


<p>Title: Financial Reserves</p> <p>Policy No: 9500</p> <p>Effective Date: February 13, 2024</p> <p>Motion Number: 24.02.59</p> <p>Supersedes Policy No: 1502</p> <p>Review Date: February, 2027</p>		
<p>Legal References: Municipal Government Act, R.S.A. 2000, c.M-26, Part 8.</p>	<p>Cross References: Policy 9002 "Expenditure Officer" Policy 1507 "Tangible Capital Assets" Policy 1500 "Financial Reporting"</p>	
<p>Purpose: To establish reserves that will allow for future planned and unplanned expenditures required by Greenview. This will also address links to amortization and replacement of assets.</p>		

1. DEFINITIONS

- 1.1. **Assets** means economic resources controlled by Greenview as a result of past transactions or events and from which future economic benefits are expected to be obtained. Assets have three essential characteristics:
 - A) They embody a future benefit that involves a capacity, singly or in combination with other Assets, to provide future net cash flows, or to provide goods and services;
 - B) Greenview can control access to the benefit;
 - C) The transaction or event giving rise to Greenview’s control of the benefit has already occurred.

- 1.2. **Contribution** means funds added to a Reserve or Reserve Fund account, for example, revenues directly to reserves as included in the annual budget documents or an expense included in the operating budget.

- 1.3. **Commitment** means approval by Council to spend funds up to a specified amount on projects or tasks, such as capital projects, one-time operating expenditures.

- 1.4. **Financial Reserves** means an effective tool to support Greenview’s long term capital plan, as they allow for funds to be set aside to manage for future spending needs. There are two types of reserve: Unrestricted and Restricted.
 - A) **Unrestricted Reserves** are best described as an account held by Greenview to use for unexpected expenses incurred at a later date. Funds from an unrestricted reserve could be used to repair or replace an asset that fails unexpectedly, or simply to give council flexibility to allocate funds to future projects as needs arise, or in the case of disaster response.
 - B) **Restricted Reserve** are funds set aside by Greenview for a specific future project, or as a contingency for excess costs in a specific area. Restricted reserve funds should not be perceived as a measure of Greenview’s wealth, as they may be the product of many years of saving and advance planning to fund the purchase or construction of a major asset, or to carry out projects identified in a Greenview’s long range capital plan.

- 1.5. **Greenview** means the Municipal District of Greenview No. 16.

- 1.6. **Tangible Capital Assets** means non-financial assets having physical substance that:
- A) Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance, or repair of other Greenview tangible capital assets;
 - B) Have useful economic lives extending beyond an accounting period;
 - C) Are to be used on a continuing basis in Greenview's operations;
 - D) Are not for sale in the ordinary course of operations; and
 - E) All in accordance with Tangible Capital Assets Policy.

2. POLICY STATEMENT

2.1. Financial Reserves

- A) Greenview shall establish financial reserves and commit funds on an ongoing basis for future funding requirements, stabilization of fluctuations in operating and capital activities, contingency funding and to fund identified social/economic needs. Greenview shall manage Financial Reserves in a responsible manner and use Financial Reserves solely for the specific purpose as approved by Council.

2.2. Asset Management

- A) An important aspect of asset management is making long-term budgeting decisions with service levels and asset deterioration in mind. Not preparing for the inevitable repair or replacement of deteriorating assets through the use of reserves could lead to a crisis situation in which Greenview has limited funds available to address a sudden infrastructure failure and is forced to borrow heavily, increase taxes, or significantly reduce service levels. Reserves can be used to support the proper management of tangible capital assets and address their amortization over the course of their useful life by setting aside funds for their replacement as they age.

2.3. Reserve Categories

- A) The categorization of reserves has been created by Greenview. Each sub-category may have its own target reserve amount, which is reviewed and amended by council as part of a regular policy review. Greenview categories for reserves include:
- i. Unrestricted Reserves. These are used for funding net new capital and in year operating costs. Administration annually recommends to Council the ideal balance to set Unrestricted Reserves.
 - ii. Asset Management Reserves are used to fund the replacement of Assets, generally typically though through an allocation of amortization and interest.
 - iii. Social, Economic and Environmental Reserves are used to fund programs or activities within Greenview that contribute to these areas and support the strategic plans of Council.
 - iv. Planning and Development Reserves are required as a result of certain development activities and have defined legislative requirements.

3. COUNCIL RESPONSIBILITIES

- 3.1 Evaluate and approve the policy.
- 3.2 Direct the transfer of funds to and from Reserves through the budget process, bylaw, or resolution of Council.
- 3.3 Direct the creation of new Reserves or the closure or amalgamation of existing Reserves that are no longer required.

4. ADMINISTRATION RESPONSIBILITIES

- 4.1 Evaluate and recommend reserves.
- 4.2 As per council decision, create the transfer of funds to and from Reserves.
- 4.3 As per council decision, create new Reserves or close or amalgamate existing Reserves that are no longer required.
- 4.4 Ensure that all transactions regarding reserves are approved by and reported to Council.
- 4.5 Manage reserves in accordance with this policy.
- 4.6 Provide quarterly reports, in accordance with Greenview's Financial Reporting Policy, to Council regarding reserves.
- 4.7 Present in each annual capital and operating budget the transactions necessary to comply with this procedure, and to bring Reserves to the minimum levels.

5. SCHEDULE

- 5.1 All categorized Reserves can be found in Schedule A attached.

SCHEDULE A

1. **Bridge Replacement Reserve**
 - A) Purpose: This reserve provides funds for future replacement costs of bridges.
 - B) Contribution: This reserve contribution is based on a prorated amount of amortization of “Engineering Structures – Bridges.”
 - C) Interest: Interest is allocated to this reserve.
2. **Community Bus Reserve**
 - A) Purpose: The reserve fund is established to assist in the replacement costs of the Community Bus.
 - B) Contribution: This reserve contribution is specifically allocated in the Operating Budget and receives any amortization with community bus.
 - C) Interest: Interest is allocated to this reserve.
3. **Developer Contributions**
 - A) Purpose: This reserve is represents the contributions in lieu of MR Land Reserve and off-site levies collected from developers.
 - B) Contribution: This reserve contribution is received from development agreements and off-site levies.
 - C) Interest: Interest is allocated to this reserve.
4. **Disaster Response Reserve**
 - A) Purpose: This reserve provides funds for emergency funding for Greenview to deal with disasters when they occur, with minimal impact to the approved Operating and Capital Budgets.
 - B) Contribution: This reserve receives an annual contribution of \$100,000.00
 - C) Interest: Interest is not allocated to this reserve.
 - D) Maximum or Minimum: This reserve shall have a minimum balance of \$1 Million to a maximum balance of \$3 Million.
5. **Economic Development Reserve**
 - A) Purpose: This reserve provides funds for Greenview development projects (property development, etc.) as depicted in the long-term capital plan.
 - B) Contribution: This reserve contribution is based on Council’s direction.
 - C) Interest: Interest is not allocated to this reserve.
6. **Fire Facilities, Fire-Rescue Apparatus Vehicle & Equipment Reserve**
 - A) Purpose: This reserve provides funds for Greenview’s share of the replacement cost of Fire Halls and other Fire Infrastructure (dry hydrants, etc.) and Fire-Rescue Service Apparatus Vehicle & Equipment within Greenview and the Towns of Fox Creek and Valleyview.
 - B) Contribution: This reserve receives a prorated amount of amortization based on Fire facilities, equipment and vehicles amortization.

C) Interest: Interest is allocated to this reserve.

7. Fleet and Equipment Replacement Reserve

- A) Purpose: This reserve ensures funds for replacing fleet and equipment.
- B) Contribution: This reserve receives a prorated share of amortization of “Equipment” or “Automotive Equipment.”
- C) Interest: Interest is allocated to this reserve.
- D) Maximum or Minimum: This reserve should contain a minimum level of funds equal to ten (10%) percent of the “Equipment” and “Automotive Equipment” audited Financial Statements, Tangible Capital Assets Net Book Value. This reserve has no maximum.

8. Facilities Reserve

- A) Purpose: This reserve provides funds for replacement or construction costs for Greenview facilities such as offices and maintenance shops. Facilities relating to utilities and emergency services will be funded through their own respective reserve funds.
- B) Contribution: This reserve receives an annual contribution based on Building construction or replacement schedules based on amortization
- C) Interest: Interest is allocated to this reserve.

9. Greenview Daycare Funding Reserve

- A) Purpose: This reserve fund is established to assist in the costs of developing daycare services in Greenview, which may include building and equipment purchases.
- B) Contribution: This reserve contribution is at the discretion of Council.
- C) Interest: Interest is not allocated to this reserve.

10. Greenview FCSS Reserve

- A) Purpose: This reserve is used to set aside FCSS program surpluses from the FCSS programs operated by Greenview on behalf of the Town of Valleyview. The Green View FCSS Board shall determine the use of funds in this reserve.
- B) Contribution: This reserve receives any surplus balance, at the end of a financial year.
- C) Interest: Interest is not allocated to this reserve.

11. Gravel Pit Reclamation Reserve

- A) Purpose: This reserve is used for the environmental reclamation of existing gravel pits and as the source and return of deposits and guarantees regarding reclamation.
- B) Contribution: This reserve contribution is specifically allocated in the operating budget, plus per tonne charges on waste interred by gravel mined for Greenview use, to pay for environmental reclamation
- C) Interest: Prorated share of total reserve.
- D) Maximum or Minimum: This reserve has no maximum or minimum.

12. Operating Contingency Reserve

- A) Purpose: This reserve provides funds for emergent, non-recurring expenditures or the loss of revenues.
- B) Contribution: This reserve Contribution is based on allocation for any operating surplus.
- C) Interest: Interest is not allocated to this reserve.
- D) Maximum or Minimum: The minimum target value is the average of three months of operating costs.

13. Project Carry Forward Reserve.

- A) Purpose: This reserve will hold all funds for one-time operating projects that have been carried over from one year to a subsequent year. Any projects that were completed under budget, will have surplus funds transferred to the unrestricted reserve.
- B) Contribution: This reserve receives prior years project carryover funds.
- C) Interest: Interest is not allocated to this reserve.

14. Recreation Reserve

- A) Purpose: This reserve provides funds for the construction or replacement of Greenview's recreation facilities (campgrounds, multiplexes, etc.), and equipment.
- B) Receives Contribution: This reserve receives annual Recreation asset amortization plus any other contributions Council provides.
- C) Interest: Interest is allocated to this reserve.

15. Road Infrastructure Reserve

- A) Purpose: This reserve provides funds for future years' road construction budget, based on approved capital plans. This reserve will contain an additional amount of \$2M to allow Greenview the ability to react to positive or negative pricing shifts.
- B) Contribution: This reserve contribution is based on a prorated amount of the amortization of Road Structures.
- C) Interest: Interest is allocated to this reserve.

16. Valleyview & District Medical Clinic Reserve

- A) Purpose: This reserve fund is established to assist in the costs of future of facilities or equipment related Valleyview & District Medical Clinic Building. The Valleyview & District Medical Clinic Committee shall provide a recommendation to Council on funds for the reserve based on their anticipated budget and surplus there of.
- B) Contribution: This reserve contribution is specifically allocated in the Operating Budget, as recommended by the committee and receives a prorated amount of amortization based on the Valleyview Medical Clinic equipment.
- C) Interest: Prorated share of the total reserve.

17. Water Utilities Reserve

- A) Purpose: This reserve provides funds for the replacement or construction of wastewater collection systems and networks within Greenview
- B) Contribution: This reserve contribution is based on a prorated amount of amortization of water and wastewater facilities and equipment.
- C) Interest: Interest is allocated to this reserve.

18. Solid Waste Reserve

- A) Purpose: This reserve provides funds for replacement solid waste facilities and equipment.
- B) Contribution: This reserve contribution is based on a prorated amount of amortization of solid waste facilities and equipment.
- C) Interest: Interest is allocated to this reserve.

19. Greenview Seniors Funding Reserve

- A) Purpose: This reserve fund is established to assist in the costs of developing seniors services in Greenview, which may include building and equipment purchases.
- B) Contribution: This reserve contribution is at the discretion of Council.
- C) Interest: Interest is not allocated to this reserve.

20. Health and Dental Benefit Reserve

- A) Purpose: This reserve fund is established to ease the budgeting pressures of the Administrative Services Only Model of health benefits by setting funds aside in the reserve in years that there is a budgetary surplus and using the reserves when there is a budgetary deficit.
- B) Contribution: This reserve contribution is the budgetary surplus amount.
- C) Interest: Interest is allocated to this reserve.

21. Unrestricted Reserve

- A) Purpose: This reserve fund is used for tracking the resulting reserve that is not restricted elsewhere in this policy and results from the regular financial results of Greenview. It is used to fund net new capital purchases and operating or reserve allocations that are outside of the annual budget process.
- B) Contribution: Results from the regular year end processes.
- C) Interest: Interest is not allocated to this reserve.
- D) Maximum or Minimum: At the discretion of Council, but Administration will recommend an annual minimum based on budgeted new capital requests and pressures related to other reserves or spending.