FINANCE

Policy 5-005: Reserve Policy

Approval Date: January 13, 2020
Approval Authority: Council, By-Law 2020-008
Effective Date: January 13, 2020

Next Scheduled Review Year:
Department: Finance
Last reviewed: January 13, 2020
Revision Date/s: May 8, 2017 (By-Law 4107)
Schedules:
Schedule A: List of Reserves
Schedule B: List of Obligatory Reserves
Schedule C: Trust Fund Policy

Policy Statement:
A Policy governing the management and administration of reserves and reserve funds.

Purpose:
The purpose of this policy is to establish consistent principles, standards and guidelines for the maintenance, management and accounting of reserves and reserve funds.
The primary purpose for reserves and reserve funds is:

- Adherence to statutory requirements;
- Promotion of financial stability and flexibility;
- Provision for major capital expenditures;
- Smooth expenditures which would otherwise cause fluctuation in the operating budget; and
- To take advantage of financial opportunities that may arise.

Scope:
The Municipal Act, 2001, section 290 provides that a municipality’s budget shall set out amounts to be paid into and out of reserves. A municipality may establish reserve funds for any purpose for which it has authority to spend money.

Definitions:
“Reserves” are a provision or amount that is designated for a future purpose and are established by approval of Council and are not restricted by legislation. They can be related to projects that are of a nature prescribed and managed by approval of Council. Examples include the Airport Reserve or IT Reserve. Reserves receive an annual interest allocation.

"Reserve Funds" are restricted by municipal by-laws or agreements and receive an annual interest allocation based on the average annual balance. The Town has two
classifications of Reserve Funds, Obligatory Reserve Funds and Discretionary Reserve Funds.

“Obligatory Reserve Funds” are restricted by legislation, by-laws or agreements. Some of the Obligatory Reserve Funds are the Development Charge Fund, the Gas Tax Fund and the Building Permit Reserve Fund.

“Discretionary Reserve Funds” have been created for a specific purpose by Council. Examples include Capital Infrastructure Reserve, Parking Reserve and Lake Lisgar Revitalization.

Implementation Procedure:

1. Objectives
   1.1. To establish reserves as approved by Council for:
      i. Future capital expenditures
      ii. Operating projects and surpluses
      iii. Sale of fixed assets or land
      iv. Unexpected or unplanned events
      v. The reduction of debt financing
      vi. Or any other purpose that Council designates that would otherwise cause fluctuations in the operating or capital budgets.
   1.2. To establish reserve funds through the adoption of a by-law for specific purposes as approved by Council.
   1.3. All reserves held in cash will be held in a separate bank account.

2. Accountability
   2.1. The Director of Finance or his/ her designate shall maintain accountability on behalf of Council relating to the administration of reserves, including the process to transfer to and from reserves once approved by Council and the allocation of interest.
   2.2. Staff provides recommendations on the transfer of funds.

3. Prescribed Council Authority
   3.1. Establish new reserves;
   3.2. Close existing reserves;
   3.3. Amalgamate reserves;
   3.4. Transfer funds to and from reserves via the approved annual budget;
   3.5. Transfer funds to and from reserves through Council resolution not addressed through the budget process.

4. Reporting
   4.1. Annually, as part of the budget process, staff will prepare an update on all of the reserve and reserve funds. Each fund will have a policy statement, source of revenue an expenses, recommended target levels, the year-end balance and any other pertinent data. The budget will provide any balances and show a summary of revenues and expenses. In addition, the balances of the reserve and reserve funds are provided in the Town’s audited financial statements.
5. Approved Reserves and Trust Funds
   5.1. Schedule A attached lists all of the Reserve Funds, Schedule B the Obligatory Reserve Funds and Schedule C the list of Trust Funds. These schedules will be reviewed annually and the schedules modified with new, amalgamated or closed reserves.
Schedule A: List of Reserves

Airport Reserve
Asset Management Funding Reserve
Cemetery Reserve
Council Reserve
Development Remediation Reserve
Downtown Parking Reserve
Economic Development Reserve
Election Reserve
Engineering Reserve
Facility Infrastructure Reserve
Fire Department Equipment Reserve
Fire Department Labour Reserve
Fleet and Equipment Reserve
Insurance Reserve
IT Equipment Reserve
Linear Infrastructure Reserve
Physician Recruitment Reserve
Police Reserve
Police Services Board Reserve
Recreation Culture and Parks Reserve
Tax Rate Stabilization Reserve
Transit Reserve
Waste Management Reserve
Winter Maintenance Reserve
Schedule B: List of Obligatory Reserves

Building Fee Reserve
Development Charge Reserves
Gas Tax Rebate Reserve

Schedule C: Trust Fund Policy

Annandale House Trust
Cemetery Maintenance Trust
Cemetery Perpetual Care Trust
Cemetery Prepaid Trust
Community Trust
Lake Lisgar Revitalization Trust
Parkland Trust
Scholarship Trust
J.L. Scott McLean Trust