

Policy Title:	Reserves Policy
Policy #	B-112
Effective Date:	December 20, 2022
Date adopted by Council:	December 20, 2022



1. POLICY STATEMENT

The Municipality of Jasper is committed to prudent business practices which ensure the long-term financial stability and flexibility of the Municipality by maintaining Financial Reserves that:

- Enhance the Municipality's financial strength;
- Support cash flow management and flexibility;
- Achieve Council Strategic Priorities;
- Enable property tax and utility levy stabilization;
- Reduce the need for debt financing;
- Allow saving for future funding requirements; and
- Provide a foundation for provision of consistent service delivery.

2. 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.

3. GUIDING PRINCIPLES

3.1 All Operating and Capital Reserve funds must be fully described and include a purpose, source of funding, minimum level, optimum or target level.

3.2 The establishment of a new Reserve, which will require a new Reserve Description, must be approved by Council.

3.3 Reserve Descriptions for all Reserve Funds shall be attached to this policy as Schedule A.

3.4 Council will approve all Reserve Transactions by:

- Approval of the annual Operating or Capital budget;
- A carryover project that was contained in an approved Operating or Capital budget; or
- A Council resolution.

3.5 Draws from Reserves must not exceed the fund balance.

3.6 Interest earned on Reserve Fund investments shall be added to the funds.

4. FINANCIAL REPORTING

4.1 Regular reporting on the Reserves will occur at a minimum of twice annually.

4.2 The Consolidated Financial Statements of the Municipality report Reserves within accumulated surplus, along with equity in tangible capital assets and unrestricted surplus (deficit).

5. RESPONSIBILITIES

Council

- Review and consideration of reserve contributions in the annual budgeting process
- Review and consider redesignation and/or release of reserves
- Review and receive reserve reporting twice annually
- Review and approve any revisions to this Policy.

CAO

- Review and approve any procedures related to this policy.
- Implementation and enforcement of this policy.

Director of Finance and Administration

- Prepare and present annual operating and capital budgets.
- Prepare and present reserve reporting twice annually.
- Prepare and present year end annual surplus transfers.
- Recommend policy and procedure changes.

Directors and Managers

- Carry out the policy based on established procedures.

6. DEFINITIONS

“Financial Reserve” an effective tool to support municipal asset management planning, as they allow for funds to be set aside to manage assets throughout their lifecycle. Municipal financial reserves are not a measure of wealth, but rather are a planning tool.

“Municipality” means the corporation of the Municipality of Jasper.

“Funds” means a sum of money saved or made available for a particular purpose. They are either budgeted, owing, collected, received, or held by any person for the benefit of the municipality, or held by the municipality in trust.

“Capital Reserves” means the portion of unrestricted net assets that Council has designated 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 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.

“Optimal Balance” The minimum committed and maximum recommended balance for the Reserve as approved by Council.

“Redesignation of Reserve Funds” The process to change the purpose of Reserved funds from one Reserve to another through Council Approval Process.

“Release of Reserve Funds” Reserve funds for which the purpose has been fulfilled or changed and is consequently closed. Any funding resulting from the release of a Reserve will be identified for redesignation to another Reserve or general surplus.

“Reserves” are created when funds are set aside (designated) for a future purpose. Funds within a Reserve are restricted to the use described in the approved Reserve Description.

“Reserve Description” is a listing of Reserve Descriptions is found in Schedule “A” of this policy. Each Reserve Description contains the following:

- The overall purpose of the Reserve;
- The source of the Reserve funds;
- When the Reserve can be accessed (the application);
- Minimal annual contribution; and
- Optimal Balance formula, if applicable.

“Reserve Transactions” The following activities are considered a Reserve Transaction:

- Contributions to the Reserve from internal or external sources;
- Withdrawals from the Reserve to fund expenditures;
- Redesignation of the Reserve Funds;
- Release of the Reserve Funds.

“Tangible capital assets” are non-financial assets having physical substance that:

- 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 tangible capital assets;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations.
- Examples of Tangible Capital Assets (TCA) include such diverse items as roads, buildings, vehicles, equipment, land, water and other utility systems, computer hardware and software.

7. ATTACHMENTS:

- Schedule “A” Reserve Descriptions

Schedule A

Annual General Capital Reserve	
<u>Purpose / Guidelines</u>	The Annual General Capital Reserve supports municipal capital projects or purchases through one calendar year. Funds are not intended to be held in the reserve and carried over year to year unless explicitly approved by council as a “carry-forward” item in the capital budget.
<u>Funding Source(s)</u>	<ul style="list-style-type: none"> • Annual Transfer from general municipal operating revenue • Unexpended Annual General Capital Reserve funds at year-end prior (unless Council approves a “carry-forward”)
<u>Contribution Formula</u>	<ul style="list-style-type: none"> • Annual contributions in to the reserve will be equal to the amount required to fund the capital plan as approved by council.
<u>Target Balance</u>	N/A

Fixed Assets Reserve	
<u>Purpose / Guidelines</u>	The Fixed Assets Reserve supports future and large-scale projects for; Municipal Buildings; Machinery and Equipment; Roads, Sidewalks, Parking Lots and/or Streetscape elements; Grounds and/or Cemetery. The Fixed Assets Reserve shall not fund water, wastewater, garbage or recycling projects.
<u>Funding Source(s)</u>	<ul style="list-style-type: none"> • Annual Transfer from general municipal operating revenue • Annual Operating Surplus • Sales of Fixed Assets • Interest from the reserve
<u>Contribution Formula</u>	<ul style="list-style-type: none"> • The annual transfer from general municipal operating revenue shall be equal to no less than 1.4% of the Net Book Value of the municipality’s Tangible Capital Assets. • 50% of any Annual Operating Surplus shall be contributed to the reserve. • 100% of the proceeds from any sale of fixed assets shall be contributed to the reserve.
<u>Target Balance</u>	\$3,500,000 - \$7,000,000 (one-two year capital renewal as per recommendations of Strategic Asset Management Study 2015)

Fleet Reserve	
<u>Purpose / Guidelines</u>	The Fleet Reserve supports the future needs and ongoing replacement of the municipality's fleet including heavy and light duty vehicles and fire response vehicles.
<u>Funding Source(s)</u>	<ul style="list-style-type: none"> • Annual Transfer from general municipal operating revenue • Sales of Fleet Assets • Interest from the reserve
<u>Contribution Formula</u>	<ul style="list-style-type: none"> • The annual transfer from general municipal operating revenue shall be equal to no less than 0.35% of the Net Book Value of the municipality's Tangible Capital Assets. • 100% of the proceeds from any sale of fleet assets shall be contributed to the reserve.
<u>Target Balance</u>	\$650,000-\$1,030,000 (one-two year capital renewal as per recommendations of Strategic Asset Management Study 2015)

Community Housing Reserve	
<u>Purpose / Guidelines</u>	The Community Housing Reserve acts as a "savings account" to support future contributions toward the development and construction of new community housing projects.
<u>Funding Source(s)</u>	<ul style="list-style-type: none"> • Annual Transfer from general municipal operating revenue • Annual Operating Surplus • Interest from the reserve • Sales of Housing Assets • Contributions from external parties
<u>Contribution Formula</u>	<ul style="list-style-type: none"> • The annual transfer from general municipal operating revenue shall be equal to \$10 for each resident of the municipality according to the federal census. • 10% of any Annual Operating Surplus shall be contributed to the reserve. • 100% of the proceeds from any sale of housing assets shall be contributed to the reserve.
<u>Target Balance</u>	\$2,500,000

Public Transportation & Parking Reserve	
<u>Purpose / Guidelines</u>	The Public Transportation & Parking reserve supports the development of public transportation solutions identified in the 2022 Public Transportation Study may be used for the initial purchase of

	capital items and/or operational subsidies. The reserve may also fund the establishment and maintenance of public parking infrastructure.
<u>Funding Source(s)</u>	<ul style="list-style-type: none"> • Paid Parking Revenue • Payments in Lieu of Parking • Profit from municipally operated public transportation services • Interest from the reserve
<u>Contribution Formula</u>	<ul style="list-style-type: none"> • An amount equal to 10% of Paid Parking Revenue from the prior year shall be contributed to the reserve • Up to 100% of any payments in Lieu of Parking shall be contributed to the reserve. • 100% of any revenue after expenses from municipally operated public transportation services shall be contributed to the reserve.
<u>Target Balance</u>	N/A

Financial Stabilization Reserve	
<u>Purpose / Guidelines</u>	The Financial Stabilization reserve assists in mitigating the impact of unforeseen events or planned fluctuations in activity on municipal property taxes. The fund also supports preparation for future costs that do not occur annually. Funds are set aside for the future expense to lessen one time spike in a given fiscal year and can be associated with training, elections, travel and special projects related to council to name a few. They may also be used to offset additional costs incurred do to an above average snow year or increase in legal fees as examples.
<u>Funding Source(s)</u>	<ul style="list-style-type: none"> • Annual Transfer from general municipal operating revenue • Annual Operating Surplus • Interest from the reserve
<u>Contribution Formula</u>	<ul style="list-style-type: none"> • The annual transfer from general municipal operating revenue shall be reviewed and approved by council during the annual operating budget. • 40% of any Annual Operating Surplus shall be contributed to the reserve.
<u>Target Balance</u>	\$2,000,000-\$4,000,000 The fund should be equal to 1-2 months of operating expense for the municipality.

Utility Operating Reserve	
<u>Purpose / Guidelines</u>	The Utility Operating reserve assists in mitigating the impact of unforeseen events or planned fluctuations in activity on utility rates.

<u>Funding Source(s)</u>	<ul style="list-style-type: none"> • Annual Utility Operating Surplus • Interest from the reserve
<u>Contribution Formula</u>	<ul style="list-style-type: none"> • 100% of any Annual Utility Operating Surplus shall be contributed to the reserve.
<u>Target Balance</u>	<p>\$500,000-\$1,000,000 The fund should be equal to 1-2 months of utility operating expense.</p>

Utility Capital Reserve	
<u>Purpose / Guidelines</u>	The Utility Capital Reserve supports future and large-scale projects for the municipal water and wastewater systems.
<u>Funding Source(s)</u>	<ul style="list-style-type: none"> • Revenue from utility billing “Capital Charge” • Offsite Levies • Unexpended Utility Capital Reserve funds at year-end prior (unless Council approves a “carry-forward”) • Interest from the reserve
<u>Contribution Formula</u>	<ul style="list-style-type: none"> • 100% of the revenue from Capital Charges • 100% of Offsite Levies
<u>Target Balance</u>	\$1,670,000-\$3,340,000 (one-two year capital renewal as per recommendations of Strategic Asset Management Study 2015)