



Policy 56

Reserves Policy

1. Purpose

The purpose of this policy is to establish a clear and transparent framework for the creation, maintenance, and use of financial reserves. Reserves are essential tools for supporting long-term financial sustainability, risk management, and responsible stewardship of municipal assets.

This policy ensures reserves are managed consistently and strategically to:

- a) Stabilize operations and mitigate financial risk;
- b) Support the renewal and replacement of municipal infrastructure;
- c) Strengthen fiscal resilience and flexibility; and
- d) Align with the Municipality's long-term financial plan and asset management strategy.

2. Objectives

The objectives of this policy are to:

- a) Formalize the establishment and use of reserves through Council-approved policy;
- b) Promote financial sustainability by linking reserves to risk mitigation, stabilization, and asset lifecycle management;
- c) Separate reserves by purpose and maintain transparency in their funding and use;
- d) Tie reserves directly to the Municipality's long-term financial planning, including the capital plan and asset management strategy;
- e) Establish measurable benchmarks and targets for reserve adequacy; and
- f) Ensure compliance with relevant sections of the Municipal Government Act (MGA) and Financial Reporting and Accounting Manual (FRAM).

3. Scope

This policy applies to reserves held by the Municipality of the District of Shelburne, specifically:

- a) Operating Reserve, and
- b) Capital Reserve.

4. Policy Statements

4.1 Formalization

All identified reserves must be established and managed under this policy. Ad hoc or informal reserve practices are discouraged to ensure transparency, accountability, and consistency.

4.2 Link to Financial Sustainability

Reserves are integral to the Municipality's financial sustainability strategy, supporting stability during economic fluctuations, enabling planned investment in infrastructure, and reducing reliance on debt or sudden tax increases.

4.3 Transparency and Accountability

All reserve transactions must be authorized by Council and reported publicly through the annual budget and financial statements.

5. Reserve Types

5.1 Operating Reserve

Purpose: To provide flexibility for unanticipated operating costs, revenue shortfalls, or one-time or intermittent initiatives that improve efficiency, service delivery, or resilience.

a) Funding Sources:

- i) Annual budget allocations approved by Council;
- ii) Year-end operating surpluses;
- iii) Interest earned on reserve balances.

b) Some Examples of Permitted Uses:

- i) Stabilizing tax rates during revenue shortfalls;
- ii) Funding emergency or unforeseen operating costs;
- iii) One-time or intermittent operational projects costs;
- iv) Cash flow smoothing between fiscal periods;
- v) Contains sub-reserves earmarked for specific projects.

5.2 Capital Reserve

Purpose: To provide funding for major capital projects, reducing dependence on external debt and ensuring infrastructure sustainability.

a) Funding Sources:

- i) Annual budget allocations approved by Council;
- ii) Sale of capital assets.

b) Some Examples of Permitted Uses:

- i) New construction of municipal facilities;
- ii) Equipment, and fleet replacement;
- iii) Major capital investments.

6. Governance and Administration

a) Council shall approve the establishment, use, and replenishment of reserves through the annual budget process or by separate resolution.

b) Chief Administrative Officer (CAO) shall oversee reserve management, ensuring compliance

with policy requirements.

c) Finance Department shall maintain detailed accounting records for all reserves in accordance with the Nova Scotia Financial Reporting and Accounting Manual (FRAM) and report balances annually.

d) A Reserve Summary Report shall be included in the presentation to Council during the regular financial updates provided by the Management Team .

e) Interest income earned on reserve balances shall be credited to the respective reserve.

7. Replenishment Strategy

a) **Target Balance:** The Operating and Capital Reserve should maintain a minimum balance equal to a five-year rolling average of future projected one-off and intermittent project expenditures from the Municipality of Shelburne's Financial Model, plus 20% of this average added to the value for contingency costs.

8. References

a) Nova Scotia Municipal Government Act (MGA)

b) Nova Scotia Financial Reporting and Accounting Manual (FRAM)

c) Government Finance Officers Association (GFOA) Best Practices:

- Fund Balance Guidelines for the General Fund

- Working Capital Targets for Enterprise Funds

- Strategies for Establishing Capital Asset Renewal and Replacement Reserve

d) Financial Model – Municipality of the District of Shelburne

e) Strategic Plan – Municipality of the District of Shelburne

f) Association of Municipal Administrators Nova Scotia (AMANS) Policy Library

9. Policy Review

This Policy shall be reviewed every two (2) years or as required to ensure its effectiveness and compliance with applicable laws and regulations.

THIS IS TO CERTIFY that the Council of the Municipality of the District of Shelburne duly passed the policy respecting Reserves on March 11, 2026.

SIGNED this 18th day of March, 2026



WARDEN



CHIEF ADMINISTRATION OFFICER

Approved by Council: March 11, 2026

Effective Date: March 11, 2026