



CITY OF ST. ALBERT CITY COUNCIL POLICY

| NUMBER | TITLE |
|------------------------|--------------------|
| C-FS-01 | Financial Reserves |
| ORIGINAL APPROVAL DATE | DATE LAST REVISED |
| March 17, 2003 | November 7, 2016 |

Purpose

To set aside funds for the establishment of specific reserves to provide for emergent financial needs, stabilize tax rates, to set aside funds for the replacement of existing equipment, facilities and future projects and to minimize the debt financing needs of the Corporation.

Policy Statement

The City of St. Albert recognizes that the ongoing commitment of funds to specific reserves provides for property tax stabilization, contingency funding, and reduces the need for debt financing.

Definitions

Responsibilities

1. The establishment of, contributions to, and withdrawals from, a specific reserve shall be approved by City Council through resolution or bylaw in accordance with the Municipal Government Act or as otherwise stated in the specified schedule.
2. Administration of all reserves will be carried out by the City Manager or His designate.

Service Standards/ Expectations

1. Transfers to/from reserves will be restricted as outlined in each specific reserve schedule.
2. Interest earnings are intended to be applied to reserves if there are external requirements based on legislation or agreements, or as approved by Council, and will be added to reserves according to the schedule. The interest will be applied monthly based on the net weighted average of the reserve balance relative to all interest earned by the City's investment portfolio.

3. Where appropriate, each reserve will be supported by a 10-year projection for receipt and disbursement of funds. These projections will be updated annually as part of the budget process.
4. Reserves are assumed to be ongoing unless otherwise stated in the specified schedule.
5. Reserves are assumed to have no ceiling unless otherwise stated in the specified schedule.
6. Reserve reporting will form a part of the quarterly and annual financial statements and significant transactions affecting these will be highlighted in the comments.
7. All Financial Reserves shall be attached to this policy as a Schedule.
8. All Financial Reserves Schedules attached to this policy shall contain the following sections:
 - a. Type of Reserve
 - b. Name of Reserve
 - c. Purpose of Reserve
 - d. Source of Funding
 - e. Application
 - f. Indication of whether it is interest bearing or not
 - g. Any additional information deemed relevant by the City Manager
9. This policy along with the approved reserve schedules and balances will be reviewed by Administration annually.

Legal References

Cross References

1. C-FS-05 Budget and Taxation Guiding Principles
2. C-CS-01 St. Albert Games Legacy Awards Program
3. C-CS-11 Community Significant Events Stimulus Fund
4. C-FS-11 Operating and Capital Carry Forwards
5. C-FS-12 Outside Agency Budget Guiding Principles
6. C-FS-14 Utility Fiscal Policy

Attachments

Operating Reserve Schedules

- O1 Stabilization
- O3 Operating Programs
- O4 Risk Management

- O5 Automated Traffic Enforcement Technology – Speed on Green
- O7 Children’s Festival Fund
- O8 RCMP Contract Expense Reserve
- O9 Safety Enhancement Program
- O10 Election and Census Reserve

Capital Reserve Schedules

- C1 Internal Financing
- C2 Major Recreational Lands & Facilities
 - 1. Major Recreational Facilities Fund – City Wide
 - 2. Major Recreational Facilities Fund – Neighbourhood
 - 3. Parkland Fund
 - 4. Dog License Fund
- C3 Offsite levy recovery fund (OLRF)
 - 1.. Offsite levy reimbursed Funds
- C4 Lifecycle
 - 1. Mobile Equipment
 - 2. Emergency Services Equipment
 - 3. Office Systems
 - 4. Arden Theatre
 - 5. Servus Credit Union Place
 - 6. Aquatics Facility
 - 7. Public Art
 - 8. Fire Buildings
 - 9. City Playground
 - 10. Public Transit
 - 11. Infrastructure
- C5 Municipal Land & Facilities Reserve
- C6 Capital Fund
- C7 Growth Stabilization

Utility Reserve Schedule

- UC1 Utilities Fund
 - 1. Water
 - 2. Wastewater
 - 3. Solid Waste

4. Storm water

Outside Agency Reserve Schedule

OA1 Outside Agency Operating

1. Library - Young Peoples Writing
2. Museum Artifacts
3. Museum Historic Sites
4. Museum Exhibition
5. Library - Edmond and Anna Harder Endowment Reserve fund
6. Library – Stabilization Fund
7. Food Bank/Community Village Building Fund

OA2 Outside Agency Capital

1. Library - Branch
2. Library – Repair and Refurbishment
3. Business Incubation Building Fund
4. Library Computer Replacement

| REVIEW | REVISION |
|----------------------------------|--|
| August 2018 – Financial Services | C181-2003 03 17 C400-2004 08 16 C187-2005 05 02 C355-2006 07 04 C211-2007 04 16 C291-2007 05 22 C557-2008 09 22 C571-2008 10 06 C401-2009 06 29 C506-2009 09 08 C561-2010 09 27 C443-2011 07 04 C246-2012 06 25 C231-2013 05 27 C293-2013 06 24 C453-2014 09 22 C428-2015 09 14 C424-2016 06 27 POL-16-010 – 11 07 |
| REVIEW DATES | |

Financial Reserves – Schedule O1

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|---------------------------|---|
| Type: | Operating Reserve |
| Name: | Stabilization |
| Purpose: | To provide funds to stabilize tax rates for non-recurring, emergent, one-time expenditures or losses of revenue of a non-capital nature that will not be built into the base operating budget in future years. |
| Source of Funding: | <ul style="list-style-type: none">• Transfer of annual surpluses as approved by Council• Annual transfer or other sources as approved by Council. |
| Ceiling: | 2% of the annual municipal operating budget. |
| Application: | Funds from this reserve will be used for stabilizing budgetary impacts resulting from one time or unanticipated events. Examples include, but are not limited to, abnormal snow removal, fluctuating interest rates, declines in revenues, increased utility costs, by-election, plebiscites, special projects or other items that would result in an overall deficit to the municipal operation. |
| Interest Bearing: | No |

Financial Reserves – Schedule O3

| | |
|---------------------------|---|
| Type: | Operating Reserve |
| Name: | Operating Program |
| Purpose: | To provide funds for specific operating programs as established by Council. |
| Funds: | <p>Operating Program</p> <ul style="list-style-type: none"> - Operating Carry Forward - Preventative Social Services Fund - Games Legacy - Community Significant Event Stimulus Fund - Young Artists Legacy Grant Program Fund |
| Source of Funding: | <ul style="list-style-type: none"> • Unspent portion of the annual operating budget pertaining to the specific program or project being carried forward as approved by Council. • Annual transfer or other sources as approved by Council. |
| Application: | <p>Operating Carry Forward</p> <ul style="list-style-type: none"> • To fund expenditures approved by Council in a previous year that are to be completed in the subsequent year. <p>Preventative Social Services Fund</p> <ul style="list-style-type: none"> • To fund a grant program administered by FCSS to assist in social services. <p>Games Legacy</p> <ul style="list-style-type: none"> • To use funds remaining from the Games Legacy Awards Reserve for one-time expenditures within the spirit of the original reserve policy. <p>Community Significant Event Stimulus Fund</p> <ul style="list-style-type: none"> • To use funds remaining from the St Albert Steel relocation fee as per Council policy C-CS-11 <p>Young Artists Legacy Grant Program</p> <ul style="list-style-type: none"> • Interest earned in the Young Artists Legacy Grant Program are to be used specifically for the program and be treated as an endowment. |

Financial Reserves – Schedule O3

Interest Bearing:

No, with the exception of Young Artists Legacy Grant Program

Financial Reserves – Schedule O4

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|---------------------------|---|
| Type: | Operating Reserve |
| Name: | Risk Management |
| Purpose: | To provide funds for the management of unexpected risk as managed and defined by the Legal Services Department. |
| Source of Funding: | <ul style="list-style-type: none">• Automatic transfer of insurance premium annual budget surpluses, if the ceiling has not been reached.• Automatic transfer of surplus funds left over from unspent budgeted claims expense dollars, if the ceiling has not been reached.• Annual transfer or other sources as approved by Council. |
| Ceiling: | Principal set at \$1,200,000 with annual interest increases. |
| Application: | To be used for stabilizing budgetary impacts resulting from changes in insurance and risk management related costs, including but not limited to premiums, risk control and prevention, and losses that exceed the claims retention fund. |
| Interest Bearing: | Yes. |

Financial Reserves – Schedule O5

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|---------------------------|--|
| Type: | Operating |
| Name: | Automated Traffic Enforcement Technology – Speed on Green |
| Purpose: | To provide funds for programs, projects or initiatives that will maintain or upgrade equipment used for the Automated Traffic Enforcement Technology program (Speed on Green) or would further enhance traffic safety within the community. |
| Source of Funding: | <ul style="list-style-type: none">• An automatic transfer at year end of an amount equal to 50% of net proceeds of operating the Speed on Green Program.• Other sources as approved by Council |
| Application: | <ul style="list-style-type: none">• Lifecycle maintenance/upgrades related to the program (i.e. replacement of loops, line markings)• Technology Upgrades to existing Speed on Green/Red light Camera infrastructure• Intersection/Traffic Corridor analysis/study to determine safety issues& best mitigation practice.• Infrastructure improvements as may be recommended through the above noted analysis/studies.• Other capital investments that work towards improving community traffic safety. |
| Interest Bearing: | No. |

Financial Reserves – Schedule O7

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|---------------------------|---|
| Type: | Operating |
| Name: | Children's Festival Fund |
| Purpose: | To provide funds for the Children's Festival. |
| Source of Funding: | <ul style="list-style-type: none">• Monies raised through fundraising or donations specific to the Children's Festival.• Automatic transfer of surplus pertaining to the specific program or project.• Annual transfer or other sources as approved by Council. |
| Application: | <ul style="list-style-type: none">• Any surplus/deficit of the Children's Festival program is automatically balanced against this reserve. |
| Interest Bearing: | Yes |

Financial Reserves – Schedule O8

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|---------------------------|--|
| Type: | Operating Reserve |
| Name: | RCMP Contract Expense Reserve |
| Purpose: | To fund the RCMP contract costs related to the number of RCMP Members assigned to the St. Albert Detachment that are greater than the approved annual budget. |
| Source of Funding: | <ul style="list-style-type: none">• Reserve funding contribution will be derived from any surplus from the Policing Operating Budget related to the RCMP contract through an automatic transfer at year end.• Annual transfer or other sources as approved by Council. |
| Ceiling: | The upper limit of this reserve will not exceed the equivalent of the current estimated budgeted contract cost of six (6) full time RCMP Members. |
| Application: | To cover operating shortfalls due to a higher than anticipated number of RCMP members being assigned to the St. Albert Detachment, unbudgeted increase in member billing rates and other costs related to the contract. The City Manager is authorized to draw upon this reserve in accordance with the above noted application. |
| Interest Bearing: | No. |

Financial Reserves – Schedule O9

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|---------------------------|---|
| Type: | Operating Reserve |
| Name: | Safety Enhancement Reserve |
| Purpose: | <p>To ensure monies received from the Workers Compensation Board (WCB) premium rebates and surplus distribution dividend remain available to further enhance the employee health and safety program and protect against increases in premiums.</p> <p>Safety enhancement reserve dollars, for as long as they are available, are first used as a source of funding for justified safety projects/initiatives, and secondly as a mechanism to provide a recovery/offset against the base budget on a 10% declining balance basis.</p> |
| Source of Funding: | <ul style="list-style-type: none">• Annual WCB premium rebates received through participation in the Partners in Injury Reduction (PIR) program• Periodic WCB premium surplus distribution dividends• Unspent portion of any closed operating business cases funded from the reserve. |
| Application: | <ul style="list-style-type: none">• Funds from this reserve will be used for safety programs as recommended through the City's Safety Enhancement Program as outlined in the administrative policy.• Administration shall coordinate individual requests and bring forward through an agenda report once or twice a year (or as needed for emergent situations) for Council decision.• The annual withdrawal related to safety projects/initiatives is capped at \$150,000.• 10% of the current year's second quarter uncommitted balance will be incorporated into the upcoming budget, up to the base safety budget, as approved by Council. |
| Interest Bearing: | No |

Financial Reserves – Schedule O10

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|---------------------------|--|
| Type: | Operating Reserve |
| Name: | Election and Census Reserve |
| Purpose: | To build funds for future elections and census to minimize annual impact on tax. |
| Funds: | <ol style="list-style-type: none">1. Election2. Census |
| Source of Funding: | <ul style="list-style-type: none">• Annual budgeted transfers as approved by Council, which are based on a target amount to administer a single municipal and school board election.• Any operating surplus balance remaining after an election or census will be transferred back to this Reserve automatically.• Annual transfers or other sources as approved by Council. |
| Application: | <p>Election</p> <ul style="list-style-type: none">• Applied against municipal election expenditures, which occur every four years so that no tax impact occurs. <p>Census</p> <ul style="list-style-type: none">• Applied against municipal census expenditures, which occur every two years so that no tax impact occurs. |
| Interest Bearing: | No. |

Financial Reserves – Schedule C1

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|---------------------------|--|
| Type: | Capital Reserve |
| Name: | Internal Financing |
| Purpose: | To provide funds for internal financing of general municipal capital projects, thereby improving the City's overall net financial position. |
| Source of Funding: | <ul style="list-style-type: none">• Transfers equal to repayment of principal for approved projects with interest equivalent to the average rate of return earned by the City's investments. This interest rate is intended to offset the investment interest not earned or lost by the City on funds utilized to interim finance capital projects. This interest rate will ensure the City is not profiting from internal borrowing.• Annual transfer or other sources as approved by Council. |
| Application: | Used to internally finance or fund capital projects as approved by Council. |
| Interest Bearing: | Yes |

Financial Reserves – Schedule C2

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|---------------------------|---|
| Type: | Capital Reserve |
| Name: | Major Recreational Lands & Facilities |
| Purpose: | To provide funds for the purchase of and or development of recreational lands and facilities. Recreational facilities may include both replacement and new. |
| Funds: | <ol style="list-style-type: none"> 1. Major Recreational Facilities – City Wide Fund 2. Major Recreation Facilities – Neighbourhood Fund 3. Parkland Fund 4. Dog License Fund |
| Source of Funding: | <p>City Wide and Neighborhood</p> <ul style="list-style-type: none"> • Contributions received on a per residential unit basis as agreed to by Council and developers under Capital Recreation Contribution agreements. These are legacy funds and are no longer being collected. <p>Parkland Fund</p> <ul style="list-style-type: none"> • Surplus proceeds from the sale of reserve lands • Payment in lieu of reserve land dedication to meet the cost of acquiring and developing public use lands as prescribed in the <i>Municipal Government Act</i>. • Annual transfers or other sources as approved by Council. <p>Dog License Fund</p> <ul style="list-style-type: none"> • Received through a surcharge as part of the annual dog license fee as approved by Council |
| Application: | <p>To fund capital acquisition, development, or major enhancement, of public use lands, recreational and cultural facilities and parks as approved by Council.</p> <p>Dog License Funds are used specifically for dog parks, associated amenities and life cycle maintenance/upgrade of these items.</p> |
| Interest Bearing: | Yes |

Financial Reserves – Schedule C3

Type: Capital Reserve

Name: Offsite Levy Recovery Fund (OLRF)

Purpose: To fund future development of specified Offsite roadway and utility construction.

Funds:

1. Offsite Levy Reimbursed Funds

Source of Funding:

- One time contributions (ie. Permanent Area Charge (PAC)) from developers for specific road development.
- Annual transfers or other sources as approved by Council.
- Reimbursed funds collected from past City front ended projects

Application:

Offsite levy reimbursed funds

- To front end capital initiatives as determined by the offsite levy model.
- To fund City capital projects as approved by Council.

Interest Bearing: No

Financial Reserves – Schedule C4

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|---------------------------|---|
| Type: | Capital Reserve |
| Name: | Lifecycle |
| Purpose: | <p>To provide the necessary funds for the scheduled repair, maintenance, and replacement of existing tangible capital assets. This reserve will permit the City to remain current with required facilities, equipment and services.</p> <p>Proper maintenance and or asset replacement are required to sustain the assets in a condition necessary to provide expected service levels. Deferring maintenance could result in increasing repair costs and decreasing service potential as the condition of the asset deteriorates.</p> |
| Funds: | <ol style="list-style-type: none">2. Mobile Vehicle and Equipment3. Emergency Services Equipment4. Office Systems5. Arden Theatre6. Servus Credit Union7. Aquatics Facility8. Public Art9. Fire Buildings10. City Playground11. Public Transit12. Infrastructure * |
| Source of Funding: | <ul style="list-style-type: none">• Annual transfers or other sources as approved by Council• Donations, corporate investment, and unconditional and matching grants as approved by Council.• Surpluses from closed projects shall be returned to the original fund. |
| Application: | <ul style="list-style-type: none">• The execution and use of the lifecycle reserves are annually reviewed, detailed and scheduled by the respective department. Items are outlined specifically for the required replacement, potential change in useful life and any other updates.• Meticulous planning is in place and utilization of the lifecycle capital reserve funds is maximized.• The Vehicle and Mobile Equipment Reserve is subject to the conditions of Administrative Policy |

A-P&E-04 Mobile Vehicle and Equipment
Replacement.

Interest Bearing: Yes, with the exception of Infrastructure*

Reserve Policy – Schedule C5

| | |
|---------------------------|--|
| Type: | Capital Reserve |
| Name: | Municipal Land & Facilities Reserve |
| Purpose: | <p>To provide funds for:</p> <ul style="list-style-type: none">• Sustainable ongoing development of commercial and industrial lands; and• Purchase or refurbish City facilities other than for recreation purposes; and• Purchase of land for municipal purposes other than for recreation purposes |
| Source of Funding: | <ul style="list-style-type: none">• May allocate non-residential property tax revenues generated from within the newly developed lands.• Sale of properties and City facilities other than recreation facilities• Net proceeds on the disposition of road right of ways• Annual transfer or other sources as approved by Council. |
| Application: | <ul style="list-style-type: none">• To provide funds to purchase land for municipal purposes and service non-residential development• To purchase or refurbish City facilities other than for recreation purposes |
| Interest Bearing: | Yes |

Reserve Policy – Schedule C6

| | |
|--------------------------|--|
| Type: | Capital Reserve |
| Name: | Capital Fund |
| Purpose: | To provide funds for capital requirements relating to Council priorities, rehabilitation and maintenance of existing infrastructure, purchase of new capital assets, and capital projects that would not be eligible for grant funding. |
| Source of Funding | <ul style="list-style-type: none">• An annual transfer, Pay-As-You Go (PAYG) as determined by Council.• Unspent portion of PAYG funding pertaining to closed projects as approved by Council.• Other sources as approved by Council. |
| Application: | To fund capital projects that have been identified as part of the annual capital budget process and approved by Council. |
| Interest Bearing: | No. |

Financial Reserves – Schedule C7

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|---------------------------|--|
| Type: | Capital Reserve |
| Name: | Growth Stabilization |
| Purpose: | To provide funds for capital expenditures that are directly related to growth. |
| Source of Funding: | An annual transfer of 70% of new growth assessment revenue in excess of business cases (residual balance) approved by Council. Transfer of funds into the reserve in a given year must be approved by Council prior to passing the annual Tax Rate Bylaw |
| Ceiling: | None |
| Application: | Funds from the reserve may be used to support capital costs which has a demonstrated link to the costs of growth. |
| Interest Bearing: | No |

Financial Reserves – Schedule UC1

| | |
|---------------------------|---|
| Type: | Utility Capital Reserve |
| Name: | Utilities Fund |
| Purpose: | To provide funds for the expansion, refurbishment or replacement of the City's utility infrastructure, equipment, or to fund studies required for future planning purposes. |
| Funds: | <ol style="list-style-type: none">1. Water2. Wastewater3. Solid Waste Management4. Storm water |
| Source of Funding: | <ul style="list-style-type: none">• Transfers to/from the Utility Operating Budgets as approved by Council as part of the annual budget process.• Annual transfer or other sources as approved by Council. |
| Application: | To fund utility capital projects that have been identified as part of the annual capital budget process and approved by Council. |
| Interest Bearing: | Yes |

Reserve Policy – Schedule OA1

| | |
|---------------------------|---|
| Type: | Operating Reserve |
| Name: | Outside Agency Operating |
| Purpose: | To establish a fund for outside agencies to administer their respective operating programs. |
| Fund: | Outside Agency Program Funds <ol style="list-style-type: none">1. Library - Young Peoples Writing2. Museum Artifacts3. Museum Historic Sites4. Museum Exhibition5. Library – Edmonton and Anna Harder Endowment Reserve fund6. Library – Stabilization Fund7. Food Bank/Community Village Building Fund |
| Source of Funding: | <ul style="list-style-type: none">-Annual transfer or other sources as approved by Council.-Library – Stabilization Fund, transfer of annual surpluses, donations, fundraising revenue, unconditional grants as approved by the Library board. |
| Application: | <ul style="list-style-type: none">-Used to fund outside agency operating programs as approved by their respective board and Council-Library Stabilization Fund, to fund budget impacts arising from one time or unanticipated events or circumstances |
| Interest Bearing: | No |

Reserve Policy – Schedule OA2

| | |
|---------------------------|--|
| Type: | Capital Reserve |
| Name: | Outside Agency Capital |
| Purpose: | To establish a fund for outside agencies to administer their respective capital initiatives. |
| Funds: | <ol style="list-style-type: none">1. Library Branch2. Library Repair and Refurbishment3. Business Incubation Building Fund4. Library Computer Replacement |
| Source of Funding: | <ul style="list-style-type: none">• Donations, fundraising revenue, unconditional grants• Annual transfer or other sources as approved by Council |
| Application: | <p>-To fund the acquisition of collections, furnishings, fixtures and equipment for a new Library Branch and other capital projects as approved by the Board and Council.</p> <p>-To fund the capital costs associated with the refurbishment and repair of the Library's facilities.</p> <p>-Business Incubation Building Fund To establish a building fund for future development.</p> |
| Interest Bearing: | Yes, * with the exception of Business Incubation Building Fund |