

## Policy (O&A) 2.6 Contingency and Reserve Funds

**Purpose & Intent:** The trustees have determined it is prudent for the district to maintain a financial surplus, or contingency fund, appropriate to meet future financial obligations outside of operations. This may include, but not be limited to, unexpected and unpredictable expenses such as those caused by an unusual weather pattern or other catastrophic event, environmental hazards, and/or demands from government.

Respectful of the community's direction to not incur debt while providing service, surplus funds will be known as a Contingency Fund. Contingency Funds will provide stability in levels of taxes and tolls and support the least cost alternative in the long-term for delivering service.

The surplus funds will be used to:

- Buffer the effects of large cost increases and/or revenue reductions and allow time to adjust service costs or revenue generation to avoid unnecessary tax increases, and
- Provide internal capital financing which is more cost-effective than external borrowing or leasing.
- Respond to opportunities to provide matching funding for grants.
- Respond quickly to opportunities to purchase needed capital assets when those opportunities present themselves.

Additionally, from time to time the trustees may resolve to establish a reserve fund that draws from a surplus, but does not deplete the minimum contingency to be set aside (Resolution 1).

**Policy Resolution:** The Trustee's hereby resolve that

1. All budgets will include a surplus of a minimum of 10% over expenses for the purposes of contingency, and
2. All contingency funds will be invested in interest bearing accounts, in accordance with the Community Charter 183
3. When a reserve fund has been established by bylaw, or by resolution, interest earned from those funds will be added to the applicable reserve funds.
4. Other than those funds set aside and reserved, interest earned from contingency funds will be directed to operational expenses.
5. A business case shall be prepared and approved by resolution of the trustees for the use of any reserve funds and contingency funds.
6. Asset replacement resulting from natural aging and wearing out, and not a result of accident or unpredictable events, are classified as renewal/upgrades and drawn from reserve funds.
7. Proceeds from the sale of any tangible asset will be allocated to the contingency fund unless the asset is being sold as the result of a renewal or upgrade, in which case the funds will be allocated to the reserve fund from which the new asset is drawing from.

Date Adopted: June 15, 2015