

POLICY MANUAL



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Purpose:

To establish consistent standards and guidelines for the management of existing reserves and the establishment of new reserves.

Policy Statement:

Starland County recognizes that a critical component of fiscal stewardship is the establishment of Reserves or Stabilization/Contingency accounts. These accounts provide financial resources to protect against the need to reduce service levels or raise taxes and fees because of a temporary revenue shortfall, items that have large unpredictable variances from year to year, or periodic one-time large expenditures. Reserve funds also provide resources for repairs, replacement, upgrading or construction of capital assets and infrastructure.

Definitions:

Operating Reserves: Operating reserves are those reserves that are generally established to fund one-time expenditures of an operating nature, such as repairs and maintenance, or to provide stabilization to the operating budget.

Capital Reserves: Capital reserves are those reserves that are generally established to fund expenditures of a capital nature including improvements, replacement and construction of assets and infrastructure.

Guidelines:

1. All reserve transactions, reallocations, revisions, and new reserve requests must be approved by Council.
2. All reserves must be fully described and must include a purpose, application, and approval. Unless otherwise stated, all funds are considered committed for the specific purpose as outlined by the reserve.
3. All reserve accounts must be represented in the County's annual financial statements.
4. All reserves must be reviewed annually by the Chief Administrative Officer, Corporate Services Director, and Council to determine if the reserves are still required. When the original intent of the reserve has been met or changed, any remaining amounts in the reserve shall, through an appropriate review and approval process by the CAO and Council, be either returned to surplus or reallocated.
5. Reserves can be funded from internal or external sources, such as:
 - a) Approved budget contributions;
 - b) Annual surplus contributions;
 - c) Government grants; and



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- d) Donations.
6. Departments may submit requests to fund existing or new reserves:
 - a) Through the annual budget process;
 - b) Through unbudgeted revenues; or
 - c) From annual budget surpluses to fund new or ongoing initiatives.
 7. Interest will be paid for those reserves where funding has come from external sources, unless otherwise recommended by the Chief Administrative Officer and approved by Council. Interest may also be paid to those reserves where the future costs (future expenditure of funds) to undertake an initiative or project might be subject to inflation. Interest will be based on the reserve balance at the beginning of the month and calculated at a rate equal to one half percent less than the annualized rate of return on short-term investments.
 8. All expenditures from reserves must have prior approval and be obtained from either the annual budget approval or Council resolution.
 9. Approval to reallocate reserve funds, or approval for inter-reserve transfers or loans, must be obtained prior to occurring from Council.
 10. Expenditures from reserves must not exceed the reserve balance unless it can be demonstrated to Council through financial cash flow projections that future sources of revenues will provide adequate funding to return the reserve to a positive balance.
 11. Reserves will be used so that, in most cases, the County will not need to use long-term financing to complete initiatives. This means that when large future initiatives are known, the County will start building reserve funds over several years to have collected funds in advance to pay for the initiative. However, the need to use long-term financing should not necessarily cause an initiative to be rejected.
 12. Ceiling limits may be established on individual reserves at Council's discretion.

Operating Reserves:

General Municipal – To fund any one-time project in the budget that is typically larger in costs and could cause spikes and subsequent declines in property taxation (i.e. a large non-capital repair).

Operating Contingency – To fund a general operating deficit, or to fund major non-recurring costs relating to various emergency events (i.e. natural disaster, environmental hazards that cannot be anticipated or budgeted for and it is not feasible to absorb the cost of such events within the approved operating budget).



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Capital Reserves:

General Administration – To fund administration building, equipment, technology upgrades and software, and furniture capital costs for major repairs or replacement.

General Fire - To fund fire vehicle or other emergency vehicle costs and to fund major non-recurring costs relating to fire services and equipment.

Public Works Roads and Bridges – To fund capital projects related to road construction and replacement or improvements to bridges that are not funded through provincial grants.

General Equipment Fleet – To fund the replacement of heavy and light-duty equipment as approved by Council.

Water Projects – To fund the replacement or construction of various water projects (i.e. waterlines, water stations, etc) that are not funded through provincial grants.

Land Development – To fund the purchase of land and subdivision and development costs for new land developments within the County, such as country estates or an industrial park.

Recreation – To fund capital costs relating to the recreation areas within Starland County (Starland, Tolman, McLaren Dam and Michichi Dam) such as the electrification of campsites, new wash house and bathroom facilities, playgrounds, camp kitchens, etc.

Capital Contingency – To fund capital cost overruns, or to fund major non-recurring costs relating to various emergency events (i.e. natural disaster, environmental hazards that cannot be anticipated or budgeted for and it is not feasible to absorb the cost of such events within the approved capital budget).