

## Reserve Policy

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<b>Supersedes</b> N/A	<b>Effective Date</b> Upon Approval	<b>Legal Authority</b> Municipal Government Act - Part 8 Financial Administration
<b>Amendments:</b> Capital Reserves, Sec. 4 Capital Reserves, Sec. 4	<b>Amendment Date</b> April 22, 2002 July 24, 2002	<b>Resolution Number</b> Motion # 263-02 Motion # 552/02

**TITLE: Reserve Policy**

**Policy Statement:**

To authorize establishment of the Town of High Prairie's existing reserves, to set out the purpose for which they exist and to address how funds are to be transferred into and out of them.

### Obligatory Reserve Funds

Obligatory Reserve Funds are established to segregate funds for specific purposes wherever a statute or contractual obligation requires that these funds must be accounted for separately from the general municipal funds.

The Town of High Prairie only has one Obligatory Reserve Fund.

**1) Parks and Playground Reserve:**

These funds were received from First Line Homes in lieu of a playground development in this sub division. Under Section 671 of the M.G.A. these funds can only be used to provide a public park or a public recreation area.

### Discretionary Reserves

Discretionary Reserves can be established by Council for any municipal purpose, although the most common are for:

- providing working funds to cover expenditures which arise before revenues are received;
- providing funds for future equipment and infrastructure replacement;
- providing funds for deferred maintenance;
- providing funds for contingencies; and

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- providing funds for planned future capital and operating expenditures.

Reserves are usually established when the annual budget is approved (by means of designating an amount to be set aside as a reserve during the fiscal year) or by transferring some portion of surplus funds that have been identified prior to year end to a reserve account.

Interest earnings on reserves will be allocated to current year operating revenues to subsidize the tax rate.

Operating expenditures financed from reserves will normally be of a construction or development nature.

Procedures for fund transfers into and out of reserves shall be as follows :

- Budgeted transfers out of reserves: (1) will occur at the time that the expenditure is made (that the reserve funds are being used to finance); and (2) do not require further Council approval.
- Budgeted transfers into reserves: (1) will normally be transferred into the reserve fund in the month following the tax due date; and (2) do not require further Council approval.
- Any unbudgeted transfers out of reserves to fund specific capital expenditures and/or specific operating expenditures in the current year will require a separate resolution of Council.
- Year end transfers into or out of reserves will be allowed after December 31<sup>st</sup> upon receipt of year end accounting figures but prior to year end close off. Any such year end reserve transfers will require a separate resolution of Council.

Council has established the following reserves and has classified them as being primarily either operating or capital in nature.

### **Operating Reserves:**

Operating reserves exist to provide a smooth pattern of revenue and expenditures over a multi-year basis.

The Town of High Prairie has established and will maintain the following operating reserves:

#### **1) Contingency Reserve**

This reserve will provide funds for any unanticipated expenditure that has not been included in the annual budget and will be maintained at a level of \$100,000. The existence of this account precludes the incorporation of any contingency amounts within the annual operating budget. Should Council have to draw down the contingency reserve to meet any unexpected expenditures during a given year, it shall include any equivalent amount as a transfer into the reserve during the following budget year.

#### **2) Roads: Snow Removal Revolving Fund**



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This reserve provides for fluctuations in the municipality's annual winter road maintenance costs. The Town's annual budget will set a realistic budget for winter road maintenance based upon average winter weather conditions for the proceeding three to five year period. During any year with mild weather any surplus funds for annual winter road maintenance will be transferred into this reserve prior to year end. During years with severe winter weather, funds can be drawn from this reserve to meet any shortfall that might arise in the winter road maintenance budget.

### **3) Fire Hydrant Reserve**

This reserve will provide funds for new fire hydrants

### **Capital Reserves :**

Capital reserves exist for the purpose of accumulating funds for future capital expenditures.

#### **1) General Administration Reserve:**

This reserve provides funds for the replacement of electronic equipment. A yearly contribution of \$10,000.00 from general operating to this reserve has been approved for ongoing replacements. Funds will be drawn down to fund new computer hardware and software, but not upgrades to existing software packages which will be funded from within the annual operating budgets.

#### **2) Municipal Building Reserve:**

This reserve was established from the revenue received from sale of old RCMP building. Funds within this reserve will be used to fund replacement municipal buildings or major upgrading to existing buildings.

#### **3) Fire Protection Reserve:**

This reserve was set up to save monies towards replacement fire equipment. The amount contributed from the operating budget for equipment replacement is the approximate amount of the paid out 1993 fire truck debenture payment. A fire equipment replacement plan should be developed in order to ensure that the Town is making adequate annual contributions into this reserve.

#### **4) Law Enforcement Equipment Reserve:**

This reserve supercedes the former Special Constable Reserve fund that was established to accumulate funds for the purchase of capital equipment for the new Special Constable program.

The purpose of the Law Enforcement Reserve is to accumulate all funds received from RCMP criminal records checks.

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Funds will be drawn from this fund to finance the purchase of law enforcement equipment such as bicycles, radar sets, etc.-

Fund withdrawals for equipment to be utilized by the RCMP may be initiated by the RCMP's NCO in Charge of Detachment. Withdrawals of up to \$2,500 per purchase, up to an annual maximum of \$5,000 per year, may be approved by the Town Manager. Town Council must approve proposed withdrawals above these thresholds.

Fund withdrawals may also be initiated by the Town to purchase equipment for the Town's Special Constable. Any withdrawals for this purpose shall be authorized as part of the Town's regular budgeting process. Withdrawals shall be limited to up to \$2,500 per purchase, with an annual maximum of \$5,000 per year.

### **5) Equipment Replacement Reserve:**

This reserve was established for the year 2000 and will be used to provide funds for replacement of current Public Works vehicles and heavy equipment. Rental rates for all existing vehicles and heavy equipment have been determined and will be charged to the department or function using the vehicle or equipment. These rental rates include depreciation charges which will be transferred into the equipment replacement reserve. Funds within the equipment replacement reserve will then be used to purchase replacement vehicles and equipment. Funds received from the sale of any surplus vehicles and equipment will also be transferred into the equipment replacement reserve.

### **6) Roads and Transportation Reserve:**

This reserve will provide the funding to improve the Town's streets, curbs and gutter. Funds accumulated within this reserve will be used to fund the Town's portion of any cost-shared programs available to improve our roads and transportation infrastructure. In 1998 and 1999 the Town provided funding for some specific projects, to which local improvement charges were levied. The annual local improvement charge (principal and interest) is transferred into this reserve annually to fund other projects.

### **7) Water System Reserve:**

This reserve will provide funds for any future capital expenditures for the Town's water infrastructure (excluding the new water treatment plant).

### **8) Water Treatment Plant Reserve:**

This reserve was set up specifically from a water rate increase to generate revenue equivalent to the expected amount of a debenture payment for the new water treatment plant. This reserve will be completely used to help finance the new water treatment plant.

### **9) Sewage System Reserve:**

This reserve will provide funds for future expenditures for the Town's sewage system.

### **10) Community Services Reserve:**



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This reserve will provide funds for special community services projects that are not otherwise allocated to other reserves. These projects would normally be used for funding projects related to recreational, cultural or family and community services.

### **11) Subdivision and Land Development Reserve:**

This reserve provides funds to purchase and/or develop land within the municipality.

### **12) Future Sports Complex Reserve:**

This reserve was set up in 1995 to accumulate funds towards a new Sports Complex. At that time Council budgeted to contribute \$50,000.00 per year for seven years towards a new Sports Complex. In 1999 Council approved using funds from within this reserve to fund the town's share of capital costs for upgrading our existing arena.

### **13) Gas Equipment Replacement Reserve:**

This reserve provides funds to upgrade and purchase equipment specific to the Town's natural gas system.

### **14) Gas Line Replacement Reserve:**

This reserve provides funds to replace aging gas lines. During 1996 budget preparations, council approved an annual contribution into this reserve based on 6 cents per gigajoule of natural gas sold (approximately \$30,000 per year).