

	<b>City of Lacombe</b> <b>Reserve and Equity Accounts Policy</b>	
	Policy Number:	13/201/01 (2012)
	Approval Date:	July 9, 2012
	Effective By:	July 9, 2012
	Supercedes:	New
	Revision Date:	July 4, 2012
	Review Date:	N/A
	Department:	Corporate Services Department – Financial Services
	Reference:	13/201/02 (2012) Debt Management Fiscal Policy

**Purpose of Policy**

To provide guidelines and appropriate controls to maintain reserve account balances and reserve account contributions.

**Policy Statement**

1. In compliance with this policy and the Municipal Government Act, the establishment of all reserve accounts and the transfers to and from these accounts require Council approval through the budget.
2. The annual capital reinvestment rate will be equal to the ten year rolling average expense for existing capital infrastructure. In addition to the annual 10-year rolling average contribution to preserve the status quo, a capital reserve target balance of \$5,000,000 for unrestricted reserves will be maintained to cover unexpected equipment failures or emergencies and to provide investment income to assist in funding annual capital requirements.
3. One hundred percent of any annual general government surplus will be placed in reserve accounts. Any balance above the target will be applied to significant one-time operating expenses or capital priorities. In the event of a balance below the minimum level, a strategy will be adopted to achieve the minimum level over a period not to exceed three years.
4. Reserve account balances will be reviewed on a periodic basis, with recommendations made to City Council.

**Definitions**

1. Annual General Government Surplus is the excess of revenue over expenses (excluding non-cash expenses i.e. amortization), for general government activities, as consistent with the City's audited financial statements.
2. General Government Expenses are the general government operating expenses consistent with the City's annual audited financial statements for the most recent year (excluding non-cash expenses i.e. amortization).
3. Reserve Accounts represent amounts appropriated from surpluses for designated requirements.
4. Unrestricted Capital Reserves Accounts represents amounts appropriated from surpluses and are not restricted in their use by provincial legislation.

**Procedure**

1. Chief Administrative Officer to:
  - a. Recommend to City Council approval of the establishment of and changes to reserve accounts.
  - b. Recommend transfers to or from reserve accounts through the budget.
  - c. Recommend to City Council a strategy to replenish the capital reinvestment rates if the annual reserve contribution falls below the ten year rolling average for existing infrastructure.
2. Reserve accounts and transfers will be reported and approved through the budget.
3. The Director of Corporate Services will undertake a detailed review of reserve requirements every three years.
4. Interest earnings are intended to be applied to a reserve if there are external requirements based on legislation or agreements. Interest will normally be applied at the City's short-term investment earnings rate.
5. The unrestricted capital reserves shall maintain a minimum balance of \$5,000,000.
6. The target level of capital reinvestment will be equal to the ten year rolling average for existing infrastructure.
7. Any annual general government surplus will be placed in reserve accounts or applied to significant one-time operating expenses or capital priorities.
8. The General Operating Reserve shall maintain a balance equal to one month of general government expenses.
9. Utility Reserve Accounts are self funding supported by utility revenues. Utility Reserves to fund utility based operating deficits and capital requirements only.

\_\_\_\_\_Stephen Christie\_\_\_\_\_

Mayor

\_\_\_\_\_Norma MacQuarrie\_\_\_\_\_

Chief Administrative Officer