



## **TOWN OF KENTVILLE POLICY STATEMENT G63F OPERATING RESERVE FUND POLICY**

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### **1.0 PURPOSE**

To provide a uniform policy and guidelines which will ensure the long-term financial stability of the Town of Kentville through an internal source of funds denoted as the Operating Reserve Fund.

### **2.0 DEFINITIONS**

“Annual Surplus”

Excess revenue over expenses for general operating activities, as reported in the Town’s audited financial statements.

“Operating Reserve Fund”

A designated fund set aside by Town Council which accumulates cash deposits, as per this policy statement.

“General Allocation”

A segment of the Operating Reserve Fund which can be used for any municipal purpose- to mitigate the unforeseen or to take advantage of opportunity.

“Election”

A segment of the Operating Reserve Fund which is used to offset the costs related to the municipal election held every four years.

“Municipal Auditor General”

A segment of the Operating Reserve Fund which is used to offset the Provincially-mandated comprehensive audit engagement every four years.

“Negotiations”

A segment of the Operating Reserve Fund which is used if necessary to offset costs related to collective agreement negotiations.

“Police Critical Incidents”

A segment of the Operating Reserve Fund which is used if necessary to offset unexpected criminal investigations.

“Snow Removal”

A segment of the Operating Reserve Fund which is used if required to augment the snow removal budget for winter storms.

“Valley Waste”

A segment of the Operating Reserve Fund which accumulates the surpluses of Valley Waste Resource Management Authority, to be used if necessary to offset annual charges related to Valley Waste.

“Parking”

A segment of the Operating Reserve Fund which is used if necessary to offset costs related to operating or capital planning initiatives.

**3.0 SCOPE**

To ensure that the Town of Kentville is well-positioned and able to respond to risk factors affecting its financial position allowing the Town to continuously carry out its mission statement.

Legislation

The authority to maintain an operating reserve fund is found in the Municipal Government Act (MGA) 99 (6): “A municipality may maintain other reserve funds for such purposes as the council may determine.”

#### Professional Standards

The operating reserve fund shall adhere to professional standards as prescribed through the Canadian Institute of Chartered Accountants (CICA) - Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board Guidelines (PSAB).

#### SEGMENTS and TARGETS

The segments and the target of each segment will be met, as per Appendix A.

The segments and respective targets will be reviewed periodically by the Director of Finance to ensure appropriate levels are maintained vis-à-vis operating budget levels and potential exposure to the unforeseen.

#### SEGEMENT TARGET SHORTFALLS

In the event operating reserve segments are less than the targeted reserve levels, the segment deficit shall be eliminated in a minimum of three years, with one third of the deficit balance being required to be funded in the current operating budget, until the reserve is restored to the target balance.

### **4.0 PROCEDURES**

#### Funding of Reserves

The Operating Reserve fund shall be funded by means of unrestricted surplus operating funds. Council may from time to time direct that a specific source of revenue be set aside for a specific segment of the Operating Reserve Fund. Examples may include windfalls, gifts, or surpluses of municipal partners.

#### Use of Reserves

The Town Council may identify the need to access Operating Reserve Funds. The Chief Administrative Officer and/or the Director of Finance may also identify the need to access Operating Reserve Funds.

The Director of Finance will confirm that funds are available in the specific segment(s) being proposed for withdrawal. This step requires analysis on the need for the withdrawal and the availability of other potential sources of funding.

#### Access of Funds

A resolution of Council shall be required before any money is withdrawn from the Operating Reserve Fund. The resolution of council approving an operating budget that includes a withdrawal from the Operating Reserve Fund is sufficient. If the withdrawal is not included in the operating budget, then a separate resolution of Council is required.

#### No Ministerial Approval

Withdrawals from the Operating Reserve Fund do not require Ministerial approval.

#### MANAGEMENT

The Town of Kentville Operating Reserve Fund shall be managed under the direction of the Director of Finance.

Policies, procedures and internal controls for handling deposits, reconciling bank statements, safeguarding assets will be the same as for other Town bank accounts.

#### INTEREST

The Town of Kentville Operating Reserve Fund shall not accumulate interest income, pursuant to the standing resolution which redirects interest income to the Town of Kentville Operating Fund.

#### **5.0 ASSOCIATED DOCUMENTS**

#### **6.0 POLICY REVISION HISTORY**

Date Created: January 28, 2013  
Revisions: January 2017. Reformatted.

  
CAO Mark Phillips

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## TOWN OF KENTVILLE OPERATING RESERVE FUND POLICY G63F

### APPENDIX A

The following chart describes the various segments and targets levels.

<b>SEGMENT</b>	<b>PURPOSE</b>	<b>TARGET</b>
General Allocation	any purpose	\$800,000 (7% of prior year operating revenue)
Election	election costs	\$26,000 (over 4 years)
Municipal Auditor General (MAG)	mandatory comprehensive audit	\$33,600 (over 4 years)
Police	critical incidents	\$5,000
Union Negotiations	APA/CUPE	\$30,000
Snow removal	winter storms	\$50,000
Valley Waste	surpluses of VWRMA	as received from VWRMA
Parking	planning initiatives	\$11,400