



Town of Whitby Policy

Policy Title:	Contingency Reserves
Policy Number:	F 020
Reference:	Council Resolution #313-13
Date Originated:	June 24, 2013
Date Revised:	Not applicable
Review Date:	Not applicable
Approval:	Council
Point of Contact:	Financial Services Department

Policy Statement

The Town shall strive to establish and maintain adequate Contingency Reserves and Reserve Funds so as to provide a source of funding to offset extraordinary and unforeseen expenditures, one-time expenditures or unplanned revenue shortfalls.

Purpose

The purpose of this policy is to describe the nature, use and funding sources for the Town's Contingency Reserves, and to set out the target balances required to maintain a prudent level of financial resources for these reserves.

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1 Definitions

- 1.1 Operating Deficit** means the net shortfall that exists at a fiscal year end when expenditures are greater than had been budgeted for, and/or revenues are less than had been budgeted for.

2 Responsibilities

- 2.1** Council to:
- Approve the use of any of the Contingency Reserves.
- 2.2** Treasurer to:
- Evaluate the overall adequacy of the contingency reserves category and report to Council during annual budget deliberations.
 - In the event that use of the funds is required to prevent a projected operating deficit, the planned use of contingency reserves shall be included in the quarterly forecast report to Council.

3 Protocol

- 3.1** The Town's Contingency Reserves and Reserve Funds are comprised of the following:
- General Contingency Reserve – funds from this reserve are available to finance expenditures that are due to external factors not anticipated in the annual budget. Specifically, this includes such items as unbudgeted weather related event costs (e.g. windstorms, flooding), legal costs and assessment appeals and other extraordinary and unforeseen expenditures, one-time expenditures or unplanned revenue shortfalls. The funding source for this reserve is dependent upon the Disposition of Operating Surplus Policy.
 - Bad Debt Allowance Reserve – established to fund unexpected bad debts that result from uncollectable receivables. There is currently no ongoing funding source. Any required funding would be identified through the disposition of the operating surplus.
 - Winter Control Reserve – this discretionary reserve was established to fund unbudgeted winter control expenditures that may arise as a result of unexpected winter events. The funding source for this reserve is dependent upon the Operating Surplus Disposition Policy.
 - Insurance Reserve Fund – this discretionary reserve was established in order to finance insurance claims and other insurance related expenditures in excess of annual budget amounts. Funds are drawn/contributed from/to this reserve fund when the Town experiences insured losses greater/less than the annual budgeted amount. The use and funding source for this reserve is dependent upon the Insurance Reserve Fund Policy.

3.2 Target Balance for the Contingency Reserve Category

The target is based on an overall contingency reserve category balance (i.e. the target balance when all of the above contingency reserves and reserve funds are combined). The consolidated target is a minimum of 5% and maximum of 10% of gross expenditures.

This Policy is hereby approved by Council Resolution #313-13 on this 24th day of June, 2013.