POLICY AND ADMINISTRATION MANUAL	REFERENCE NUMBER: C63
SECTION: COUNCIL POLICY	POLICY TITLE: CAPITAL AND OPERATING RESERVE

1. **PURPOSE**

   1.1. The purpose of this policy is to support decisions relating to the long-range financial planning for operations and capital projects to minimize both debt servicing costs and significant annual budget impacts by allocating costs to reserves over several years. Annual transfers to reserves are necessary for the responsible, long term financial stability of the organization, and to ensure that future capital projects are funded either in part or in full by MODA.

2. **POLICY STATEMENT**

   1.2. Reserve funds are established by Council with intentions of setting aside money to offset future financing requirements. Funds are collected and withdrawn to finance capital or operating expenditures as designated by Council, either by motion or through their annual budget setting process. Council has two principal forms of reserves, the Operating Reserve and the Capital Reserve. Within each reserve fund, Council may, by motion, choose to set aside funds for a more specific purpose. The establishment of reserves shall follow the guidelines outlined in the FRAM, as issued and amended by the Province of Nova Scotia.

   1.3. The Operating Reserve represents accumulated surpluses from prior years. The purpose of the reserve is to collect annual surpluses from the operating funds, as well as provide funding to the operations where necessary, with the intention of minimizing tax rate fluctuations.

   1.4. The Capital Reserve is established by legislation, and its intent is to secure funding for the financing of current and future capital projects. Future costs may also include principal repayments of debt issued for capital purposes. The Capital Reserve also includes annual funds from the federally funded Canada Community Building Fund, which may only be spent on eligible projects.

2. **LEGISLATION**

   2.1. Section 99 of the *Municipal Government Act* outlines that a municipality shall maintain a capital reserve fund and outlines the qualified withdrawals and deposits in this fund.

3. **DEFINITIONS**

   3.1. ***"ACIF"*** refers to a special capital reserve fund, Argyle Capital Investment Fund.

   3.2. ***"CAO"*** refers to the Chief Administrative Officer of the Municipality.

3.3. ***"COUNCIL"*** refers to the Council of the Municipality of the District of Argyle.

3.4. ***"CMA 2024"*** refers to the Congrès Mondiale Acadien 2024, hosted in Clare and Argyle.

3.5. ***"COFJA 2012"*** refers to the Finales des Jeux de l'Acadie, hosted by Argyle in 2012.

3.6. ***"FRAM"*** refers to the Financial Reporting and Accounting Manual.

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

3.8. ***"MODA"*** refers to the Municipality of the District of Argyle.

3.9. ***"RESERVE FUND"*** refers to a fund with assets which are segregated and restricted to meet the purpose of the reserve fund.

3.10. ***"WCHW"*** refers to the Wedgeport/Comeau's Hill Wind Farm project.

4. GENERAL APPLICATION

4.1. The CAO shall recommend contributions to and from each reserve through annual budget deliberations.

4.2. The CAO shall prepare and amend the long-term capital master plan at least once annually.

4.3. Council shall be responsible for the approval of all contributions and capital project priority.

4.4. Investment income generated by funds in either reserve shall comply with MODA's Investment Policy (Article C49).

5. CAPITAL RESERVE

5.1. Annual transfers to capital reserve shall be at least 2% of budgeted expenditures, before transfers.

5.2. Council may only borrow from the capital reserve fund for capital purposes and must do so by resolution. The resolution must prescribe the terms of repayment, including interest, at a rate not less than the municipality would pay to borrow the funds for a similar term from another source.

5.3. Council shall establish a special capital reserve fund, named Argyle Capital Investment Fund (ACIF).

5.4. Beginning in fiscal year 2027-2028, additional operating fund transfers of $300,000 shall be made to the ACIF, with funds received through the WCHW development.

5.5. Capital funds expended in the ACIF are limited to capital initiatives located within the boundaries of the Municipality of Argyle.

5.6. Investment income generated by the ACIF shall remain in that fund and retain the same restrictions as mentioned in section 5.5.

6. OPERATING RESERVE

6.1. Council has established a base interfund loan of 1.8 million dollars between the Operating Reserve and the Operating Fund, to ensure that the operating fund has sufficient cashflow. This long term interfund loan is without interest or terms of repayment.

6.2. Council may, by resolution, borrow additional funds from the operating reserve to the benefit of the operating fund only. The resolution must prescribe the terms or repayment, including interest. Temporary loans of 12 months or less can be prescribed without interest.

6.3. Annual operating fund surplus, including surpluses from special wastewater and industrial water funds, shall be transferred **to** the operating reserve.

6.4. Transfers **from** operating fund reserves shall be made for the following purposes:

6.4.1. Cover costs of a one-time investment in municipal services.

6.4.2. Funds required from the wastewater and water reserves, as approved by a motion from the relevant subcommittees of Council.

6.4.3. Transfers of surplus funds earmarked by internal restriction, including but not limited to Legacy profits from the CMA 2024 or from the COFJA 2012.

6.5. Operating reserve funds are **not** to fund ongoing municipal expenditures. Should the transfers from operating reserve not be sufficient to balance the budget, Council shall consider a tax rate increase to balance operations or reduce expenditures.

7. **RESPONSIBILITIES**

7.1. The CAO is responsible for the budgeted annual allocation of funds within the restrictions of this policy.

7.2. The CAO is responsible for investment decisions on funds retained in either reserve.

7.3. Council is responsible for the approval of annual budgets and capital investments within the restrictions of this policy.

Chief Administrative Officers' Annotation for Official Policy Record	
Date of Notice to Council Members of Intent to Consider Current Version	September 10, 2026
Date of Passage of Current Policy	September 24, 2026
I certify that this policy was adopted by Council as indicated above.	

Nicole Albright
Warden

Sept. 24, 2026
Date

Chief Administrative Officer

Sept. 24, 2026
Date

Version Log		
Version #	Amendment	Date
1	Original Policy	September 24, 2026