

Policy Number: *[PLY\_Reserve\_Policy\_2016]*

## Reserve Policy

Date Approved by Council: February 23, 2016

County Commissioner:



### 1. Purpose

Sturgeon County shall manage the reserves established by County 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. Revision History

<i>Approval Date</i>	<i>Revision Number</i>	<i>Modification</i>
<i>Year/Month/Date</i>	<i>1.0</i>	<i>New Document</i>

### 3. Persons/Areas Affected

Corporate Support	Municipal Services
Integrated Growth	Sturgeon County Council
County Commissioners Office	

### 4. Policy Statement

Sturgeon County recognizes that though the proper Reserve management the County can provide property tax stabilization, contingency funding, and reduce the need for external debt financing.

### 5. Definitions

<i>Capital Reserve</i>	Established to fund expenditures of a capital nature in order to minimize borrowing on long term projects.
<i>Ceiling</i>	Maximum amount a reserve can reach.
<i>Contingency funding</i>	To improve Sturgeon County financial stability by developing a safety net that can be used to fill emergency needs.
<i>Deferred revenue</i>	An amount that was received by the County in advance of earning it.
<i>External Debt Financing</i>	Borrowing from entities outside Sturgeon County.
<i>Extraordinary Fires</i>	Fires/incidents lasting greater than 24 hours causing significant damage but not large enough to be declared a natural disaster
<i>Operating Reserve</i>	Generally established to fund one-time expenditures of operating nature and used to stabilize budgets with volatile revenue streams.
<i>Purpose</i>	What the reserve funds can be used for.
<i>Reserves</i>	Funds specifically set aside to finance future expenditures which are operating or capital related and are approved by Council.
<i>Tax Stabilization</i>	Measures in place to prevent large increases in tax rates.

## 6. Authority/Responsibilities to Implement

Sturgeon County Council is responsible for the establishment, closure, and funding of reserves; with exception of the Carryforward reserve. Establishment of, contributions to, and withdrawals from specific reserves shall be approved by County Council through resolution or bylaw in accordance with the Municipal Government Act.

This policy is subject to biennial review. Amendments of the Reserve Policy are subject to Council approval.

The County Commissioner will be responsible for implementation and compliance of this policy.

## 7. Reserve Schedules

- 8.1 General Operating Reserve
- 8.2 Contingency Reserve
- 8.3 Sturgeon Industrial Community Fund
- 8.4 Yearend Carry Forward
- 8.5 Community Enhancement Reserve
- 8.6 Corporate Support Operating Reserve
- 8.7 Subdivision Road Improvement Reserve
- 8.8 FCSS Reserve
- 8.9 Planning Reserve
- 8.10 Building Maintenance Reserve
- 8.11 Drainage Reserve
- 8.12 Economic Development Reserve
- 8.13 Municipal Park Reserve
- 8.14 Corporate Support Capital Reserve
- 8.15 Vehicle & Equipment Reserve
- 8.16 Severe Weather Reserve
- 8.17 Road Network Reserve (Capital)
- 8.18 Transportation Reserve (Operating)
- 8.19 Utility Capital Reserve
- 8.20 Recreation Reserve
- 8.21 Debt Mitigation Reserve
- 8.22 Storm Sewer & Storm Ponds
- 8.23 Utility Operating Reserve
- 8.24 Extraordinary Fire/Disaster Recovery Reserve
- 8.25 Agriculture Operating Reserve

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## 8.1 General Operating Reserve

<b>Type:</b>	Operating.
<b>Purpose:</b>	To provide funds to stabilize tax rates for non-recurring, emergency, one-time expenditures, losses of revenue or cash flow timing issues that will not be built into the base operating budget in future years.
<b>Ceiling:</b>	Target 20% of the annual municipal operating revenue; no maximum.
<b>Application:</b>	Funds will be used to stabilize budgetary impacts resulting from one time or unanticipated events including cash flow timing issues.

## 8.2 Contingency Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	Source of funds for minor, one-time projects or services not contemplated in the annual budget.
<b>Ceiling:</b>	\$300,000
<b>Application:</b>	Funds will be used to fund unpredictable and/or emergency expenditures.  One time use only; funds will not be used for recurring expenditures.

## 8.3 Sturgeon Industrial Community Fund.

<b>Type:</b>	Operating
<b>Purpose:</b>	To provide funding to enhance, promote, and support communities within Sturgeon County.
<b>Ceiling:</b>	N/A
<b>Application:</b>	Fund allocation is outlined in the Community Association Grant Program (COM-GRA-1). Expenditures are to be proposed by administration and approved by Council as per Bylaw 1078/06.

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## 8.4 Yearend Carry Forward

<b>Type:</b>	Operating & Capital
<b>Purpose:</b>	To provide funds for specific operating programs and projects not completed by year end.
<b>Ceiling:</b>	Carryforward initiatives are eligible for one year, any unspent funds remaining will be released back to the originating reserve, the general operating reserve, or in the case of deferred revenue and grants, made available to fund other projects approved through the budget process.
<b>Application:</b>	<p>To fund expenditures approved by Council in a previous year that are to be completed in the subsequent years.</p> <p>The initiative or project must be anticipated to be completed in the immediate subsequent year.</p> <p>Financial Services will be responsible for tracking unspent deferred revenue funds</p>

## 8.5 Community Enhancement Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	Sturgeon County recognizes that Community Organizations in Sturgeon County are a vital aspect to the health, well-being and development of the Sturgeon Community, and may assist these organizations with grant funding where and when appropriate.
<b>Ceiling:</b>	N/A
<b>Application:</b>	Fund allocation is outlined in the Community Association Grant Program (COM-GRA-1). Expenditures are to be proposed by administration and approved by Council as per Bylaw 1078/06.

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## 8.6 Corporate Support Operating Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To provide funds for cyclical projects within the departments in Corporate Support.
<b>Ceiling:</b>	N/A: Project specific.
<b>Application:</b>	Used to fund cyclical projects including, but not limited to, election, census, and GIS orthophotography.  Funds are allocated to departments within Corporate Services. These funds may only be used for projects within the respected departments.

## 8.7 Subdivision Road Improvement Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To provide funding for the treatment of the public roadway within the area outlined in the development agreements with asphaltic oil to control dust.
<b>Ceiling:</b>	Reserve is no longer funded.
<b>Application:</b>	May be used to fund the costs incurred by Sturgeon County in the improvement of internal roads within the area outlined in developer agreements.

## 8.8 FCSS Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To provide funding to support FCSS programs including, but not limited to, Sponsor a Child.
<b>Ceiling:</b>	N/A

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**Application:** Project or program specific. Community Services to determine uses for funding based on FCSS programs being offered with approval from Council.

## 8.9 Planning Reserve

**Type:** Operating

**Purpose:** Funding to cap revenues at a sustainable level and to provide project funding.

**Ceiling:** Maximum of 50% of the Planning & Development Operating Budget.

**Application:** Funds may be used by Planning and Development in order to offset a deficiency in budgeted revenues.  
  
Funds may be used to fund special projects including, but not limited to, Area Structure Plan, Land Use Bylaw, Municipal Development Plan, and other legislated or sustainability plans.

## 8.10 Building Maintenance Reserve

**Type:** Operating

**Purpose:** To provide funding for the maintenance of County facilities.

**Ceiling:** \$100,000

**Application:** May be expended for the repair and/or renovation of County facilities.

## 8.11 Drainage Reserve

**Type:** Capital/Operating

**Purpose:** To provide funding for registered drainage ditches, capital drainage issues, as well as, special projects as required.

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<b>Ceiling:</b>	N/A
<b>Application:</b>	Funds may be used to fund projects outlined in project agreements. Funds may be also used to fund capital drainage related projects.

## 8.12 Economic Development Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To provide funds for sustainable, ongoing development of commercial and industrial areas.
<b>Ceiling:</b>	N/A
<b>Application:</b>	Funds may be used by to fund projects including, but not limited to, the Economic Development Strategic Plan as well as to help support development within Sturgeon County.

## 8.13 Municipal Park Reserve

<b>Type:</b>	Capital/Operating
<b>Purpose:</b>	To provide funding for the purchase and/or development of recreational lands and facilities.  Note: Funding is regulated by the MGA.
<b>Ceiling:</b>	N/A
<b>Application:</b>	Funds are restricted by the Alberta Municipal Government Act to be used for public park or public recreation purposes.  Use of funds is recommended by administration in the annual budget process and approved by Council.

## 8.14 Corporate Support Capital Reserve

<b>Type:</b>	Capital
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<b>Purpose:</b>	To provide funding for building related enhancements, development of County facilities, and ERP system replacement.
<b>Ceiling:</b>	N/A
<b>Application:</b>	Funds may be used to fund building related enhancements, development of County facilities as well as ERP replacement.

## 8.15 Vehicle & Equipment Reserve

<b>Type:</b>	Capital
<b>Purpose:</b>	To provide funding for the purchase of vehicles and mobile equipment within Sturgeon County.
<b>Ceiling:</b>	Target level equal to 10% percent of "Vehicles" and "Machinery & Equipment" in the Audited Financial Statements Tangible Capital Assets Net Book Value; No maximum limit.
<b>Application:</b>	<p>Funds may be used for the replacement of existing or purchase of new vehicles in Sturgeon County's fleet, as approved by Council.</p> <p>Funds may be used for the replacement or new purchase of mobile equipment as approved by Council.</p> <p>Funds may only be used by the departments in which the funds are allocated.</p>

## 8.16 Severe Weather Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To establish funding to offset expenditures over the annual operating budget that may occur in the road maintenance operating budget as a result of abnormal weather conditions.
<b>Ceiling:</b>	Target of 5% of the road maintenance budget to a maximum 10% of the same budget.
<b>Application:</b>	Funds may be used by Transportation to cover annual operating deficiencies in the road maintenance budget due to unpredictable weather such as excessive snow or rain.



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## 8.17 Road Network Reserve

<b>Type:</b>	Capital
<b>Purpose:</b>	To provide funding for new or capital upgrades to road networks including but not limited to bridges, culverts, curbs, and guard rails.
<b>Ceiling:</b>	N/A
<b>Application:</b>	Funds may be used to fund new or upgrade existing road networks including, but not limited to, roads, culverts, curbs, bridges, and guard rails.

## 8.18 Transportation Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To provide funding for the operating maintenance or repair of road networks including, but not limited to, bridges, culverts, curbs, and guard rails.
<b>Ceiling:</b>	Target of 5% of the Transportation Services Operating Budget to a maximum 10% of the same budget.
<b>Application:</b>	Funds may be used for the maintenance or repair of existing road networks including but not limited to roads, culverts, curbs, and guard rails. Funds may be also used for gravel extraction purposes.

## 8.19 Utility Capital Reserve

<b>Type:</b>	Capital
<b>Purpose:</b>	To provide funds for the creation, expansion, refurbishment or replacement of the County's water & wastewater infrastructure and equipment.

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<b>Ceiling:</b>	N/A
<b>Application:</b>	To fund projects related to water or wastewater utilities. The projects may be new or expansion in nature, or related to the refurbishment or replacement of water & wastewater infrastructure and equipment. May be used to fund studies required for future capital projects.

## 8.20 Recreation Reserve

<b>Type:</b>	Capital
<b>Purpose:</b>	To provide funds for recreational purposes within Sturgeon County, including the betterment of paved trails within the County.
<b>Ceiling:</b>	N/A
<b>Application:</b>	Funds will be used for recreational purposes within Sturgeon County for the Subdivisions specified in the voluntary off-site recreation levy paid. Funds may be used for the betterment of paved trails within Sturgeon County.

## 8.21 Debt Servicing Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To minimize the risk of exposure and reliance on a narrow assessment base.
<b>Ceiling:</b>	Maximum of 1.2 times revenue generated by Sturgeon County.
<b>Application:</b>	Funds will be used to reduce debt if revenues are dramatically reduced.

## 8.22 Storm Sewer & Storm Ponds

<b>Type:</b>	Capital
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<b>Purpose:</b>	To provide funding for new and/or upgrades to storm sewer networks including storm ponds.
<b>Ceiling:</b>	N/A
<b>Application:</b>	Funds will be used for the creation of new or the upgrades/maintenance of storm sewer networks including storm ponds.

## 8.23 Utility Operating Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To provide funds for the maintenance and/or repair of the County's water & wastewater infrastructure and equipment.  Funds are also used to stabilize the revenues of the Utility department.
<b>Ceiling:</b>	Maximum 25% of expenditures in the Utilities operating budget.
<b>Application:</b>	To fund projects related to the repair and/or maintenance of water or wastewater infrastructure and equipment.  Funds may be used to fund deficiencies within the Utility's department budget.

## 8.24 Extraordinary Fire/Disaster Recovery Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To mitigate the financial risk involved if a disaster or an extraordinary fire were to occur within Sturgeon County.
<b>Ceiling:</b>	Target \$525,000; no maximum.
<b>Application:</b>	Funds may be used to fund expenses related to natural disaster and/or extraordinary fire recovery.

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## 8.25 Agriculture Operating Reserve

<b>Type:</b>	Operating
<b>Purpose:</b>	To provide funding for special projects including, but not limited to, water studies and Agriculture Service Board Tours.
<b>Ceiling:</b>	Maximum of 20% of the annual Agriculture Services budget.
<b>Application:</b>	Funds will be used for special projects including, but not limited to water studies and Agriculture Service Board Tours.

### 8. Cross References

Debt Management Procedure  
MGA review  
Reserve Procedure  
Summary of Fiscal Policies and Procedures