



TOWN POLICY

COUNCIL POLICY: Reserves Policy

POLICY NUMBER: R-40

RESOLUTION NUMBER: 16-4

ADOPTED: January 12, 2016

UP FOR REVIEW: February 4, 2030

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 31st 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.





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- (b) Approval to reallocate reserve funds must be obtained prior to the transaction occurring from:

 - i. The CAO for reallocations of \$20,000 or less;
 - ii. Council for reallocations of more than \$20,000.
- (c) When 3(a)(i) or 3(b)(i) above are utilized, the CAO is required to inform Council at the next Council meeting.
- 4) Expenditures from reserves must not exceed the reserve balance unless it can be demonstrated to Council through financial cash flow projections that future sources of revenues will provide adequate funding to return the reserve to a positive balance.
- 5) Corporate Services is responsible for developing accounting procedures for reserve transactions and to provide guidance to Departments in complying with the intent of the policy. Corporate Services is the resource available for consultation on any points requiring clarification.
- 6) As a general rule:

 - (a) Previously budgeted but incomplete projects for which funding has been carried over through reserves should be completed or started in the next budget year; consequently all of the carry-over reserve funds should typically be brought into the next budget to fund those projects.
 - (b) Off-site levies, off-site cost recoveries and net proceeds from land sales should be added to land reserves.
 - (c) Investment earnings from the Town's reserve portfolio should be reserved.
 - (d) An amount should be committed each year in budget to establish a contingency fund for unexpected operating expenses. It is the Town's intention to leave unspent amounts in this fund and continue adding to it each year until it reaches \$50,000.
 - (e) An amount should be committed each year in budget to establish a contingency fund for unexpected capital expenses. It is the Town's intention to leave unspent amounts in this fund and continue adding to it each year until it reaches \$100,000.

