

Council will contribute to the financial sustainability of The City of Red Deer through the effective oversight of reserves.

Policy Statements:

- 1 Only Council has authority to create and close reserves.
- 2 All expenditures from reserves and transfers between reserves must have prior approval of Council.
- 3 Year-end actual surpluses or deficits will be allocated to/from the related reserve.
- 4 Each year the City Manager will prepare a reserve report for Council which will include a section on compliance with this Policy.
- 5 It is recognized that reserves have the following benefits:
 - (1) Finance replacement of capital assets
 - (2) Fund emerging issues
 - (3) Fund current and future debt payments
 - (4) Limit tax and rate increases
 - (5) Provide working capital
 - (6) Ensure service levels are maintained and not immediately impacted by economic downturns
- 6 In support of the overall financial health of The City of Red Deer, a reserve will be created for the following purposes:
 - (1) Capital Asset Growth Reserve: to fund new capital assets
 - (2) Capital Asset Replacement Reserve: to fund the replacement of capital assets
 - (3) Self-Supported (Utilities) Operating Reserves: for funding of self-supported operations
 - (4) Self-Supported (Utilities) Capital Reserves: to fund self-supported capital asset expenditures
 - (5) Offsite Levies Reserve: to fund offsite development
 - (6) Debt Repayment Reserve: to fund tax supported capital debt repayments
 - (7) Tax Surplus Reserve: to fund one-time operating initiatives or emergencies
 - (8) Public Art Reserve: to fund community groups developing art, support of public education/promotion and funding public art identified by The City as necessary to a given project (see Appendix A)

- 7 In support of the overall financial health of The City of Red Deer, a reserve may be created for the following purposes:
- (1) Finance a Specific Purpose Reserves: to fund a specific operating or capital purpose

Definitions:

- 8 Operating Reserves:
- (1) Generally established to fund one-time expenditures of an operating nature or to provide stabilization to the budget as a result of a sudden economic downturn.
- 9 Capital Reserves:
- (1) Are those reserves that are generally established to fund expenditures of a capital nature including replacement, and upgrading or construction of new assets and infrastructure.
- 10 Funding Source:
- (1) In order to be sustainable each reserve must identify a funding source, either from internal or external sources including but not limited to:
 - (a) Approved budget contributions
 - (b) Year-end actual surpluses
 - (c) Interest
 - (d) Government grants
 - (e) Donations
 - (f) Development levies
 - (g) Transfers from other reserves

Document History:

Policy Adopted	September 16, 2013
Policy Revised	March 17, 2014

Administrative Revisions:

Date:	Description:
October 19, 2017	Updated to current format.

Appendix A

- 1 A Public Art Reserve will be developed from a portion of the 1.0% allocation. Capital Construction projects will contribute to the Public Art Reserve as follows:
 - (1) Capital construction costs associated with design and engineering, project design, administration, fees and permits, building demolition, relocation of tenants, contingency funds, land acquisition, environmental testing, or any indirect costs such as interest, advertising or legal fees, are excluded from the 1.0% calculation.
 - (2) Of the 1.0% public art funding allotment, an amount will be allocated to a Public Art Reserve as per Section 3. The remaining amount will be utilized for the design, fabrication, and installation of public art.
 - (a) Where the 1.0% allotment for a given project generates less than \$25,000, and where a meaningful project cannot be completed, the full amount will go into the Public Art Reserve.
 - (b) Where the 1.0% allotment for a given project generates over \$25,000, 10.0% of the total public art allotment will be contributed to the Public Art Reserve.
- 2 The Public Art Reserve will be utilized to:
 - (1) Provide matching funds to Red Deer community groups, organizations and businesses wishing to develop their own public art projects.
 - (2) Public education and promotion.
 - (3) Provide funding for a public art work identified by The City as necessary to a given project.