</sup> of each year is to be presented to Council for approval upon completion of the annual audit. Council should determine if the reserves are still required. When the original intent of the reserve has been met or changed, any remaining reserve funds should be either reallocated to another reserve fund or brought back into budget.
  - (a) The reserves listing may include different classes of reserves. In the reserves listing,
    - i. "Budget Carry-over" means reserve funds from budgeted items from previous year(s) that are either incomplete or not yet started.
    - ii. "Capital reserves" means reserves generally established to fund expenditures of a capital nature, as defined by Policy #T/6-2 – Tangible Capital Assets.
    - iii. "Contingency for unexpected expenditures" are reserve funds intended to fund unforeseen and unexpected operating expenditures.
    - iv. "Scheduled Non-annualized Operating Expenditures" are reserve funds for operating expenditures that do not occur on an annual basis but that can be anticipated and scheduled. For example, the Town typically does not bring in a gravel crusher every year because there isn't enough aggregate each year to warrant it, but every two to three years this is required and so we want to reserve an even amount each year to add to this fund.
- 2) All reserves must be described including the purpose for which the reserve is intended. Unless otherwise stated, all funds are considered committed for the specified purpose.
- 3) All expenditures and reallocations of reserves must have prior approval, whether through the approved budget or through special CAO or Council approval.
  - (a) Approval of non-budgeted expenditures of reserve funds must be obtained from:
    - i. The CAO for any projects requiring reserve funding totaling \$20,000 or less;
    - ii. Council for any projects requiring reserve funding totaling more than \$20,000.
  - (b) Approval to reallocate reserve funds must be obtained prior to the transaction occurring from:



