Drummond Island Township Departmental Reserve Policy

Purpose: To encourage long-term planning and responsible spending by Township departments by allowing unspent budgeted expenditures to be set aside in a departmental reserve, so that departments that spend less than budgeted through careful decisions are not disadvantaged for doing so.

Scope: This policy applies to the Fire Department (Fund 206), Parks (Fund 208), and Golf Course (Fund 584), and to the township board members, department heads, and staff responsible for those funds. The Board may extend this policy to additional funds by motion.

1. Definitions

1.1 Unspent Budgeted Expenditures: The amount by which a covered fund's budgeted expenditures exceed its actual expenditures at fiscal year end. Revenue collected above budget is not included.

1.2 Departmental Reserve: The portion of a covered fund's balance that the Board has set aside under this policy for the long-term needs of that department. For Fund 584, the reserve is a designated cash reserve within the fund.

2. Establishment of Reserves

2.1 Setting Aside Funds: After the fiscal year closes, the Board may set aside all or part of a covered fund's unspent budgeted expenditures as a departmental reserve.

2.2 Separate Tracking: Reserves are tracked separately by fund. Reserve amounts remain within the fund that generated them and shall not be pooled with, or transferred to, any other fund.

3. Budget Commitment

3.1 No Reduction: Amounts placed in a departmental reserve shall not be used to reduce, or to justify a reduction of, the department's future budget.

3.2 Basis for Budgets: Each annual budget will be based on the calibrated cost of operations and compliance for that department.

3.3 Statement of Intent: It is the Board's stated policy and intent that the practice of setting aside unspent funds will not be treated as evidence of excess budget.

4. Use of Reserves

4.1 Restricted Use: Reserve funds may be used only for the purposes of the fund that generated them.

4.2 Board Approval: Withdrawals require approval by the Township Board.

4.3 Intended Purposes: Reserves are intended for long-term needs such as equipment replacement, capital improvements, and anticipated compliance costs.

5. Annual End-of-Year Summary

5.1 Submission Deadline: By January 15 of each year, the Fire Chief, Park Manager, and Golf Course Manager shall each submit an end-of-year summary to the township supervisor via e-mail (supervisor@drummondislandtownship.org). The summary will be considered at the Board's next regular meeting.

5.2 Submission Format: The summary must include the following:

- Budget requests for the next fiscal year, by line item, with a brief reason for each.
- The anticipated reserve amount, identified as an estimate, with an explanation of the decisions that led to the unspent funds.
- Top budget priorities for the next fiscal year, in ranked order.
- Known compliance or equipment lifecycle costs expected within the next two to three years.

6. Roles and Responsibilities

6.1 Township Board

- Determines whether and how much of a covered fund's unspent budgeted expenditures to set aside.
- Approves all withdrawals from departmental reserves.
- Reviews this policy periodically to confirm it continues to serve its purpose.

6.2 Department Heads (Fire Chief, Park Manager, Golf Course Manager)

- Submit the end-of-year summary by January 15.
- Explain anticipated reserve amounts in terms of the decisions that led to them.

6.3 Township Supervisor

- Receives the end-of-year summaries and places them on the agenda as New Business.

6.4 Township Treasurer and Clerk

- Maintain records that track each departmental reserve separately by fund.

7. Review and Amendment

7.1 Because this policy reflects the current Board's intent, any amendment or repeal shall be made by Board action at a regular meeting.

Adopted: _____

_____ Date: _____
Township Supervisor

_____ Date: _____
Township Clerk