

**MUNICIPAL DISTRICT OF BIGHORN No. 8**

**POLICY**

**Name:** RESERVE FUND POLICY

**Number:** F-16

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**PURPOSE AND INTENT**

The purpose of this Policy is to establish the Municipal District of Bighorn's (M.D.) Reserve accounts, and define their function, sources of income, and eligible expenditures. Future additions of new Reserve Fund accounts will be incorporated and maintained in similar fashion.

**GENERAL STATEMENT**

1. All Reserve accounts will be established on an individual basis; although the funds in each account may be consolidated for investment purposes. An individual record of each account and the investment of funds in same shall be maintained.
2. Investment of Reserve account funds shall comply with the M.D.'s Investment Policy.
3. All interest earned by the M.D., net of that earned on the investment of grant funds, shall accrue to all positive-balance Reserve accounts.
4. Any annual surplus operating funds accumulated at fiscal yearend shall be allocated to the Reserve accounts as determined in accordance with this policy.
5. The M.D. may from time to time, establish other Reserve accounts for specific needs/requirements; and once those objectives have been met, the Reserve account must be discontinued. Council shall direct the distribution of any remaining funds upon discontinuation.

**DEFINITIONS**

"Reserve" is an account used for the primary purpose of stabilizing the effect of a specific type of expenditure on the annual general fund operations or to meet statutory requirements.

## POLICY

### OPERATING RESERVES

#### **General Operating Reserve Account**

The purpose of the General Operating Reserve Account is to establish guidelines on the amount of funds retained by the M.D. to meet on-going cash flow requirements. The funds within the General Operating Reserve Account will be used in all transactions associated with the day-to-day operations of the Municipal District. Expenditures from this Account are approved through the annual operating budget, by Council approval of specific capital projects, and any annual deficit as shown on the Audited Statement of Operations.

1. The main source of funds for the General Operating Reserve Account shall be regular sources of funding for municipalities: property taxes, user fees, penalties, interest, grants, etc.
2. Council shall maintain a maximum of **Two Million Dollars** (\$2,000,000) in this account, to ensure that expenditures for regular operations can be met.

#### **Taxation Rate Stabilization Reserve Account**

The purpose of the Taxation Rate Stabilization Reserve Account is to establish dedicated funds that can be used to stabilize the level of municipal property tax increases over future years. The Taxation Rate Stabilization Reserve Account was formed with an opening balance of \$300,000 representing the proceeds from the Telenet recovery.

1. The main source of funds for the Taxation Rate Stabilization Reserve Account shall be Investment income.
2. The account shall maintain a minimum balance of **One Hundred Fifty Thousand Dollars** (\$150,000).
3. Annual contributions to the Taxation Rate Stabilization Reserve Account shall come from well-drilling taxes, a source of unbudgeted revenue.

#### **Elections Reserve Account**

The purpose of the Elections Reserve Account is to establish dedicated funds that can be used for transactions related to municipal elections.

1. The main source of funds for the Elections Reserve Account shall be regular sources of funding for municipalities: property taxes, user fees, penalties, interest, grants, etc.

### **Flood Mitigation Reserve Account**

The purpose of the Flood Mitigation Reserve Account is to establish a pool of funds that can be used for the transactions associated with maintaining infrastructure for long-term flood mitigation and is a requirement of the grant agreements for these projects.

1. The main source of funds for the Flood Mitigation Reserve Account shall be regular sources of funding for municipalities: property taxes, user fees, penalties, interest, grants, etc.
2. Council shall maintain a maximum of **Five Hundred Thousand Dollars** (\$500,000) in this account, to ensure that expenditures for infrastructure maintenance can be met.

### **CAPITAL RESERVES**

#### **Building and Engineered Structures Reserve Account**

The purpose of the Building and Engineered Structures Reserve Account is to utilize funds for the upgrade of municipal buildings, such as operations shop and firehalls, and engineered infrastructure, such as culverts and dykes.

1. The main source of funds for the Building and Engineered Structures Reserve Account shall be contributed from surplus operating funds.
2. Expenditures from this Account shall be restricted to upgrades and replacements valued at **Seven Thousand Five Hundred Dollars** (\$7,500) or greater only; and will be subject to the specific approval of Council
3. Council shall maintain a minimum of **One Hundred Thousand Dollars** (\$100,000) in this account and shall not exceed a maximum of **Five Million Dollars** (\$5,000,000).

#### **Flood Recovery Reserve Account**

The purpose of the Flood Recovery Reserve Account is to fund the M.D.'s portion for the construction of long-term flood mitigation, built in response to the 2013 flood event.

1. The main source of funding for the Flood Recovery Reserve Account shall be regular sources of funding for municipalities: property taxes, user fees, penalties, interest, grants etc.
2. Council shall maintain this Reserve until the completion of all long-term flood mitigation projects.

### **Vehicle and Equipment Reserve**

The purpose of the Vehicle and Equipment Reserve Account is to utilize funds for the replacement of vehicles, equipment and/or machinery that has completed its useful working life.

1. The main source of funds for the Vehicle and Equipment Reserve Account shall be budgeted contributions from departments who purchase vehicles and/or equipment.
2. Other sources of funds for the Vehicle and Equipment Reserve Account shall be contributed from surplus operating funds, and the net revenues realized from the sale of old/outdated/surplus M.D. vehicles, equipment and/or machinery.
3. Expenditures from this account shall be restricted to capital items only; and will be subject to the specific approval of Council.
4. Council shall maintain a minimum of **Three Hundred Thousand Dollars** (\$300,000) in this account and shall not exceed a maximum of **Two Million Five Hundred Thousand Dollars** (\$2,500,000).

### **Roads Reserve Account**

The purpose of the Roads Reserve Account is to utilize funds for the upgrade of roads and M.D.'s road network systems.

1. The main source of funds for the Roads Reserve Account shall be annually budgeted contributions from the transportation/roads department.
2. Other sources of funds for the Roads Reserve Account shall be contributed from surplus operating funds.
3. Expenditures from this Reserve shall be restricted to upgrades and improvements to the road network system and will be subject to the specific approval of council.
4. Council shall maintain a minimum balance of **Four Hundred Thousand Dollars** (\$400,000) and shall not exceed a maximum of **Three Million Dollars** (\$3,000,000) on an annual basis.

### **Bridge Reserve Account**

The purpose of the Bridge Reserve Account is to utilize funds for the upgrade of the M.D.'s bridge infrastructure.

1. The main source of funds for the Bridge Reserve Account shall be budgeted contributions from the Roads Department.
2. Other sources of funds shall be contributed from surplus operating funds, on an annual basis.
3. Expenditures from this account shall be restricted to upgrades and improvements to the municipal bridge infrastructure and will be subject to the specific approval of council.

### **Gravel Pit Reclamation Reserve Account**

The purpose of the Gravel Pit Reclamation account is to utilize funds for reclaiming municipal gravel pits using an approved reclamation plan approved by the Province of Alberta.

1. The main source of funds for this reserve account shall be annually budgeted contributions from the Roads Department.
2. Other sources of funds shall be contributed from surplus operating funds, on an annual basis.
3. Expenditures from this account shall be restricted to upgrades and improvements to gravel pit reclamation and will be subject to the specific approval of Council.

### **Allocation of Surplus Operating Fund**

Contributions to the Capital Reserve Accounts shall be made from the surplus of operating funds, operating surplus less amortization, on an annual basis.

1. The surplus shall be allocated on a pro-rated basis determined by the Reserve's account balance as a percentage of the total Capital Reserve balance.
2. Should a Capital Reserve Account reach the maximum threshold, as outlined in this policy, the remaining surplus shall be allocated using the same method; the amount would be pro-rated to the remaining accounts.

## **FULL COST RECOVERY SERVICE RESERVES**

Reserves for water and wastewater infrastructure are supported through budgeted surplus, the difference between budgeted revenues and expenses, for each utility. Three of the M.D.'s five Hamlets currently have water and wastewater services:

1. **Dead Man's Flats (DMF) Reserve Account** is for the water and wastewater services for DMF which are connected to Canmore's system.
2. **Harvie Heights Reserve Account** is for commercial water and wastewater services which are connected to Canmore's system.
3. **Exshaw Reserve Account** is for water and wastewater systems which are standalone systems provided by the M.D.

These are full cost recovery services and allocations for reserves are incorporated into the user fees.

## **OTHER RESERVES**

These accounts consist of Reserves set aside from specific revenue streams.

### **Community Enhancement Program Reserve Account**

The purpose of the Community Enhancement Program Reserve Account is to establish a unique Reserve from a specific revenue source ("hosting fees" received from the Bow Valley Waste Management Commission), which will be used to provide community benefits to the operations and impact of the regional landfill. The Community Enhancement Program Reserve Account shall not be required to keep a minimum balance: use of the funds shall be strictly controlled by Council, with a 20% allotment of the funds to each Ward (with Ward 1 receiving a double allotment, or 40% of the funds) to be available for approved, Councillor-sponsored projects.

The Community Enhancement Program Reserve Account funds shall be administered using the following criteria:

1. The funds will be used for projects, not programs: funds will not be provided to support an organization's operations. Projects must be open to general public access and participation; and show a direct benefit to the residents of the M.D.
2. There must be a strong volunteer commitment/component to any group seeking funds. Community Enhancement Program Reserve Account funds can be used to "leverage" other grant dollars, from other (non-M.D.) sources.
3. Annual contributions to the Community Enhancement Program Reserve Account shall come from the previous year's (landfill) hosting fees payable by the Bow

Valley Waste Management Commission. Unspent annual funds will be allowed to accumulate within their designated Ward Reserve Account.

4. Requests for funding for projects outside of the M.D. boundaries can be considered, provided the community where the funding is to be used is not an incorporated municipality, and said community can demonstrate strong ties to the M.D./M.D. residents, in some fashion.
5. Applicants requesting funding under this program will be directed to the appropriate Ward Councillor(s). Councillors must sponsor projects (introduce same to Council and be supportive of the request for funds); funds can only be used if Councillor(s) and Council agree to the expenditure.
6. While Councillors can only access funds from their own allotment, Wards can combine their funding (or a portion of their funding) for mutually agreed upon projects. At the time of Council approval, it would be determined which allotments would be used towards any one project/application. Councillors have the ability to opt out of any one project that other Councillors are prepared to participate in; and to commit all or only a portion of their Ward's allotment to any project.
7. Only Council approved capital projects will receive grant funding from the Community Enhancement Reserve Account. The costs of approved capital projects are reimbursed to the recipients upon submission of project invoices to the M.D. up to the approved grant amount.
8. Accounting information for the grant funds received must be submitted by the one-year anniversary date the grant is approved. Progress reports may be requested depending on the size of the project. Failure to submit an accounting or status report may cause the grant to be withheld or forfeited and may disqualify the recipients from receiving further funding.
9. Council may receive and consider requests from grant recipients to extend the one-year anniversary date for submission of accounting information because of extraordinary circumstances associated with the approved capital project.
10. Any unused grant money shall be retained by the M.D.

#### **Proceeds from Lot Sales Reserve Account**

The Proceeds from Lot Sales Reserve Account was established for the proceeds from the sales of M.D. lots for which the proceeds have not been specifically earmarked. These reserves are considered restricted surplus.

**Jamieson Road Policy P-6 Reserve Account**

The Jamieson Road Policy P-6 Reserve Account holds the funds charged to subdivision developers to help pay for the cost of expanding the capacity of Jamieson Road.

**Road Upgrade Policy P-1 Reserve Account**

The Road Upgrade Policy P-1 Reserve Account is pursuant to Planning Policy P-1 and was set up to recover costs for the development of a municipal road along the northern edge of N½ 28-26-6-W5M. No expenditures have been made from this reserve.

**Aggregate Levy Reserve Account**

The Aggregate Levy Reserve Account is for aggregate levies collected as per Bylaw 04/06. The funds collected are to be used in the best interests of the residents of the M.D. to offset the costs of the impact created by sand and gravel operations on municipal infrastructure.

**Municipal Reserve (MR) Money (Cash) in Lieu Reserve Account**

The MR Money (Cash) in Lieu Reserve Account pertains to Section 671 subsection (4) of the Municipal Government Act, for which money provided in place of MR and the interest earned on that money shall be accounted for separately and only used for purposes outlined in Section 671 subsection (2).

**Date Approved:** September 10, 2019

**Motion No.:** 212/19

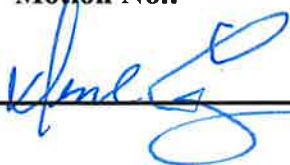
**Date Amended:**

**Motion No.:**

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Reeve

  
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**Rescinds Policy No. F-10**