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Division Responsible:	Finance
Cross-Reference:	

1. Policy Statement

In accordance with the provisions of the *Municipal Government Act* City Council shall establish Reserve accounts and approve transfers through the Budget process. The City of Wetaskiwin recognizes that through proper reserve management the City can provide property tax stabilization, contingency funding, and reduce the need for external debt financing.

2. Purpose

- 2.1. The City of Wetaskiwin shall manage reserves established by City Council for emergent or future financial needs, to stabilize tax rates, to reduce the need for debt financing, and to set aside funds for the replacement of existing equipment, facilities, and future projects.
- 2.2. Investment interest will be allocated to capital reserves.

3. Definitions

“Automated Enforcement Penalties” means fines from tickets paid from automated traffic enforcement activities, excluding Traffic Safety Act violations.

“Capital Reserve” means a reserve established to fund expenditures of a capital nature in order to minimize borrowing on long term projects.

“Ceiling” means the maximum amount a reserve can reach.

“Contingency Funding” means funding meant to improve the City’s financial stability by developing a safety net that can be used to address emergency or unanticipated needs.

“External Debt Financing” means borrowing from entities outside the City.

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“Legislated Reserves” means a reserve established pursuant to Section 671 of the Municipal Government Act requiring that money provided in place of Municipal Reserve land dedication

through the subdivision process must be accounted for separately and held in reserve for permitted capital expenditures.

“Operating Reserve” means a reserve established to fund one-time expenditures of an operating nature and used to stabilize budgets with volatile revenue streams.

“Public Art” means art in any medium that has been planned and executed with the intention of being staged in the physical public domain, usually outside and with the goal of being accessible to all. Examples of Public Art may include, but are not limited to: sculptures, statues, murals, functional art, and architectural embellishments. It may be abstract or realistic (or both) and may be cast, carved, built, assembled, or painted.

“Purpose” means what reserve funds shall be used for.

“Reserves” means funds specifically set aside to finance future expenditures which are operating, or capital related and are approved by Council.

“Tax Stabilization” means measures in place to mitigate large increases in tax rates.

4. Responsibilities

- 4.1. City Council is responsible for the establishment, funding and closure of reserves except the Year- end Carry Forward Reserve. Establishment of, contributions to, and withdrawals from specific reserves shall be approved by City Council through resolution or bylaw in accordance with the *Municipal Government Act, RSA 2000, c. M-26 (MGA)*, and amendments thereto.
- 4.2. The City Manager will be responsible for the implementation of and compliance with this policy.

5. Standards for Operating Reserves

- 5.1. CONTINGENCY RESERVE:
Purpose: Provides funds to deal with minor unexpected, emergent or emergency expenditures, one-time projects or services not contemplated during the approval of the annual budget.

In the event that funding is required, that has not been provided for in the budget process, the following provisions shall apply:

- a) Council will only consider requests that are of an unexpected or emergency nature;
- b) Council will only consider requests that fulfil a municipal purpose;

- c) Council will only consider requests that cannot be fulfilled through regular budget sources; and
- d) Council will only consider requests that have been made in writing.

Ceiling: Maximum shall not exceed 10% of the Net Municipal Taxes.

Source of Funding: Based on an analysis of the annual year end surplus, all or a portion of year end surplus funds may be transferred to the Contingency Reserve.

5.2. ELECTIONS AND CENSUS RESERVE

Purpose: Provides funds to be applied during municipal elections and/or census. The intent is to help offset major fluctuations in annual operating costs and thereby stabilize annual tax requirement.

Ceiling: Maximum shall not exceed the cost of the last election and/or census held plus inflation.

Source of Funding: Funding for this reserve will be from the annual operating budget as directed by Council.

5.3. STABILIZATION RESERVE:

Purpose: Provides funds to be applied during the approval of the annual budget to stabilize tax rates for non-recurring, emergent, emergency, one-time expenditures or cyclical projects that will not be built into the base operating budget in future year. The intent is to help offset major fluctuations in annual operating costs and thereby stabilize annual tax requirement.

Ceiling: Maximum shall not exceed 20% of Net Municipal Taxes.

Source of Funding: Funding for this reserve will be from net enforcement revenues from the Red light/Stop sign enforcement program or from annual year end surplus, as directed by Council.

5.4. SNOW REMOVAL RESERVE:

Purpose: Provides funds to address snow removal where cost of addressing annual snowfall is greater than annual budget for snow removal.

Ceiling: Maximum shall not exceed the amount of the annual operating budget for snow removal.

Source of Funding: The funding source for this reserve is all or a portion of unexpended annual snow removal budget.

5.5. RCMP OPERATING RESERVE:

Purpose: Provides funds to address fluctuations and/or increases in the policing needs of the City including the cost of major crime investigations or initial funding for new members.

Ceiling: The funding source for this reserve is any unexpended funds budgeted annually for the RCMP contract.

Source of Funding: The funding source for this reserve is any unexpended funds budgeted annually for the RCMP contract.

5.6. YEAR-END CARRY FORWARD RESERVE:

Purpose: To provide for the carryover of specific operating programs and project dollars approved in a budget year but not completed by the end of that budget year, including specifically budgeted multi-year projects. The initiative or project must be anticipated to be completed in the immediate subsequent year. Financial Services will be responsible for tracking unspent, deferred revenue funds.

Ceiling: Limited to dollars carried forward for approved initiatives, for a maximum of one year. Any dollars unspent after one year will be released back to the originating reserve, the Stabilization Reserve, or in the case of deferred revenue or grants, and made available to fund other projects approved through the subsequent budget process.

Source of Funding: Unexpended annual operating budget funds.

6. Standards for Capital Reserves

6.1. AIRPORT:

Purpose: Provides funds for approved replacement, or upgrade of airport infrastructure.

Ceiling: N/A

Source of Funding: The reserve has been funded in the past by sales of Airport land. This reserve is also to be funded by airport user fees annually. Additionally, Council may approve an annual transfer from the Operating Budget to fund the Airport reserve.

6.2. CEMETERY CARE:

Purpose: Provides funds for the care and upkeep of both the old and Memorial Cemeteries.

Ceiling: N/A

Source of Funding: Proceeds from the sale of both the old and Memorial Cemetery plots.

6.3. COMMUNITY SAFETY:

Purpose: Funds primarily to address safety needs within the community. In the event that no safety items are identified, Council may utilize these funds for other community initiatives.

Ceiling: No maximum.

Source of Funding: An annual transfer of net photo enforcement revenues generated from speed infractions.

6.4. EQUIPMENT POOL:

Purpose: Provides funds for the replacement of City vehicles and equipment or planned purchase of new vehicles and equipment for the City's fleet, as approved by Council. Funds may also be used to fund emergency repairs and equipment rentals in case of equipment/vehicle breakdowns. Council shall approve the allocation of funds from this reserve required for planned purchase of vehicles and equipment through the approval of the annual Capital Budget.

Ceiling: A sustainable fund balance or a target level equal to 10% of "Machinery & Equipment" and "Vehicles" in the Audited Financial Statements Tangible Capital Assets Net Book Value. There shall be no maximum limit.

Source of Funding: During the approval of the annual Operating Budget, Council shall approve an annual transfer, by department, to the Equipment Pool reserve to achieve a sustainable fund for known and planned purchases. Fees charged back to user departments will fund operating costs for use of equipment, including cost of repairs, maintenance, and fuel.

6.5. FACILITY LIFECYCLE ASSET MANAGEMENT:

Purpose: Provides funds for approved maintenance or upgrade of facilities.

Ceiling: There shall be no maximum limit.

Source of Funding: The facility sponsorship naming program. Additionally, Council could approve an annual transfer from the operating budget to fund the facility reserve.

6.6. FIRE DEPARTMENT:

Purpose: Provides funds primarily for the purchase of new fire trucks and equipment or for major repairs to existing units.

Ceiling: Target level equal to \$1.5 Million. There shall be no maximum limit.

Source of Funding: A transfer from the annual operating budget of the Fire Department.

6.7. INFORMATION TECHNOLOGY:

Purpose: Provides funds to address the on-going information technology needs of the organization to ensure all resources of the organization are operating efficiently.

Ceiling: Target level equal to \$250,000. There shall be no maximum limit.

Source of Funding: A transfer from the annual operating budget of the IT Department.

6.8. INFRASTRUCTURE TAX:

Purpose: Provides funds for approved infrastructure re-investment in the backlog of infrastructure with a life span of 20 years or more.

The use of these reserve funds shall be limited to the following priorities unless otherwise directed by Council:

- a) Road infrastructure;

- b) Sidewalk infrastructure;
- c) Trail and Park System; and
- d) Building envelope projects.

Ceiling: Target level equal to at least \$1.5 Million funding per year. No maximum reserve limit.

Source of Funding: The annual infrastructure surcharge.

6.9. LANDFILL:

Purpose: Funding for the expansion, refurbishment or replacement of the current landfill including purchase of equipment for landfill operations, the purchase of land for a future landfill, and to cover the costs of a study to evaluate options and future landfill needs. Funds for the cost of reclamation of the landfill are reflected in the Notes to the Audited Financial Statements, as a liability with corresponding investments to cover the estimated cost to date.

Ceiling: N/A

Source of Funding: A transfer from the annual operating budget of the Landfill.

6.10. LAND SALES:

Purpose: A reserve for proceeds from the sale of the City's Land for Resale Inventory for purchase of land for future City needs.

Ceiling: N/A

Source of Funding: Proceeds of sale of City Land for Resale Inventory.

6.11. PUBLIC ART:

Purpose: To provide funding for the procurement, commissioning or maintenance and repair of public art. Recommendations for public art procurement and commissions shall come from the Public Art Committee and once approved by City Council, shall be arranged by the Committee.

Ceiling: N/A

Source of Funding: 0.5% of the total annual cost of reconstruction and new construction projects over \$1,000,000 to an annual maximum of \$25,000 shall be allocated to the reserve. The City may accept public contributions for Public Art, which shall be transferred into this reserve.

6.12. WORKS IN PROGRESS COMMITMENT:

Purpose: Funds approved by Council and committed to capital projects that have not been completed by December 31, including multi-year projects. Dollars for completion of these projects will be carried forward to the next year with funding allocated from this reserve. The project must be anticipated to be completed within the timeline established by the project charter. Financial Services shall be responsible for tracking

unspent funds. Upon completion of the capital project, unexpended capital funding will be made available for reallocation.

Ceiling: N/A - dependent upon uncompleted capital projects.

Source of Funding: Committed but unexpended capital budget funds.

7. Standards for Utility Supported Reserves

7.1. SOLID WASTE & RECYCLING:

Purpose: Provides funds to support solid waste and recycling utility infrastructure needs for the creation of new or the upgrading and maintenance of existing solid waste and recycling infrastructure.

Ceiling: N/A

Source of Funding: A transfer from the solid waste and recycling utility annual operating budget.

7.2. STORMWATER UTILITY:

Purpose: Provides funds to support stormwater utility infrastructure needs for the creation of new or the upgrading or maintenance of existing stormwater utility infrastructure.

Ceiling: N/A

Source of Funding: A transfer from the stormwater utility annual operating budget.

8. Standards for Legislated Reserves

8.1. COMMUNITY LAND RESERVE:

Purpose: Provides funds for the purchase and/or development of recreational lands and facilities, restricted by the Municipal Government Act to be used for public parks or public recreation purposes. Use of funds is recommended by Administration in the annual budget process and approved by Council.

Ceiling: N/A

Source of Funds: Funding is regulated by the *Municipal Government Act*. Funds are collected in lieu of Municipal and School Reserve Land dedication through the subdivision process as required under the *Municipal Government Act*.