



# POLICY

No. 13 – 347 – 22/11/07

Department: FINANCE

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## RESERVES

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**SCOPE:** This Policy and associated procedures apply to all officers and employees of the Town and to all funds with potential for appropriation and allocation to a Reserve.

**BACKGROUND:** The concept of financial reserves is not addressed within the Municipal Government Act. It is up to each Municipality to decide on how financial reserves will be utilized within financial planning. It is prudent to have a policy for guidance.

**PURPOSE:** To establish reserves that will allow for future planned and unplanned expenditures required by the municipality.

### **RELATED POLICIES AND LEGISLATION:**

- Reserves Policy
- TCA Policy
- Purchasing Policy
- Preventative Maintenance
- Asset Management Policy

Municipal Government Act 648(5): collection, investment and interest of off-site levies

Municipal Government Act 671 (2)(4): money provided in place of municipal reserve

### **DEFINITIONS:**

**Assigned Reserves** are funds set aside for a very specific purpose with guidelines.

**Chief Administrative Officer (CAO)** means the person appointed to the position by the Council of the Town of Nanton to carry out the powers, duties and functions of this position, or the person designated or delegated by the CAO to carry out such powers, duties and functions.

**Financial reserves** are monies put aside by Council to provide for expenditures outside the standard operations. The Town of Nanton organizes its reserves into three categories: operational, capital asset, and assigned.

**General Infrastructure:** infrastructure not including utility infrastructure.

**Operational Reserves** are contingency funds that accumulate and provide for funding of unexpected expenditures.

**Capital Asset Reserves** are funds that accumulate and provide a “savings plan” for the upgrading, replacement, and/or purchase of municipal assets.

**Utilities** are defined as Water Treatment, Water Distribution, Wastewater Treatment, Wastewater Collection, and Storm Water Collection and the associated infrastructure.

**GUIDELINES AND PRINCIPALS:**

1. Council shall authorize the transfer of funds to and from the Reserves by resolution.
  - 1.1 The Chief Administrative Officer and Manager of Corporate Services have delegated authority to transfer funds to and from Reserves up to amounts that are explicitly identified in the approved operational and capital budgets for the Town.
2. Unallocated surplus funds will be allocated to a reserve within any financial year pursuant to this policy.
3. Reports shall be provided to Council regarding committed reserves, as well as the transfer to and from reserves, as part of the financial reporting and budget preparatory cycle.

**RESERVE REGULATIONS:**

4. The following standing reserves shall be regulated as provided below:
  - 4.1 **Operating Reserves to be used for contingency purposes.**
    - 4.1.1 Each reserve shall be given a target. The target is the estimated amount of funds required to comfortably provide for contingencies and/or good asset management.
    - 4.1.2 The target level is a guideline and Council may underfund, overfund, or adjust the target as it determines appropriate.
    - 4.1.3 The targets should be reviewed annually in conjunction with the Budget, Asset Management Plan and the Five Year Capital Plan.
    - 4.1.4 See Schedule “A” for a list of Operating Reserves.
  - 4.2 **Capital and Assigned Reserves**
    - 4.2.1 Annually a minimum of 10% of tax revenue will be allocated to capital and some assigned reserves.
    - 4.2.2 These funds will be proportioned evenly based on the following:

Water Utility Capital (3.0)	15%
Wastewater Utility Capital (3.0)	15%
Engineered Infrastructure (4.0)	30%
Buildings and Improvements (5.0)	10%
Machinery Equipment and Vehicles (6.0)	10%
Municipal Land Development (8.0)	5%
Nanton Fire Department (11.0)	10%
Arena Multiplex Reserve (7.0)	5%
    - 4.2.4 Council may at its discretion adjust the proportions in any given year.
    - 4.2.5 See Schedule “B” for a list of Capital reserves

**4.3 Assigned Reserves**

4.3.1 Assigned reserves will represent funds that Council has set aside to provide for a specific purpose.

4.3.1 The resolution to add a reserve will provide a specific period of time, rationale, and guidelines for use.

4.3.2 See Schedule "C" for a list of assigned reserves.

**5.0 Transfers between reserves**

5.0.1 Council may, by resolution, permanently or temporarily transfer funds between Capital Reserves (Schedule B) by resolution to address an emergent issue which merits pragmatic action.

5.0.2 In the event that funds are being transferred between reserves on a temporary basis, an approved plan must be in place for the restoration of the 'creditor' reserve balance within an acceptable time frame.

**ROLES AND RESPONSIBILITIES:**

<b>Role</b>	<b>Responsibilities</b>
Municipal Council	<ul style="list-style-type: none"> <li>• Establish reserves in response to strategic planning</li> <li>• Annually review reserves policy</li> <li>• Annually set reserve allocations as part of the budgeting process</li> <li>• Direct by resolution the use of reserves</li> </ul>
Chief Administrative Officer (CAO)	<ul style="list-style-type: none"> <li>• Prepare and submit the annual allocation in conjunction with the annual multi-year budget.</li> <li>• Monitor and control all reserve funds to ensure compliance with this policy and related Council resolutions.</li> <li>• Approve use of contingency reserves in an emergency situation.</li> </ul>
Corporate Services Manager	<ul style="list-style-type: none"> <li>• Assist with the preparation, submission and administration of the reserve allocations, in accordance with this policy and related Council resolutions.</li> <li>• Responsible for recommendations and requests for use of reserves, as per responsibilities of Other Managers and Department Heads.</li> </ul>
Other Managers / Department Heads	<ul style="list-style-type: none"> <li>• Develop realistic and responsible recommendations for the use of reserves to bring forward to the CAO.</li> <li>• Submit requests for use of reserves based on clear, concise and supportable facts and details.</li> </ul>

LEGISLATION: N/A

Approved by Council Resolution # 347 – 22/11/07

  
MAYOR

Nov. 8, 2022  
Date

  
CHIEF ADMINISTRATIVE OFFICER

Nov. 8th, 2022  
Date

## **SCHEDULE “A” - Operational Reserves**

### **1.0 General Contingency Reserve**

#### **PURPOSE:**

1.1 To provide for unspecified, unexpected expenses; minor equipment failure, snow removal and management of emergency situations. The reserve balance target is \$1,000,000, with the goal of making more flexible funds available for serious one-off contingency situations, particularly in Water and Wastewater.

1.1.1 If the target balance is achieved at year end:

- any additional surplus in general operations remains as unallocated accumulated surplus until Council determines whether it will be used for general operational or capital purposes.
- any additional surplus in one or both utilities is automatically transferred to their respective capital reserves (priority).

#### **FUNDING:**

1.2 This reserve receives funds from any unallocated surplus funds received during the year.

1.3 The Chief Administrative Officer or Council may choose, based on the health of Utility Capital Reserves, to prioritise how this reserve’s balance is built in any given year from various surpluses.

### **2.0 General Contingency Reserve Restrictions**

2.1 Fifty percent (50%) or \$500,000 of the reserve’s balance at the prior year end is restricted for Water or Wastewater Utility contingency expenses in the current financial year.

2.2 Five percent (5%) or \$50,000 of the reserve’s balance at the prior year end is restricted for snow removal contingency expenses in the current financial year that exceed the operational budget available.

2.3 Five percent (5%) or \$50,000 of the reserve’s balance at the prior year end is restricted for for legal, engineering or other qualified professional service contingency expenses outside of Water and Wastewater Utility needs that are deemed urgent by Council or the Chief Administrative Officer.

2.4 Forty percent (40%) or \$400,000 of the reserve’s balance at the prior year end is available for all contingencies including but not limited to emergencies, legal settlements and insurance deductibles.

## **SCHEDULE “B” – Capital Asset Reserves**

### **3.0 Utility Capital Reserves**

Water and wastewater reserves must be accounted for separately to enable accurate utility rate and general taxation requirement estimates for long term fiscal planning. Separate utilities require separate reserves.

#### **3.1 Water Utility Capital**

##### **PURPOSE:**

- to provide for the upgrading, replacement, and/or expanded (new) utility infrastructure.
- To provide for preventative capital maintenance beyond the scope of a typical operational budgetary cycle pursuant to the Preventative Maintenance Policy.
- to provide for third party capital asset condition assessments pursuant to the Preventative Maintenance Policy.
- reserve balance target is \$2 million.

##### **UTILITY RESERVE TRANSFERS:**

Council may, by resolution, transfer funds between Water and Wastewater Capital reserves as required for capital projects.

#### **3.2 Wastewater Utility Capital**

##### **PURPOSE:**

- to provide for the upgrading, replacement, and/or expanded (new) utility infrastructure.
- To provide for preventative capital maintenance beyond the scope of a typical operational budgetary cycle pursuant to the Preventative Maintenance Policy.
- to provide for third party capital asset condition assessments pursuant to the Preventative Maintenance Policy.
- reserve balance target is \$4 million.

##### **UTILITY RESERVE TRANSFERS:**

Council may, by resolution, transfer funds between Water and Wastewater Capital reserves as required for capital projects.

### **4.0 Engineered Infrastructure:**

- to provide for the upgrading, replacement, and/or building of roads (including sidewalks, curb and gutter), and other general infrastructure.
- To provide for preventative capital maintenance beyond the scope of a typical operational budgetary cycle pursuant to the Preventative Maintenance Policy.
- to provide for third party capital asset condition assessments pursuant to the Preventative Maintenance Policy.

**5.0 Buildings and Land Improvements:**

- to provide for the upgrading, replacement, or addition of buildings, park amenities, and other structures used in the provision of service to the Town.
- To provide for preventative capital maintenance beyond the scope of a typical operational budgetary cycle pursuant to the Preventative Maintenance Policy.
- to provide for third party capital asset condition assessments pursuant to the Preventative Maintenance Policy.
- to provide for third party capital asset condition assessments pursuant to the Preventative Maintenance Policy.

**6.0 Machinery, Equipment, and Vehicles**

- to provide for the replacement and/or addition of machinery, equipment, furnishings, and vehicles.
- To provide for preventative capital maintenance beyond the scope of a typical operational budgetary cycle pursuant to the Preventative Maintenance Policy.
- to provide for third party capital asset condition assessments pursuant to the Preventative Maintenance Policy.



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## SCHEDULE "C" – Assigned Reserves

### 7.0 Nanton Arena Multiplex Renewal Reserve:

#### **PURPOSE:**

- 7.1 To hold donated, transferred or contributed capital funds designated by Council for the renovation or renewal of the municipal ice arena, swimming pool, curling rink and associated spaces and land.
- 7.2 The funds are designated for the following purposes:
  - a. The future replacing or upgrading of associated recreation facilities;
  - b. The conducting of costed engineering designs or studies for the construction, upgrade or replacement of recreation facilities or equipment on the property;
  - c. The conducting of joint-feasibility studies with area local governments in relation to any capital initiative or use concerning the associated land and improvements;
  - d. The redemption of any debentures issued with respect to capital improvements on the property owned by the Town.

#### **FUNDING:**

- 7.3 The Arena Multiplex Renewal Reserve Fund shall be a cash reserve established in the General Capital Funds balance sheet of the Town of Nanton.
- 7.4 The Municipal District of Willow Creek and the Municipal District of Ranchland have the option to make a contribution grant identified in their annual budgets of any amount to the Arena Multiplex Renewal Reserve Fund in any year.
- 7.5 Council may, by resolution, make contributions or transfers from other reserves to the Arena Multiplex Renewal Reserve Fund, at any time.
- 7.6 User groups, arena leaseholders, associations or societies may make **unconditional** contributions to the Arena Multiplex Renewal Reserve Fund at any time.
- 7.7 Official donations by members of the public or corporate entities may be received and transferred to the Arena Multiplex Renewal Reserve Fund at any time.
- 7.8 Sponsorship funds received for a project related to the property and improvements, pursuant to the Sponsorship Policy, shall be transferred to this reserve until the specific renewal project for which the funds are intended is ready to go forward.
- 7.9 The cash balance of this fund shall be established as a **separate interest-earning account**.
- 7.10 The interest earned by this reserve fund shall accrue to the reserve and be considered part of the reserve fund.
- 7.11 Donations or contributions to the Arena Multiplex Renewal Reserve Fund of a **conditional** nature must be approved by resolution of Council accepting the conditions prior to their being received or a tax receipt being issued.
- 7.12 Donors or contributors to the Arena Multiplex Renewal Reserve Fund who wish to impose expenditure conditions on their donation or contribution must specify and make known those conditions in writing for Council's consideration prior to donation or contribution.



**DRAWS:**

- 7.13 Funds drawn from the Arena Multiplex Renewal Reserve Fund may be used to finance projects pursuant to its purpose in any given annual budget.
- 7.14 All draws from the Arena Multiplex Renewal Reserve Fund shall be subject to approval by Council resolution and a subsequent letter of notification provided to Municipal District of Willow Creek and the Municipal District of Ranchland.
- 7.15 User groups, arena leaseholders, associations or societies with a proposal for use of the Arena Multiplex Renewal Reserve Fund must provide adequate notice of their need or priority in a given year before adoption of the annual municipal budget so that Council can consider the matter.
- 7.16 Council shall not borrow or otherwise transfer funds from this reserve for any municipal purpose that is unrelated to renovation or renewal of the municipal ice arena, swimming pool, curling rink and associated spaces and land.

**8.0 Municipal Land Development Reserve:**

**PURPOSE:**

- 8.1 To provide for payment of development debentures and other development commitments as they pertain to the Westview land development.
- 8.2 To provide for payment of development debentures and other development commitments as they pertain to specific municipal land development priorities across **all land use designations**.
- 8.3 To provide for payment for expenses around the risk management of contaminated or potentially contaminated municipal lands prior to land sales or development agreements with third parties.
- 8.5 To provide for payment of the following types of non-capital expense with respect to making municipal lands prioritized by Council 'investment ready':
- Legal survey;
  - Legal;
  - Lot subdivision, consolidation and servicing;
  - Independent appraisal;
  - Easements, restrictive covenants, caveats, statutory rights of way, road dedications.
- 8.6 To provide for payment of the purchase and associated costs of land and improvement acquisition prioritized by Council, including cemetery expansion land.
- 8.7 a. To provide for discretionary payment of a portion of the costs of improved, renewed or new municipal servicing infrastructure for developments that have been conditionally approved by the Municipal Planning Commission and, in the view Council, merit a significant investment in Town infrastructure to advance economic development or the non-residential assessment base.

- b. The limit to discretionary support under 8.7 (a) is set at 50 percent of the cost of the servicing project or \$100,000, whichever is less. Costs must be independently verified by the Town prior to being brought to Council for a decision.
- 8.8 A restricted amount of the reserve balance (\$75,000) is protected in any current year for the exclusive purposes of:
- a. Cemetery care of grounds and any trees, shrubs, walkways, structures, fencing or gates installed by the Town;
  - b. Dedicated cemetery equipment;
  - c. Authorized cemetery Lot site repairs where the Town cannot locate family members;
  - c. Cemetery land acquisition and/or associated costs;
  - d. Purchase and installation of columbarium structures/ niches.

**FUNDING:**

- 8.7 This reserve receives proceeds from the sale of bare land owned by the Town of Nanton for future residential, commercial, industrial or institutional purposes by other parties (unless otherwise directed by Council resolution).
- 8.8 This reserve receives contributions from Council identified in the annual municipal budget.
- 8.9 This reserve receives revenues from sale of service with respect to Cemetery and annual contributions toward Cemetery from the M.D. of Willow Creek.

**9.0 Developer Contribution Reserves:**

**PURPOSE:**

- 9.1 These reserves are for the purpose of holding cash-in-lieu payments and off-site levies from developers pursuant to legal obligations laid out in the *Municipal Government Act*.
- 9.2 An off-site levy collected and any interest earned from the investment of the levy must be accounted for separately from other levies collected.
- 9.3 Off-site levies must be used only for the specific purposes described in the *Municipal Government Act* for which they are collected or for the land required for or in connection with that purpose.
- 9.4 Money provided in lieu of municipal reserve is used for the acquisition of public park, public recreation areas, school board purposes and to separate areas of land used for different purposes.
- 9.5 Reporting and expenditure parameters are strictly bound by relevant bylaws, development agreements and legislation – staff and Council are obligated to comply with the requirements of provincial legislation.

**FUNDING:**

- 9.6 The monies received from developers are created as individual reserves as they must be accounted for separately.
- 9.7 The interest earned on *each reserve* must be applied and accounted for separately pursuant to legislation.

**10.0 Nanton Public Realm Improvement Reserve Fund:**

**PURPOSE:**

- 10.1 To hold donated, transferred or contributed capital funds designated by Council for funding amenities, infrastructure and other improvements that tangibly and visibly improve the physical condition, appearance and function of the public realm and provide a public benefit to the community overall.
- 10.2 The funds are designated for the following purposes:
- a. The replacement, repair or renovation of amenities, infrastructure and other improvements that are a priority for the public realm in the view of Council;
  - b. The acquisition and installation of new of amenities, infrastructure and other improvements that are a priority for the public realm in the view of Council;
  - c. The acquisition and installation of new or replacement amenities, infrastructure and other improvements that are to be funded by one or more conditional donations, including memorial donations, that have been accepted by Administration or Council resolution.

**FUNDING:**

- 10.3 Twenty per cent (20%) of Franchise Fee revenue received shall be transferred from the general revenues monthly until a maximum annual ceiling contribution of \$40,000 is reached.
- 10.4 User groups, town leaseholders, associations or societies may make **unconditional** contributions to the Nanton Public Realm Improvement Reserve Fund at any time.
- 10.5 Official donations by members of the public or corporate entities to the Nanton Public Realm Improvement Reserve may be received and transferred at any time.
- 10.6 Sponsorship funds received for a project related to an approved public realm amenity or improvement project, pursuant to the Sponsorship Policy, shall be transferred to this reserve until the specific project for which the funds are intended is ready to go forward.
- 10.7 The cash balance of this fund shall be established as a **separate interest-earning account**.
- 10.8 The interest earned by this reserve fund shall accrue to the reserve and be considered part of the reserve fund.
- 10.9 Donations or contributions to the Nanton Public Realm Improvement Reserve Fund of a **conditional** nature must be approved by resolution of Council accepting the conditions prior to their being received or a tax receipt being issued.



- 10.10 Donors or contributors to the Nanton Public Realm Improvement Reserve Fund who wish to impose expenditure conditions on their donation or contribution, must specify and make known those conditions in writing for Council or Administration consideration prior to donation or contribution.

## **11.0 Nanton Community Sustainability Reserve**

### **PURPOSE:**

- 11.1 To hold donated, transferred or contributed operational funds designated by Council for funding community groups and local non-profit organizations that support services which directly benefit the community.
- 11.2 To provide interim or long-term support to assist community organizations in need of financial assistance to address operational shortfalls or to address specific operational or capital projects that are supported by Council.
- 11.3 To progressively reduce or remove the presence of Annual Support Grants and other third party grant aid expenses from current or next tax year revenue requirements.
- 11.4 To build a reserve balance that gives Council the capability of supporting larger community and local non-profit one-off requests that might exceed a typical award.

### **FUNDING:**

- 11.5 Ten per cent (10%) of Franchise Fee revenue received shall be transferred from the general revenues monthly until a maximum annual ceiling contribution of \$20,000 is reached.
- 11.6 User groups, town leaseholders, associations or societies may make **unconditional** contributions to the Nanton Community Sustainability Reserve Fund at any time.
- 11.7 Official donations by members of the public or corporate entities to the Nanton Community Reserve may be received and transferred at any time.
- 11.8 The cash balance of this fund shall be established as a **separate interest-earning account**.
- 11.9 The interest earned by this reserve fund shall accrue to the reserve and be considered part of the reserve fund.
- 11.10 Donations or contributions to the Nanton Community Sustainability Reserve Fund of a **conditional** nature must be approved by resolution of Council accepting the conditions prior to their being received or a tax receipt being issued.
- 11.11 Donors or contributors to the Nanton Community Sustainability Reserve Fund who wish to impose expenditure conditions on their donation or contribution, must specify and make known those conditions in writing for Council or Administration consideration prior to donation or contribution.
- 11.12 Council may contribute additional funds to the Nanton Community Sustainability Reserve Fund at any time.



**12.0 Nanton Fire Department Reserve Fund:**

**PURPOSE:**

- 12.1 This reserve provides funds for fire infrastructure within the Town of Nanton.
- 12.2 This reserve provides funds for the purchase of fire apparatus for the Fire Hall.
- 12.3 This reserve provides funds for Nanton Fire Department equipment, gear and minor capital as required.

**FUNDING:**

- 12.4 The Town makes an annual contribution to this reserve pursuant to this policy.
- 12.5 The Municipal District of Willow Creek has the option to make a capital contribution grant identified in their annual budgets of any amount to the Nanton Fire Department Reserve Fund in any year.
- 12.6 Official donations by members of the public or corporate entities to the Nanton Fire Department Reserve Fund may be received and transferred at any time.

  
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CHIEF ELECTED OFFICIAL

Nov. 8th, 2022  
Date

  
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CHIEF ADMINISTRATIVE OFFICER

Nov. 8th, 2022  
Date