



County of Wetaskiwin No. 10 Municipal Policy

Department:

12.3 Financial Management

Policy No.

12.3.4

Title

Reserve Funding

1. Policy Statement:

1.1. The purpose of this policy is to establish guidelines and controls to govern the management and administration of reserves and reserve funds. Strong reserve fund management provides a mechanism to ensure that the organization can meet current and future infrastructure requirements as identified in the Strategic and 5 Year Capital Plans. Reserve funds can reduce the need for external debt financing, provide financial stability during times of economic volatility, mitigate unreliable grant funding from other levels of government and the ever-present pressure to reduce municipal taxes.

2. Responsibilities:

2.1. Through the direction of Council, it shall be the responsibility of the Chief Administrative Officer (CAO) to:

- i. Ensure that Reserve Funds are invested in accordance with the procedures and guidelines laid out within the County's Investment Policy 12.3.1, and in conjunction with the Director of Finance.

2.2. It shall be the responsibility of the Director of Finance to:

- i. Make investments on behalf of the County in accordance with the procedures and guidelines laid out in this Policy, and in conjunction with the CAO.
- ii. Ensure the County maintains sufficient working capital without compromising the operations of the County.

3. Guidelines:

- 3.1. All Reserve Transactions will be approved by Council.
- 3.2. All Reserves will be administered in accordance with current municipal policies, Public Sector Accounting Standards and Schedules "A" and "B".
- 3.3. All reserves must contain a purpose (description), funding source, minimum/maximum balance, application, duration and whether it is interest bearing.
- 3.4. All Reserves must fall under an approved Reserve Description. The establishment of a new Reserve, which will require a new Reserve Description, must be approved by Council.
- 3.5. Reserves will be funded from internal or external sources as defined in the Reserve Descriptions.
- 3.6. Funding to and from the Reserve will be approved through Council via:
 - i. existing municipal policies;
 - ii. the annual budget process.
 - iii. the year-end reserve request and approval process.

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iv. Council resolution.

3.7 As part of the year-end process for Reserves that have Optimal Balances, an assessment will be made between the actual designated Reserve balance and the recommended Optimal Balance. Reserves which are lower than their established Optimal Balance will be considered in the distribution of the annual operating surplus. Reserves which exceed their established Optimal Balance will be considered for redesignation.

3.8 Interest earnings will be applied to the Reserves which have been deemed interest bearing as indicated in Schedules “A” and “B”.

3.9 Transfers from reserves may not exceed the fund balance unless it can be proven that future transfers will result in a positive balance.

3.10 Interest will be paid to all interest-bearing accounts based on the average annual balance, at the annual average rate of return that is earned through the investment account.

3.11 Program specific reserve funds are intended to accumulate the money collected for specific initiatives or programs stipulated at the time of collection.

3.12 Administration will annually provide Council with:

- Actual year end reserve fund balances.
- Five-year, projected, uncommitted reserve fund balances.
- Five-year, anticipated reserve contributions and draws as per the 5 Year Capital Plan approved by Council.

3.13 The Finance Department, with the CAO, will review the reserves policy a minimum of every two (2) years.

4. Additional Pages:

- Schedule A Capital Reserves
- Schedule B Operating Reserves

5. Related Documents:

- County of Wetaskiwin Strategic Plan
- Investment Policy 12.3.1
- 5 Year Capital Plan
- 3 Year Operating Plan

Previously Signed

Scott MacDougall, CAO

CG20241203.043

Council Resolution

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Schedule “A”
Capital Reserves

Bridge Capital Reserve			
Purpose	To ensure funds are available to maintain, refurbish and eventually replace bridges within the County.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$1,000,000	Maximum - \$1,500,000	Optimal - \$1,500,000
Application	<p>These funds may be expended for:</p> <p>a) capital projects to refurbish or replace bridge structures, including culverts as approved by Council.</p>		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

Buildings Capital Reserve

Buildings Capital Reserve			
Purpose	To provide funds to assist in meeting future requirements for the expansion, replacement, and refurbishment of County owned buildings.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$100,000	Maximum - \$500,000	Optimal – \$100,000
Application	<p>These funds may be expended to fund projects within the County of Wetaskiwin to:</p> <p>a) improve b) expand or c) undertake emergency repairs that are capital in nature to County owned buildings.</p>		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

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Fire Capital Reserve			
Purpose	to purchase new or replace existing specialized fire equipment that based on the 10-Year Capital Plan, is essential for providing fire services.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$950,000	Maximum - equivalent to the total 10-year capital replacement plan.	Optimal – Equivalent to the 5-year average capital replacement plan.
Application	Fire Fighting equipment, vehicles, SCBA, gear, etc. for the community fire departments.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

Fire Capital Communication Reserve			
Purpose	To purchase or replace existing fire communication equipment.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$50,000	Maximum - \$325,000	Optimal - \$50,000
Application	<p>These funds may be expended to fund the replacement of:</p> <ul style="list-style-type: none"> a) radios or radio towers; b) cell phones; c) GPS; <p>as approved by Council.</p>		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

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Hamlet Revitalization Capital Reserve

Purpose	To provide funds to assist in meeting future requirements for hamlets within the County.		
Funding Source	Transfer from the annual operating budget, net surplus of annual operations as approved by Council or the sale of surplus County owned tax rolls.		
Reserve Level	Minimum - \$100,000	Maximum - Equivalent to the total 5-year capital replacement plan.	Optimal - To be determined.
Application	<p>These funds may be expended to fund projects within the County of Wetaskiwin hamlets to:</p> <ul style="list-style-type: none"> a) improve b) expand or c) undertake emergency repairs that are capital in nature to hamlets within the County. 		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

Information Services Capital Reserve

Purpose	To ensure funds are available for the replacement of existing computer hardware and network infrastructure on a regularly scheduled basis.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$25,000	Maximum - \$150,000 or equivalent to the total 5-year capital replacement plan	Optimal – \$75,000
Application	<p>These funds may be expended to fund the replacement of</p> <ul style="list-style-type: none"> a) the network servers and related hardware; b) Council chamber AV equipment; c) phone system; d) records management system; and e) photocopiers, plotters, mail machines computers; <p>as approved by Council.</p>		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

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Public Works Fleet Capital Reserve

Purpose	To provide funds to assist in meeting future requirements for the purchase, replacement, or refurbishment of the County owned vehicles and equipment capital assets.		
Funding Source	Transfer from the annual operating budget, proceeds from the sale of fleet vehicles and equipment, or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum – \$6,000,000	Maximum - \$8,000,000	Optimal - \$7,000,000
Application	These funds may be expended to fund operating deficits in the Public Works Fleet Operations budget resulting from unexpected expenditures as approved by Council.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

Recreation Capital Reserve

Purpose	To establish a reserve for community funding per zone to provide financial assistance for projects that are capital in nature to local groups and organizations.		
Funding Source	Transfer \$5,000 from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum – \$125,000	Maximum - \$500,000	Optimal - \$250,000
Application	These funds may be expended on Community Funding per Zone as approved by Council.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is non-interest bearing.		

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Road Capital Reserve			
Purpose	To provide funds to assist in meeting future requirements for the replacement and refurbishment of County owned gravel and paved roads.		
Funding Source	Transfer from the annual operating budget, or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum – \$5,000,000	Maximum - \$8,000,000	Optimal - \$7,000,000
Application	<p>These funds may be expended to fund projects within the County of Wetaskiwin to:</p> <ul style="list-style-type: none"> a) improve b) replace or c) undertake emergency repairs that are capital in nature to the County owned road network. 		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

Water Capital Reserve			
Purpose	To provide funds to assist in meeting future requirements for the expansion, replacement, and refurbishment of the County's water system capital assets.		
Funding Sources	<ol style="list-style-type: none"> 1) Transfer from the annual operating budget. 2) Net surplus from annual operations of the water systems. 3) Transfer equal to the capital fees charged against users of the County of Wetaskiwin water systems. 		
Reserve Level	Minimum - \$1,000,000	Maximum - \$1,500,000 or equivalent to the total 5-year capital replacement plan.	Optimal - \$1,500,000
Application	<p>These funds may be expended to fund projects within the County of Wetaskiwin to:</p> <ul style="list-style-type: none"> a) Improve b) expand or c) undertake emergency capital repairs to the water distribution systems necessary to provide utilities to the residential and commercial ratepayers as approved by Council. 		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

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Wastewater Capital Reserve			
Purpose	To provide funds to assist in meeting future requirements for the expansion, replacement and refurbishment of the County's wastewater capital assets.		
Funding Source	1) Transfer from the annual operating budget. 2) Net surplus from annual operations of the wastewater systems. 3) Transfer equal to the capital fees charged against users of the County of Wetaskiwin wastewater systems.		
Reserve Level	Minimum - \$1,000,000	Maximum – \$1,500,000 or equivalent to the total 5-year capital replacement plan.	Optimal – \$1,500,000
Application	These funds may be expended to fund projects within the County of Wetaskiwin to: <ul style="list-style-type: none"> a) Improve b) expand or c) undertake emergency capital repairs to the wastewater distribution systems necessary to provide utilities to the residential and commercial ratepayers as approved by Council. 		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

Solid Waste Capital Reserve			
Purpose	To ensure funds are available to fund additional transfer station development, and to maintain, refurbish and eventually replace transfer station equipment.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$750,000	Maximum - \$1,000,000 or equivalent to the total 5-year capital replacement plan.	Optimal - \$875,000
Application	These funds may be expended to fund projects within the County of Wetaskiwin to: <ul style="list-style-type: none"> a) improve b) expand or c) undertake emergency repairs to the transfer stations necessary to provide solid waste disposal to the residential and commercial ratepayers as approved by Council. 		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is non-interest bearing.		

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Schedule “B”
Operating Reserves

Administration Operating Reserve			
Purpose	The purpose of the Administration Operating Reserve is to meet unexpected seasonal shortfalls in cash flow and to fund general operations that are not covered in the regular year budget.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$100,000	Maximum - \$750,000	Optimal – \$500,000
Application	The funds will be used for anything associated with day-to-day operations for general administrative activities. Expenditures are to be approved through the annual operating budget or Council resolution.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is non-interest bearing.		

ASB Operating Reserve

ASB Operating Reserve			
Purpose	To establish a fund to reduce the risk of annual deficits in the ASB Operations budget due to unforeseen, or one-off expenditures.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$100,000	Maximum - \$294,000 (3 months of department operating expenses)	Optimal - \$294,000
Application	These funds may be expended to fund operating deficits in the Agricultural Services Operations budget resulting from unexpected expenditures as approved by Council.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund		
Interest Bearing	This reserve is non-interest bearing		

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Bridge Maintenance Operating Reserve		
Purpose	To establish a fund for unforeseen repairs and maintenance costs for County bridges that are not covered in the regular budget.	
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.	
Reserve Level	Minimum – \$150,000	Maximum - \$250,000
Application	These funds may be expended to fund operating deficits in the Public Works Operations budget resulting from unexpected expenditures as approved by Council	
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund	
Interest Bearing	This reserve is interest bearing	

Building Maintenance Operating Reserve		
Purpose	To establish a fund for unforeseen repairs and maintenance costs for County buildings that are not covered in the regular budget.	
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.	
Reserve Level	Minimum – \$50,000	Maximum - \$100,000
Application	These funds may be expended to fund operating deficits in the Building Maintenance Operations budget resulting from unexpected expenditures as approved by Council	
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund	
Interest Bearing	This reserve is interest bearing	

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Clearwater Operating Reserve		
Purpose	To ensure funds are available to fund approved projects in Division 7.	
Funding Source	Tax sharing agreement with Clearwater County.	
Reserve Level	Minimum - \$100,000	Maximum - \$250,000
Application	These funds may be expended to replace or refurbish existing roads as approved by Council.	
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.	
Interest Bearing	This reserve is interest bearing	

Community Trust Reserve	
Purpose	The purpose of the Community Trust Reserve is for payments received as "cash-in-lieu" of reserves.
Funding Source	Funds are collected as part of the Subdivision approval process. Interest earned as funds are held in a separate bank account.
Reserve Level	None
Application	These funds may be expended to fund public parks, public recreation areas or school authority developments within the County of Wetaskiwin as allowed by Section 671(2) of the MGA.
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.
Interest Bearing	Interest is earned as funds are held in a separate bank account.

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Fire Operating Reserve			
Purpose	To establish a fund to offset operating surpluses or deficits to provide fire services in the County.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$50,000	Maximum - \$100,000	Optimal - \$100,000
	Minimums and Maximums are for each individual fire department, but the reserve account is the sum of all.		
Application	These funds may be expended to meet the operational requirements of each fire department.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve fund		
Interest Bearing	This reserve is interest bearing		

Fire Fighting Reserve			
Purpose	To establish a fund for unexpected fire fighting events and the costs associated.		
Funding Source	Budgeted item or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$0	Maximum - \$500,000	Optimal - \$500,000 or one year of fire fighting expenses.
Application	These funds may be expended to meet the requirement to pay for any seasonal shortfalls in cash flow due to an over abundance of fire events.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund		
Interest Bearing	This reserve is interest bearing		

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Gravel Reserves			
Purpose	To establish a fund to offset spikes in operations where gravel supplies are required.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$300,000	Maximum - \$500,000	Optimal – \$500,000
Application	These funds are to be used in the event there are unexpected expenses such as floods or snow events as approved by Council.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund		
Interest Bearing	This reserve is interest bearing		

Gravel Reclamation Reserve	
Purpose	To ensure funds are available for any costs associated with our responsibility to restoring the land to its original capacity.
Funding Source	Historically calculated based on \$4 per crushed tonne of gravel.
Reserve Level	Optimal – 691,848
Application	These funds may be expended on any costs associated with restoring natural vegetation and surface disturbances, from the operation of the gravel pit, as approved by Council.
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund or reclamation is complete
Interest Bearing	This reserve is interest bearing

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Information Services Operating Reserve			
Purpose	To ensure funds are available for the periodic costs of maps, ortho imagery photo, replacement of existing software programs, and general operations that are not covered in the regular year budget.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$90,000	Maximum - \$280,000 (3 months of department operating expenses)	Optimal - \$185,000 (2 months of department expenses)
Application	These funds may be expended to meet the operational needs of the Information Services Department.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

Parks Operating Reserve			
Purpose	To establish a fund for Parks to meet unexpected seasonal shortfalls in cash flow.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$25,000	Maximum - \$108,200	Optimal - \$54,000 (1 month of operating expenses).
Application	These funds may be expended to fund operating deficits in the Parks budget resulting from unexpected expenditures as approved by Council		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund		
Interest Bearing	This reserve is interest bearing		

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Public Works Operating Reserve			
Purpose	To establish a fund to reduce the risk of annual deficits in the Public Works Operations budget due to unforeseen repairs and maintenance cost and/or adverse weather conditions.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$713,610	Maximum - \$1,427,220	Optimal - \$1,190,000 (1 month of department operating expenses).
Application	These funds may be expended to fund operating deficits in the Public Works Operations budget resulting from unexpected expenditures as approved by Council.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

Recreation Operating Reserve			
Purpose	To establish a reserve for community funding per zone to provide financial assistance to local groups and organizations.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum- \$310,000	Maximum - \$620,000	Optimal - \$310,000 which is equal to one year of recreation zone funding (excluding ICF Agreements)
Application	These funds may be expended to fund operating deficits in the Recreation budget resulting from unexpected expenditures as approved by Council.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

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Solid Waste Operating Reserve			
Purpose	This reserve is established to preserve cash flow and allow for emergency spending to avoid excessive tax increases.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$1,850,000	Maximum - \$2,500,000	Optimal - \$2,300,000
Application	Transfers from this reserve shall be used to offset expenses associated with extreme events, revenue or expense volatility, or any other one time inclement event.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

Tax Stabilization Reserve			
Purpose	This reserve is established to preserve cash flow and allow for emergency spending to avoid excessive tax increases.		
Funding Source	Transfer from the annual operating budget or net surplus of annual operations as approved by Council.		
Reserve Level	Minimum - \$1,850,000	Maximum - \$2,500,000	Optimal - \$2,300,000
Application	Transfers from this reserve shall be used to offset expenses associated with extreme events, revenue or expense volatility, or any other one time inclement event.		
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund.		
Interest Bearing	This reserve is interest bearing.		

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Wastewater Operating Reserve		
Purpose	To stabilize wastewater rates in the event of unforeseen, non-recurring, emergent expenditures, or losses of revenue.	
Funding Source	1) Transfer from the annual operating budget. 2) Net surplus from annual operations of the water systems. 3) Transfer equal to the operating fees charged against users of the County of Wetaskiwin wastewater systems.	
Reserve Level	Minimum - \$100,000	Maximum - \$150,000
Application	These funds may be used to improve, expand, or undertake emergency repairs to the wastewater or storm drain systems as approved by Council. Funds from this Reserve can also be used to smooth the impact of utility rate increases within the annual operating budget, and for stabilizing unbudgeted impacts resulting from the unforeseen events.	
Duration	This reserve is to remain in effect until such time as Council moves to dissolve the fund	
Interest Bearing	This reserve is interest bearing.	

Water Operating Reserve		
Purpose	To ensure funds are available to continue to provide public utility services to County residents.	
Funding Source	1) Transfer from the annual operating budget. 2) Net surplus from annual operations of the water systems. 3) Transfer equal to the operating fees charged against users of the County of Wetaskiwin water systems.	
Reserve Level	Minimum - \$100,000	Maximum - \$150,000
Application	These funds may be used to improve, expand, or undertake emergency repairs to the water systems as approved by Council. Funds from this Reserve can also be used to smooth the impact of utility rate increases within the annual operating budget, and for stabilizing unbudgeted impacts resulting from the unforeseen events.	
Duration	This reserve is to remain in effect until such time as Council moves to dissolve.	
Interest Bearing	This reserve is interest bearing.	