	<b>COUNCIL POLICY</b>	<b>Policy No:</b> CP-106 <del>40</del> -2 <del>5</del> 4
		<b>Approved By:</b> Council
		<b>Effective Date:</b> <del>December 2, 2024</del>
		<b>Resolution No.:</b> <del>RCM-320-24</del> <b>Last Reviewed Date:</b> <del>December 2, 2024</del>
		<b>Division:</b> 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 current and long-term service delivery and growth.


Reserves help ensure the City is financially sound, accountable, and transparent in managing public funds.

### 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 “Interest Bearing” means interest earnings will be applied to the reserve funds which have been deemed interest bearing as indicated in the reserve schedule.

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~~2.4~~ “Internally Restricted Reserves” means reserves that have been established for internal City purposes and allowable uses are determined by the City.

~~2.52.4~~ “~~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.

2.5 “Reserve Schedule” means an individual schedule for each reserve which outlines the characteristics of the reserve as per this policy.

2.6 “Reserves” mean funds that are restricted within Accumulated Surplus for designated requirements.

2.7 “Unrestricted Surplus” means the unrestricted portion of the Accumulated Surplus.


### 3. RESPONSIBILITIES

3.1 Council must:

- (a) approve the establishment or elimination of Reserves; and
- (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) administer all reserves in accordance with this policy, carried out by the Chief Financial Officer or delegate, under the direction of the City Manager;


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- (b) 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~~month;
- (c) provide Reserves reporting to Council in accordance with this policy; and
- (d) review this policy and the Reserve fund balances on a periodic basis, and bring recommendations to Council.

## 4. RESERVE MANAGEMENT

### 4.1 Reserves

- (a) Establishment and/or elimination of Reserves must be approved by Council through resolution or bylaw in accordance with the *Municipal Government Act*. R.S.A. 2000, c M-26, as amended.
- (b) Transfers to and from Reserves must be approved by:
  - (i) Council resolution through the approval of the annual budget; or
  - (ii) Council resolution as a standalone item.
- (c) ~~The City Administration~~ will recommend the portion of ~~apportion the~~ Accumulated Surplus to be apportioned into Internally Restricted Reserves. ~~Unrestricted Surplus, and Investment in Tangible Capital Assets.~~
- (d) Internally Restricted Reserves shall be Reserves that are in one of five categories:
  - (i) Stabilization and Contingency Reserves;
  - (ii) Project Reserves;

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(iii) Municipal Lifecycle: Repair, Maintenance, and Replacement Reserves;

(iv) Specific Purpose Reserves; and

(v) Utility Reserves.

(e) A Reserve Schedule will be created and approved for each Internally Restricted in Schedule "A" of the policy outlining the following characteristics of each Reserve:

(i) Reserve Type;

(ii) Reserve Name;

(iii) Purpose;

(iv) Application;

(v) Funds (if applicable);


(vi) Funding Source;

(vii) Optimal balance (if applicable); and

(viii) Interest Bearing.

(f) Reserves are assumed to be ongoing unless otherwise stated in the specified schedule.

(g) Reserves are assumed to have no ceiling unless otherwise stated in the specified schedule.

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## 4.2 Funding Sources


- (a) Restricted reserves may be funded from various sources including but not limited to:
- (i) ~~direct cash receipts such as~~proceeds from the sale of capital assets and land;
  - (ii) approved budget contributions;
  - (iii) carryover of current year's budget funds which were approved for a specific purpose but were not expended during the year
  - (iv) annual surplus contributions;
  - (v) investment income; and
  - (vi) other revenue sources.

## 4.3 Usage

- (a) Restricted surplus funds may only be used for the purposes specified by Council in the approved Reserve Schedules attached as Schedule "A" to this policy.

## 4.4 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) Reserves may be invested in accordance with the City's Investment Policy CP-1054-24 or as dictated by legislation and/or agreement (if applicable).

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~~The minimum rate of return will be determined as part of the budget process based on the projected performance of the investment portfolio or the interest rate dictated by the corresponding legislation and/or agreement (if applicable).~~

~~(c)~~ On a ~~quarterly~~ monthly basis, Interest-Bearing Reserves will be allocated a portion of the City's investment income calculated by applying the City's ~~short term investment earnings~~ high interest savings account rate to the Reserve's outstanding balance.

~~(c)~~ (d) The total annual interest allocated to all Interest-Bearing Reserves shall not exceed the total actual investment income earned by the City in that year. The finance department will reconcile all interest allocations prior to year end close to ensure allocations remain within this limit. Adjustments will be made accordingly where required.

#### 4.5 Internal Borrowing


(a) When sufficient funds are available, the City may internally borrow from its 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.~~

(b) If the Reserve above is interest bearing, the interest applied to internal borrowing shall be in accordance with Section 4.4 (c) and 4.4 (d) of this policy.

#### 4.6 ~~Excess Restricted~~ Accumulated Surplus

(a) ~~Excess balances in a restricted surplus account~~ Accumulated Surplus will

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be ~~administered~~allocated to Internally Restricted Reserves based on the following process. ~~Excess f~~Eunds will be applied:

- (i) To future known projects that meet the criteria of the applicable Reserve Schedule;
- (ii) To another restricted ~~surplus-reserve~~ which has not reached its target balance;
- (iii) To a one-time project for which other funding sources are not available; or


~~(iv)~~(iv) Accumulated Surplus not apportioned to Internally Restricted Reserves will remain unrestricted.~~To general operating revenue.~~

#### 4.7 Reporting

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

## 5. RESCISSION OF POLICY CP-~~1034~~1060-21~~24~~24

5.1 Policy CP-~~1034~~1060-21-~~24~~24 is hereby rescinded.

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## APPROVAL

Mayor: ~~Original signed by Mayor Acker~~      Date: ~~December 2, 2024~~



## **Schedule “A” Reserves**

### **Internally Restricted Reserves**

#### **Municipal Stabilization and Contingency Reserves:**

- R1) Stabilization Operating Reserve
- R2) Snow and Ice Control
- R3) Election and Census Reserve
- R4) Public Safety

#### **Project Reserves**

- R5) Operating Projects
- R6) Capital Projects

#### **Municipal Lifecycle: Repair, Maintenance and Replacement Reserves**

- R7) Life Cycle Plans
  - a) Facilities
  - b) Fleet & Mobile Equipment
    - i. Emergency Services
    - ii. City
    - iii. Public Transit
  - c) Information Technology Equipment
  - d) Parks & Open Spaces
  - e) Fire Services Non-Mobile Equipment

#### **Specific Purpose Reserves**

- R8) Land
- R9) Public Art
- R10) TLC Capital & Equipment Lifecycle

#### **Utility Reserves**

- R11) Water
- R12) Sanitary Sewer
- R13) Stormwater
- R14) Waste Management

## Reserve Schedules

### Municipal Stabilization and Contingency Reserves

<b>Reserve Type</b>	Municipal Stabilization and Contingency
<b>Reserve Name</b>	<b>R1) Stabilization Operating Reserve</b>
<b>Purpose</b>	To preserve cash flow of the organization and allow for emergent spending.
<b>Application</b>	Not intended to be spent unless necessary for emergent reasons; maintains a bank balance for ebbs and flows in the timing of revenues and expenses.
<b>Funding Source</b>	Year-end surpluses as approved by Council.
<b>Optimal Balance</b>	1.5% minimum to 5.0% maximum of preceding annual operating budget.
<b>Interest Bearing</b>	No.

<b>Reserve Type</b>	Municipal Stabilization and Contingency
<b>Reserve Name</b>	<b>R2) Snow and Ice Control</b>
<b>Purpose</b>	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.
<b>Application</b>	Identified requirement for supplement to an operating budget in a heavy snowfall year.
<b>Funding Source</b>	Year-end transfer to reserve of surplus between budget and actual cost on snow removal line items within the budget.
<b>Optimal Balance</b>	Preceding Annual operating budget of Snow and Ice Control.
<b>Interest Bearing</b>	No.

<b>Reserve Type</b>	Municipal Stabilization and Contingency
<b>Reserve Name</b>	<b>R3) Election and Census Reserve</b>
<b>Purpose</b>	To build funds for future elections and census to minimize annual impact on tax.
<b>Application</b>	Municipal election expenditures which occur every four years to minimize tax impact.  Census expenditures which occur every two years to minimize tax impact.
<b>Funding Source</b>	Annual budgeted transfers as approved by Council, which are based on a targeted amount to administer a single municipal election.  Any operating surplus balance remaining after an election or census will be transferred back to this reserve automatically.  Annual transfers or other sources as approved by Council.
<b>Optimal Balance</b>	As needed.
<b>Interest Bearing</b>	No.

<b>Reserve Type</b>	Municipal Stabilization and Contingency
<b>Reserve Name</b>	<b>R4) Public Safety</b>
<b>Purpose</b>	To provide funds for programs, projects or initiatives that will maintain, <del>or upgrade equipment used for the Automated Traffic Enforcement program or</del> would further <u>or</u> enhance safety within the community.
<b>Application</b>	Funds from this reserve can be used to fund operating or capital expenditures for the intended purpose of public safety as included in the budget as approved by Council.
<b>Funding Source</b>	<del>Automated traffic enforcement revenue surplus.</del>  Annual transfer or other sources as approved by Council.
<b>Optimal Balance</b>	No.
<b>Interest Bearing</b>	Yes.

## Project Reserves

<b>Reserve Type</b>	Project Reserve
<b>Reserve Name</b>	<b>R5) Operating Projects</b>
<b>Purpose</b>	To carry forward the funding for specific operating programs and projects where the service or acquisition was not completed or received by year-end but will occur in the following year. The carry forward of these funds ensure that the projects can be completed in the following budget year without impacting the following years tax rate.
<b>Application</b>	Identified operating budget items that remain unexpended in one fiscal year and will be expended in the following fiscal year, as approved by Council following year-end.
<b>Funding Source</b>	Unspent portion of the annual operating budget pertaining to programs or projects being carried forward as approved by Council.  Annual transfer or other sources as approved by Council.
<b>Optimal Balance</b>	As needed.
<b>Interest Bearing</b>	No.

<b>Reserve Type</b>	Project Reserve
<b>Reserve Name</b>	<b>R6) Capital Projects</b>
<b>Purpose</b>	To provide funding for future capital projects, to build tax supported funding for capital programs, and to assist in meeting the funding requirements for existing capital projects.
<b>Application</b>	Capital projects approved through the Corporate Plan and Long-Term Capital Plan and approved by Council.
<b>Funding Source</b>	Annual budget transfers as approved by Council.  Allocation of year-end surplus as approved by Council.  Other sources as approved by Council.
<b>Optimal Balance</b>	As needed.
<b>Interest Bearing</b>	<del>Yes</del> <u>No.</u>

## Municipal Lifecycle: Repair, Maintenance and Replacement Reserves

<b>Reserve Type</b>	Municipal Lifecycle: Repair, Maintenance and Replacement
<b>Reserve Name</b>	<b>R7) Fleet &amp; Equipment Reserves</b>
<b>Purpose</b>	To provide the necessary funds for the scheduled repair, maintenance, and replacement of existing tangible capital assets.
<b>Application</b>	To fund the replacement, refurbishment and maintenance of the City's infrastructure assets as approved through the budget, or as presented to Council to smooth out fluctuation impacts in annual costs. Execution and use of life cycle plans to substantiate the budgeted transfer will be in place to ensure the reserve funds use is optimized.
<b>Funds</b>	<ul style="list-style-type: none"> <li>a) Facilities</li> <li>b) Fleet &amp; Mobile Equipment               <ul style="list-style-type: none"> <li>i) Emergency Services</li> <li>ii) City</li> <li>iii) Public Transit</li> </ul> </li> <li>c) Information Technology Equipment</li> <li>d) Parks &amp; Open Spaces</li> <li>e) Fire Services Non-Mobile Equipment Facilities</li> </ul>
<b><u>Application Funding Source</u></b>	<p>Annual transfers or other sources as approved by Council.</p> <p>Allocation of year-end surplus as approved by Council.</p> <p>Proceeds received from the sale of disposed <del>infrastructure</del> lifecycle assets.</p> <p>Other sources as approved by Council.</p>
<b>Optimal Balance</b>	Optimal balances for each fund within the reserve will be determined thru the execution of life-cycle plans. Plans are reviewed annually as part of the Corporate Planning process.
<b>Interest Bearing</b>	Yes.

## Specific Purpose Reserves

<b>Reserve Type</b>	Specific Purpose
<b>Reserve Name</b>	<b>R8) Land</b>
<b>Purpose</b>	To provide funds for the acquisition of future land for commercial and industrial lands, and for municipal purposes.
<b>Application</b>	To provide funds to purchase land for municipal purposes and service non-residential development.
<b>Funding Source</b>	Sale of properties and City facilities. <del>other than recreation facilities</del> Net proceeds on the disposition of road right of ways.  Annual transfer or other sources as approved by Council.
<b>Optimal Balance</b>	N/A.
<b>Interest Bearing</b>	<del>Yes</del> <u>No</u> .

<b>Reserve Type</b>	Specific Purpose
<b>Reserve Name</b>	<b>R9) Public Art</b>
<b>Purpose</b>	This reserve is established in compliance with Public Art Policy CP-1051-23 to fund Public Art investments within the City.
<b>Application</b>	Per Public Art Policy CP-1051-23
<b>Funding Source</b>	Budgeted transfers as approved by Council.  Allocation of the Year-End Operating surplus as approved by Council.  Donations and fund raising.  Other sources as approved by Council.
<b>Optimal Balance</b>	As needed.
<b>Interest Bearing</b>	<u>No</u> .

<b>Reserve Type</b>	Specific Purpose
<b>Reserve Name</b>	<b>R10) TLC Capital &amp; Equipment Lifecycle</b>
<b>Purpose</b>	To dedicate resources for funding the City's portion of the TransAlta Tri-Leisure Center capital plan.
<b>Application</b>	Annual TLC Capital requisition.
<b>Funding Source</b>	Operating budget dedications.
<b>Optimal Balance</b>	As needed.
<b>Interest Bearing</b>	No.

## Utility Reserves

<b>Reserve Type</b>	Utility Reserves
<b>Reserve Name</b>	<b>R11) Water</b>
<b>Purpose</b>	To fund utility operations and capital projects that have been identified as part of the annual capital budget process, the utility rate model, and approved by Council.
<b>Application</b>	All water operations and capital program.
<b>Funding Source</b>	Transfers to/from the Utility Operating Budgets as approved by Council as part of the annual budget process.  Annual transfer or other sources as approved by Council.
<b>Optimal Balance</b>	As per Utility Rate Model.
<b>Interest Bearing</b>	Yes_

<b>Reserve Type</b>	Utility Reserves
<b>Reserve Name</b>	<b>R12) Sanitary Sewer</b>
<b>Purpose</b>	To fund utility operations and capital projects that have been identified as part of the annual capital budget process, the utility rate model, and approved by Council.
<b>Application</b>	All sanitary sewer operations and capital program.
<b>Funding Source</b>	Transfers to/from the Utility Operating Budgets as approved by Council as part of the annual budget process.  Annual transfer or other sources as approved by Council.
<b>Optimal Balance</b>	As per Utility Rate Model.
<b>Interest Bearing</b>	Yes_



<b>Reserve Type</b>	Utility Reserves
<b>Reserve Name</b>	<b>R13) Stormwater</b>
<b>Purpose</b>	To fund utility operations and capital projects that have been identified as part of the annual capital budget process, the utility rate model, and approved by Council.
<b>Application</b>	All stormwater operations and capital program.
<b>Funding Source</b>	Transfers to/from the Utility Operating Budgets as approved by Council as part of the annual budget process.  Annual transfer or other sources as approved by Council.
<b>Optimal Balance</b>	As per Utility Rate Model.
<b>Interest Bearing</b>	Yes.

<b>Reserve Type</b>	Utility Reserves
<b>Reserve Name</b>	<b>R14) Waste Management</b>
<b>Purpose</b>	To fund utility operations and capital projects that have been identified as part of the annual capital budget process, the utility rate model, and approved by Council.
<b>Application</b>	Waste management operations and capital program.
<b>Funding Source</b>	Transfers to/from the Utility Operating Budgets as approved by Council as part of the annual budget process.  Annual transfer or other sources as approved by Council.
<b>Optimal Balance</b>	As per Utility Rate Model.
<b>Interest Bearing</b>	Yes.