	<p>CAPITAL & OPERATING RESRVES</p> <p>Policy No. 7 (2012)</p> <p>Replaces: 7 (2010)</p> <p>Date Passed: August 20, 2012</p>
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Purpose of Policy

To provide guidelines and appropriate controls to maintain reserve account balances and reserve account contributions.

Policy Statement

1. In compliance with this policy and the Municipal Government Act, the establishment of all reserve accounts and the transfers to and from these accounts require Board Commission approval.
2. The annual capital reserve contribution will be equal to the greater of:
 - a. the annual amortization expense incurred by the Commission and reported in the Commission's annual audited financial statements; or
 - b. the ten year rolling average annual expense for replacement of existing capital infrastructure.

These annual contributions will be placed in an asset replacement reserve (an unrestricted capital reserve account).

3. In addition to the annual 10-year rolling average contribution to preserve the status quo, an additional unrestricted capital reserve account with a target balance of \$1,000,000 will be maintained to cover unexpected equipment failures or emergencies and to provide investment income to assist in funding annual capital requirements.
4. One hundred percent of any annual general operating surplus will be placed in an operating reserve account to ensure proper working capital and to provide for any emergency operating expenses or to fund rate stabilization initiatives of the Commission. The target for the operating reserves is the equivalent of 90 days of cash general operating expenses (which also includes debt servicing payments).
5. Reserve account balances will be reviewed on a periodic basis by Administration, with recommendations made to the Board.

Definitions


1. Annual General Operating Surplus is the excess of revenue over expenses (excluding non-cash expenses i.e. amortization), for operating activities, as consistent with the Commission's audited financial statements.
2. General Operating Expenses are the general government operating expenses

consistent with the City's annual audited financial statements for the most recent year (excluding non-cash expenses i.e. amortization).

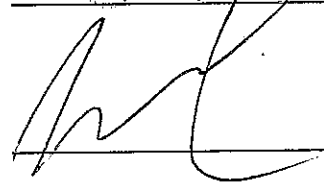
3. Reserve Accounts represent amounts appropriated from surpluses for designated requirements.
4. Unrestricted Capital Reserves Accounts represents amounts appropriated from surpluses and are not restricted in their use by provincial legislation.

Procedure

1. Commission Manager to:
 - a. Recommend to the Board Commission approval of the establishment of and changes to reserve accounts.
 - b. Recommend transfers to or from reserve accounts through a formal reserve reporting process.
 - c. Recommend to Board a strategy to replenish the asset replacement reserve if the annual reserve contribution falls below the ten year rolling average for existing infrastructure.
2. Reserve accounts and transfers will be reported to and approved by the Board.
3. The Commission Manager will undertake a detailed review of reserve requirements every three years.
4. Interest earnings are intended to be applied to a reserve if there are external requirements based on legislation or agreements. Interest will normally be applied at the Commission's short-term investment earnings rate.
5. The unrestricted capital reserves shall maintain a minimum balance of \$1,000,000.
6. The annual capital reserve contribution will be equal to the greater of:
 - a. the annual amortization expense incurred by the Commission and reported in the Commission's annual audited financial statements; or
 - b. the ten year rolling average annual expense for replacement of existing capital infrastructure
7. Any annual general operating surpluses will be placed in an operating reserve accounts;
8. The General Operating Reserve shall maintain a balance equal to 90 days of general government expenses.



Chairperson



Manager