

RESERVE POLICY

1. PURPOSE

The purpose of this Policy is to support decisions relating to long-range financial planning for operations and capital projects in order to minimize both debt servicing costs and significant annual budget impacts by allocating costs over a number of years through the use of reserves and reserve funds.

This Policy will be used to:

- Establish reserves and reserve funds for planned future capital expenditures, unexpected or unpredicted events, or extraordinary expenditures which would otherwise cause fluctuations in the operating or capital budgets.
- Manage reserves, reserve funds, and deferred revenue in a responsible manner.
- Use reserves, reserve funds, and deferred revenue solely for the purpose determined by Council.

2. LEGISLATION

Under the *Municipal Government Act, Section 99*, the only reserve fund required is a Capital Reserve Fund. Council can maintain other reserve funds as it determines necessary.

3. DEFINITIONS

For the purposes of this Policy, the following definitions are provided:

- a. "CAO" refers to the Chief Administrative Officer of the Municipality.
- b. "Council" refers to the Council of the Municipality.
- c. "Councillor" refers to a Council member and includes the Mayor and Deputy Mayor unless the context indicates otherwise.
- d. "Deferred Revenue" refers to revenue that is considered a liability on the Municipality's financial statements until, over time, it becomes relevant to current operations, such as a prepayment received for a service that has not yet been provided. Deferred revenue is set aside in an obligatory reserve fund for a specific purpose by legislation, regulation, or agreement. Development charges and Federal and Provincial gasoline tax are examples of deferred revenue.

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- e. "MGA" refers to the *Municipal Government Act*.
- f. "Municipality" refers to the West Hants Regional Municipality.
- g. "Reserve" refers to an allocation from net revenue at the discretion of Council, after the provision for all known expenditures, and is authorized under the provisions set out in the *MGA Section 99*.
- h. "Reserve Fund" refers to a fund with assets which are segregated and restricted to meet the purpose of the reserve fund. It is based on a statutory requirement or defined liability payable in the future and is usually prescriptive as to the basis for collection and use of monies in the fund.

4. APPLICATION

- a. Reserves and reserve funds will be created by specific motions of Council or as part of other motions, such as those for development charges or annual budgets.
- b. All reserve and reserve fund transactions will be transparent with amounts to be placed in the reserves and reserve funds included in the annual budget approved by Council.
- c. Reserves and reserve funds will be invested in accordance with RCOFN-005.01 - Investment Policy.
- d. Any change to the purpose of a reserve or reserve fund must be permitted by *MGA, Section 99* and approved by a motion of Council or through the annual budget process.
- e. Prior to creating a new reserve or reserve fund, the option of adding an incremental contribution to an existing reserve or reserve fund of a similar nature will be considered.
- f. Transfers to or from reserves or reserve funds will, from time to time, be allowed, as prescribed by the *MGA, Section 99, Subsection 4*.
- g. Contributions from reserves or reserve funds to capital or operating accounts will occur annually or upon completion of a project.
 - Contributions to capital or operating accounts will not occur if the transfer would put the reserve or reserve fund into a negative balance.
 - Should this be the case, inter-fund borrowing will be investigated as a funding source.

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- Inter-fund borrowing may only occur when an analysis of the reserve has determined that excess funds are available and the use of the of those funds will not adversely affect the intended purpose of the reserve.
 - Prescribed terms of repayment must be defined, and the amounts borrowed must be repaid with interest at a rate not less than the interest rate the Municipality would pay to borrow the funds for a similar term from another source.
- h. All unallocated surplus funds will be allocated to a reserve within any financial year.

5. ROLES AND RESPONSIBILITIES

The Financial Services Department will be responsible for:

- Monitoring the status of reserves and reserve funds,
- Determining the appropriate source of financing for the Municipality's programs and capital works, and
- Making recommendations to Council through the CAO on the use of reserves and reserve funds.

6. OPERATING RESERVES AND RESERVE FUNDS

Operating reserve and reserve fund will be at least 10% of the annual operating revenue. Additionally, these reserve and reserve funds will receive funds from any unallocated surplus funds in each fiscal year.

Council will determine annual contribution for any specific operating reserves, outside of the general operating reserve.

7. CAPITAL RESERVES AND RESERVE FUNDS***Building Reserves and Reserve Funds***

- This reserve will provide funds for updates and new construction for any buildings owned by the Municipality.
- This reserve will receive an annual contribution of 2% of the total asset value of the buildings owned by the Municipality.

Road Infrastructure Reserves and Reserve Funds

- This reserve will provide funds for future road infrastructure projects.

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- This reserve will receive an annual contribution of 8% of the total asset value of all road infrastructure owned by the Municipality.

Vehicle Reserves and Reserve Funds

- This reserve will provide funds for vehicle upgrades and replacements.
- This reserve will receive an annual contribution of 4% of the total asset value of all Municipal vehicles.

Equipment Reserves and Reserve Funds

- This reserve will provide funds for any equipment not required to be registered under the Motor Vehicles Act.
- This reserve will receive an annual contribution of 4% of the total asset value of all Municipal equipment.

Fire Asset Reserves and Reserve Funds

- This reserve will provide funds for required fire-fighting equipment, including fire vehicles.
- This reserve will receive an annual contribution of 2% of the total asset value of all fire assets.
- This reserve will receive any proceeds from the sale of fire-fighting equipment or insurance proceeds.

8. REVIEW

This Policy will be reviewed at the beginning of each new term of Council.

9. REPEAL

The Reserve Policy, COUNCIL 01-005 dated March 10, 2015 of the former Municipality of the District of West Hants is hereby repealed.

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I, Rhonda Brown, Municipal Clerk of the West Hants Regional Municipality, the Province of Nova Scotia, do hereby certify that this is a true copy of the Policy as adopted by the Council of the West Hants Regional Municipality at a meeting duly called and held on the **28th** day of **July, 2020**.



R. N. Brown
Municipal Clerk

<i>Adoption</i>	
<i>Notice to Council:</i>	July 14, 2020
<i>Approval:</i>	July 28, 2020
<i>Description:</i> Initial approval of Reserve Policy, RCOFN-010.00.	