



VILLAGE OF TAHSIS			
Policy Title:	Reserve Policy	Policy No.	4026
Effective Date	March 4, 2025	Supersedes	4025
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1. PURPOSE

This Reserve and Surplus Policy provides for the establishment of Reserves and Unappropriated Surplus Funds, and their use in meeting short-term and long-term financial goals of the Village. The aim of the framework is to maintain a level of financial resources sufficient enough to protect against reductions in service levels or raising of property taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures.

2. PRINCIPLES

Healthy reserves and surplus levels are important in achieving community goals including financial health and stability. The Village will strive to be proactive in terms of financial health and stability by ensuring that;

- Actual reserves and surplus balances will be benchmarked with other jurisdictions and with pre-determined targets on an ongoing basis to gauge whether financial health is being achieved;
- Reserves and surplus goals will be consistent with The Village's Long Term Financial Plan (in progress) and Asset Management Plan;
- The Village will avoid the use of reserve funds for recurring operating expenditures. If the use of a reserve fund balance to pay for operating expenditures is necessary to maintain the quality or level of current services, an explanation of the circumstances of the use of the fund balance and the strategy to eliminate the future use of the fund balance will be disclosed during the annual financial planning process.

3. TERMS

This policy refers to the Community Charter, the Local Government Act, Community Building Fund Administrative Agreement, Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB). The following terms are used within this policy and are defined as follows:

Accumulated Surplus means the accumulated excess of revenues over expenditures from prior years which has not been set aside for specific purposes.

Annual Surplus means the accumulated excess of revenues over expenditures for the current year.

Reserve Funds means funds that are set aside for a specified purpose by Council pursuant to subsection 188 (1) of the *Community Charter*. These reserves are established via Village bylaws and are discretionary on the part of Council.

Reserves means all of the Village's Reserve Funds and Statutory Reserve Funds.

Statutory Reserve Funds means funds set aside for specified purposes as required by and pursuant to specific legislation. These Reserves are established via Village bylaws and are non-discretionary on the part of Council.

Unappropriated Surplus means the accumulated surplus built up in the Village's various operating funds that has not been designated for specific uses.

4. OPERATING (WORKING) CAPITAL

The Village will maintain an Unappropriated Surplus balance in its General Operating Fund for working capital purposes, i.e. to provide for operating expenditures before property taxes and/or user fees are collected. Maintaining minimum working capital levels eliminates or reduces the need to borrow externally and/or internally for operations. Given the relative stability of revenues and moderate financial risk this has been set at a level equal to six months tax revenue.

5. RESERVES - OPERATING AND CAPITAL RESERVE FUNDS

Pursuant to subsection 188 (1) of the *Community Charter*, Council may, by bylaw, establish a reserve fund for a specified purpose and direct that money be placed to the credit of the reserve fund.

The following reserve funds have been established for specific operating and capital purposes and do not require an establishing bylaw:

5.1. Economic Development Reserve

The Economic Development Fund was not established through bylaw. The Community Charter stipulates that reserve funds may be established for certain types of activities, which is how this fund was established. Money from current revenue, General Operating fund surpluses, or as otherwise provided in the Local Government Act may be transferred into the Reserve Fund.

5.2 Financial Stabilization Reserve Fund

The Financial Stabilization Reserve has been established for the following purposes:
For Major Emergent Operating Issues - the Village is exposed to major non-reoccurring costs from various emergency events or situations, e.g., inclement weather, environmental hazards, etc. These emergent situations cannot be anticipated, and it is not feasible to absorb the cost of such events in other budget areas in any given year.
For One-Time and Intermittent Projects - the Village undertakes one-time and/or intermittent projects that are larger in cost. If these projects were funded from property taxation, annual

spikes and subsequent declines in taxation would result; therefore, it is not prudent to fund these projects from on-going property taxation revenue.

5.3 Daycare Operating Fund

The Daycare Operating Fund is hereby established as a separate and distinct reserve dedicated to supporting non-capital daycare operating needs within the Village. Surplus revenue directed to this fund may include Council-approved contributions, donations, and interest earned, and all amounts may be used solely for daycare program support, professional development, studies, and related operating costs.

6. STATUTORY RESERVE FUNDS

If monies are received from specific sources, certain Reserve Funds must be established for administering these funds, as per specific legislation. These Reserve Funds are termed by the Village to be Statutory Reserve Funds as noted below.

6.1. Canada Community Building Reserve Fund

The Canada Community Building Reserve has been established to account for funds received and used pursuant to the Canada Community Building Fund Administrative Agreement. Funds in this reserve are required to be used for eligible projects under that agreement.

6.2. Capital Works, Machinery and Equipment Reserve

The Capital Works, Machinery and Equipment Reserve was established by Bylaw 364 to provide for new capital works, extensions or renewals of existing works and to provide for machinery and equipment necessary for capital projects for the maintenance of municipal property or for the protection of persons and property. Money from the sale of land, current revenue or General Operating Fund surpluses may be transferred into the Reserve Fund.

6.3. Fire Hall Reserve

The Fire Hall Reserve fund was established by Bylaw 400 to provide for the cost of a new fire hall including land, buildings, machinery and equipment. Money from current revenue, General Operating Fund surpluses or as otherwise provided in the Local Government Act may be transferred into the Reserve Fund.

6.4. Recreation Centre Capital Works, Machinery and Equipment Reserve

The Recreation Centre Capital Works, Machinery and Equipment Reserve Fund was established by Bylaw 418 to provide for the cost of the recreation centre. Money from current revenue, General Operating fund surpluses, or as otherwise provided in the Local Government Act may be transferred into the Reserve Fund.

6.5. Water Replacement Capital Reserve Fund

The Water Replacement Capital Reserve has been established for capital Water projects, as the Village has a water infrastructure that needs be renewed on an ongoing basis. Water Operating Fund surpluses or as otherwise provided in the Local Government Act may be transferred into the Reserve Fund.

6.6. Sewer Replacement Capital Reserve Fund

The Sewer Replacement Capital Reserve has been established for capital sewer projects, as the Village has a sewer infrastructure that needs be renewed on an ongoing basis. Sewer Operating Fund surpluses or as otherwise provided in the Local Government Act may be transferred into the Reserve Fund.

6.7. Land Sale Reserve Fund

Per subsection 188 (2) (e) of the *Community Charter*, funds received from the sale of land and improvements must be set aside for paying any debt remaining in relation to the property and for acquiring land, improvements and other assets of a capital nature. The Land Sale Reserve has been established for accumulating and expending monies as per this requirement. (No specific funding level is established).

6.8. Growing Communities Reserve Fund

This reserve is established as a requirement of British Columbia's Growing Communities Fund (GCF) program to fund planning costs and capital investments in community infrastructure and amenities. Project eligibility will be determined by the GCF program. Transfers from this fund to other reserve funds or reserve (surplus) accounts are not permitted.

6.9. Solid Waste Machinery and Equipment Replacement Reserve Fund

The Solid Waste Machinery and Equipment Replacement Reserve Fund has been established for Solid Waste projects, Machinery and Equipment, as the Village has Solid Waste Machinery and equipment that needs to be renewed on an ongoing basis. Money from current revenue, General Operating fund surpluses, or as otherwise provided in the Local Government Act may be transferred into the Reserve Fund.

7. ADMINISTRATION

Reserves management is a corporate responsibility that involves senior staff and members of Council in the effective implementation of sustainable service delivery.

7.1. Responsibilities

Council is responsible for:

- adopting this Reserves and Surplus Policy and future updates;
- allocation of resources;
- providing high level oversight of the organization's reserves management; and

The Village's Chief Financial Officer is responsible for:

- Recommending the necessary contributions and transfers so that the Village's Operating/Capital Reserve Funds, Unappropriated Surpluses and Statutory Reserve Funds are maintained in accordance with this Policy;
- Conducting an annual review of all Operating/Capital Reserve Fund, Unappropriated Surplus and Statutory Reserve Fund balances and reporting the results of such a review to Council during the annual budget/financial planning/financial reporting process;
- Recommending changes to the minimum and optimal balance guidelines shown in this Policy; and,
- Recommending any revisions or amendments to this Policy, as may be required from time to time, as a result of changes in applicable statutes, accounting standards or economic conditions.

7.2. Reserve Contributions

Annual and/or periodic contributions to Reserve Funds shall be specific to each Reserve, as approved by Council through the Village's annual financial planning/budgeting process.

7.3. Minimum and Optimal Reserve Balances

Minimum and optimal fund balance guidelines have been set for some of the Village's Capital Reserves Funds, Unappropriated Surpluses and Statutory Reserve Funds as shown in attached example Appendix "A". The purpose and sources of funding applicable to each fund are also shown in this Appendix. The minimum balances ensure that the respective reserves are not depleted to the degree that they are no longer able to serve their intended purpose.

The optimal balances ensure that the Village's guiding principles are achieved and that the reserves do not grow beyond their intended purpose and create idle assets that could be otherwise used for other priorities.

A comparative review of actual, minimum and optimal fund balances shall be undertaken annually.

7.4. Internal Borrowing

Internal borrowing from specific Reserve Fund, Unappropriated Surplus and Statutory Reserve Fund balances shall be permissible as allowed for by legislation, if a clearly defined and attainable payback plan, including payment of foregone interest, is in place, as internal borrowing allows for more flexibility in terms of payback amounts and loan duration than that of external borrowing. Paybacks shall be executed according to plan.

7.5. Interest

Operating/Capital Reserve Funds and Statutory Reserve Funds shall be allocated interest based on balances and the Village's average rate of return on investments.

7.6. Guide and Transition

The minimum and optimal fund balance guidelines shown in this Policy serve as a guide in moving the Village towards the financial goals or targets it wishes to attain.

8. SCOPE

This policy applies to all Village of Tahsis activities.

9. LEGISLATION

Reserves and surplus appropriations will conform to the statutory/legal requirements of the Local Government Act and the Community Charter, generally accepted accounting principles (GAAP) and Public Sector Accounting Board (PSAB) recommendations.

10. RELATED DOCUMENTS

Strategic Plan, Asset Management Plan, Long Term Financial Plan (in Progress), and Five-Year Financial Plan.

11. REVIEW DATE

This policy has a life of 5 years. It will be reviewed in 2030.

Village of Tahsis -Reserves Scorecard

	Policy Target		Status
	Minimum Balance	Preferred	
Working Capital			
Operating (Accumulated) Surplus	3 Months	6 Months	Good
Financial Stabilization Reserve Fund	Min \$75,000	\$150,000	Low
Economic Development Reserve Fund	No Minimum	As Received	Good
Daycare Operating Reserve Fund	No Minimum	As Received	Low
Statutory Reserves			
Canada Community Building Reserve Fund	No Minimum	As Received	Low
Capital Works, Machinery and Equipment Reserve	Min \$250,000	Per AMP	Low
Fire Hall Reserve	Min \$150,000	Per AMP	Good
Recreation Centre Capital Works, Machinery and Equipment Reserve	Min \$200,000	Per AMP	Low
Water Replacement Capital Reserve Fund	Min \$150,000	Per AMP	Low
Sewer Replacement Capital Reserve Fund	Min \$150,000	Per AMP	Low
Land Sale Reserve Fund	No Minimum	As Received	Good
Growing Communities Reserve Fund	No Minimum	As Received	Good
Solid Waste Machinery and Equipment Replacement Reserve Fund	Min \$50,000	Per AMP	Low