



Reserves

1. Policy Statement:

- 1.1 A Policy governing the management and administration of reserves and reserve funds.
- 1.2 The purpose of the Policy is to establish guiding principles, primary objectives, key management and administrative responsibilities, and standards of care for reserves and reserve funds managed by the Town.
- 1.3 A Council resolution is required to access any reserve funds.

2. Purpose:

- 2.1 Reserves aid in the stabilization of the municipal tax levy through the prudent transfer and investment of funds over time to prevent large fluctuations in the tax levy.
- 2.2 To reduce the need for debt financing.
- 2.3 To provide for the repair/replacement of machinery, equipment, and vehicles.
- 2.4 To provide for the repair/replacement of facilities.
- 2.5 To provide for the repair/replacement of infrastructure.
- 2.6 To provide for sudden unexpected expenditures.
- 2.7 To provide for new vehicles, machinery, equipment, and infrastructure resulting from new development and growth.

3. Definition:

- 3.1 **"Budget"** means an estimated financial plan of revenue and expenditure for a set period.
- 3.2 **"Town"** means the Corporation of the Town of Lamont.
- 3.3 **"Debt"** means any obligation for the payment of money. For Alberta municipalities, debt would normally consist of debentures as well as either notes or cash from financial institutions but could also include loans from discretionary reserves and reserve funds.
- 3.4 **"Reserve"** means an appropriation from net revenue and/or cost savings at the discretion of Council, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund. Municipal Councils may set up reserves for any purpose for which they have the authority to spend money.
- 3.5 **"Reserve Fund"** means the funds that have been set aside either by a bylaw of the municipality or by a requirement of senior government statute or agreement to meet a future event. As a result, reserve funds are either "discretionary" being those set up by Council, or "obligatory" being those set up by virtue of a requirement of senior government statute or agreement. Municipal councils may set up reserve.

4. Reserve Categories:

- 4.1 *Operating Reserve (Stabilization and Contingency Reserve)* – A reserve category capturing the reserves established to provide UnCommitted funds to stabilize the temporary impact of unforeseen, non-recurring, emergent, one-time expenditures or losses of revenue, to ensure service levels, and to smooth future tax impacts.
- 4.2 *Capital Reserves (Projects Reserves)* – A reserve category capturing the reserves that are established to fund capital projects.
- 4.3 *Restricted Reserves* – A reserve category capturing reserve funds where allowable uses are established by an authority other than the Town, fall under legislative requirements, or are restricted by an agreement with an outside third party.
- 4.4 *Developer Levy Reserves* - A reserve category capturing the reserves established to hold developer levies collected through developer agreements to fund new assets/infrastructure required due to the growth of the Town without placing an undue burden on existing Town resources.

5. Procedure:

- 5.1 All reserve transactions shall be approved by Council prior to the transaction occurring.
- 5.2 All reserves must include all fields required in the reserve report. A reserve report contains the following:
 - 1) reserve name;
 - 2) reserve category;
 - 3) overall purpose of the reserve;
 - 4) source(s) of funding;
 - 5) specific use of funds;
 - 6) Optimal Balance formula, if applicable;
 - 7) duration of the reserve; and
 - 8) whether or not the reserve is Interest Bearing.
- 5.3 Reserves shall be funded from either internal or external sources as defined in the reserve report.
- 5.4 As part of the budget process, reserves which have a recommended Optimal Balance shall be assessed in comparison to the UnCommitted balance. If the funding source allows for it, reserves which exceed their recommended Optimal Balance may be reallocated to other reserves. Reserves which are lower than their recommended Optimal Balance shall be considered in the distribution of an annual operating budget surplus.
- 5.5 Interest Bearing reserves, as indicated in the reserve report, are allocated a portion of the Town's annual investment income based on the Town's annual rate of return earned on investments. The interest allocation is calculated annually as follows:
 - a) Interest Allocation = Average Reserve Balance × Return on Investments



If a reserve is deemed Interest Bearing, interest is applied to the respective reserve; otherwise, interest is applied to operations.

The investment of reserve is governed under the Policy #12-12 Investment Policy.

6. Authority and Responsibility to implement:

6.1 It is the responsibility of the Finance Officer to administer compliance with this Policy, and for compliance with Town bylaws, the Municipal Government Act, and other applicable legislation. The Finance Officer is responsible for the administration of the Town's reserves by reviewing and recommending appropriate reserve usage.

6.2 It is the responsibility of department Directors to be in compliance with this Policy. Departments must notify the Financial Services Department when reserve funding for expenditures is required. Departments will need to partner with Financial Services annually to confirm reserve structure and recommended Optimal Balances.



SCHEDULE "A"

RESERVES

(The following reserve accounts are to be established for specific purposes)

Reserve Name:	Operating General Reserve (Act# 1-4-0000-710)
Reserve Category:	Operating Reserve (Stabilization and Contingency Reserve)
Purpose:	A contingency fund for emergent, non-recurring, one-time expenditures or loss of revenues that will not be built into the operating budget in future years. As well, to provide funds to smooth future property tax increases during periods of high inflation, revenue or expense volatility, and to stabilize fluctuations in operating activities.
Source of Funding:	<ol style="list-style-type: none">1) Allocation of the annual operating budget surplus2) If deemed appropriate, annual contributions from operations3) Other sources as approved by Council
Use of Funds:	The funds are not Committed and can be used to protect the Town against any unforeseen operating costs that will cause the Town to incur an operating deficit. Funds will be used for stabilizing unbudgeted impacts as a result of unanticipated events. Examples are losses incurred due to increased emergency response costs, unforeseen climactic events, declines in revenues, special projects, or other items that would result in an overall deficit.
Optimal Balance:	Two months operating budget
Duration:	Ongoing
Interest Bearing:	No
Review:	Annual



Reserve Name:	Municipal Infrastructure & Equipment Maintenance and Replacement Reserve
	<ul style="list-style-type: none">• Administration -----(1-4-1200-710)• Fire -----(1-4-2300-710)• Public Work -----(1-4-3100-710)• Storm Sewer -----(1-4-3700-710)• Water -----(1-4-4100-710)• Sewer -----(1-4-4200-710)• Planning & Subdivision -----(1-4-6600-710)• Recreation General -----(1-4-7200-710)• Hall -----(1-4-7202-710)• Arena -----(1-4-7206-710)• Park -----(1-4-7208-710)• Curling Rink -----(1-4-7210-710)
Reserve Category:	Capital Reserves (Projects Reserves)
Purpose:	To provide funding for the lifecycle maintenance and replacement of the Town's infrastructure and equipment
Source of Funding:	<ol style="list-style-type: none">1. Annual contributions from operations.2. If deemed appropriate, allocation of the annual operating budget surplus.3. Other sources as approved by Council
Use of Funds:	Infrastructure lifecycle maintenance and replacement projects including: <ul style="list-style-type: none">• Annual equipment replacement.• Scheduled lifecycle maintenance of municipal facility components
Optimal Balance:	Average of the amount approved 5yr Capital Plan
Duration:	Ongoing
Interest Bearing:	No
Review:	Annual

