

**TOWN OF LOCKEPORT
POLICY STATEMENT**

Policy #GG-031

Capital Reserve Policy

**Effective Date:
May 27, 2019**

Revision Date:

Statement

1. Planning today and saving incrementally for future capital expenditures will help address some of the long-term funding strategies for the Town and to ensure good financial and cash management for ongoing financial stability of the Town.
2. The Town of Lockeport is required to establish and maintain a Capital Reserve Fund pursuant to Section 99 of the *Municipal Government Act*. The level of Capital Reserve Fund will be at least twenty per cent (20%) of regular general fund operating expenses plus amortization expenses.

Objectives

1. The purpose of maintaining adequate levels in the Capital Reserve Fund, in conjunction with investment and debt management policies, will inform decisions relating to long-range financial planning for capital projects to minimize debt servicing costs.

Principles

1. The minimum target for the capital reserve will be approximately 20% of the Town's operating expenses plus amortization expenses.
2. All reserve fund transactions should be transparent to the public. Amounts to be placed in the Capital Reserve Fund should be included in the annual budget.
3. The Capital Reserve Fund will be invested at a bank that the Town does business with.
4. It is intended that Council can revisit this policy in the future to amend the minimum balances as required.

Funding

1. Funds Required to be Placed in the Capital Reserve - Section 99 of the Municipal Government Act requires the following to be placed in the capital reserve fund:
 - a. the remaining funds of the capital reserve section of the special reserve funds;
 - b. funds received from the sale of property;
 - c. the proceeds from insurance resulting from loss or damage of property that is not used for replacement, repair or reconstruction of the property;
 - d. any surplus remaining from the sale of debentures that is not used for the purpose for which the debentures were issued;
 - e. proceeds received from the winding up of a municipal enterprise as defined in the Municipal Finance Corporation Act;
 - f. any capital grant not expended in the year in which it was paid;
 - g. the current fiscal year's accrual for landfill closure and post-closure expenses;
 - h. amounts transferred to the fund by the council; and
 - i. balance in tax sale surplus account twenty years after the tax sale (Section 147).
2. Interest earned by the capital reserve fund (other than the portion relating to landfill closure and post closure costs) must also remain in that fund unless there is a special resolution of council which allows the interest to be taken into the general operating fund.
3. The monies received as part of the Gas Tax Rebate Program are to be recorded in the Capital Reserve Fund. As the monies are spent, they are to be transferred to the Capital Fund. Any unspent monies are to remain in the Capital Reserve Fund.

Uses

1. A withdrawal from the capital reserve fund may be used only for:
 - a. capital expenditures for which the municipality may borrow;
 - b. repayment of the principal portion of capital debt; and
 - c. landfill closure and post-closure costs that have been approved as conforming to the "Nova Scotia Standards and Guidelines Manual for Landfill" issued by the Department of the Environment.
2. Funds authorized to be withdrawn and used to acquire physical assets are to be transferred directly to the capital fund into which the purchased assets are to be placed.
3. Funds relating to landfill closure and post-closure costs are to be disbursed directly from the landfill reserve.
4. In order to bring the Capital Reserve Fund back to the minimum balance, the amount of the shortfall is to be included in the draft budget for the following fiscal year. During budget deliberations, Council can approve, amend or develop a phase in approach to balance the Reserve over a number of fiscal periods.

