



CITY OF ST. ALBERT CITY COUNCIL POLICY

NUMBER	TITLE
C-FS-01	Financial Reserves
ORIGINAL APPROVAL DATE	DATE LAST REVISED
March 17, 2003	January 21, 2019

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 Chief Administrative Officer.

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 Chief Administrative Officer
9. This policy along with the approved reserve schedules and balances will be reviewed by Administration annually.

Legal References

N/A

Cross References

C-FS-05 Budget and Taxation Guiding Principles
C-CS-01 Athlete and Artist Development Grant
C-CS-11 Community Significant Events Stimulus Fund
C-FS-11 Operating and Capital Carry Forwards and Closed Projects
C-FS-14 Utility Fiscal Policy

Attachments

Operating Reserve Schedules

- O1 Stabilization
- O3 Operating Programs
- O4 Risk Management
- O5 Traffic Safety
- 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

C8 Energy Efficiency

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. Museum Artifacts
 2. Museum Historic Sites
 3. Museum Exhibition
 4. Food Bank/Community Village Building Fund

OA2 Outside Agency Capital

1. Business Incubation Building Fund

DATE REVIEWED	NEXT REVIEW DATE	REVISIONS
October 2018 – Finance and Assessment	2019 – Finance and Assessment	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 POL-17-009 – 09 11 AR-18-076 – 02 20 POL-18-007 - 04 23 CB-18-025 – 10 22 AR-19-003 - 01 21

Financial Reserves – Schedule O1

Type:	Operating Reserve
Name:	Stabilization
Purpose:	To provide funds to stabilize tax rates for non-recurring, emergent, one-time expenditures or losses of revenue 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:	3.5% 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 - Athlete and Artist Development Grant - Community Significant Event Stimulus Fund - Young Artists Legacy Grant Program Fund - Heritage Reserve 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>Athlete and Artist Development Grant</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> <p>To offer financial assistance to not-for-profit Community organizations, individuals or businesses to initiate and develop new significant events which attract external audiences as per Council policy C-ED-06”</p>

Financial Reserves – Schedule O3

Young Artists Legacy Grant Program

- Interest earned in the Young Artists Legacy Grant Program are to be used specifically for the program and be treated as an endowment.

Heritage Reserve Fund

- Conservation of privately owned Municipal Historic Resources
- Community heritage education and awareness activities
- Designation and conservation incentives for privately-owned heritage sites
- Guided by Council Policy C-CS-21 Municipal Historic Conservation Program

Interest Bearing:

No, with the exception of Young Artists Legacy Grant Program

Financial Reserves – Schedule O4

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

Type:	Operating
Name:	Traffic Safety
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

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

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 CAO is authorized to draw upon this reserve in accordance with the above noted application.
Interest Bearing:	No.

Financial Reserves – Schedule O9

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.• For as long as adequate reserve dollars are available, an annual revenue and expense budget will be established within the Municipal Operating budget in the amount of \$150,000 to be approved by Council through the budget process.• The CAO shall review and approve, up to the approval limits set within Policy C-CAO-01 CAO Delegations, individual safety requests and shall provide to Council for information.• 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

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

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

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 (i.e. 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

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"> 1. Mobile Vehicle and Equipment 2. Emergency Services Equipment 3. Office Systems 4. Arden Theatre 5. Servus Credit Union 6. Aquatics Facility 7. Public Art 8. Fire Buildings 9. City Playground 10. Public Transit 11. 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. • Ticket Surcharge for Arden Theatre to support lifecycle. • 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

Type:	Capital Reserve
Name:	Growth Stabilization
Purpose:	To provide funds for capital or operating expenditures that are directly related to growth.
Source of Funding:	<ul style="list-style-type: none">• Any portion of the 70% of Growth Assessment Revenue not applied to business cases or capital charters during the budget process• An annual budgeted transfer (less the annualization impact of the prior years operating business cases) to the Growth Stabilization Reserve will be included as part of the base budget to recognize the prior years assessment growth transfer unless a Council resolution directs otherwise. Such direction shall be guided by Policy C-FS-05 as it relates to Assessment Growth.
Ceiling:	\$2.5 million
Application:	Funds from the reserve may be used to support one time operating or capital costs which have a demonstrated link to the costs of growth as per direction from Council.
Interest Bearing:	No

Financial Reserves – Schedule C8

Type:	Capital Reserve
Name:	Energy Efficiency
Purpose:	To provide funds to support energy efficiency projects in the municipal corporation and in the community.
Source of Funding:	<ul style="list-style-type: none"> • Rebates/grants received from past projects • A year-end transfer of energy savings/avoidance to support future projects as approved by Council • Annual transfer or other sources as approved by Council.
Ceiling:	None
Application:	To be used for one-time projects, both capital and operating, related to energy conservation, production, retro-fit and/or building system monitoring projects for the City and to support any future grant program that may be developed for residential, commercial and/or industrial projects of a similar nature.
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. Museum Artifacts2. Museum Historic Sites3. Museum Exhibition4. Food Bank/Community Village Building Fund
Source of Funding:	-Annual transfer or other sources as approved by Council.
Application:	-Used to fund outside agency operating programs as approved by their respective board and Council
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:	1. Business Incubation Building Fund
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 capital projects as approved by and Council.</p> <p>-Business Incubation Building Fund To establish a building fund for future development.</p>
Interest Bearing:	No