
Operating Reserve Policy

Policy Number:	2020-01
Intent to Consider:	10th August 2020
Effective Date:	TBA
Approval by Commission:	14th September 2020
Supersedes:	n/a
Amended:	n/a

Statement

- 1.1 Planning today and saving incrementally for unexpected future events will help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on the Village's annual operating budget, as well as take advantage of unexpected opportunities to leverage external funding programs.
- 1.2 The Village of Pugwash is committed to establishing and maintaining an Operating Reserve Fund. The level of Operating Reserve Fund will be at least twenty per cent (20%) of regular general fund operating revenues.

Objectives

- 2.1 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.
- 2.2 Operating Reserve Funds will provide the Village with a budgetary option that can help mitigate the need to cut services or to raise taxes.

Principles

- 3.1 The minimum target for the operating reserve will be approximately 20% of the Village's operating revenues.
- 3.2 All operating surpluses will be identified in financial statements as the *Operating Reserve Fund*.

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- 3.3 To reduce banking costs, the *Operating Reserve Fund* will be held in the same bank account as the general Village operating account.
- 3.4 Amounts to be declared as the Operating Reserve Fund will be included in the annual budget.

Uses

- 4.1 The operating reserve 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 organization. The Commission may use the fund for both operating and capital purposes.
- 4.2 The Commission may use funds from the Operating Reserve Fund in the normal course of operations, but maintain the minimum approved balance, as applied:
 - 4.2.1 in the annual draft Operating Budget;
 - 4.2.2 during Operating Budget deliberations;
 - 4.2.36 to other funds as part of budget deliberations.
- 4.3 The Commission may apply funds from the Operating Reserve Fund which lowers the fund balance below the minimum approved balance, in an emergency situation, such as:
 - 4.3.1 a significant storm, tidal surge or snow event;
 - 4.3.2 a required property purchase;
 - 4.3.3 a transfer of service/costs to the Village that could not be reasonably budgeted or foreseen;
 - 4.3.4 a required payment under existing legislation that could not be foreseen;
 - 4.3.5 an emergency requiring repairs to a Village asset;
 - 4.3.6 a major revenue shortfall that could not be predicted.
- 4.4 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.
- 4.5 To bring the Operating Reserve Fund back to the minimum balance, the amount of the shortfall is to be included in the draft budget for the following fiscal year. During budget deliberations, Commission can approve, amend or develop a phase in approach to balance the Reserve over a number of fiscal periods.

Application

This policy applies to the Operating Reserve Fund of the Village of Pugwash.

Clerk's Annotation for Official Policy Book

Date of Notice to Commissioners
of Intent to Consider (7 days minimum): 10th August 2020

Date of Passage of current Policy: 14th September 2020

I certify that the Policy was adopted by the Pugwash Village Commission as indicated
above

Clerk

Date