

Council Policy



Reserve Policy

Policy Number: CFS76/2020
Approval Date: February 25, 2020
Supersedes Policy: 228/2004; CFS397/2016

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, stabilize tax and utility rates, future tangible 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, to outline 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 property tax 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 establishment of a reserve. The schedules attached to this policy will be developed for each reserve created outlining the following:


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- Type of Reserve (Operating/Capital)
- Reserve Name
- Purpose of the Reserve
- Source of Funding
- Minimum/Maximum Limits (if appropriate)
- Application
- Interest Treatment

2.3 The annual budget document approved by Council shall include separate statements for reserves and provide annual long term projections through the update of the Long Term Financial Plan.

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/r 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

Interest earnings are intended to be applied to reserves only if:

- a) External requirements are imposed by legislation or agreements; or
- b) Required to assist in offsetting the effects of inflation or meeting the stated purpose of the reserve.

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.

Transfers from reserves shall be as authorized by the Reserve Policy Schedule and approved by Council.

2.5 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, the use of these funds will not impact the funds intended use. The prevailing interest rate in effect from the Alberta Capital Finance Authority will be paid on these loans.

2.6 Where appropriate, each reserve will be supported by a 25 year projection for receipt and disbursement of monies. These projects will be updated annually as part of the budget process through the Long Range Financial Model.

2.7 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, prior to the fiscal year end, 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.

2.8 Reporting to Council

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

3.0 Policy Review

This Policy is reviewed for ongoing relevancy and necessity, with the option that it may be repassed in its present or an amended form following a review, this policy expires December 31, 2022 and will remain in effect until amended.

SECTION B

1.0 Reference to other Policy and Legislation

MGA Section 243(1) (2), Section 276 (1), 648, 671

Automated Traffic Enforcement Technology Policy
Offsite Levy Bylaw
Development Recreation Contribution Policy


2.0 Persons Affected

3.0 Review/Revision History and Author


CFS397/2016

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

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



Barry Turner
Mayor



Stephane Laboone
Chief Administrative Officer

RESERVE SCHEDULES

Operating Reserve Schedules:

Stabilization

- 01 Tax Stabilization
- 02 Utility Stabilization

Operating Programs

- 03 Snow Removal
- 04 Facility Infrastructure

Capital Reserve Schedules:

General Capital

- 05 General Capital Projects
- 06 Transportation Projects
- 07 Parks, Recreation & Culture
- 08 Safety Initiative Reserve

Capital Equipment Replacement

- 09 Fleet & Equipment Replacement

Utility Capital

- 10 Water Capital Projects
- 11 Sanitary Capital Projects
- 12 Storm water Capital Projects

Offsite Levies

- 13 Off-site Levies – Transportation
- 14 Off-site Levies – Sanitary
- 15 Off-Site Levies – Water
- 16 Off-Site Levies - Stormwater

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Reserve Policy – Schedule 1

Type: Operating Reserve

Name: Tax Stabilization

Purpose: To provide funding for non-recurring, one-time expenditures, tax 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) 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: 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 increases or other extraordinary items that would result in an overall deficit to the municipal operation.

Interest Bearing: None.

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Reserve Policy – Schedule 2

Type: Operating Reserve

Name: Utility Stabilization

Purpose: To provide funding for non-recurring, one-time expenditures or losses of revenue that will not be built into the base-operating budget in future years.

Source of Funding: Surplus funds from the municipal water, sanitary, solid waste, stormwater utility.

Minimum Limit: 5% of the actual municipal water, sanitary, solid waste and stormwater fees for the preceding year.

Maximum Limit: 10% of the actual municipal water, sanitary, solid waste and stormwater fees the preceding year.

Application: Funds from this reserve will be used for stabilizing budgetary impacts resulting from fluctuating interest rates, declines in revenues, increased utility costs or other extraordinary items that would result in an overall deficit to the municipal operation.

Interest Bearing: None.

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Reserve Policy – Schedule 3

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: N/A.

Application: Funds from this reserve will be used funding shortfalls in the snow removal operating budget.

Interest Bearing: No.


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Reserve Policy – Schedule 4

Type: Operating Reserve

Name: Facility Infrastructure Reserve

Purpose: To provide funding for unplanned significant operational building repairs and maintenance and/or funding facility infrastructure capital projects.

Source of Funding: a) Annual operating budget surplus' from Building Repair and Maintenance operating budget;
Or
b) Other sources as approved by Council.

Minimum Limit: N/A.

Maximum Limit: N/A.

Application: Funds from this reserve will be used for unplanned significant operational building repairs and maintenance and/or funding facility infrastructure capital projects.

Interest Bearing: No.


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Reserve Policy – Schedule 5

- Type: Capital Reserve
- Name: General Capital Projects
- Purpose: To provide funding for capital projects identified in future capital budgets as well as providing matching funds for other provincial and federal grants that may arise.
- 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;
c) or
d) Other sources as approved by Council.
- Target
Minimum Limit: \$250,000.
- Maximum Limit: Total of the budget for capital projects not defined under other Capital schedules.
- Application: Funds from this reserve will be used for capital projects funded under a provincial or federal program where matching funds are required. In addition funds may be utilized for capital projects that are approved by Council where funding of projects was not included in the current year's capital budget.
- Interest Bearing: Yes.

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Reserve Policy – Schedule 6

Type: Capital Reserve

Name: Water Capital Projects

Purpose: To provide funding for water capital projects identified in capital budgets as well as providing matching funds for other provincial and federal grants that may arise.

Source of Funding: a) An annual contribution from surplus funds from the municipal water utility as determined by Council.

Minimum Limit: Current year's capital budget for water capital projects.

Maximum Limit: Total of the budget for water capital projects.

Application: Funds from this reserve will be used for water capital projects funded under a provincial or federal program where matching funds are required. In addition funds may be utilized for water capital projects that are approved by Council in the current year's capital budget.

Interest Bearing: Yes.


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Reserve Policy – Schedule 7

Type: Capital Reserve

Name: Sanitary Capital Projects

Purpose: To provide funding for sanitary capital projects identified in capital budgets as well as providing matching funds for other provincial and federal grants that may arise.

Source of Funding: a) An annual contribution from surplus funds from the municipal sanitary utility as determined by Council.

Minimum Limit: Current year's capital budget for sanitary capital projects.

Maximum Limit: Total of the budget for sanitary capital projects.

Application: Funds from this reserve will be used for sanitary capital projects funded under a provincial or federal program where matching funds are required. In addition funds may be utilized for sanitary capital projects that are approved by Council in the current year's capital budget

Interest Bearing: Yes.


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Reserve Policy – Schedule 8

Type: Capital Reserve

Name: Storm water Capital Projects

Purpose: To provide funding for storm sewer capital projects identified in capital budgets as well as providing matching funds for other provincial and federal grants that may arise.

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: Current year's capital budget for storm sewer capital projects.

Maximum Limit: Total of the budget for storm sewer capital projects.

Application: Funds from this reserve will be used for storm sewer capital projects funded under a provincial or federal program where matching funds are required. In addition funds may be utilized for storm sewer capital projects that are approved by Council in the current year's capital budget.

Interest Bearing: Yes.

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Reserve Policy – Schedule 9

- Type: Capital Reserve
- Name: Transportation Projects
- Purpose: To provide funding for transportation capital projects identified in capital budgets as well as providing matching funds for other provincial and federal grants that may arise.
- 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: Current year's capital budget for water capital projects.
- Maximum Limit: Total of the budget for water capital projects.
- Application: Funds from this reserve will be used for transportation (roads, trails, etc.) related capital projects funded under a provincial or federal program where matching funds are required. In addition funds may be utilized for water capital projects that are approved by Council in the current year's capital budget
- Interest Bearing: Yes.

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Reserve Policy – Schedule 10

Type: Capital Reserve

Name: Fleet & Equipment Replacement

Purpose: To provide funding for the purchase of new and/or replacement vehicles & equipment identified in capital budgets as well as providing matching funds for other provincial and federal grants that may arise.

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: Current year's capital budget for fleet & equipment replacement
Maximum Limit: Total of the budget for fleet & equipment replacement.

Application: Funds from this reserve will be used for vehicles & equipment funded under a provincial or federal program where matching funds are required. In addition funds may be utilized for public works, Enforcement Services and Fire Department fleet & equipment that are approved by Council in the current year's capital budget.

Interest Bearing: Yes.



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Reserve Policy – Schedule 11

- 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:** 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;
b) Other sources as approved by Council.
- Minimum Limit:** Current year's capital budget for capital items for Parks, Recreation and Culture.
- Maximum Limit:** Total of the budget for capital items for Parks, Recreation and Culture.
- 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.


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Reserve Policy – Schedule 12

- Type: Capital Reserve
- Name: Safety Initiative Reserve
- Purpose: To provide funding for the purchase of new and/or replacement capital items for Safety related initiatives as identified in capital budgets as well as providing matching funds for other provincial and federal grants that may arise.
- Source of Funding: a) Annual net photo enforcement revenues less unexpended funds remaining after any Council approved initiatives as part of the year end process; or
b) Other sources as approved by Council.
- Minimum Limit: Current year's capital budget for capital items for Safety Initiatives.
- Maximum Limit: Total of the budget for capital items for Safety Initiatives.
- Application: Funds from this reserve will be used for capital items for Safety funded under a provincial or federal program where matching funds are required. In addition funds may be utilized for capital items for Safety related initiatives that are approved by Council in the current year's capital budget.
- Interest Bearing: Yes.


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Reserve Policy – Schedule 13

Type: Capital Reserve

Name: Off-site Levies - Transportation

Purpose: To provide funds for roads and related ancillary structures including street lights, 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 offsite 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.

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Reserve Policy – Schedule 14

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 offsite 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.


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Reserve Policy – Schedule 15

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 offsite 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.


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Reserve Policy – Schedule 16

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 offsite 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.


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