
Capital Reserve Fund Policy

Policy Number:	2020-02
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 future capital expenditures will help address some of the long-term funding strategies for the Village and to ensure good financial and cash management for ongoing financial stability of the Village.
- 1.2 The Village of Pugwash is required to establish and maintain a Capital Reserve Fund pursuant to Section 99 of the *Municipal Government Act*. The level of Capital Reserve Fund will be at least twenty per cent (20%) of regular general fund operating expenses plus amortization expenses.

Objectives

- 2.1 The purpose of maintaining adequate levels in the Capital Reserve Fund, in conjunction with investment and debt management policies, will inform decisions relating to long-range financial planning for capital projects to minimize debt servicing costs.

Definitions

- 3.1 **Capital Asset** – generally any asset acquisition/project where the total cost exceeds \$5,000 and the asset has an expected useful life exceeding one year. Final decisions on asset classification are based on professional judgement utilizing generally accepted accounting principles.

Principles

- 4.1 The minimum target for the operating reserve will be approximately 20% of the Village's operating expenses plus amortization expenses.
- 4.2 Amounts to be placed in the Capital Reserve Fund will be included in the annual budget.

CAPITAL RESERVE FUND POLICY
POLICY/ 2020-02

- 4.3 The Capital Reserve Fund will be invested at the same financial institution that the Village uses for operational banking.
- 4.4 The Commission may revisit this policy in the future to amend the minimum balance as required.

Funding

- 5.1 Section 99 of the Municipal Government Act requires the following to be placed in the Capital Reserve fund:
 - 5.1.1 the remaining funds of the capital reserve section of the special reserve funds;
 - 5.1.2 funds received from the sale of property;
 - 5.1.3 the proceeds from insurance resulting from loss or damage of property that is not used for replacement, repair or reconstruction of the property;
 - 5.1.4 any surplus remaining from the sale of debentures that is not used for the purpose for which the debentures were issued;
 - 5.1.5 proceeds received from the winding up of a municipal enterprise as defined in the Municipal Finance Corporation Act;
 - 5.1.6 any capital grant not expended in the year in which it was paid; and
 - 5.1.7 amounts transferred to the fund by the Commission.
- 5.2 Interest earned by the capital reserve fund must also remain in that fund unless there is a special resolution of The Commission which allows the interest to be taken into the general operating fund.

Uses

- 6.1 A withdrawal from the Capital Reserve Fund may be used only for:
 - 6.1.1 capital expenditures for which the Village may borrow; or
 - 6.1.2 repayment of the principal portion of capital debt.
- 6.2 Funds authorized to be withdrawn and used to acquire physical assets are to be transferred directly to the capital fund into which the purchased assets are to be placed.
 - 6.2.1 In the event of a Capital Reserve Fund shortfall, the minimum balance will be restored in the draft budget for the following fiscal year. During budget deliberations, The 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