

POLICY NO:	FI 004
POLICY TITLE:	RESERVE POLICY
DEPARTMENT:	FINANCE
APPROVAL DATE:	13-12-95 (December 1995)
REVISION DATE:	24-04-01; 32-11-01; 64-02-02; 38-04-03; 13-03-04;
REVIEW DATE:	15-04-04 (April 2004) ; 74-09-06 (September 26, 2006)

Policy Statement:

The County of Vermilion River No. 24 may, if it so desires, designate funds to a capital or operating reserve for a specific purpose.

Purpose:

To provide guidelines as to limits and conditions under which reserves may be set up and used.

Guidelines:

1. An annual allocation to a capital reserve, to replace equipment, may be included in the budget if a capital plan is in place to justify the allocation. (M.G.A. 243(1) e, (2)h.
2. An annual transfer of any unused budget expenditure will be allocated at year-end if previously authorized by Council.
3. A reserve may be allocated at the year-end, for any purpose specified by Council, as long as it does not cause a deficit.
4. The amount of cash investments added together with current receivables less current liabilities must be equal to or greater than the total of all the reserves at the end of each calendar year.
5. Reserves may be used for interim financing by the municipality prior to collection of the taxes each year.
6. The transfer into or out of reserves must be done by resolution to ensure Council's authorization of the transactions. The Maximum Level of a reserve refers to the level up to which funds may be accessed through departmental budgets (direct taxation). Once a reserve has reached its maximum it can be supplemented through a year- end surplus but not through direct taxation (department budgets).
7. **Hamlet Reserves** – are managed under Policy 005-Hamlet Management
8. **Capital Reserves Purpose:** Used to flatten out expenditure spikes, and to plan for long-range equipment purchase. All capital reserves requirements are to be forecasted for a

minimum of 10 years

9. **Gas - Capital Reserve (Excluding Equipment) Purpose:** used to replace major line repairs. **Funding Sources:** Once the reserve reaches \$5,000,000 only interest from gas investments is added to the reserve to increase its value.
10. **Operational Reserves** – Operational reserves are set up to offset emergent, unplanned, unbudgeted expenditures that could not be foreseen at the time of budgeting. The operational reserve can also be used to purchase consumable supplies that need replenishing periodically, but not on a yearly basis. Operational reserves maybe capped at a certain level and must have a designed purpose. Listing of Operational Reserves, their purpose and Taxation Caps and Restrictions
 - a. **VRRRA – County of Vermilion River #24 Purpose:** to set aside unexpended money that was specifically designated to this committee, under an approved agreement, for their future costs. **Funding Source:** \$.30 per capita charge is collected by the County, as financial manager, for operational and capital projects, any unexpended money is transferred into the reserve at year-end.
 - b. **VRRRA – Inter-jurisdictional Purpose:** to build a fund for the County portion for the 75/25 cost shared Regional Partnership Program / Implementation Grant – Cap for the Provincial Share is \$150,000 + Municipal Share \$50,000 = \$200,000 (other jurisdictions are responsible to reserve their portion toward this grant). **Funding Source:** \$.70 per capita charge per jurisdiction, under an approved agreement, is subject to municipalities and Municipal Affairs approval of projects. Unused funds at the end of 2005 may be allocated to other future projects or be released from this commitment for other municipal uses.
 - c. **Legislative – cap of \$6000 Purpose:** to equalize election expenses over the three-year election term. **Funding Source:** annual budget
 - d. **Technology – cap of \$75,000 Purpose:** used to offset the periodic costs of maps, aerial photos, orthocorrecting and other technical expenses that are not covered by the regular year budget. **Funding Source:** annual budget/year end transfers.
 - e. **Fire – cap \$110,000 Purpose:** to offset spikes in expenditures in three operational areas, 1. Purchase of bunker gear and breathing apparatus above the budgeted levels, 2. extra ordinary repairs and maintenance to fire vehicles, 3. cover unforeseen purchases of contracted services. **Funding Source:** fire and rescue fines
 - f. **Water Well – cap of \$75000 Purpose:** to build and/or replace community water well sites in the future. **Funding Source:** a portion of the token revenue.
 - g. **Agricultural Operating Reserve – Cap \$25,000 Purpose:** for extraordinary expenditures that could not be foreseen or predicted at budget time. **Funding Source:** annual budget.
 - h. **Lea Park Reserve Purpose:** Use for projects at Lea Park that are unanimously agreed upon by all three groups. **Funding Sources:** under agreement with Lea Park Rodeo (Marwayne Ag Society), Jubilee Park (Marwayne Legion) and Lea Park Golf Club.

- i. **CVR/Town of Vermilion Reserve Purpose:** Agreement condition to provide \$25,000 in services, at market rate, for road maintenance, oiling or construction in or around Vermilion during six year period ending December 31, 2008, during which no annexation of the UGG Property would be pursued. **Funding Source:** annual budget; each year any unused portion is put into the reserve and held for future projects.
- j. **Development Operating Reserve - Cap \$50,000 Purpose:** Purpose: for extraordinary expenditures that could not be foreseen or predicted at budget time. **Funding Source:** annual budget
- k. **Development Project Reserve Purpose:** to assist with the county's portion or contribution on an old or existing development. **Funding Source:** year-end transfers.
- l. **Economic Development Reserve Purpose:** used as the County's share of road projects or to purchase land for municipal purposes. **Funding source:** sale of rural County land (Does not include sales from Hamlets).
- m. **Emergency & Disaster - Cap \$50,000 Purpose:** for extraordinary expenditures that could not be foreseen or predicted at budget time. **Funding Source:** annual budget.
- n. **Public Works Operating Reserve - Cap \$550,000 Purpose:** To help offset spikes in the regular operational budgets due to extraordinary expenditures or unforeseen weather condition. **Funding Source:** annual budget/year end transfers
- o. **Gas - Operating Reserve - Cap \$600,000 Purpose:** for extraordinary expenditures that could not be foreseen or predicted at budget time. **Funding Source:** annual budget
- p. **Gas Project Reserve – Purpose:** to assist with the purchase of wells, construction of transportation lines pipelines, compressors, innovative/value added work, initiatives or revenue generating projects. **Funding Source:** annual budget/year end transfers
- q. **Contingency Reserve Purpose:** minimum balance of \$3,000,000 to help offset spikes in the regular operational budgets due to extraordinary expenditures or unforeseen weather condition. **Funding Source:** Accumulated Surplus