

TOWN OF NAICAM

POLICY: Reserves Policy		COUNCIL RESOLUTION: Resolution # 2019-232 <i>Dec 10/2019</i>
DEPARTMENT: Administration	POLICY NUMBER: # P2019-004 <i>Dec 10/2019</i>	Amended Date:

BACKGROUND

Amounts are to be set out in the municipal budget for funds paid into and out of reserves. A municipality may establish reserve funds for any purpose for which it has authority to spend money. Water and sewer reserves relating to the transfer of funds relating to the infrastructure fees, in general, are managed under the Waterworks Rates Policy. Investing activities are subject to the Investment Policy.

PURPOSE

The purpose of this policy is to establish consistent principles, standards and guidelines for the maintenance, management and accounting of reserves and reserve funds. The primary purpose for reserves is:

- Adherence to statutory requirements;
- Promotion of financial stability and flexibility;
- Provision for major capital expenditures;
- Smooth expenditures which would otherwise cause fluctuation in the operating budget; and
- To take advantage of financial opportunities that may arise.

Authorization

1. The Chief Administrative Officer (CAO) is responsible for the accurate accounting of reserves. The Chief Administrative Officer (CAO) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.
2. Investment Committee shall review reserves, at least annually, as part of the reporting process for investments and the budgeting process.

ESTABLISHMENT OF RESERVES

3. Reserves will be maintained to meet one of the following purposes of the Municipality:
 - a. *Asset Replacement* - established to smooth the spikes in capital budgets and smooth out property tax changes;
 - b. *Project Reserves* - established to provide cost effective self-borrowing mechanisms to reduce risks associated with interest rate fluctuations;
 - c. *Economic Stability Reserves* - established to buffer against significant fluctuations in the economy;
 - d. *Contingency Reserves* - established to accommodate contingent, unfunded or known liabilities (where the amount is unknown) for current and/or future years;
 - e. *Working Fund Reserves* - established to provide cash flow for operations to eliminate the requirement to borrow funds to meet immediate obligations without a designated purpose set out for the funds; and
4. Reserves can be established through the following processes:
 - a. Inclusion in the annual operating or capital budget which is approved by Council; or
 - b. Through resolution of Council.

The budget document or resolution will clearly identify the name of the reserve being created and the purpose for the reserve. A reserve may be amended through resolution.

A reserve shall only be used for the identified purpose unless Council passes a resolution to bypass this policy in an urgent or emergent situation. Such a resolution must be unanimously passed by Council and specify the urgent or emergent matter. It must also verify within the resolution that the resolution has the support of the CAO and Auditor.

In order to achieve maximum flexibility, when establishing a reserve or reserve fund, the intended use should be defined in more general terms such as "SportsPlex" rather than "boiler" or "rink kitchen". Administration will establish tracking procedures to ensure that funds in the reserve or reserve fund that are earmarked for a specific project are easily identifiable to management and Council.

5. Reserves will be maintained in the following categories:
 - a. Discretionary (Voluntary) subdivided into:
 - i. Operating
 - ii. Capital
 - iii. Specific Use/Project
 - b. Obligatory (Required under legislation or by contract or agreement) - subdivided into:
 - i. Operating
 - ii. Capital
 - iii. Specific Use/Project

RESERVE FUNDING ALLOCATIONS

6. Approval of funding to and from the Reserves will be in accordance with the Town's established Budget or by resolution of Council.

CLOSING RESERVES

7. If the purpose or purposes for which the reserve or reserve fund was created have been accomplished and the reserve or reserve fund is determined to be no longer necessary, the CAO, in consultation with the Investment Committee, shall report to Council with the recommendation on:
 - a. The closure of the reserve or reserve fund
 - b. The disposition of any remaining funds
 - c. The necessary amendment to any Reserve Policy or Bylaw
8. A resolution of Council will be required to close a reserve.
9. The Bylaw or Policy establishing the Reserve Fund will be required to be repealed in order to close Reserve Fund.

ALLOCATION OF SURPLUS / DEFICIT

10. Year-end General Levy budget surplus will be allocated in accordance with policy.
11. Year-end General Levy budget deficits will be funded in accordance with policy.
12. Year-end Water and Wastewater budget surplus will be allocated to appropriate Water or Wastewater Reserve. Deficits will be funded from the Water and Wastewater Reserve, if insufficient any shortfall will be funded from other appropriate reserves.

INTEREST ALLOCATION

13. Reserves may be invested in accordance with the Town's approved Investment Policy. Earnings shall be credited to each separate reserve bank account that invested the funds.

14. Where multiple reserves are included in one bank account, interest shall be allocated to reserves on a monthly basis based on the actual balance of the reserve.

TEMPORARY RESERVE FUND BORROWING

15. Temporary borrowing to cover a reserve short-term deficit, interim servicing requirements or internal financing is permitted, when justified, adequately supported and authorized by Council.
16. However the following conditions must be met in order to allow borrowing from reserve funds:
- Borrowing must not adversely affect the intended purpose of the reserve.
 - A plan to repay the reserve within a reasonable timeframe is required and must be documented.
 - Interest, equivalent to the Town's interest on reserve fund bank accounts, will be applied to outstanding amount borrowed.
 - Where applicable, legislative requirements may apply.

Reserve Name C - Capital O – Operating S - Specific Use	Discretionary /Obligatory	Purpose	Revenues	Target Annual Contribution	Target Level
Planning & Development Reserve	Discretionary	Financing for growth related projects that benefit development and stimulate and support the continued economic growth of Naicam including demolition of buildings.	Business license fees, development permit fees, and general municipal revenue.	50% of fees charged or \$5,000 whichever is more.	\$200,000, capped at \$1,000,000
Fire Dept Reserve	Discretionary	Capital repair, upgrade, renewal, replacement of fire department vehicles, gear and equipment.	Fire Department Donations, Fire Fee Revenue, General Municipal Revenue	\$75,000 per year for 2020, 2021 <i>After 2021:</i> All donations, 10% of fee revenue, 50% of Levy or capital portion of levy negotiated.	\$200,000, capped at \$1,500,000
Community Emergency Preparedness (EMO) Reserve	Discretionary	To enhance the resiliency of the Town in responding to emergencies. Includes emergency social services, route planning, operation centre and training, flood risk management, mapping, planning and mitigation. Also to be used to fund the Emergency Measures Organization in case of an actual emergency.	General Municipal Revenue	\$5,000 per year	Minimum of \$50,000 (to mitigate the impact of unbudgeted or emergency expense), capped at \$500,000

Ambulance Reserve	Discretionary	Capital repair, upgrade, renewal, replacement of ambulance vehicles, gear and equipment.	Ambulance Donations, Ambulance Fee Revenue, General Municipal Revenue	\$5,000 per year for 2020, 2021 After 2021: All donations, 10% of fee revenue	Minimum of \$50,000 (to mitigate the impact of unbudgeted or emergency expense), capped at \$500,000
Transportation Capital	Discretionary	Cost of capital assets/projects, upgrades, and renewals including equipment, fleet vehicles, roads, sidewalks and curbs. Not intended to be used for operating, except for dust control.	Parking Fines, Traffic Fine Payments, Gas Tax Grant Revenue, and General Municipal Revenue	50% of parking and traffic fine revenue or \$10,000 whichever is more	Minimum of \$100,000 (to mitigate the impact of unbudgeted or emergency expense), capped at \$500,000
Health & Wellness	Discretionary	Funding municipal contributions, donations, improvements, and grants to health and wellness facilities and organizations on a per project/occurrence basis by resolution of Council.	General Municipal Revenue	\$500 per year plus the Balance of the unused Health and Wellness grants budget	Minimum of \$15,000 (to mitigate the impact of unbudgeted or emergency expense), capped at \$40,000
Parks & Recreation	Obligatory	Funding purchase of municipal reserve property, capital projects, upgrades, and renewals for parks, playgrounds and recreational facilities as well as funding of tourism projects, events or activities of a significant natures. Not intended for tools or operating.	Payments in lieu of municipal reserve land (for parks and recreation projects only), General Municipal Revenue	\$2,000 per year plus any funds received from payment in lieu of municipal reserve land	Minimum of \$10,000 (to mitigate the impact of unbudgeted or emergency expense), capped at \$200,000
Museum	Discretionary	Cost of capital assets/projects, upgrades, and renewals for the buildings, etc. May supplement operating.	Fundraising, General Municipal Revenue	Balance of annual Museum surplus/deficit.	Not permitted to fall below minimum of \$15,000 (to mitigate the impact of unbudgeted or emergency expense) , capped at \$1,000,000

Seniors Centre	Discretionary	Cost of capital assets/projects, upgrades, and renewals for the seniors including for significant emergency or urgent repairs or maintenance exceeding the annual budget.	General Municipal Revenue	\$5,000 per year	Minimum of \$50,000 (to mitigate the impact of unbudgeted or emergency expense), capped at \$1,250,000
Hall	Discretionary, will begin after legacy renovations are completed.	Cost of capital assets/projects, upgrades, and renewals for the hall including landscaping, equipment, flooring, etc. Not intended to be used for operating, except for significant emergency or urgent repairs or maintenance exceeding the annual budget.	Hall Revenue, General Municipal Funds	5% of all revenue plus \$10,000 per year	Minimum of \$50,000 (to mitigate the impact of unbudgeted or emergency expense), capped at \$4,000,000
Gas Tax Fund	Obligatory	Applicable gas tax projects already approved by the Ministry of Government Relations on behalf of the Federal Government, COMMITTED TO BE SPENT ON TRANSPORTATION PROJECTS (ROADS, SIDEWALKS, ETC.)	Gas Tax Revenue	Balance of Gas Tax Revenue not already spent on approve projects.	As per un-used balance on file with the government.
Utilities Infrastructure	Obligatory	Applicable infrastructure projects as they relate to water and sewer (as required by the Province of Saskatchewan), not intended for operating, except for significant emergency or urgent repairs or maintenance exceeding the annual budget.	Infrastructure Fees Revenue	As per the Water Rates Policy, (balance of infrastructure fee revenue and surplus not used in the current year if any).	As per provincial legislation, must match annual financial statements.