



217C
Reserves Policy

Prepared By: Finance

Effective Date: March 11, 2019
Council Resolution No.: 19-78

References: Municipal Government Act
Investment Policy

POLICY STATEMENT

The Town of Olds recognizes the need to establish reserve funds to ensure the long-term financial stability and flexibility of the Town. Positioning the Town to respond to varying economic conditions and changes affecting the Town’s financial position.

PURPOSE

The purpose of this policy is to maintain consistent standards and guidelines for the management of reserves and execution of reserve transactions, and to ensure that all reserve transactions are approved by Council and carried out in accordance with Council’s approval.

DEFINITIONS

“Amortization” means a non-cash expense to operations representing a portion of the useful life of a recorded tangible capital asset (TCA).

“Capital Reserves” means the portion of unrestricted net assets that Council has designated (or ‘Restricted’) to acquire or construct new Capital assets and replace and rehabilitate major Capital infrastructure as required.

“Operating Reserves” means the portion of unrestricted net assets that Council has designated (or ‘Restricted’) for use in:

- a. Emergencies to sustain financial operations for a reasonable period in the event of significant and unanticipated, unbudgeted increases and/or losses in operating revenues;
- b. Funding budgeted contingencies for non-emergent but unpredictable revenues, volatile expenditures and unanticipated opportunities or challenges; and/or
- c. Funding for the mitigation of tax rate increases.

“Restricted” means a reserve (Operating or Capital) of money that can only be used for specific purposes.

RESPONSIBILITIES

The Director of Finance is responsible for the overall enforcement of this policy.

STANDARDS

1. All reserve transfers must be approved by Council. Approvals may be in the form of:
 - a. The annual Operating or Capital budget approval;
 - b. A carryover project that was contained in an approved Operating or Capital budget; or

- c. A Council resolution.
2. Draws from Reserves must not exceed the fund balance unless it can be demonstrated to Council that future sources of revenue will provide adequate funding to return the fund to a positive balance.
3. All Operating and Capital Reserve funds must be fully described and include a purpose, source of funding, minimum level, optimum or target level.
4. Under direction of Council, the chief administrative officer or their designate will ensure funds are invested according to the guidelines set out in the Town's Investment Policy and in accordance with provincial legislation.
5. Interest will be paid to all reserve funds based on the average balance, calculated as the opening plus closing balances divided by two, at the annual average rate of return on long and short-term investments.

Reserves Policy
Schedule A

Fund	Purpose	Funding Source(s)	Minimum \$ Level	Target/Optimum Level
General Municipal Operating	To provide funding for unanticipated operating expenditures in the course of providing municipal services (snow removal), and for unforeseen general operating emergency expenditures.	One-time transfers and one-time unbudgeted sources of revenue.	5% of annual Operating expenditures (excluding utilities and requisitions)	10% of annual Operating expenditures (excluding utilities and requisitions)
Fire Operating Reserve	To provide the Fire Department with the ability to manage unforeseen operating expenses.	Annually 10% of revenue generated from fire calls	0	\$50,000
Nu2U	To provide funding for grants to the community if current year surpluses are inadequate.	Transfers from annual operating surplus of Nu2U department.	0	\$40,000
Olds Fashioned Christmas	To provide funding for shortfalls in operating revenues and to provide funding for approved purchases outside of normal operating expenses.	Transfers from annual operating surplus of Olds Fashioned Christmas event.	0	\$25,000
Utilities Stabilization Fund	To mitigate utility rates and provide funding for unanticipated operating expenditures related to providing water, wastewater, stormwater and solid waste services.	Transfers from annual utilities operating surpluses.	1% of annual Operating expenditures related to water, wastewater, stormwater and solid waste departments.	5% of annual Operating expenditures related to water, wastewater, stormwater and solid waste departments.
Tax Stabilization	To mitigate tax rate increases in cases of an emergent, non-recurring nature.	Transfers from annual operating surpluses (excluding utilities)	1% of annual budgeted municipal property taxes	3% of annual budgeted municipal property taxes
General Capital Reserve	To fund new Capital projects or for Capital expenditures in the case of an emergency	Unspent annual contributions to Capital from operations, and one time transfers to boost reserve levels.	0	No cap.
Asset Replacement/ Rehabilitation	To fund asset rehabilitation and replacement Capital projects	Annual budgeted Amortization of current assets, and one time transfers to boost reserve levels.	0	No cap.

Fire Small Equipment	To provide the Fire Department with Small Capital Equipment as outlined in Schedule "F" of the Fire Services Agreement.		0	No cap.
Utilities Capital Reserve	To fund capital projects related to water, wastewater, stormwater and solid waste infrastructure	Annual budgeted Amortization of current assets, and one time transfers to boost reserve levels.	0	No cap.
Offsite Levies	To fund the future costs of projects in accordance with the off-site levy bylaw.	Levies assessed to development in accordance with the Municipal Government Act.	0	No cap.
Cash in-lieu of Municipal Reserve	To fund public parks, public recreation areas or school authority developments as are allowed by section 671 (2) of the MGA	Funds are collected as part of the subdivision approval process.	0	No cap.
Capital Restricted Reserve	To fund specific Capital projects	Donations received	Unestablished	Unestablished