



Council Policy

Policy Name	Building Reserve
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Purpose

The purpose of the Building Reserve fund is to provide a source of sustained funding for Capital Maintenance and Repair as well as Capital Improvements that cannot be otherwise funded in a single budget year through the OAA's existing annual operating budget for repair and maintenance of the building.

This Policy sets parameters around the accumulation and maintenance of these reserves as well as guides Council and OAA staff with respect to decision making concerning the fund.

This Reserve is not intended to provide funding for insurable losses, nor for operating expenses but is strictly reserved for capital expenses that cannot otherwise be funded.

Definitions and Goals

The Building Reserve is a designated fund set aside by Council in its annual budget. The minimum amount to be designated as Building Reserve will be established in cooperation with a Building Reserve Fund Study which is to be completed not less than every 5 (five) years. The Building Reserve will be reviewed annually by the Finance and Audit Committee and adjusted in response to internal and external changes as well as an annual review of the most recent Reserve Fund Study. As a dynamic fund, its value will fluctuate from year to year, depending on available funds, precedent and input from Council.

The Building Reserve Fund Study will be carried out by a competent professional every 5 (five) years. This consultant will be retained by the OAA in accordance with other policies. The Study will evaluate the existing building, the life cycle of building systems and components and predict a reasonable remaining lifespan and predictable replacement cost. The Finance & Audit Committee shall review the results of the Study and set aside an appropriate amount of funds necessary to ensure that at the expiry of the building component or system, and that those funds are available to maintain the building in a similar condition. In this, the Finance & Audit Committee will receive input from the Building Committee, Executive Director and other staff or Committees of Council.

Where it is reasonable, the Finance & Audit Committee will review "best practice" when considering replacement of building components or systems. For example, at the predictable end of the lifespan of a "state of the art" server, a replacement will not be of identical quality as the technology will have evolved; rather, a comparable "state of the art" system will be budgeted in order to ensure a comparable value to the original system when initially purchased.

Accounting for the Reserve

The Building Reserve will be recorded in the financial records as Building Reserve Fund (Internally Restricted). The fund shall be held in cash or cash equivalent funds (investments). The Reserve may be commingled with the general cash and investment accounts of the association.

Funding Of the Reserve

The Building Reserve will be funded with surplus unrestricted operating funds. Council may, from time to time, direct that a specific source of revenue be set aside for the Building Reserve. Where the Fund is deemed to be deficient, a schedule to replenish the Fund shall be established by the Finance & Audit Committee and approved by Council. Such schedule may be extended over several years, if necessary, in order to not compromise existing programs, commitments or planned expenditures. The schedule shall also not be altered unreasonably by successive Finance & Audit Committees or Councils.

The Fund will accumulate to a maximum equivalent to the net present value of anticipated capital maintenance, replacement and/or improvement costs for the next five years as established in a capital maintenance, replacement, improvement plan approved by Council.

The minimum amount to be held the Building Reserve shall never be less than that which is required in the next immediate 5 (five) year period.

Council may also set aside additional funds annually to be determined by the Finance & Audit Committee based on the draft financial statements at year end, depending on surplus unrestricted operating funds available.

Use of the Reserve

Use of the Building Reserves requires two steps for approval:

1. Identification of appropriate use of the Reserve Fund.

The Senior Vice President and senior staff will identify the need for access to the Building Reserve and confirm that the use is consistent with the purpose of the Reserve as described in this Policy. This step requires reporting of the reason for the withdrawal and may be determined in conjunction with the Building Committee and OAA Staff. The Senior Vice President shall outline the requirement for use and how this use is consistent with predicted expenditures outlined in the Building Reserve Fund Study as well as strategic planning for building maintenance, repair or upgrade. This outline shall be presented to Council.

2. Authority to use the Building Reserve:

Authority for use of the Building Reserve is at the discretion of Council. Council shall review the proposal and vote to approve or deny the use of the Building Reserve

Replenishment and Build-up of the Reserve



It is expected that replenishment of the Reserve shall be made in successive years in cooperation with on-going predictable expenses for maintenance, repair or upgrade outlined in the Reserve Fund Study.

Where funds are not required to be expended at the timetable predicted by the Reserve Fund Study, or actual expenditures are less than predicted, surplus funds may be redirected towards other expenditures or allowed to otherwise accumulate to the maximum indicated above. Funds may not be withdrawn for uses other than as outlined in this policy without the express agreement of Council.

Reporting and Monitoring

The Manager, Finance is responsible for ensuring that the Building Reserve is maintained and used only as described in this Policy. The day-to-day management of the Fund remains with the Manager, Finance who remains responsible for the overall management of the finances of the OAA, under the direction of the Executive Director and Council.

Review of Policy

This Policy will be reviewed annually by the Finance & Audit Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance & Audit Committee to Council for approval.

