Council Policy

Financial Reserves

Policy Type: GOVERNANCE PROCESS | GP-F-2.0

Purpose

1. This Policy establishes consistent guidelines and standards for managing financial Reserves for the City. This Policy promotes strong financial leadership, planning and stability ensuring the long-term viability of the municipal corporation in accordance with the City's Financial Roadmap.

Policy Statements

2. Reserves shall be governed by principles of transparency, accountability, financial sustainability, alignment with Council priorities, and prudent risk management through effective oversight by Council.

3. Reserves are to be governed in accordance with current City policies, Public Sector Accounting Standards, the *Municipal Government Act*, and any other legal requirements.

4. Reserve funding types include restricted tax, Self-Supported, and Utility Supported and are further categorized into Capital Reserves, Operating Reserves, and Committed Reserves. Reserves include but are not limited to, the following uses: finance replacement of capital assets; fund emerging issues; fund current and future debt payments; limit tax rate increases; provide working capital; ensure service levels are maintained and not immediately impacted by economic downturns.

Guiding Principles

Council

5. Council approval is required to:
   - (a) create a Reserve, including establishing the purpose, Funding Source, and allowable use of funds;
   - (b) Amend or close an existing Reserve; or
   - (c) approve expenditures from Reserves and transfers between Reserves.

6. Council may delegate approval of Reserve Transactions to the City Manager for Reserve Transactions that are already authorized through approved Council Policy, approved budget, (interim or final), or the Reserve Register.

Administration

7. Administration will:
   - (a) record Reserve Transactions for interest, operational surplus/deficit transactions, and items identified within Reserve Register parameters;
   - (b) request Council approval for the creation, Amendment or closure of a Reserve;
   - (c) provide updates to Council on material changes that could affect the purpose, adequacy, or sustainability of a Reserve;
   - (d) maintain a Reserve Register for all Reserves.

Oversight

8. Each year the City Manager will prepare a Reserve report for Council which will include a section on compliance with this Policy.

9. This Policy will be reviewed by Council once per term.

Definitions

	Term	**Description**
10.	Amend (or Amendment)	Includes changes to a Reserve's purpose, Funding Sources, allowable expenditures, or setting the Optimal Balance methodology.
11.	Capital Budget	Council approved expenditures to acquire, construct, replace, or significantly improve tangible capital assets (as defined in the Tangible Capital Assets Policy - 5324-CA) with benefits extending beyond one fiscal year.
12.	Capital Reserve	An account established to fund expenditures of a capital nature, including replacement and upgrading or construction of new assets and infrastructure.
13.	Committed	A fund or Reserve is specifically pledged to a particular purpose, project, or program.
14.	Funding Source	An internal or external source that funds each Reserve such as, but not limited to: (1) approved budget contributions; (2) year-end actual surpluses; (3) interest; (4) government grants; (5) donations; (6) development levies; or (7) transfers from other Reserves.
15.	Operating Budget	Council approved financial plan covering annual operating expenditures such as wages, supplies, equipment, and depreciation.
16.	Operating Reserve	A Reserve established to fund one-time expenditures of an operating nature or to provide stabilization to the budget as a result of uncontrollable, emergent major events affecting the City.
17.	Optimal Balance	Where applicable, a recommended balance (minimum or maximum or range) for a Reserve to ensure it is available to serve its intended purpose.
18.	Reserve	A fund used to account for the proceeds of specific revenue sources to meet specific future expenditure requirements as outlined in the Reserve Register. A fund can be classified as either restricted or unrestricted and can contain both Committed and Uncommitted funds.

19.	Reserve Register	A listing of current active Reserve accounts maintained by Administration that includes each Reserves: purpose, description, allowable expenditures, Funding Sources, and whether the Reserve is interest bearing and has a minimum balance requirement.
20.	Reserve Transaction	Any transaction that transfers funds to and from a Reserve.
21.	Restricted Funds	Restricted Funds can be categorized as either internally restricted or externally restricted. Internally restricted funds are authorized by Council to be set aside for future expenditures. The internal restriction is enacted and may be Amended or rescinded at Council's direction. Externally restricted funds may not be enacted, Amended, or rescinded by Council.
22.	Self-Supported	Operations that generate internal revenue required by increases in internal or external fees and sales.
23.	Uncommitted	A fund or Reserve is not pledged to a particular purpose, project or program but may be used as described within their general-purpose statement.
24.	Utility Supported	Operations that do not require property taxes and instead generate their revenue by utility rates charged to customers. Utility Supported include the water utility, wastewater utility, waste management utility, and electric utility.

References

Accounting Guidelines:

25. Municipal Government Act (MGA)
26. Public Sector Accounting Standards (PSAS)

Other References:

27. Financial Roadmap (2025)

Revision History

Review Date	Description
September 16, 2013	Policy Adopted
March 17, 2014	Policy Revised
May, 2022	Policy Revised
May 1, 2023	Policy Revised
September 1, 2026	Policy Revised