

15% Operating Reserve Policy

Reasons for:

- Best Practices from professional organization recommend have a reserve policy of between 5% and 25%. The policy is for 15% or two months expenditure, is a good middle ground to insure operations can continue. Capital reserves on not included.
- Provides for a minimum amount to be reserved for operating expenses in the event of severe economic downturn, in effect as the commonly called “rainy day fund”. Acts as a bridge to give staff and Council time to develop strategies to respond to the new economic reality without the use of “knee jerk” responses.
- The policy as written is a target not a “bright line” that cannot be passed. The policy allows for use of the reserve for one-time projects with Council approval. Should the target not be met at the end of the year, staff is required to bring a plan to restore the reserve.
- Requires staff to maintain spending discipline in budget development to ensure the City stays financially secure.

Reasons Against:

- The policy, at the level it is written, requires a significant portion of resources to be reserved that could be used to fund programs and services.
- Setting a definitive amount reduces the flexibility in resource allocation decisions.
- Replenishing a reserve may cause reductions in operations and services in the following year.
- Funding a reserve causes taxes and/or rates to be set at a higher level than necessary.