

FIN-001-024: Financial Reserves Policy (Revised)**Report Purpose**

To seek Council approval of FIN-001-024: Financial Reserves Policy, as revised.

Recommendations

1. THAT FIN-001-024: Financial Reserves Policy be approved, as revised.
2. THAT the re-designation of Municipal Reserves (Enclosure 3) be approved.

Council History

November 4, 2008 – Council approved FIN-001-024: Municipal Reserves Policy.

July 8, 2014 – Council approved FIN-001-024: Municipal Reserves Policy, as revised.

Strategic Plan Priority Areas

Economy: Financial reserves contribute to investing and maintaining effective and efficient infrastructure, and facilitate the provision of quality programs and service that residents and businesses value.

Governance: Financial reserves allow for strong fiscal planning and management.

Social: n/a

Culture: n/a

Environment: n/a

Other Impacts

Policy: Pursuant to County Policy GOV-002-021: Mandatory Review of Bylaws and Policies, Strathcona County will periodically review and evaluate all bylaws and policies to ensure that they are timely, effective and appropriate.

Legislative/Legal: n/a

Interdepartmental: All County departments

Summary

Reserves are a prudent business practice to maintain financial strength and allow flexibility for Strathcona County operations and priorities. They are created when funds are set aside for a future purpose. Reserves can be used to purchase one-time items, address emergent requirements, smooth market fluctuations, or save for infrastructure lifecycle maintenance and replacement. All contributions to and funding from reserves continue to require Council approval unless otherwise delegated.

Summary of Proposed Policy Changes:

The updated policy includes the addition of optimal balance formulas and has been reformatted to provide clarity, simplify the reserve reporting, and improve the administration and approval of reserve transactions. The proposed revisions to the Financial Reserves Policy do not significantly change the nature of the policy or the guidance within.

Policy Name – The title of Municipal Reserves has been replaced with Financial Reserves as the policy captures both Municipal and Utilities Reserves.

Definitions – The definitions have been updated to incorporate the addition of Optimal Balance formulas as defined on Schedule "A" and the transition of the Reserve Descriptions presented on Schedule "B".

Guidelines –Guideline 8 has been updated to create a clearer understanding of Optimal Balance formulas.

Reserve Descriptions – The following edits to the Reserve Descriptions have been made:

- Aligned numbering of the Reserve Descriptions into the new structure as presented in Schedule “B”
- Two new Reserve Descriptions have been added:
 - R7) Strathcona Community Investment Program
 - RU3) Utilities Projects Reserve
- Restructured Internal Financing from Municipal Projects to a Special Purpose Reserve
- Collapsed R13) Rural Subdivision Approaches to merge with R5) Infrastructure Lifecycle Reserves
- Edited R8) Public Reserve Trust, 12) Cultural Development Fund and RU4) Utilities Infrastructure Lifecycle Reserve Descriptions
- Edited all Reserve Descriptions to refer to Schedule “A” for Optimal Balance formulas

There are three municipal special purpose reserves and a new utility reserve with optimal balance formulas remaining to be determined, which will be brought forward to Council at a future date.

As a result of restructuring the new reserve policy there are a few redesignations required to align to the new structure. These housekeeping adjustments are reflected in Enclosure 3.

Enclosures

- 1 Municipal Policy FIN-001-024: Municipal Reserves – Revised (with changes incorporated) (Document: 8217884)
- 2 Municipal Policy FIN-001-024: Municipal Reserves – Revised (with changes highlighted) (Document: 8215792)
- 3 Re-designation of Reserve Accounts to align with Reserve description changes (Document: 8217980)
- 4 Draft Reserve Balances Schedule (Document: 8214797)
- 5 PowerPoint (Document: 8215593)