

<b>Title: RESERVES</b>	<b>Policy: CP 013</b>
<b>Section: Corporate</b>	

**ACCOUNTABILITY TO VISION STATEMENT**

Flagstaff County is committed to providing effective, appropriate, and financially responsible levels of service through a continuing allocation of funds towards specific reserves. Managing sufficient operating and capital reserves displays progressive, practical leadership and promotes local economic sustainability.

**POLICY STATEMENT**

Flagstaff County’s reserve funds provide a mechanism to save for future infrastructure, equipment, and other requirements; to provide a degree of financial stability by reducing the temporary impact of unforeseen, non-reoccurring, emergent events and to stabilize the effect of tax and utility rate increases.

The County is committed to managing reserve funds in a responsible manner and to use reserve funds solely for the purposes previously determined and/or approved by Council.

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

- Adherence to statutory requirements;
- Promotion of financial stability and flexibility;
- Stabilization of fluctuations in operating and capital activities;
- Provision of major capital expenditures.

**DEFINITIONS**

**Annual Budget:** A combined operating budget and capital budget for the calendar year.

**Asset Life Cycle Management:** is a roll up category for reporting. This category captures all reserve funds that tie to the Infrastructure Lifecycle, Maintenance and Replacement of Flagstaff County tangible capital assets.

**Capital Reserves:** A group of capital reserve funds for capital purposes.

**Operating Reserves:** A group of operating reserve funds for operating purposes.

**Reserve Funds:** means a fund with assets which are segregated and restricted to meet the purpose of the reserve fund.

**Special Purpose:** is a roll up category for reserve funds that meet the needs of specific initiatives.

**Surplus:** The excess of revenue over expenses, net of annual amortization, as at December 31<sup>st</sup> of the year as reported in the audited financial statements.

**GUIDELINES**

All Operating and Capital reserves shall be attached to this policy as Schedule A.

1. All Reserve Fund transactions shall be approved by Council.
2. All Reserve Funds shall be administered by the CAO and/or his/her designate, and in accordance with the Public Sector Accounting Standards.
3. The establishment of a new Reserve Fund must be approved by Council.
4. Reserve Funds will be funded from internal or external resources as defined in the Reserve Description (Schedule A).
5. Funding transferred into/out of Reserve Funds shall be approved by Council by way of:
  - Existing Municipal Policy
  - The annual budget processes
  - Resolution of Council; or
  - The approved Reserve Description (Schedule A).

<b>Council Approved: December 15, 2021</b>	<b>Resolution #:</b>
<b>Reference:</b>	<b>FC20211215.1018</b>
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<b>Review Cycle:</b>	<b>Next Review Year:</b>
Every three (3) years	2024

**Schedule A - Reserve Descriptions****OPERATING RESERVES:****1. Agriculture**

**Purpose:** To provide contingency funds for operating programs in the Agriculture department as established by Council.

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**2. Airport**

**Purpose:** To provide contingency funds for operating programs for the Airport as established by Council.

**Funding Sources:** Allocation of yearend surpluses as approved by council or other sources as approved by Council.

**3. Cemetery Grants**

**Purpose:** To provide funds for the implementation of the Cemeteries Assistance Grant Program as established by Council. As the number of cemetery grant applications fluctuates yearly, the County utilizes funds from reserves each year to operate the program.

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**4. Corporate Services**

**Purpose:** To provide contingency funds for operating programs in the Administration department as established by Council.

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**5. Economic Development**

**Purpose:** To provide contingency funds for operating programs in the Economic Development department as established by Council.

**Funding Sources:** Allocation of yearend surpluses as approved by council or other sources as approved by Council.

**6. Fire**

**Purpose:** To provide contingency funds for operating programs in the Fire department as established by Council.

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**7. General**

**Purpose:** To provide funds to stabilize budgetary impacts resulting from one-time expenses, unanticipated events, or general requirements that were not budgeted. (Note: we maintain this reserve in a range of 65% to 75% of the total property tax levy, to provide sufficient cash flow for operating and capital requirements each year).

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**8. Hamlet Water and Sewer**

**Purpose:** To provide contingency funds for operating programs for the Hamlet Water and Sewer systems as established by Council.

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**9. Public Works**

**Purpose:** To provide contingency funds for emergent circumstances for road repairs that were not budgeted. Such instances include washouts, failures, and other situations that pose a threat to public safety.

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**10. Public Works - Gravel**

**Purpose:** To provide contingency funds for specific operating programs utilizing gravel in the Public Works department as established by Council.

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**11. Recreation and Parks**

**Purpose:** To provide contingency funds for operating programs for Recreation and Parks as established by Council.

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**12. Special Projects**

**Purpose:** To provide funding for operating projects that may be undertaken in the future, to build funding for non-annual programs, and to assist in meeting future funding requirements for additional projects across different departments.

**Funding Sources:** Allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**13. Tax Rate Stabilization**

**Purpose:** To provide funds to mitigate future property tax dollar increases in periods of high inflation, to stabilize fluctuations in operating activity, and to address the risk of revenue or expenditure volatility.

**Funding Sources:** Annual budget allocations, allocation of yearend surpluses as approved by Council or other sources as approved by Council.

**CAPITAL RESERVES:**

**Asset Lifecycle Management Categories**

**1. Building Management**

**Purpose:** To provide funds to meet future asset requirements, and the scheduled refurbishment of existing infrastructure.

**Funding Sources:** Annual budget allocations, proceeds from the sale of infrastructure assets as approved by Council or other sources as approved by Council.

**2. Fleet Management**

**Purpose:** To provide funds for the scheduled refurbishment and replacement of vehicles, light and heavy-duty equipment.

**Funding Sources:** Annual budget allocations, proceeds from the sale of fleet assets as approved by Council, or other sources as approved by Council.

**3. Engineered Structures - Hamlets**

**Purpose:** To provide funds for future asset requirements including scheduled refurbishment and replacement of the utility infrastructure.

**Sub-Categories:**

- Galahad Water Infrastructure
- Galahad Waste-Water Infrastructure

- Storme Water Infrastructure
- Storme Waste-Water Infrastructure

**Funding Sources:** Annual depreciation budget allocations or other sources as approved by Council.

4. **Engineered Structures Management**

**Purpose:** To provide funds for the future asset requirements and to scheduled refurbishment of existing infrastructure. Includes road construction, bridges and other road infrastructure required to provide a safe road network.

**Funding Sources:** Annual budget allocation or other sources as approved by Council.

**Special Purpose Category**

1. **Economic Development Infrastructure Development**

**Purpose:** To provide funds for infrastructure development for economic development and diversification projects.

**Funding Sources:** Annual budget allocations or other sources as approved by Council.

2. **Fire Capital**

**Purpose:** To provide funds for Flagstaff County's share of capital requirements for the Flagstaff Regional Emergency Services Society (FRESS).

**Funding Sources:** Annual budget allocations or other sources as approved by Council.