




---

## RESERVE POLICY

---

**WHEREAS** Council has an obligation to maintain reserves at an appropriate level to ensure future liabilities can be met, capital assets and infrastructure are properly maintained or replaced, and to provide sufficient financial flexibility to respond to economic cycles or unanticipated financial requirements;

**AND WHEREAS** the sustainability of the Municipality's programs and the future replacement of assets and infrastructure requires planned contributions to reserves in the annual budget to achieve appropriate levels of reserves;

**NOW THEREFORE** Council hereby approves the following policy with respect to reserves:

	<b>Stabilization Reserves</b>	<b>Program Specific Reserves</b>	<b>Capital Reserves</b>
<b>Definition</b>	Established to prevent significant fluctuations in the general tax levy and to help the Municipality manage its cash flows by providing a source of funding to offset extraordinary and unforeseen expenditure requirements, one time	Established in response to a need for funding of specific programs.	Established to assist in financing the capital program. As new capital assets are acquired the reserve should increase to assist in planning for future replacement in order to reduce reliance on long term financing.

	expenditures, revenue shortfalls and to provide for various contingent and potential future liabilities.		
<b>Funding Sources</b>	Shall be funded from annual operating surpluses. Year end operating deficits shall be funded from the stabilization reserve.	Shall be funded from operations provided there is a financial plan supporting the need for the reserve. A review shall be conducted annually to ensure adequate funding exists to sustain the program to which the reserve relates. At the conclusion of the program or if the program is not proceeding, the reserve shall be closed and any balance shall be transferred to the stabilization reserves.	Shall be funded through: <ul style="list-style-type: none"> <li>a. Calculated annual contributions from the operating budget based on capital replacement, rehabilitation costs and lifecycle costs. As a minimum this amount should be equal to the annual depreciation amount calculated on the Municipality's assets.</li> <li>b. Net proceeds from the sale of assets and</li> <li>c. Unspent capital in any given year provided the Municipality is in a surplus position.</li> </ul>
<b>Target Levels</b>	Target level is 15% of tax revenues. Once the stabilization reserve level is met, the operating surplus shall be transferred to capital reserves.	Not applicable	The target level for the capital reserves shall be calculated based on the replacement value of the inventory of the Municipality's capital assets taking into consideration the condition of the assets, their useful life and their anticipated disposal value.

<b>Uses</b>	Shall only be used for extraordinary type expenditures including previous years' operating deficits and one time expenditures as approved by Council.	Shall only be used for the program the reserve was set aside for.	Shall only be used to fund the replacement and rehabilitation of the Municipality's assets.

### **REVIEW**

This policy shall be reviewed every five (5) years or as Council deems appropriate.