
Reserve

Policy Number: CP107/2024
Approval Date: April 23, 2024
Supersedes Policy: CP150/2023

SECTION A

1.0 Policy Purpose

- 1.1 The purpose of this Policy is to establish, maintain and manage specific reserves for emergency financial needs, stabilization of operational revenues, future tangible capital asset funding, and managing the debt financing needs of Morinville.
- 1.2 The Town of Morinville will manage the annual allocation of operating surpluses in a fiscally responsible manner.
- 1.3 This Policy establishes standards and guidelines for the management of existing reserves, outlines the purpose of each reserve, and parameters regarding the use of reserves.

2.0 Policy Statements

- 2.1 The Town of Morinville recognizes that the ongoing commitment of funds to specific reserves provides for revenue stabilization, contingency funding and reduces the need for debt financing.
- 2.2 All operating and capital reserves will be established based as follows:
 - 2.2.1 The establishment of, contributions to, and withdrawals from a specific reserve shall be approved by Council through resolution or bylaw in accordance with the *Municipal Government Act*. This may be either as part of the overall budget review and approval process or by resolution on an as-needed basis. The attached "Reserve Policy Schedules" require Council approval prior to the establishment of a reserve. The schedules

attached to this Policy will be developed for each reserve created, outlining the following:

- 2.2.1.1 Type of Reserve (Operating/Capital);
- 2.2.1.2 Reserve Name;
- 2.2.1.3 Purpose of the Reserve;
- 2.2.1.4 Source of Funding;
- 2.2.1.5 Minimum/Maximum Limits (if appropriate);
- 2.2.1.6 Application;
- 2.2.1.7 Interest Treatment.

- 2.3 The annual budget document approved by Council shall include separate statements for reserves and provide annual updates of projected reserve balances.
- 2.4 Administration of all reserves will be carried out by the Chief Administrative Officer or his/her designate.
 - 2.4.1 Transfers to reserves will be restricted to the following sources:
 - 2.4.1.1 Appropriations from operating and/or unexpended funds as approved by Council;
 - 2.4.1.2 Direct cash receipts such as grants, sale of tangible assets including land or any other cash receipts as authorized by Council, off-site levy receipts;
 - 2.4.2 Investment income earned on reserve funds as outlined within the Reserve Policy Schedules.
 - 2.4.3 Interest earnings are intended to be applied to reserves only if:
 - 2.4.3.1 External requirements are imposed by legislation or agreements; or
 - 2.4.3.2 Required to assist in offsetting the effects of inflation or meeting the stated purpose of the reserve.
 - 2.4.4 The interest rate earned by the reserve will be calculated at the end of the month based on the reserve balance at that date. The interest rate used will be the net weighted average earnings on the Town's cash and investments that month.
 - 2.4.5 Transfers from reserves shall be as authorized by the Reserve Policy Schedule and approved by Council.

2.4.6 Funds may be borrowed from internal reserve funds to meet funding requirements as approved by Council. Internal borrowing will be permitted only if an analysis of the affected reserve indicates excess funds are available and the use of these funds will not impact the funds' intended use. The interest rate being earned by the reserve funds will be paid on these loans.

2.5 This Policy, along with the approved reserve schedules and balances, will be reviewed by Administration annually. Reserve levels shall be monitored, and where reserves exceed indicated ceilings, transfers to alternative reserves shall be proposed and approved by Council. Efforts to re-evaluate future contributions to those reserves shall be undertaken to avoid future overages, whether by reducing budgeted contributions or user rates contributing to that reserve.

2.6 Reporting to Council:

2.6.1 Reserve account reporting will form a part of the annual audited financial statements.

3.0 Policy Review

3.1 This Policy is subject to periodic review and may be updated as requirements change, and per relevancy and necessity. A review will occur prior to December 31, 2027.

3.2 This Policy shall remain in effect if the review date passes prior to formal review.

SECTION B

1.0 Reference to other Policy and Legislation

MGA Section 243(1) (2), Section 276 (1), 648, 671
Budget Principles and Guidelines Policy
Automated Traffic Enforcement Technology Policy
Off-site Levy Bylaw

2.0 Persons Affected

3.0 Review/Revision History and Author

CP150/2023

CP252/2021

CFS76/2020

CFS397/2016

Revised Policy CF59/2011 December 7, 2016 (Motion 397/2016)

Original approval date: February 23, 21010 (Motion 30/2010)

ORIGINAL SIGNED

Simon Boersma
Mayor

ORIGINAL SIGNED

Naleen Narayan
Chief Administrative Officer

RESERVE SCHEDULES

Operating Reserve Schedules:

- 01 General Operating
- 02 Snow Removal

Capital Reserve Schedules:

General Capital

- 03 Capital Renewal Projects
- 04 Capital Growth Projects
- 05 Parks, Recreation & Culture
- 06 Land

Off-site Levies

- 07 Off-site Levies – Transportation
- 08 Off-site Levies – Sanitary
- 09 Off-Site Levies – Water
- 10 Off-Site Levies – Stormwater

Reserve Policy – Schedule 1

Type:	Operating Reserve
Name:	General Operating Reserve
Purpose:	To provide funding for non-recurring, one-time expenditures, tax stabilization, utility stabilization or losses of revenue that will not be built into the base-operating budget in future years.
Source of Funding:	a) An annual contribution as determined by Council; b) 25% of annual surplus net of budgeted reserve transfers; c) Unexpended funds remaining after any Council approved transfers to reserves as part of the year end process; or d) Other sources as approved by Council.
Target	
Minimum Limit:	5% of the annual municipal operating budget
Maximum Limit:	25% of the annual municipal tax revenue.
Application:	Funds from this reserve will be used for stabilizing budgetary impacts resulting from weather events, fluctuating interest rates, declines in building & development revenues, increased and/or unplanned costs, to stabilize tax or utility increases or other extraordinary items that would result in an overall deficit to the municipal operation.
Interest Bearing:	None.

Reserve Policy – Schedule 2

Type:	Operating Reserve
Name:	Snow Removal Reserve
Purpose:	To provide funding for municipal snow removal services based on approved Council level of service.
Source of Funding:	a) Surplus funds remaining in the snow removal operating budget at the end of the fiscal year; Or b) Other sources as approved by Council.
Minimum Limit:	N/A.
Maximum Limit:	\$350,000
Application:	Funds from this reserve will be used funding shortfalls in the snow removal operating budget.
Interest Bearing:	No.

Reserve Policy – Schedule 3

Type:	Capital Reserve
Name:	Capital Renewal Projects Reserve
Purpose:	To provide funding for capital projects related to the renewal, replacement or refurbishment of existing assets identified in future capital budgets. Funds may be used as the municipal matching portion required for provincial and federal grants that may arise and whose eligibility includes renewal type projects.
Source of Funding:	a) An annual contribution as determined by Council; b) Annual unexpended funds remaining after any Council approved transfers to reserves as part of the year end process; or c) Other sources as approved by Council.
Target	
Minimum Limit:	Total estimated cost of the current and following year's renewal projects as defined by the Long-term Capital Plan.
Maximum Limit:	Total aggregate budget for all renewal projects identified in the long-term capital plan.
Application:	Funds from this reserve will be used for capital renewal projects as identified in the annual and long-term capital plan.
Interest Bearing:	Yes.

Reserve Policy – Schedule 4

Type:	Capital Reserve
Name:	Capital Growth Projects Reserve
Purpose:	To provide funding for capital projects related to new growth or increased service levels not covered by off-site levy reserves. Funds may be used as the municipal matching portion required for provincial and federal grants that may arise and whose eligibility includes new growth or service improvement related projects.
Source of Funding:	a) An annual contribution as determined by Council; b) Annual unexpended funds remaining after any Council approved transfers to reserves as part of the year end process; or c) Other sources as approved by Council.
Minimum Limit:	Total estimated cost of the current and following year's growth or service level improvement projects, net of projects funded through off-site levies, as defined by the Long-term Capital Plan.
Maximum Limit:	Total aggregate budget for all growth or service level improvement projects, net of projects funded through off-site levies, identified in the long-term capital plan.
Application:	Funds from this reserve will be used for capital growth and service improvement projects as identified in the annual and long-term capital plan.
Interest Bearing:	Yes.

Reserve Policy – Schedule 5

Type:	Capital Reserve
Name:	Parks, Recreation and Culture
Purpose:	To provide funding for the purchase of new and/or replacement capital items for Parks, Recreation and Culture as identified in capital budgets as well as providing matching funds for other provincial and federal grants that may arise.
Source of Funding:	<ul style="list-style-type: none">a) An annual contribution as determined by Council;b) Annual unexpended funds remaining after any Council approved transfers to reserves as part of the year end process;c) Contributions from both the Town of Morinville and Sturgeon County as defined in the Recreation Cost Sharing Agreement.d) Other sources as approved by Council.
Minimum Limit:	Total estimated cost of the current and following year's capital budget for capital items for Parks, Recreation and Culture.
Maximum Limit:	Total aggregate budget for all capital items for Parks, Recreation and Culture identified in the long-term capital plan.
Application:	Funds from this reserve will be used for capital items for Parks, Recreation and Culture funded under a provincial or federal program where matching funds are required. In addition, funds may be utilized for capital items for Parks, Recreation and Culture that are approved by Council in the current year's capital budget.
Interest Bearing:	Yes.

Reserve Policy – Schedule 6

Type:	Capital Reserve
Name:	Land
Purpose:	To provide funding for the acquisition, dispensation, or expenses related to the management of land in alignment with the Town's land management strategy
Source of Funding:	a) As approved in the budget; or b) Proceeds from the sale of municipally owned land.
Minimum Limit:	N/A
Maximum Limit:	N/A
Application:	Funds from this reserve will be used for capital land purchases, direct costs that might occur in order to procure land, dispense of land, or prepare land for dispensation and professional services to inform decision regarding the acquisition and dispensation of land.
Interest Bearing:	Yes.

Reserve Policy – Schedule 7

Type:	Capital Reserve
Name:	Off-site Levies - Transportation
Purpose:	To provide funds for roads and related ancillary structures including streetlights, sidewalks, line markings, signals, landscaping, etc. The reserve also provides matching funds for provincial and federal transportation grants that may arise.
Source of Funding:	a) Payments made by developers under off-site bylaw.
Minimum Limit:	N/A
Maximum Limit:	N/A
Application:	Funds from this reserve, together with provincial and federal grants, and Transportation Project Reserves will be used for funding roads and related ancillary structures.
Interest Bearing:	Yes.

Reserve Policy – Schedule 8

Type:	Capital Reserve
Name:	Off-site Levies - Sanitary
Purpose:	To provide funds for sewers and related ancillary structures. The reserve also provides matching funds for provincial and federal sewer grants that may arise.
Source of Funding:	a) Payments made by developers under off-site bylaw.
Minimum Limit:	N/A
Maximum Limit:	N/A
Application:	Funds from this reserve, together with provincial and federal grants, and Storm Sewer Capital Project Reserves will be used for funding sewers and related ancillary structures.
Interest Bearing:	Yes.

Reserve Policy – Schedule 9

Type:	Capital Reserve
Name:	Off-site Levies – Water
Purpose:	To provide funds for water storage and related ancillary structures. The reserve also provides matching funds for provincial and federal grants that may arise.
Source of Funding:	a) Payments made by developers under off-site bylaw.
Minimum Limit:	N/A
Maximum Limit:	N/A
Application:	Funds from this reserve, together with provincial and federal grants, and Water Capital Project Reserves will be used for funding water storage and related ancillary structures.
Interest Bearing:	Yes.

Reserve Policy – Schedule 10

Type:	Capital Reserve
Name:	Off-site Levies – Stormwater
Purpose:	To provide funds for stormwater and related ancillary structures. The reserve also provides matching funds for provincial and federal grants that may arise.
Source of Funding:	a) Payments made by developers under off-site bylaw.
Minimum Limit:	N/A
Maximum Limit:	N/A
Application:	Funds from this reserve, together with provincial and federal grants, and Stormwater Project Reserves will be used for funding stormwater and related ancillary structures.
Interest Bearing:	Yes.