Title:	Reserve Fund Policy
Policy No:	2014-02
Approval:	Village Council
Effective Date:	
Supersedes Policy No:	None
Amendments:	

Policy Statement: That Council establishes reserve funds.

Purpose: To out the Village of Spring Lake's policy establishing standards and guidelines for the management of existing reserves and the establishment of new reserves, to outline the purpose of each reserve and parameters regarding the use of reserves.

Objectives: The objectives of this policy is to establish, maintain and manage reserve funds that provide for emergent financial needs, stabilize tax rates, set aside funds for the replacement of existing equipment, facilities and future projects and minimize the debt financing needs of the Municipality.

Statement: Reserves are vital to municipal financial health. Having healthy levels of reserve enable the Village of Spring Lake to:

- Plan for future operating and capital needs of the municipality
- Plan for contingencies
- Held to avoid interest expense for debt

Healthy reserves result from having policy surrounding their management as well as effective long-term planning to determine correct reserve levels.

Reserves can accumulate as a result of operational surpluses or as a result of deliberate transfers of funds for future uses. Conversely, reserves are drawn down when the Village self-finances an operational or capital project.

1. Principles

1.1 The purpose of all accounts in the reserve fund must be defined.

1.2 New reserves shall not be established without the consent of council.

1.3 Any transfer to and from any reserve must be approved by Council via the budget process, bylaws or Council resolution.

1.4 All transfers to and from the reserve fund, as well as all balances shall be disclosed for the annual accounting period.

1.5 A review of the funded status of reserves and asset replacement forecast for assets already in service will take place during the annual budget process.

1.6 The general items that cause a fluctuation in a reserve account are:

- 1.6.1 Large expenditures that only happen periodically (i.e. large capital projects and maintenance).
- 1.6.2 Initiatives or projects that were planned and funded for a particular year but delayed until a future year.
- 1.6.3 Initiatives or projects that are planned in future years that funds are being accumulated for.
- 1.6.4 Unanticipated emergency, unbudgeted or over-budgeted expenditures.

2. Reserve Funds

2.1 Operating Reserve – Revenue generated from unrestricted surplus are accumulated to this reserve. Funds from this reserve will be used for stabilizing budgetary impacts resulting from abnormal costs or other extraordinary items that would result in an overall deficit to the municipal operation.

2.2 Public Works (PW) Reserve – This reserve is to fund the purchase of new or replacement equipment and major maintenance or capital purchases relating to Village infrastructure (excluding Sewer).

2.3 Sewer Reserve – This reserve is to accumulate funds for future sewer infrastructure.

2.4 Emergency Response Reserve – This reserve is to fund expenditures that incur during a local emergency response.