



Reserves Policy

Purpose

The purpose of this policy is to:

1. set out consistent standards and guidelines for the establishment, management, and accounting of reserves and reserve funds;
 2. provide for unanticipated fluctuations in operating and capital activities;
 3. set aside funds for the replacement of existing equipment and facilities, as well as for future projects;
 4. provide for future operating and capital requirements, and
 5. inform decisions relating to long-term financial planning in order to minimize debt servicing costs.
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Establishment and Management of Reserves

The establishment of, contributions to, withdrawals from and closure of an operating or capital reserve shall be approved by the Council of the Village of Fundy-St. Martins through resolution or by-law in accordance with the Local Governance Act and/or the Community Planning Act as follows:

1. General Operating Reserve Fund
 - a. A municipality may, by resolution, establish, manage and contribute to a general operating reserve fund for the payment of operating expenses.
 - b. The amount held in a general operating reserve fund shall not exceed five percent of the total expenditure that was budgeted for the municipality for the previous fiscal year.
 - c. Money held in a general operating reserve fund shall be used for no purpose other than the payment of operating expenses.
 - d. Every resolution respecting a contribution made to or a withdrawal from a general operating reserve fund in respect of a calendar year shall be made by December 31 of that calendar year and shall specify the dollar amount to the general operating reserve fund.

2. General Capital Reserve Fund
 - a. A municipality may by resolution establish, manage, and contribute to a general capital reserve fund for the payment of capital expenses.
 - b. Money held in a general capital reserve fund shall be used for no purpose other than the payment of capital expenses.
 - c. Every resolution in respect of a calendar year shall be made by December 31 of that calendar year and shall specify the dollar amount contributed to the general capital reserve fund.

 3. Utility Operating Reserve Fund
 - a. This fund balance cannot exceed 5% of the previous year's total utility operating budget.
 - b. Money held in a Utility Operating Reserve can only be used towards general operating expenses of the service or utility
 - c. Every resolution respecting a contribution made to or a withdrawal from a general operating reserve fund in respect of a calendar year shall be made by December 31 of that calendar year and shall specify the dollar amount to the general operating reserve fund.

 4. Utility Capital Reserve Fund
 - a. Money held in a Utility Capital Reserve can solely be used for Utility Fund capital expenses incurred by the municipality.
 - b. Every resolution in respect of a calendar year shall be made by December 31 of that calendar year and shall specify the dollar amount contributed to the general capital reserve fund.

 5. Land Reserve Fund
 - a. Per the Community Planning Act, funds received from the sale of land held for public purposes or cash in lieu from developers are to be paid into a special account, and the money in that account is to be used by City Council to acquire or develop land for public purposes.
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Adequacy of Reserves

1. The adequacy of individual reserves shall be determined on a case-by-case basis and aligned with municipality's long-term financial planning.
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Funding Reserves

1. Reserve funds will generally come from:
 - a. The excess of revenues over expenditures and one-time revenues; and

- b. Planned/budgeted amounts for reserves.

Investment of Reserve Funds

- 1. Any money, including interest, within an operating reserve fund or a capital reserve fund shall be invested in accordance with the Trustees Act
- 2. Any investment of reserve funds shall comply with the Trustees Act.

Temporary Borrowing from Reserves

- 1. Temporary borrowing from reserves for short term cash flow management and internal financing is permitted, however the following conditions must be met:
 - a. Borrowing must not adversely affect the intended purpose of the reserve;
 - b. A plan to repay the reserve within a reasonable timeframe is required and must be documented; and
 - c. Borrowing must be approved by a Resolution of Council.

Annual Reporting

- 1. The annual reporting of the Operating and Capital Reserve Funds shall be in accordance with the Local Governance Reserve Fund Regulation and the Community Planning Act.

Responsibilities

- 1. Council shall:
 - a. Approve the Reserves Policy; and
 - b. Approve transactions to and from reserves by specific resolution.
- 2. The CAO shall:
 - a. Ensure compliance with the principles and mandatory requirements contained in this policy.
 - b. Develop and update this policy as necessary and present change to Council;
 - c. Perform the transfers to and from reserves and reserve funds as authorized by Council;
 - d. Recommend strategies for the adequacy of reserve levels;
 - e. Report to Council, the reserve balances and forecast as part of the annual budget process.

	Resolution	Date / Signature
Adopted	April 1, 2025	Jana Member
Amended		