

Lac La Biche County *Policy*

TITLE: Reserve Funds

POLICY NO: FIN-10-008

RESOLUTION: 22.263

EFFECTIVE DATE: January 12, 2010

DEPARTMENT RESPONSIBLE: Finance

NEXT REVIEW DATE: April 5, 2026

POLICY STATEMENT:

A Reserve Policy is a prudent business practice that will improve Lac La Biche County's financial strength, flexibility, cash flow management, and ability to achieve the Council Vision and the Strategic Plan priorities.

Lac La Biche County recognizes the need to maintain and manage the reserve funds that:

1. Minimize the financial exposure of the municipality from unanticipated fluctuations in operating activities,
2. Maintain and improve Lac La Biche County's working capital requirements,
3. Provide for future operating and capital requirements, and
4. Address the overall current and future initiatives of Lac La Biche County.

DEFINITIONS:

Asset Management Program Reserves – A Reserve roll up category for reporting which captures all Reserves that tie to Infrastructure Lifecycle, Maintenance and Replacement of Lac La Biche County tangible capital assets.

Designated Balance - Funding designated to Reserves for a specific purpose, which has not yet been approved by Council to be applied towards specific expenditures.

Fleet and Equipment Replacement Reserve – A Reserve roll up category for reporting which captures all Reserves that tie to Fire, Enforcement Services and Common Fleet of Lac La Biche County tangible capital assets.

Optimal Balance – Where applicable, Reserves will require a minimum or maximum recommended balance for the Reserve. These recommendations will be a formula based on adequate levels to maintain services as determined by departments, endorsed by Senior Management, and approved by Council. Schedule "A" of the policy will provide a listing of the Reserve Descriptions and their recommended formulas, if applicable.

New Infrastructure Program Reserves - A Reserve roll up category for reporting with captures all Reserves that tie to New Infrastructure of Lac La Biche County's tangible capital assets.

Projects Reserves – A Reserve roll up category for reporting which captures all Reserves that tie to the non-cyclical Reserve needs of departments including operating and capital projects.

Redesignation of Reserve Funds – The process to change the purpose of Reserved funds from one Reserve to another.

Release of Reserve Funds – Reserve funds for which the purpose has been fulfilled or changed and is consequently closed. Any funding resulting from the release of a Reserve will be identified for redesignation to another Reserve or general surplus.

Reserve – Reserves are created when funds are set aside (designated) for a future purpose. Funds within a Reserve are restricted and will be applied as outlined in the approved Reserve Description.

Reserve Description – A listing of Reserve Descriptions is found in Schedule “A” of this policy. Each Reserve Description contains the following:

- The overall purpose of the Reserve;
- The source of the Reserve funds;
- When the Reserve can be accessed (the application);
- A reference to Schedule “A” for the Optimal Balance formula, if applicable;
- The duration; and
- Interest entitlement.

Reserve Transaction – The following activity is considered a Reserve Transaction:

- Contributions to the Reserve from internal or external sources
- Withdrawals from the Reserve to fund expenditures
- Redesignation of the Reserve Funds
- Release of the Reserve Funds.

Special Purpose Reserves – A Reserve roll up category for reporting which captures unique Reserves that have a one to one relationship with the Reserve Description.

Stabilization and Contingency Reserves - A Reserve roll up category for reporting which captures all Reserves that maintain funds to aid in stabilizing and smoothing the temporary impact of unforeseen events, or planned fluctuations in activity.

PRINCIPLES:

Lac La Biche County utilizes financial reserves as vehicles by which the impacts of such exposure can be minimized. Reserves are established to meet specific circumstances that have a reasonable likelihood of being realized. Each reserve has a desired maximum amount based upon the objective for the reserve. The requirement for each reserve and their maximum amounts will be reviewed annually, every four years. Attached Schedule A details minimums and maximums for each reserve.

- All Reserves will be administered in accordance with current municipal policies and the Public Sector Accounting Standards.
- All Reserves must fall under an approved Reserve Description. The establishment of a new Reserve, which will require a new Reserve Description, must be approved by Council.
- Reserves will be funded from internal or external sources as defined in the Reserve Descriptions in Schedule A.

As part of the year end process for Reserves that have Optimal Balances, an assessment will be made between the actual designated Reserve balance and the recommended Optimal Balance. Reserves which are lower than their

established Optimal Balance will be considered in the distribution of the annual operating surplus. Reserves which exceed their established Optimal Balance will be considered for Redesignation. Strategies to maintain the Optimal Balance will be addressed through the budget process. Schedule “A” details the formula calculations to be used in determining the Optimal Balance for the reserves that have been identified to require an Optimal Balance.

1. Operating Reserves:

- i. The purpose of maintaining operating reserves is to:
 - a. Meet unexpected operational needs of the County (this may relate to changes in either operating revenues or operating expenditures).
 - b. Smooth out the unpredictable nature of certain expenditures (i.e. weather driven expenditures).
- ii. Withdrawals from Operating Reserves may be made in the following manner:
 - a. Through the annual budget process by Council. Planned budget withdrawals from operating reserves should reflect the purpose for which the reserves have been established.
 - b. Throughout the year as approved by Council. From time to time, the County may be provided with unforeseen opportunities to pursue initiatives for the benefit of the Community for which there may not be a source of funding.
 - c. Through the year-end process if a fiscal year resulted in an operating deficit. The Municipal Government Act requires that any operating deficit must be recovered through adjustments to the municipal operations and/or municipal taxation over a three year period. The availability of reserves provides a cushion against this time requirement. If an operating deficit were to occur, analysis should be completed to determine the cause for the deficit and steps taken to reduce the likelihood of its recurrence.
 - d. Depending on the impact of the withdrawal on the reserve, steps should be taken to replenish to reserve to its desired level over three fiscal years.
- iii. Additions to Operating Reserves may be made in the following manner:
 - a. Through interest earned on investing available reserve funds. When an Operating Reserve has reached its maximum desired level, the account is not required to earn interest. Any return of investment after a reserve has reached its desired level will form part of the County’s general revenue.
 - b. Through annual operating surplus. Administration will present to Council a recommendation for the allocation of any surplus.
 - c. Through special appropriation as approved by Council.
- iv. When a reserve’s balance exceeds its predetermined desired maximum level, planned withdrawal(s) will be included through the annual budget process to systematically return the excess amount to general operations.

2. Capital Reserves:

- i. The purpose of Capital Reserves is to:
 - a. Establish a systematic method of capital equipment/infrastructure replacements that emphasizes the long-term annual expense of equipment/infrastructure rather than sporadic expenditures for equipment.
 - b. Encourage long-term planning for new capital needs and a systematic method of financing for those needs.
- ii. Withdrawals from Capital Reserves may be made in the following manner:
 - a. Through the annual budget approval process by Council. Planned budget withdrawals from Capital Reserves should reflect the purpose and Capital Plans for which the reserves have been established.
 - b. Throughout the year as approved by Council. From time to time, the County may be faced with an unexpended capital need, from which there may not be an alternate source of funding.
- iii. Additions to Capital Reserves may be made in the following manner:
 - a. Through interest earned on investing available reserve funds. Capital Reserves are interest bearing reserves.
 - b. Through capital contributions from external third parties (i.e., capital cost share arrangements, proceeds from disposition of existing assets, etc.).
 - c. Through special appropriation as approved by Council. When a reserve's balance exceeds its pre-determined desired maximum level, funding strategies should be reviewed, and appropriate planned adjustments made in the following year(s) to restore the account to the desired level.

Reporting

Regular reporting on the Reserves will occur through the quarterly management report. The quarterly reporting will indicate the total of Reserves as grouped in the four Reserve roll up categories, and will include the current balance, segregated between Committed Balance and Designated Balance.

"Original Signed"

Chief Administrative Officer

April 7, 2022

Date

"Original Signed"

Mayor

April 8, 2022

Date

SPECIAL NOTES/CROSS REFERENCE: CS-10-008, Schedule A

AMENDMENT DATE: April 5, 2022

LAC LA BICHE COUNTY
FIN-10-008 RESERVE POLICY
“SCHEDULE A”

Reserve Category	Reserve Name	Description	Interest Bearing	Funding/Withdrawal Mechanism	Minimum Level	Optimal Balance
Asset Management Program Reserves	Sidewalk Replacement	To provide funds to assist in meeting future requirements for the replacement, refurbishment and maintenance of sidewalks within Lac La Biche County.	No	Budget Transfers	As per Asset Management Plan	As per Asset Management Plan
Asset Management Program Reserves	Road Resurfacing	To provide funds to assist in meeting future requirements for the replacement, refurbishment and maintenance of roads within Lac La Biche County.	No	Budget Transfers	As per Asset Management Plan	As per Asset Management Plan
Asset Management Program Reserves	Bridge Structure Replacement	To provide funds to assist in meeting future requirements for the replacement, refurbishment and maintenance of bridges within Lac La Biche County. This reserve would supplement current Provincial grant programs	No	Budget Transfers	As per Asset Management Plan	As per Asset Management Plan
Asset Management Program Reserves	Water & Sewer Replacement	To provide funds to assist in meeting future requirements for the replacement, refurbishment and maintenance of Water and Sewer Infrastructure within Lac La Biche County.	No	Budget Transfers	As per Asset Management Plan	As per Asset Management Plan
Asset Management Program Reserves	Cast Iron Water Line Replacement Program	To provide funds to assist in replacing Cast Iron Water Lines.	No	Budget Transfers	As per Asset Management Plan	As per Asset Management Plan
Asset Management Program Reserves	Chipseal Program	To provide funds to assist in Lac La Biche County's annual Chipsealing Program.	No	Budget Transfers	As per Asset Management Plan	As per Asset Management Plan
Asset Management Program Reserves	Natural Gas Infrastructure	To provide funds to assist in meeting future requirements for the replacements, refurbishment and maintenance of Natural Gas Infrastructure.	No	Budget Transfers	As per Asset Management Plan	As per Asset Management Plan
Fleet & Equipment Replacement Reserve	Fire Apparatus replacement	To provide funds for replacement of fire apparatus over \$5000.	No	Budget Transfers	As per Replacement Schedule	As per Replacement Schedule
Fleet & Equipment Replacement Reserve	Enforcement Vehicles replacement	To provide funds for replacement of Enforcement Services equipment over \$5000.	No	Budget Transfers	As per Replacement Schedule	As per Replacement Schedule
Fleet & Equipment Replacement Reserve	Equipment and Vehicles replacement	To provide funds for replacement of Fleet Services equipment over \$5000.	No	Budget Transfers	As per Replacement Schedule	As per Replacement Schedule

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Reserve Category	Reserve Name	Description	Interest Bearing	Funding/Withdrawal Mechanism	Minimum Level	Optimal Balance
Fleet & Equipment Replacement Reserve	IT equipment	To provide funds for replacement of IT equipment over \$5000.	No	Budget Transfers	As per Replacement Schedule	As per Replacement Schedule
Fleet & Equipment Replacement Reserve	Exercise Equipment	To provide funds for replacement of exercise equipment over \$5000.	No	Budget Transfers	As per Replacement Schedule	As per Replacement Schedule
New Infrastructure Program Reserves	Subdivision Road Network	To provide funds to assist in meeting future requirements for upgrading Lac La Biche County's Subdivision Roads.	No	Budget Transfers; other sources approved by Council.	As Needed	As Needed
New Infrastructure Program Reserves	Walking Trails Network Development	To provide funds to assist in meeting future requirements for the expansion of Lac La Biche County's Walking Trail Network.	No	Budget Transfers; other sources approved by Council.	As Needed	As Needed
New Infrastructure Program Reserves	Road Network Upgrades	To provide funds to assist in meeting future requirements for the expansion of Lac La Biche County's road network.	No	Budget Transfers; other sources approved by Council.	As Needed	As Needed
Project Reserves	Operating Carry Over Projects	To fund projects budgeted in current budget but not completed during budget period. This is specific to POI and 3rd party grant programs.	No	Financial Yearend	As Needed	As Needed
Project Reserves	Capital Project	To provide funding for capital multi-year projects that will be undertaken in the future, to build funding for non-annual programs, and to assist in meeting future funding requirements for projects.	No	Budget Transfers; other sources approved by Council.	As Needed	As Needed
Project Reserves	Capital Carry Over Projects	To carry 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, to eliminate the requirement to re-budget or cancel partially completed projects.	No	Financial Yearend	As Needed	As Needed
Project Reserves	Low Income Housing Reserve	To provide funds for the County's Low Income Housing Initiative.	No	Budget Transfers; other sources approved by Council.	500,000	1,500,000
Special Purpose Reserves	Economic Development Fund	This reserve provides funds for municipal economic development projects.	No	Budget Transfers; other sources approved by Council.	As Needed	As Needed
Special Purpose Reserves	Municipal Parks Reserve	To fund public parks, public recreation areas as allowed by section 671(2) of the MGA.	Yes	Financial Yearend; Budget Transfers as approved by Council	As Needed	As Needed

LAC LA BICHE COUNTY
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“SCHEDULE A”

Reserve Category	Reserve Name	Description	Interest Bearing	Funding/Withdrawal Mechanism	Minimum Level	Optimal Balance
Special Purpose Reserves	Resident Response Fund	To allow Council to have access to funding through out the year for one off projects that may not be considered as part of the annual budget process.	No	Budget Transfers; Accumulated Surplus; other sources approved by Council.	500,000	1,000,000
Stabilization and Contingency Reserve	Fire	To offset unexpected obligations for fire control.	No	Budget Transfers; Accumulated Surplus; other sources approved by Council.	100,000	250,000
Stabilization and Contingency Reserve	Building Repair & Maintenance	Any county building unforeseen repair and maintenance needs.	No	Budget Transfers; Accumulated Surplus; other sources approved by Council.	25,000	50,000
Stabilization and Contingency Reserve	Snow & Ice Control	To offset weather related requirements for snow and ice clearing.	No	Budget Transfers; Accumulated Surplus; other sources approved by Council.	100,000	250,000
Stabilization and Contingency Reserve	Water, Sewer, Storm, Natural Gas Services	To offset unexpected obligations for Water, Sewer, Storm, and Natural Gas Services.	No	Budget Transfers; Accumulated Surplus; other sources approved by Council.	100,000	250,000
Stabilization and Contingency Reserve	Emergency Services/Disaster Relief	To offset any disaster related event.	No	Budget Transfers; Accumulated Surplus; other sources approved by Council.	100,000	1,000,000
Stabilization and Contingency Reserve	Stabilization Operating Reserve	To provide funds to offset the future property tax dollar increases in periods of high inflation, to stabilize fluctuations in revenue stream, to address the risk of revenue or expenditure volatility; or losses of revenue; and to ensure the orderly provision of services to citizens. Examples of these contingencies would include, cost downloads from the Province or other government policy changes impacting revenues.	No	Budget Transfers; Accumulated Surplus; other sources approved by Council.	5% Operating Budget	10% Operating Budget