WEST HANTS REGIONAL MUNICIPALITY REPORT

Information ☐	Recommendation ☑	Decision Request ☐	Councillor Activity ☐

To: Mayor Zebian and Members of Council

Submitted by: Carlee Rochon, Director Financial Services

Date: July 14, 2026

Subject: Reserve Fund Policy Update

LEGISLATIVE AUTHORITY

***RCOFN-010.00 Reserve Policy* Legislative Authority**

- Municipal Government Act, Section 99

RECOMMENDATION

Committee of the Whole recommends that

> Council approves the updated Reserve Policy RCOFN-010.01 for the West Hants Regional Municipality.

BACKGROUND

Property ☐	Public Opinion ☐	Environment ☐	Social ☐	Economic √	Councillor Activity ☐

At the May 26 Council meeting, a report titled Reserve Funds Budget, Actual, and Policy Recommendation was presented for consideration. The report highlighted that, while allocations from reserve funds were included in the current year's budget process, the reserve budgets themselves had not been formally approved.

As a result, two motions were introduced. The first recommended that the CAO direct staff to return with formal budget allocations for all reserves to ensure they are clearly defined and consistently incorporated into the Municipality's financial processes. The second motion addressed a housekeeping matter, noting inconsistencies in reserve naming conventions.

Specifically, some reserves continued to be identified under the former Town of Windsor or West Hants in budget documents, while the audited financial statements reflected updated naming structures. This inconsistency highlighted the need for a comprehensive review of the Reserve Policy, which has not been updated since 2020.

Council discussion underscored the value of undertaking this review. Improving clarity around existing reserves, their intended purposes, and the allocation of funds will support more informed and effective decision-making.

The following motion was made and passed

MOVED BY COUNCILLORS IVEY AND WHEADON THAT COUNCIL DIRECTS THE CAO TO ENGAGE STAFF TO PREPARE THE DOCUMENTATION DETAILING THE OPERATING, CAPITAL AND SPECIAL RESERVE FUND BUDGETS FOR REVIEW AND APPROVAL BY COUNCIL AT ITS NEXT COUNCIL MEETING, JUNE 23, 2026. MOTION CARRIED. Nays: Zebian, Francis, P. Morton and B. Morton

At the June 23rd, 2026 Council meeting staff gave a report is to provide Council with an opportunity to review and provide feedback on the draft policy. Feedback was received to further expand on special reserves to include the consolidation reserve and add the water utility reserves.

DISCUSSION

The purpose of the Reserve Policy is to support municipal decision-making related to long-term financial planning for both operating and capital activities. The policy enables the Municipality to reduce reliance on debt financing and lessen annual budget pressures by distributing costs over multiple years through the use of reserves and reserve funds.

In accordance with Section 99 of the Municipal Government Act (MGA), municipalities are required to maintain a Capital Reserve, while also having the flexibility to establish additional reserves as needed. This policy outlines the framework for managing reserves, including the process for transferring funds to and from reserves and establishing annual contribution targets and minimum thresholds.

Staff have prepared a draft Reserve Policy for Council. In addition, staff have begun work including revisions to naming conventions within the internal chart of accounts. In preparation for the upcoming Financial Services ERP system implementation, staff are also undertaking several housekeeping initiatives, such as the reclassification of reserves across funds.

The updates to the policy aim to add clarity on each type of reserve and reserve fund and better assist Council with it decision making regarding funding.

NEXT STEPS

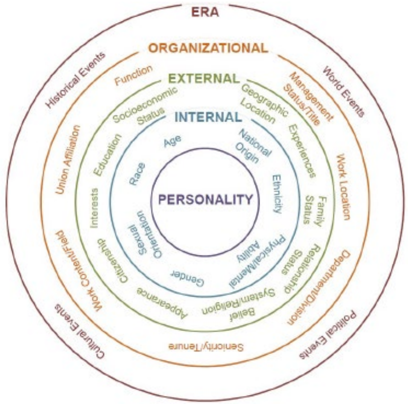
If approval occurs staff will finalize the policy and post it on the website.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

DIVERSITY, EQUITY, INCLUSION AND ACCESSIBILITY CONSIDERATIONS

Staff reviewed this administrative matter, and no material DEIA impacts were identified.



ALTERNATIVES

N/A

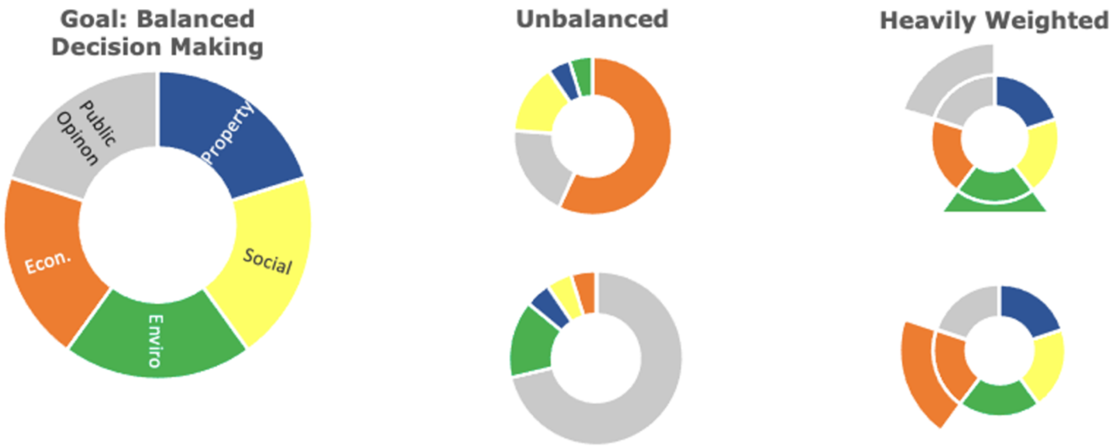
ATTACHMENTS

- RCOFN-010.00 Reserve Policy Legislative Authority – Draft Update

CHIEF ADMINISTRATIVE OFFICER REVIEW

Staff await Council’s direction on the policy and it’s amendments to ensure it reflects Council’s wishes.

Council has been provided with a reference taken from the Meeting and Committee Procedural Policy , Appendix C "Decision Making by Council and Committee of the Whole" as a reminder of the principles highlighted for good decision making.



Report Prepared by: ___________________________________
Deanna Snair, Municipal Clerk

Report Reviewed by: ___________________________________
Carlee Rochon, Director of Financial Services

Report Approved by: ___________________________________
Mark Phillips, Chief Administrative Officer

1. PURPOSE

This policy guides how the Municipality plans for and manages reserves and reserve funds. It supports long-term financial planning by spreading costs over time and reducing the impact of large or unexpected expenses on annual budgets and tax rates.

This policy will be used to:

- Establish reserves and reserve funds for planned capital projects, unexpected events, and other significant costs.
- Ensure reserves, reserve funds, and deferred revenue are managed responsibly.
- Ensure funds are used only for the purpose approved by Council.

Reserves are funds set aside for future needs, whether planned or unexpected. They are separate from the annual operating budget, which must be balanced each year under the Municipal Government Act (MGA).

2. LEGLISATION

Under Section 99 of the Municipal Government Act (MGA), municipalities are required to maintain a Capital Reserve Fund. Council may establish additional reserves and reserve funds as needed.

3. DEFINITIONS

For the purposes of this Policy, the following definitions are provided:

a. "CAO" refers to the Chief Administrative Officer of the Municipality.

b. "Council" refers to the Council of the Municipality.

c. "Councillor" refers to a member of Council, including the Mayor and Deputy Mayor unless stated otherwise.

d. "Deferred Revenue" refers to funds received in advance that are recorded as a liability until the related service is delivered. These funds are restricted for specific purposes by legislation, agreements, or regulations (e.g., development charges, gas tax funding).

e. "MGA" refers to the *Municipal Government Act*.

f. "Municipality" refers to the West Hants Regional Municipality.

g. "Reserve" refers to an allocation from net revenue at the discretion of Council, after the provision for all known expenditures, and is authorized under the provisions set out in the *MGA Section 99*.

h. "Reserve Fund" refers to a fund with assets which are segregated and restricted to meet the purpose of the reserve fund. It is based on a statutory requirement or defined liability payable in the future and is usually prescriptive as to the basis for collection and use of monies in the fund.

4. POLICY OVERVIEW

Council establishes reserves and reserve funds to support future financial needs.

These funds are used to finance approved operating and capital expenses.

Reserves are managed in accordance with the Province of Nova Scotia Financial

Reporting and Accounting Manual (FRAM).

General principles:

- Reserves are used primarily for one-time or non-recurring costs.
- New reserves may be created by Council resolution.
- Withdrawals require Council approval through the budget or a separate motion.
- The Municipality will maintain the following reserve categories:
    - Operating Reserves
    - Capital Reserves
    - Special Reserves
    - Water Utility Reserves

5. APPLICATION

a. Reserves and reserve funds will be created by specific motions of Council or as part of other motions, such as those for development charges or annual budgets.

b. All reserve and reserve fund transactions will be transparent with amounts to be placed in the reserves and reserve funds included in the annual budget approved by Council.

c. Reserves and reserve funds will be invested in accordance with RCOFN-005.01 - Investment Policy.

d. Any change to the purpose of a reserve or reserve fund must be permitted by *MGA, Section 99* and approved by a motion of Council or through the annual budget process.

e. Prior to creating a new reserve or reserve fund, the option of adding an incremental contribution to an existing reserve or reserve fund of a similar nature will be considered.

f. Transfers to or from reserves or reserve funds will, from time to time, be allowed, as prescribed by the *MGA, Section 99, Subsection 4.*

g. Contributions from reserves or reserve funds to capital or operating accounts will occur annually or upon completion of a project.

- Contributions to capital or operating accounts will not occur if the transfer puts the reserve or reserve fund into a negative balance.

- Should this be the case, inter-fund borrowing will be investigated as a funding source.

    - Inter-fund borrowing may only occur when an analysis of the reserve has determined that excess funds are available and the use of the of those funds will not adversely affect the intended purpose of the reserve.

  - Prescribed terms of repayment must be defined, and the amounts borrowed must be repaid with interest at a rate not less than the interest rate the Municipality would pay to borrow the funds for a similar term from another source.

h. All unallocated surplus funds will be allocated to a reserve within any financial year.

6. ROLES AND RESPONSIBILITIES

The Financial Services Department will be responsible for:

- Monitoring the status of reserves and reserve funds,
- Determining the appropriate source of financing for the Municipality's programs and capital works, and
- Making recommendations to Council through the CAO on the use of reserves and reserve funds.

7. OPERATING RESERVES AND RESERVE FUNDS

Operating reserve and reserve funds provide financial flexibility and protection against unexpected costs. The total balance target should be at least 10% of annual operating revenues.

The annual Operating Budget shall lay out the amounts to be set aside in reserves funds for future spending purposes.

Council can use Operating Reserves to fund both operating and capital expenditures.

General Operating Reserves and Reserve Funds

- This reserve is used for general operating projects, both known and unexpected. This reserve is also to support emergency funding. It is also used to fund designs work and operating related studies.

- Through motion of Council this reserve can be used for capital expenditures.

- The municipality must transfer the operating surplus after financing and regular transfers into operating reserve fund at year end. This reserve may receive an annual contribution as determined by Council, during the budget process.

Carryover Reserves and Reserve Funds

- This reserve is used to hold unspent funds from the approved annual budget that is to be carried forward into the future fiscal year. These funds are typically designated for specific projects or initiatives that were not completed within the original budget year. Examples would include capital debt servicing, remaining CAC workplan funds, studies partially completed, and remaining heritage grant funding.

- These reserves receive transfers during the year-end process, overseen by Financial Services.

Other Operating Reserves and Reserve Funds

- Other operations are typically created for a specific purpose. Example, boundary review, pool liner, and elections.

- This reserve may receive an annual contribution as determined by Council, during the budget process.

Open Space / Subdivision Reserves and Reserve Funds

- These reserves are restricted through by-laws and agreements. Balances are held and interest earned in the reserve fund is utilized towards open spaces and related grants.

- This reserve may be received through the parkland dedication and open space fees.

RCMP Reserves and Reserve Funds

- This reserve is restricted through Council. The use of this reserve is for public safety. It assists in future funding of RCMP operations to reduce impacts on the tax rates, and safeguarding in case of a year-end deficit It also funds the unknown potential policing resource needs, equipment failures or large federal policing projects.

- This reserve is also to support emergency funding.

- The reserve balance target is to be maintained at a minimum of 10% of annual RCMP costs. Any balance exceeding this 10% threshold will be transferred to the general operating reserve.

- This reserve receives credit if any year end credit is received by the RCMP.

8. CAPITAL RESERVES AND RESERVE FUNDS

The MGA requires the Municipality to maintain a Capital Reserve Fund.

Contribution to, shall include the following:

a) Proceeds from the sale of municipal property;
b) Insurance proceeds from the loss or damage of property that is not used for repair, replacement, or reconstruction;
c) Transfers to the Fund approved by Council approved through the operating budget.

Withdrawals from the Capital Reserve Fund require approval by Council through resolution or during the budgets and may only be used for the following purposes:

a) Capital expenditures for which the Municipality is authorized to borrow;
b) Repayment of the principal portion of capital debt; and
c) Landfill closure and post-closure costs.

General Capital Reserves and Reserve Funds

- This reserve is used for general capital projects that are outside of the other specified reserves items listed below.

- This reserve will receive the proceeds from property or surplus sales. It also receives transfers from the tax sale surplus account twenty years after the tax sale occurred, MGA Section 147 (5).

Building Reserves and Reserve Funds

- This reserve will provide funds for renovations and retrofits to exciting building or new constructions for any buildings owned by the Municipality.

- This reserve may receive an annual contribution target of 2% of the total asset value of the buildings owned by the Municipality.

Road Infrastructure Reserves and Reserve Funds

- This reserve will provide funds for future road infrastructure projects.

- This reserve may receive an annual contribution target of 8% of the total asset value of all road infrastructure owned by the Municipality.

Vehicle Reserves and Reserve Funds

- This reserve will provide funds for large vehicle upgrades and replacements.

- This reserve may receive an annual contribution target of 4% of the total asset value of all Municipal vehicles, from the municipal operating budget.

Equipment Reserves and Reserve Funds

- This reserve will provide funds for large equipment not required to be registered under the Motor Vehicles Act.

- This reserve may receive an annual contribution target of 4% of the total asset value of all Municipal equipment.

Fire Asset Reserves and Reserve Funds

- This reserve will provide funds for required fire-fighting equipment, including fire vehicles.

- This reserve may receive an annual contribution target of 2% of the total asset value of all fire assets. This reserve will receive any proceeds from the sale of fire-fighting equipment or insurance proceeds.

Sewer Asset Reserves and Reserve Funds

- This reserve provides funding for capital projects for the West Hants Sewer System.

- Funding to the reserve is provided annually from the depreciation expense in the sewer system operating budget, plus or minus any operating deficit or surplus. This reserve will receive any proceeds from the sale of sewer-related equipment or insurance proceeds.

- This reserve may receive an annual contribution as determined by Council, during the budget process.

9. SPECIAL RESERVES AND RESERVE FUNDS

Special reserves are restricted funds set aside for specific purposes or legal obligations. These funds may only be used for their intended purpose. Depending on the fund they may be utilized for operational or capital expenditures.

Examples include:

- Grant agreements;
- Federal or provincial funding programs;
- Legislative requirements.

Special reserves may be created through restricts outlined by Council.

Consolidation Reserves and Reserve Funds

- This reserve did provide funds for consolidation related operating projects up to$750,000. This part of the funding has been fully utilized.

- This reserve also provides funds for rural communities' capital projects, up to a maximum of $3,000,000.

- This reserve received initial deposits of $750,000 and $3,000,000, through the Nova Scotia Provincial Government as part of the consolidation of the Former Town of Windsor and the Municipality of the District of West Hants. Once the funds are fully utilized the reserve will be closed.

Area Rated Infrastructure Reserves and Reserve Funds

- This reserve will provide funds for specific community road infrastructure projects.

- This reserve may receive an annual contribution as determined by Council, during the budget process.

10. WATER UTILITY RESERVES AND RESERVE FUNDS

Water Utility Reserves are governed by the Nova Scotia Regulatory and Appeals Board handbook. Authority over these reserves is shared with the Board.

Contribution to, shall include the following:

- Proceeds from the sale of utility property;
- Insurance proceeds from the loss or damage of property that is not used for repair, replacement, or reconstruction;
- Transfers from the Utility Operating Fund

Sludge Reserves and Reserve Funds

- This reserve provides funding specifically for sludge handling. Board approved through the rate structure.

- Funding to the reserve is annual contribution from the Water Operating Fund as outlined in the approved rate structure.

Depreciation and Capital Reserves and Reserve Funds

- These reserves provide funding for capital projects for the West Hants Water Utility.

- Funding to the depreciation reserve is provided annually from the depreciation expense in the water utility operating budget. This reserve will also receive any proceeds from the sale of water-related equipment or insurance proceeds.

- Funding for the capital reserve includes amounts collected through the Board-approved rate structure for depreciation and debt servicing related to capital projects that have been delayed. Should a project be cancelled, any remaining funds will be transferred back to the utility's surplus/(deficit) account.

11. EXCLUSIONS

Asset Retirement Obligation Reserve is governed by separate policies, and/or regulations, and are not included in this policy.

12. REVIEW

This Policy will be reviewed at the beginning of each new term of Council.

13. REPEAL

The Reserve Policy, COUNCIL 01-005 dated March 10, 2015 of the former Municipality of the District of West Hants is hereby repealed.

I, Deanna Snair, Municipal Clerk of the West Hants Regional Municipality, the Province of Nova Scotia, do hereby certify that this is a true copy of the Policy as adopted by the Council of the West Hants Regional Municipality at a meeting duly called and held on the ____ day of __________**, 2026**.

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Deanna Snair
Municipal Clerk

Adoption	
Notice to Council:	July 14, 2020
Approval:	July 28, 2020
Description: Initial Approval of Reserve Policy.	
Adoption	
Notice to Council: July 14, 2026	
Approval: July 28, 2026	
Description: First Amendment of Reserve Policy.	