
TOWN OF BRIDGEWATER
POLICY

OPERATING RESERVE FUND

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| Policy No. | 107 |
| Approved: | January 24, 2022 |
| Resolution #: | 22-023 |

Purpose

1. Planning today and saving incrementally for unexpected future events will help mitigate the financial impact of major, non-recurring or unforeseen expenditures on the Town's annual operating budget, as well as take advantage of unexpected opportunities to leverage external funding programs.
2. The Town of Bridgewater is committed to establishing and maintaining an Operating Reserve Fund under the Town's Reserve Fund Policy #21.
3. The target level of Operating Reserve Fund will be at least twenty per cent (20%) of regular general fund operating expenses.

Objectives

4. The purpose of maintaining adequate levels in the Operating Reserve Fund is to mitigate current and future risks and to ensure stable tax rates. Operating reserves are a significant consideration in long-term financial planning and management.
5. In addition, Operating Reserve Funds will provide the Town with a budgetary option that can help mitigate the need to cut services or to raise taxes.

Principles

6. The minimum target for the Operating Reserve Fund balance will be approximately 20% of the Town's general operating expenditures.
7. The annual General Operating Fund surplus will be transferred to the Operating Reserve Fund as Unrestricted unless otherwise determined by Council.

8. Any Restricted Fund within the Operating Reserve Fund created by the Town will have their purpose clearly defined in a Reserve Business Case. The Business Case must also include the source and application of funds, the expected timeline and any appropriate maximum amount, and projected annual contributions, withdrawals, and balances as required in Reserve Fund Policy #21.
9. All reserve fund transactions should be transparent to the public. Amounts to be placed in the Operating Reserve Fund should be included in the annual budget or by resolution of council.
10. The Operating Reserve Fund may be invested at a financial institution. Investments will be subject to the Town's Investment Policy (#108).
11. It is intended that Council can revisit this policy in the future to amend the minimum balances as required.

Uses

12. The Operating Reserve Fund may be used to smooth significant fluctuations in operating expenditures and/or revenue loss which cannot be anticipated and are beyond the control of the Town. Council can use the fund for both operating and capital purposes
13. Council may apply funds from the Operating Reserve Fund in the normal course of operations, but maintain the minimum approved balance, as follows:
 - a. Applied in the Annual Operating Budget.
 - b. Applied in the Annual Capital Budget.
 - c. Applied to other funds as part Operating Reserve Fund Budget.
 - d. Applied as an approval of Council by resolution to apply funds after approval of the Annual Operating Budget.
14. Council may apply funds from the Operating Reserve Fund which lowers the fund balance below the minimum approved balance, in an emergency situation, such as the following:
 - a. A protective services emergency, such as a flood condition, snow situation etc.

- b. A required property purchase under an agreement.
 - c. A transfer of service/costs to the Town that could not be reasonably budgeted or foreseen.
 - d. A required payment under existing legislation that could not be foreseen, such as pension funding liability.
 - e. An emergency requiring repairs to a Town asset or to an asset supported by the Town.
 - f. A major revenue shortfall that could not be predicted.
15. The assumption under these situations is that there is no other funding source available, or other sources are ruled out. This also assumes that a review of the existing budget to take cost cutting measures in other areas will not have sufficient impact to mitigate the costs of an emergency situation.
16. In order to bring the Operating Reserve Fund back to the minimum balance, the amount of the shortfall is to be considered in the draft budget for the following fiscal year. During budget deliberations, Council can approve, amend or develop a phase in approach to balance the Reserve over a number of fiscal periods, if applicable.

Interest Earned

17. Interest earned by the operating reserve fund must also remain in that fund unless there is a special resolution of council which allows the interest to be taken into the general operating fund or as approved in the general operating and reserve fund budgets as approved by council.

Application

18. This policy applies to the Operating Reserve Fund of the Town of Bridgewater.

Repeal

Policies A, B & C are hereby repealed.

- A. Waste Water Reserve Policy #95
- B. Reserve for Liability Claims Policy #83
- C. Snow Clearing Reserves Policy #76