	CORPORATE POLICY	Policy No: CP-1034-21
		Approved By: Council
		Effective Date: June 28, 2021 Resolution No.: 164-21
		Division: Corporate Services - Finance

RESERVES AND ACCUMULATED SURPLUS

POLICY STATEMENT

The City of Spruce Grove is committed to fiscal sustainability and seeks to be transparent in the apportionment of resources for future operating and capital spending through the creation of Reserves within the Accumulated Surplus. Reserves contribute to fiscal stability, debt minimization, and flexibility for emergent economic needs while creating dedicated funding sources for long-term capital planning and asset management.

1. PURPOSE

- 1.1 To determine responsibilities and authorities related to Reserves and Accumulated Surplus management.
- 1.2 To outline effective management of Reserves and Accumulated Surplus and outline characteristics of each City Reserve.

2. DEFINITIONS


- 2.1 “Accumulated Surplus” means the total amount of assets less liabilities of the local government; the accumulated excess of revenues over expenses from prior years. Reserves form the restricted portion of the Accumulated Surplus.
- 2.2 “City” means the municipal corporation of the City of Spruce Grove in the Province of Alberta.
- 2.3 “Externally Restricted Reserves” means Reserves where allowable uses are determined by authorities other than the City, fall under legislative requirements, or are restricted by an agreement with an outside third party.
- 2.4 “Interest Bearing” means quarterly investment income is earned on the Reserve balance and is retained in the Reserve.

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- 2.5 “Internally Restricted Reserves” means reserves that have been established for internal City purposes and allowable uses are determined by the City.
- 2.6 “Investment in Tangible Capital Assets” means the non-cash portion of Accumulated Surplus that reflects the City’s equity in assets having physical substance such as land, land improvements, buildings, engineered structures, machinery, equipment and vehicles.
- 2.7 “Reserves” mean funds that are restricted within Accumulated Surplus for designated requirements.
- 2.8 “Reserve Schedule” means an individual schedule for each reserve which outlines the characteristics of the reserve as per this policy.
- 2.9 “Unrestricted Surplus” means the unrestricted portion of the Accumulated Surplus.

3. RESPONSIBILITIES

- 3.1 Council must:
 - (a) Approve the establishment or elimination of Reserves.
 - (b) Approve transfers to and from Reserves through Council resolution except for transfers to and from the Carry Forward Reserve and interest transfers, which shall be managed administratively.
- 3.2 Administration must:
 - (a) Administrate all Reserves in accordance with this policy and manage the Carry Forward Reserve transfers at each year-end and interest transfers on Interest Bearing Reserves each quarter.
 - (b) Provide reporting to Council on Reserves in accordance with this policy.


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- (c) Review Reserves from time to time and recommend establishment or elimination of Reserves and necessary changes to Reserve Schedules for Council approval.

4. RESERVE AND ACCUMULATED SURPLUS MANAGEMENT

4.1 Reserves


- (a) Establishment and/or elimination of Reserves must be approved by Council through resolution or bylaw.
- (b) Transfers to and from Reserves must be approved by
 - (i) Council in a Council resolution, or
 - (ii) Council in the approval of the annual budget, or
 - (iii) The City Manager, or designate, in the case of the Carry Forward Reserve, or
 - (iv) The Chief Financial Officer, or designate, in relation to interest bearing transfers as dictated by the Reserve Schedule.
- (c) The City will apportion the Accumulated Surplus into Internally Restricted Reserves, Externally Restricted Reserves, Unrestricted Surplus, and Investment in Tangible Capital Assets.
- (d) Internally Restricted Reserves shall be Reserves that are in one of four categories:
 - (i) Municipal Stabilization and Contingency Reserves;
 - (ii) Municipal Lifecycle: Repair, Maintenance and Replacement Reserves;
 - (iii) Specific Purpose Reserves; and

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- (iv) Utility Reserves
- (e) Externally Restricted Reserves shall be developer Reserves based on offsite levy collection categories.
- (f) A Reserve Schedule will be created and approved for each Internally Restricted and Externally Restricted Reserve in Schedule A of the policy outlining the following characteristics of each Reserve:
 - (i) Reserve Type;
 - (ii) Reserve Name;
 - (iii) Purpose;
 - (iv) Application;
 - (v) Funding Source;
 - (vi) Interest Bearing; and
 - (vii) Relevant statutes, master plans, or city documents
- (g) Reserves are assumed to be ongoing unless otherwise stated in the specified schedule.
- (h) Reserves are assumed to have no ceiling unless otherwise stated in the specified schedule.

4.2 Funding Sources and Projections

- (a) Municipal Reserves will be funded through taxation or one-time funding sources. Utility Reserves will be funded through utility rates. Developer Reserves will be funded through offsite levies and developer contributions.

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- (b) Where appropriate, each Reserve will be supported by a 10-year projection for receipt and disbursement of funds. These projections will be updated annually as part of the budget and long-term capital plan process.

4.3 Interest Bearing

- (a) Reserves will be determined to be interest bearing if there are external requirements based on legislation or agreements, or if the Reserve is intended to maintain future capital purchasing power by offsetting the effects of inflation.
- (b) On a quarterly basis, Interest Bearing Reserves will be allocated a portion of the City's investment income calculated by applying the City's short term investment rate to the outstanding balance.

4.4 Internal Borrowing

- (a) When sufficient funds are available, with Council approval, the City may internally borrow from its Internally Restricted Reserves to provide for the financing of operating and capital projects thereby reducing the impact of external borrowing.
- (b) The interest rate applied to internal borrowing shall be equivalent to the average rate of return the City receives on the investment of surplus funds for the three months prior to the occurrence of the borrowing.

4.5 Reporting

- (a) All Reserve balances must be presented in the City's annual financial statements and budget documents.

Policy 3037 Accumulated Surplus is rescinded.

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Approval

Mayor Original signed by Deputy Mayor Chantal McKenzie Date July 6, 2021

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Schedule "A"

Reserves

Internally Restricted Reserves

Municipal Stabilization and Contingency Reserves:

- Working Capital
- Pay as you go
- Carry Forward
- Snow Removal

Municipal Lifecycle: Repair, Maintenance and Replacement Reserves

- Civic Infrastructure
- Community Facilities
- Parks and Open Spaces
- Public Safety
- Public Works
- Transportation

Specific Purpose Reserves

- Land
- New Capital
- TLC Capital/Lifecycle
- Climate Change Mitigation

Utility Reserves

- Utility Rate Stabilization
- Water
- Sanitary Sewer
- Storm Water
- Waste Management

Externally Restricted Reserves

Developer Reserves

- Developer - Water
- Developer - Sanitary Sewer
- Developer - Transportation

Reserve Schedules

Internally Restricted Reserves

Municipal Stabilization and Contingency Reserves:

Reserve Type	Municipal Stabilization and Contingency
Reserve Name	Working capital
Purpose	To preserve cash flow of the organization and allow for emergent spending.
Application	Not intended to be spent unless absolutely necessary for emergent reasons; maintains a bank balance for ebbs and flows in the timing of revenues and expenses
Funding Source	Year-end surpluses – to be maintained at a level equivalent to two months of budgeted municipal operating expenses.
Interest Bearing	No
Relevant statutes, master plans or city documents	N/A

Reserve Type	Municipal Stabilization and Contingency
Reserve Name	Pay as You Go
Purpose	To preserve available tax room within the operating budget to provide for future payment agility.
Application	One time purchases or re-dedication to future debenture payments.
Funding Source	Operating budget dedications One time funding Year-end surpluses
Interest Bearing	No
Relevant statutes, master plans or city documents	N/A

Reserve Type	Municipal Stabilization and Contingency
Reserve Name	Carry Forward
Purpose	To preserve unspent budget for specific projects or expenditures from one fiscal year to the next fiscal year.
Application	Identified operating and capital budget items that remain unexpended in one fiscal year and will be expended in the following fiscal year.
Funding Source	Year-end budget transfer to reserve.
Interest Bearing	No
Relevant statutes, master plans or city documents	N/A

Reserve Type	Municipal Stabilization and Contingency
Reserve Name	Snow Removal
Purpose	To preserve unspent budgets from snow removal for future years thereby allowing for smoothing of tax requirement for this service between fiscal years related to the unpredictable nature of weather events.
Application	Identified requirement for supplement to an operating budget in a heavy snowfall year.
Funding Source	Year-end transfer to reserve of surplus between budget and actual cost on snow removal line items within the budget.
Interest Bearing	No
Relevant statutes, master plans or city documents	N/A

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Municipal Lifecycle: Repair, Maintenance and Replacement Reserves

Reserve Type	Municipal Lifecycle: Repair, Maintenance and Replacement
Reserve Name	Civic Infrastructure Lifecycle
Purpose	To dedicate resources for the ongoing maintenance and replacement of existing Civic Infrastructure assets.
Application	Information Systems, Vehicles
Funding Source	Operating budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Civic Infrastructure Lifecycle RMR Plan

Reserve Type	Municipal Lifecycle: Repair, Maintenance and Replacement
Reserve Name	Community Facilities Lifecycle
Purpose	To dedicate resources for the ongoing maintenance and replacement of existing Community Facilities assets.
Application	Buildings, Equipment, Furniture
Funding Source	Operating budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Community Facility Lifecycle RMR Plan

Reserve Type	Municipal Lifecycle: Repair, Maintenance and Replacement
Reserve Name	Parks and Open Spaces Lifecycle
Purpose	To dedicate resources for the ongoing maintenance and replacement of existing Parks and Open Spaces assets.
Application	Parks, Open Spaces, Trails, Equipment, Vehicles
Funding Source	Operating budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Parks and Open Space Master Plan Jubilee Park Master Plan Parks and Open Spaces Lifecycle RMR Plan

Reserve Type	Municipal Lifecycle: Repair, Maintenance and Replacement
Reserve Name	Public Safety Lifecycle
Purpose	To dedicate resources for the ongoing maintenance and replacement of existing Public Safety assets.
Application	Equipment, Vehicles
Funding Source	Operating budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Public Safety Lifecycle RMR Plan

Reserve Type	Municipal Lifecycle: Repair, Maintenance and Replacement
Reserve Name	Public Works Lifecycle
Purpose	To dedicate resources for the ongoing maintenance and replacement of existing public works assets
Application	Equipment, Vehicles, Buildings
Funding Source	Operating budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Public Works Lifecycle RMR Plan

Reserve Type	Municipal Lifecycle: Repair, Maintenance and Replacement
Reserve Name	Transportation
Purpose	To dedicate resources for the ongoing maintenance and replacement of existing transportation assets.
Application	Roads network, Equipment, Vehicles
Funding Source	Operating budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Transportation Master Plan Transportation Lifecycle RMR Plan

Specific Purpose Reserves

Reserve Type	Specific Purpose
Reserve Name	Land
Purpose	To dedicate resources for future land purchases
Application	Land
Funding Source	Land sales One time funding
Interest Bearing	No
Relevant statutes, master plans or city documents	N/A

Reserve Type	Specific Purpose
Reserve Name	New Capital
Purpose	To dedicate resources for the purchase of new capital.
Application	New municipal infrastructure, equipment, vehicles.
Funding Source	Asset sales One time funding Year-end surplus
Interest Bearing	No
Relevant statutes, master plans or city documents	Long Term Capital Plan

Reserve Type	Specific Purpose
Reserve Name	TLC Capital/Lifecycle
Purpose	To dedicate resources for funding the City's portion of the Transalta Tri-Leisure Center capital plan.
Application	Annual TLC Capital requisition
Funding Source	Operating budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Transalta Tri-Leisure Center Capital Plan

Reserve Type	Specific Purpose
Reserve Name	Climate Change Mitigation
Purpose	To dedicate resources for funding projects dealing with mitigation of the impacts of climate change on the community.
Application	Climate Change Mitigation projects
Funding Source	Year-end transfers from budget savings on energy expenses throughout the budget.
Interest Bearing	No
Relevant statutes, master plans or city documents	Environmental Sustainability Action Plan Climate Resilience Express Action Plan

Utility Reserves

Reserve Type	Utility
Reserve Name	Utility Rate Stabilization
Purpose	To maintain resources within the utility to allow for smoothing of rates and long term stabilization.
Application	Utility budget
Funding Source	Utility budget
Interest Bearing	No
Relevant statutes, master plans or city documents	N/A

Reserve Type	Utility
Reserve Name	Water
Purpose	To dedicate resources for the purchase of necessary new water assets and the ongoing maintenance and replacement of existing water assets.
Application	All water infrastructure, equipment, vehicles
Funding Source	Utility budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Long Term Capital Plan Utility Lifecycle RMR Plan

Reserve Type	Utility
Reserve Name	Sanitary Sewer
Purpose	To dedicate resources for the purchase of necessary new sanitary sewer assets and the ongoing maintenance and replacement of existing sanitary sewer assets.
Application	All sanitary sewer infrastructure, equipment, vehicles
Funding Source	Utility budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Long Term Capital Plan Utility Lifecycle RMR Plan

Reserve Type	Utility
Reserve Name	Storm Water
Purpose	To dedicate resources for the purchase of necessary new storm water assets and the ongoing maintenance and replacement of existing storm water assets.
Application	All storm water infrastructure, equipment, vehicles
Funding Source	Utility budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Storm Water Utility Rate Model Long Term Capital Plan Utility Lifecycle RMR Plan

Reserve Type	Utility
Reserve Name	Waste Management
Purpose	To dedicate resources for the purchase of necessary new waste management assets and the ongoing maintenance and replacement of existing waste management assets.
Application	Waste management infrastructure, equipment, vehicles
Funding Source	Utility budget dedications
Interest Bearing	No
Relevant statutes, master plans or city documents	Long Term Capital Plan Utility Lifecycle RMR Plan

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Externally Restricted Reserves

Developer Reserves

Reserve Type	Developer
Reserve Name	Developer - Water
Purpose	To accumulate offsite levies for development of water assets.
Application	Water infrastructure
Funding Source	Offsite levies
Interest Bearing	Yes
Relevant statutes, master plans or city documents	Offsite Levy Bylaw Long Term Capital Plan

Reserve Type	Developer
Reserve Name	Developer – Sanitary Sewer
Purpose	To accumulate offsite levies for development of sanitary sewer assets.
Application	Sanitary sewer infrastructure
Funding Source	Offsite levies
Interest Bearing	Yes
Relevant statutes, master plans or city documents	Offsite levy bylaw Long Term Capital Plan

Reserve Type	Developer
Reserve Name	Developer - Transportation
Purpose	To accumulate offsite levies for development of Transportation assets.
Application	Transportation infrastructure
Funding Source	Offsite levies
Interest Bearing	Yes
Relevant statutes, master plans or city documents	Offsite levy bylaw Long Term Capital Plan