

Council will contribute to the financial sustainability of The City through the effective oversight of Reserves.

Policy Statements:

- 1 Only Council has authority to create and close Reserves.
- 2 Administration may create sub-categories within Reserves for tracking and management purposes.
- 3 Council approves all expenditures from Reserves and transfers between Reserves through budget deliberations or Council Resolutions.
- 4 Year-end actual surpluses or deficits will be allocated to/from the related Reserves.
- 5 Each year the City Manager will prepare a reserve report for Council which will include a section on compliance with this Policy.
- 6 It is recognized that Reserves include, but are not limited to, the following benefits:
 - (1) finance replacement of capital assets;
 - (2) fund emerging issues;
 - (3) fund current and future debt payments;
 - (4) limit tax rate increases;
 - (5) provide working capital; and
 - (6) ensure service levels are maintained and not immediately impacted by economic downturns
- 7 In support of the overall financial health of The City, a Reserve will be created for the following purposes:

Tax Supported

(1) Name: **Specific Purpose Reserve**

Purpose: Funds specific projects or initiatives and may contain sub-categories such as Public Art, Perpetual Care and/or Wetland Enhancement.

Contains sub-categories: Yes

Minimum balance: No

Funding: Various operating and capital activities related to each specific purpose.

(2) Name: **Capital Projects – Tax Supported Reserve (CPR)**

Purpose: Funds new tax supported capital assets, typically less than \$1 million in value. The reserve is not intended to fund all tax supported capital projects.

Contains sub-categories: No

Minimum balance: No

Funding: A percentage of estimated tax revenues along with annual contributions from operations for growth, amenities, and support cost allocations.

(3) Name: **Municipal Parkland Reserve (Capital)**

Purpose: To fund public parks, public recreation areas, school board purposes, or to separate areas of land that are used for different purposes (Municipal Government Act S671(2)).

Contains sub-categories: No

Minimum balance: No

Funding: Developer levies and sale of municipal reserve lands.

(4) Name: **Operating Reserve – Tax Supported (ORTS)**

Purpose: To manage one-time, unexpected emergent financial needs and should not be used to address ongoing pressures or base budget items.. Unexpected financial needs would include accidents or disasters beyond the support of insurance proceeds, changes in regulation requiring spending or urgent matters deemed by Council requiring funding, as examples.

Contains sub-categories: No

Minimum balance: Yes - Minimum and target balances are calculated as indicated in Appendix A.

Funding: Annual surplus from tax supported operations.

Self Supported

(5) Name: **Capital Asset Replacement Reserve (Fleet)**

Purpose: Funds the replacement of equipment, vehicle, and fleet assets.

Contains sub-categories: Yes

Minimum balance: No

Funding: Annual surpluses from fleet and equipment operations as well as fuel markups, depreciation transfers, and proceeds on sale of equipment.

(6) Name: **Land Development Reserve (Land Bank)**

Purpose: Manages the long-term fiscal sustainability of the Land Bank. The balance in the Reserve represents the appropriated accumulated surplus of the Land Bank over time.

This Reserve is only intended to stabilize the Land Bank over long periods of time and is not to support any other activities, including tax-supported operations.

This Reserve is backed by land held for resale inventory and cash.

Refer to Land Bank Ownership & Administration Responsibilities Policy 6132-CA for administration of the Land Bank.

Contains sub-categories: Yes

Minimum balance: No

Funding: Annual surplus from subdivision activities

(7) Name: **Offsite Reserve**

Purpose: Funds offsite development according to the Offsite Levy Bylaw

Reserve deficit balances will be repaid through future offsite levies paid.

Refer to Off Site Levies Policy 4312-C for the administration of offsite levies.

Contains sub-categories: Yes

Minimum balance: No

Funding: Offsite levies from developers

Utility Supported

(8) Name: **Power Reserve**

Purpose: Fees collected by The City from the power service are transferred to reserve, and withdrawals will be made for respective capital design, construction, rate stabilization and operations of the power utility.

Contains Sub-categories: Yes

Minimum balance: Yes - Minimum balances are calculated as indicated in Appendix B.

Funding: Annual surpluses from electric light and power operations

(9) Name: **Water Reserve**

Purpose: Fees collected by The City from the water service are transferred to reserve, and withdrawals will be made for respective capital design, construction, rate stabilization and operations of the water utility.

Contains Sub-categories: Yes

Minimum balance: Yes - Minimum balances are calculated as indicated in Appendix B.

Funding: Annual surpluses from water utility operations

(10) Name: **Wastewater Reserve**

Purpose: Fees collected by The City from the wastewater service are transferred to reserve, and withdrawals will be made for respective capital design, construction, rate stabilization and operations of the wastewater utility.

Contains Sub-categories: Yes

Minimum balance: Yes - Minimum balances are calculated as indicated in Appendix B.

Funding: Annual surpluses from wastewater utility operations

(11) Name: **Solid Waste Management Reserve**

Purpose: Fees collected by The City from the solid waste management service are transferred to reserve, and withdrawals will be made for respective capital design, construction, rate stabilization and operations of the solid waste management utility.

Contains Sub-categories: Yes

Minimum balance: Yes - Minimum balances are calculated as indicated in Appendix B.

Funding: Annual surpluses from waste management operations

Definitions:

- 8 “**Operating Reserve**” means an account generally established to fund one-time expenditures of an operating nature or to provide stabilization to the budget as a result of a sudden economic downturn.
- 9 “**Capital Reserve**” means an account generally established to fund expenditures of a capital nature, including replacement and upgrading or construction of new assets and infrastructure.
- 10 “**Funding Source**” means an internal or external source that funds each reserve such as, but not limited to:
 - (1) approved budget contributions;
 - (2) year-end actual surpluses;
 - (3) interest;
 - (4) government grants;
 - (5) donations;
 - (6) development levies; or
 - (7) transfers from other reserves.
- 12 “**Reserve**” means internally restricted funds authorized by Council to be set aside for funding of future expenditures. The internal restriction is enacted and may be amended or rescinded at Council’s direction. This is contrasted to externally restricted (deferred) funds, which may not be enacted, amended or rescinded by Council.
- 13 “**Self Supported**” means operations that do not require property taxes and instead generate their revenue required by increases in fees. Self Supported include Land & Economic Development, and Fleet.

- 14 **“Utility Supported”** means operations that do not require property taxes and instead generate their revenue by utility rates charged to customers. Utility Supported include the water utility, wastewater utility, waste management and electric, light & power.
- 15 **“Committed”** means a fund or reserve is specifically pledged to a particular purpose, project, or program
- 16 **“Uncommitted”** means a fund or reserve is not pledged to a particular purpose, project or program but may be used as described within their general purpose statement.

References/Links:

- 17 Borrowing Policy 5313-CA
- 18 Internal Borrowing Policy 5315-CA
- 19 Investment Income Earnings Allocation Policy 5333-CA
- 20 Utility Policy PS-A-2.7

Document History:

Policy Adopted	September 16, 2013
Policy Revised	March 17, 2014
Policy Revised	May, 2022
Policy Revised	May 1, 2023

Appendix AOperating Reserve - Tax Supported

- 1 The City has committed and uncommitted Operating Reserve – Tax Supported (ORTS) balances.
 - (1) The purpose of the uncommitted ORTS balance is to manage one-time, unexpected emergent financial needs and should not be used to address ongoing pressures.
 - (2) The committed ORTS balance is designed for specific purposes as approved by Council (e.g. carry forward one-time funding for a project in the following year).
- 2 The uncommitted ORTS shall have a minimum balance of 10% and a target balance of 20% of total budgeted operating expenses, excluding non-cash amortization expenses.
- 3 The ORTS balances will be reviewed yearly with a strategy developed every four years with revisions to the minimum and target levels, if necessary, with recommendations made to Council.
- 4 100% of any annual tax-supported operating surplus will be applied to the uncommitted ORTS. If the uncommitted ORTS should exceed the target balance, any operating surplus may then be applied to significant one-time operating expense or to a capital priority.
- 5 In the event the uncommitted ORTS balance falls below the minimum, a strategy will be adopted to achieve the minimum balance over a period not to exceed four years, starting with the subsequent year's operating budget. The strategy may include replenishing the uncommitted ORTS with any unplanned one-time revenues, previously committed one-time contingent funds or appropriated items that are not longer required for their original purpose. Other reserve account balances will be reassessed and where appropriate, amounts transferred to the uncommitted ORTS.
- 6 The committed ORTS balance is reviewed annually, and reallocated or released to the uncommitted ORTS when no longer required as approved by Council.

Appendix B

Utility Capital Reserves as listed under Council's Utility Policy PS-A-2.7

- 1 A Capital Reserve for each utility will be established for:
 - (a) Asset replacement and/or;
 - (b) Asset rehabilitation and/or;
 - (c) Acquisition of future assets; to allow for long term financial planning and financial management of capital assets, for the purpose of re-investing in the utility's assets.
- 2 A capital surcharge may be incorporated in rates.

Utility Operating Reserves as listed under Council's Utility Policy PS-A-2.7.

- 3 A rate stabilization and operating reserve will be established for each utility to:
 - (a) Maintain operations and/or;
 - (b) Manage unplanned changes in operating expenditures and revenues and/or;
 - (c) Mitigate the impact of significant changes in revenue requirements on customer rates for any particular year.
- 4 A Working Capital minimum amount equal to approximately 45 days of operations will be set aside in the respective operating reserves to be used to fund operations through below budget revenue periods and for unplanned expenditures.
- 5 A maximum operating balance will be the Working Capital minimum plus 12.5% of annual operating revenues.
- 6 Year-end actual surplus/deficit from operations will be transferred to/from the respective operating reserve. If this action results in the operating reserve being above the maximum or below the minimum balance, a transfer to/from the respective capital reserve will only occur if the transfer does not result in a negative capital reserve balance.