

 <p>Town of <b>CANMORE</b></p>	<h1>Council Policy</h1>
<b>Policy Title:</b>	<b>Reserves</b>
<b>Policy Number:</b>	FIN-007
<b>Date in Effect:</b>	August 22, 2017
<b>Current as of:</b>	December 5, 2023

**POLICY STATEMENT**

1. Canmore is sustainable only if both its capital infrastructure assets and its financial assets can be maintained over the long term. It is the policy of the Town of Canmore to establish reserve funds to ensure the long-term financial stability and flexibility of the Town of Canmore, to position it to respond to varying economic conditions and changes affecting the Town’s financial position, and to ensure the organization has the ability to continuously carry out its responsibilities.

**PURPOSE**

2. The purpose of this policy is to establish guidelines, limits, and conditions applicable to the segregation of the Town of Canmore’s accumulated surplus, referred to as restricted surpluses in its audited financial statements, into reserves funds. The reserves practices will ensure a favourable and sustainable financial position while supporting the ability to meet current and future operating and infrastructure requirements by maintaining reserves funds sufficient to achieve the following:
  - a) The organization has sufficient working capital so that it is able to sustain operations through delays in receipt of payments of committed funding and to accept reimbursable contracts and grants without jeopardizing ongoing operations;
  - b) The organization has sufficient resources to fund the acquisition or construction of new capital assets and the replacement and rehabilitation of major capital infrastructure assets, as required and as identified in the Town of Canmore Strategic, Capital, and Long-Term Financial Strategy Plans;
  - c) Public confidence in the long-term sustainability of the organization is promoted by preventing cash flow crises that can diminish its reputation and force its leaders to make expensive short-term, crisis-based decisions;
  - d) The organization has sufficient resources to fund budgeted contingency amounts for unpredictable revenues, volatile expenditures, and unanticipated opportunities and/or challenges;
  - e) To contribute favourably to the liquidity position of the organization;

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- f) A favourable credit status and financial flexibility is maintained;
- g) The organization complies with the Government Finance Officers Association (GFOA), Alberta Chapter, "Municipal Budgeting Alberta Best Practices"; and
- h) The organization meets the objectives of the Town's Debt Management Policy, the Property Tax Policy, Long Term Financial Strategy, and the Town of Canmore Strategic Plan.

#### DEFINITIONS

- 3. "Capital reserves" means the portion of unrestricted net assets that the Town maintains, or that Council has designated (or "restricted") for use in maintaining an adequate reserve to acquire or construct new capital assets and replace and rehabilitate major capital infrastructure assets as required, and as identified in the Town of Canmore Strategic, Capital, and Long-Term Financial Strategy Plans.
- 4. "Dedicated reserves" means the portion of unrestricted net assets that the Town has collected from developers to fund specific initiatives and/or projects. The funds may not be used for any other purpose than what they were collected for.
- 5. "Depreciation" means the amortization amount of fixed assets, such as buildings and equipment, in order to allocate the cost over its useful life. It is a process of cost allocation and not valuation. Depreciation increases expenses but does not reduce cash.
- 6. "Operating expenses" means the annual expenditures to fund regular operations and for greater certainty, do not include transfers from operating to fund capital expenditures, transfers to reserves, internal transfers between departments, and funds expended on non-tangible capital asset.
- 7. "Operating reserves" means the portion of unrestricted net assets that the Town maintains, or that Council has designated (or "restricted") for use in:
  - a) emergencies to sustain financial operations for a reasonable period in the event of significant and unanticipated, unbudgeted increases in operating expenses and/or losses in operating revenues, and/or
  - b) funding budgeted contingencies for non-emergent but unpredictable revenues, volatile expenditures, and unanticipated opportunities and/or challenges, and/or
  - c) funding for the mitigation of tax rate increases.
- 8. "Program specific reserves" means the portion of unrestricted net assets that the Town maintains, or that Council has designated (or "restricted") for use in specific initiatives or programs for which the funds are collected.

**GENERAL GUIDELINES**

9. All reserve transfers, re-designations, revisions, and new account requests must be approved by Council. Approvals may be in the form of:
  - a) The annual operating or capital budget approval;
  - b) A carryover project that was contained in an approved operating or capital budget; or
  - c) A Council resolution.
10. Draws from reserves must not exceed the fund balance unless it can be demonstrated to Council that future sources of revenue will provide adequate funding to return the fund to a positive balance.
11. All operating and capital reserve funds must be fully described and include a purpose, source of funding, minimum level, optimum or target level, and the rationale used to establish the levels.
12. Before creating a new reserve fund, the option of adding an incremental contribution to an existing fund of a like nature will be considered.
13. The prescribed fund limits will be reviewed by Council at least once each term of office.
14. Interest will be paid to all reserve funds based on the average balance, calculated as the opening plus closing balances divided by two, at the annual average rate of return on long and short-term investments.
15. The Town will maintain reserve funds in accordance with Schedule A.
16. Program specific reserve funds are intended to accumulate the money collected for specific initiatives or programs stipulated at the time of collection.

**MANAGEMENT OF THE RESERVE FUNDS**

17. Under the direction of Council, the chief administrative officer or their designate will ensure funds are invested according to the guidelines set out in the Town's Investment Policy and in accordance with provincial legislation.
18. Reserve funds will be drawn down only under circumstances specific to the individual reserve fund.
19. For reporting purposes, the reserve funds will be listed separately in the "notes" section of the Town's financial statements.

**RESPONSIBILITIES**

20. Only Council can approve the drawing down of a fund for operating or capital purposes.
21. The Finance Committee will review the reserves policies at least every term of Council, or sooner if conditions warrant, and provide recommendations for Council approval.

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22. Administration will annually provide Council with:
- a) Actual year end reserve fund balances;
  - b) Five-year, projected, uncommitted reserve fund balances;
  - c) Five-year, anticipated reserve contributions and draws;
  - d) Reserve fund statistics as follows:
    - i) capital reserve fund contributions as a ratio to capital asset value,
    - ii) capital reserve fund contributions as a percentage of annual depreciation,
    - iii) the ratio of reserve funds to outstanding debt,
    - iv) the unamortized balance of capital assets relative to historical cost (the asset consumption ratio), and
    - v) total annual budgeted operating expenditures.

#### VISION ALIGNMENT

23. Canmore's services and programs respond to the aspirations of its residents and visitors and are delivered in an effective, innovative, and fiscally responsible manner.

#### POLICY REVIEW

24. This policy will be reviewed by Council on or before July 30, 2025.

#### RELATED DOCUMENTS

25. Municipal Government Act
26. Government Finance Officers Association (GFOA), Alberta Chapter, "Municipal Budgeting Alberta Best Practices"
27. Debt Management Policy
28. Property Tax Policy
29. Town of Canmore Strategic Plan
30. Town of Canmore Long Term Financial Strategy

#### ATTACHMENT


31. Reserves Policy – Schedule A

#### REPEALS POLICY: Reserves Policy 223-2016

#### AUTHORIZATION



Sean Krausert  
Mayor



Cheryl Hyde  
Municipal Clerk

Policy approved by: 

**REVISION HISTORY**

<b>Action</b>	<b>Date</b>	<b>Council Motion</b>	<b>Notes</b>
Approved	2017-08-22	62-2017FIN	Approved by the Finance Committee
Amended	2021-02-23	44-2021	Schedule A: add sustainability reserve and paid parking reserve, amend PAH to Vital Homes
Amended	2021-08-17	197-2021	Schedule A: amend art trust; update formatting and numbering in policy
Amended	2022-04-05	87-2022	Schedule A: add development application reserve
Amended	2023-12-05		Schedule A: amend paid parking reserve to Integrated Transportation Management Reserve (name and description/usage change)

Policy approved by: CTT SE

Fund	Purpose	Funding Source(s) *	Minimum \$ Level	Target/Optimum \$ Level	Rationale Used to Establish Levels
<b>OPERATING</b>					
<b>General Municipal Operating</b>	For working capital purposes, to provide funding for unanticipated operating expenditures in the course of providing municipal services, and for unforeseen general operating emergency expenditures.	One time transfers and one-time unbudgeted sources of revenue.	5% of annual operating expenditures	10% of annual operating expenditures	GFOA best practices as applied upon assessment of the Town's circumstances and considering any short term operating credit facilities available.
<b>Corporate Operating Contingency</b>	Subject to multi-year budgeting being approved by Council or required by provincial legislation, to fund unexpected or emergent operating demands that arise as a natural consequence of multi-year budgeting.	Original fund established by a transfer from the general operating reserve and then from municipal property taxes as required.	1% of annual budgeted municipal property taxes	1.5% of annual budgeted municipal property taxes	Comparison to amounts set by other municipalities and historical experience with amounts actually utilized each year.
<b>Tax Stabilization</b>	To mitigate tax rate increases in cases of an emergent and/or non-recurring nature.	One time transfers and one-time unbudgeted sources of revenue.	3% of annual operating expenditures	7% of annual operating expenditures	GFOA best practices so that the total of this and the general operating fund equal a minimum of 1 month (8%) and an optimum of 2 months (17%) of annual operating expenditures.
<b>CAPITAL</b>					
<b>General Municipal Capital</b>	To fund new capital projects or for capital expenditures necessary in cases of emergency.	Transfers from property tax revenue, unspent annual contributions to capital from operations, and one time transfers to boost reserve levels.	Adequate to fund new capital projects identified as reserve funded in the long term financial strategy and capital planning summary and unanticipated capital expenditures within the next 5 years.	Adequate to fund new capital projects identified as reserve funded in the long term financial strategy and capital planning summary and unanticipated capital expenditures within the next 10 years.	Best practices call for fund balances based upon an analysis of the needs of the municipality, taking into consideration long term financial strategies, capital project plans, and asset management plans.
<b>PROGRAM SPECIFIC</b>					
<b>Asset Replacement/ Rehabilitation</b>	To fund asset rehabilitation and replacement capital projects.	Transfers from annual operating surpluses, franchise fees, budgeted transfers from municipal property tax revenue, and other one-time transfers to boost reserve levels.	Adequate to fund rehabilitation and replacement capital projects identified as reserve funded in the long term financial strategy and capital planning summary and unanticipated capital expenditures within the next 5 years.	Adequate to fund rehabilitation and replacement capital projects identified as reserve funded in the long term financial strategy and capital planning summary and unanticipated capital expenditures within the next 10 years.	Best practices call for fund balances based upon an analysis of the needs of the municipality, taking into consideration long term financial strategies, asset management plans, and annual depreciation amounts.
<b>Flood Mitigation Structure Maintenance</b>	To fund the work required to maintain flood mitigation structures, particularly after an event.	Budgeted transfers from municipal property tax revenue.	\$250,000	\$2,000,000	Estimated cost to maintain flood mitigation structures.
<b>Water Utility</b>	To fund capital projects related to the Water and Utility metering Systems.	(1) special financing initiatives (2) special requisitions (3) grant funding specific to utility programs (4) net surplus from annual operations of the Utility department	\$2,000,000	\$2,500,000	Rate model projections of reserve requirements to fund anticipated water capital projects over the next 10 years.
<b>Wastewater Utility</b>	To fund capital projects related to the Wastewater and Storm Drainage Systems.	(1) special financing initiatives (2) special requisitions (3) grant funding specific to utility programs (4) net surplus from annual operations of the Utility department	\$3,000,000	\$4,000,000	Rate model projections of reserve requirements to fund anticipated wastewater capital projects over the next 10 years.

<b>Solid Waste Collection</b>	To fund the lifecycle replacement of capital infrastructure or future capital acquisitions relating to solid waste collection services.	(1) special financing initiatives, (2) special requisitions (3) grant funding (4) net operating surplus of the Solid Waste Collection department	\$250,000	\$300,000	Rate model projections of reserve requirements to fund anticipated solid waste collection capital projects over the next 10 years.
<b>Solid Waste Recycling</b>	To fund the lifecycle replacement of capital infrastructure or future capital acquisitions relating to solid waste recycling services.	(1) special financing initiatives, (2) special requisitions (3) grant funding (4) net operating surplus of the Solid Waste Recycling department	\$250,000	\$350,000	Rate model projections of reserve requirements to fund anticipated solid waste recycling capital projects over the next 10 years.
<b>Vital Homes, formerly Perpetually Affordable Housing</b>	To fund the construction and operation of Vital Homes, formerly Perpetually Affordable Housing, units and acquisition of land as determined in consultation with CCHC.	Mill rate assessment on residential and non-residential sectors, and one-time transfers to boost reserve levels per Council resolution or policy.	TBD	TBD	Best practices call for fund balances based upon an analysis of the needs of the municipality, taking into consideration strategic and capital project plan.
<b>Photo Radar</b>	To fund expenses related to policing or traffic safety initiatives and community safety initiatives and programs.	Net revenues from contracted photo radar speed enforcement	None	None	None
<b>Art Trust Fund</b>	To fund local, invitational, open or commemorative art competitions, community art projects, public art projects, and related maintenance and operations of the public art program	Annual budget allocations equal to \$5 per capita and allocation of 0.5% of the average of the previous five-year period's annual approved budgets' Town contributions to above ground construction projects.	None	None	None
<b>Economic Development</b>	To fund economic development initiatives and/or programs.	Any positive differences between the funding provided economic development initiatives/programs and the amount collected from Business Registry fees, and one time contributions to boost balances.	None	None	None
<b>Sustainability</b>	To fund programs and projects to finance and promote energy efficiency, greenhouse gas reduction measures, and climate adaptation.	Transfers from franchise fees	None	None	None
<b>Integrated Transportation Management Reserve</b>	To fund strategies of the Integrated Parking Management Plan including but not limited to transit operations and infrastructure, parking infrastructure, maintenance and rehabilitation, and complete streets infrastructure including enhancements to the Town Centre.	Paid Parking Revenue Allocation Model (PPRAM)	None	None	None

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<b>Development Application Reserve</b>	To provide funding for scalable resourcing levels required to accommodate fluctuations in planning and development applications without requiring tax-funded support. The reserve is used to stabilize the operating budget, fund one-time operating expenditures, and fund capital expenditures related to businesses enhancements that support the processing of development related applications.	Annual operating surpluses from fee supported operations in the Planning & Development and Engineering departments.	None	The target balance for the reserve is 50% of annual budgeted fee-based expenditures in Planning & Development and Engineering	The optimum level is intended to provide sufficient rate-supported stabilization to the fee-supported operations to either scale up to meet higher than anticipated volumes; and to retain a core staff complement in the event of a sustained downturn in application volumes.
<b>DEDICATED - FUNDED BY DEVELOPMENT</b>					
<b>Offsite Levy</b>	To fund the future costs to provide new or expanded infrastructure required for development.	Levies assessed to development in accordance with the Municipal Government Act	None	None	None
<b>Recreation Levy</b>	To fund recreation projects in accordance with the Recreation Contribution Policy.	To accumulate voluntary contributions from development towards new recreation infrastructure	None	None	None
<b>Cash in-lieu of Bear Bins</b>	To fund the purchase and installation of a waste containers within existing neighbourhood required as a result of in-fill development	In-lieu cash payments from developments where the total number of residential units is less than eight (8)	None	None	None
<b>Cash in-lieu of Parking</b>	To fund the purchase of land suitable for future parking developments and to plan, develop and construct parking facilities	Funds are collected as part of the Development Permit process, and payments are outlined in a Development Agreement.	None	None	None
<b>Cash in-lieu of Municipal Reserve</b>	To fund public parks, public recreation areas or school authority developments as are allowed by Section 671(2) of the MGA	Funds are collected as part of the Subdivision approval process, and payments are outlined in a Subdivision Servicing Agreement.	None	None	None

\* All funds will also receive a portion of annual interest revenue as a funding source.