



<b>Approval Date:</b> June 10, 2024	<b>Policy Number:</b> P-12-25-C
<b>Motion:</b> MOTION-24-06-210	
<b>Supersedes:</b> P-12-25-B	
<b>Title:</b> Reserve Policy	

**Purpose**

Reserves provide a source of funding to meet financial contingencies due to unplanned events, to maintain and protect Town infrastructure, and to provide for future infrastructure needs. The objective of this policy is to set guidelines for the maintenance of reserves held by the Town of Peace River. Generally, the Town of Peace River strives to maintain fully funded reserves designated for specific purposes as approved by Council as a component of responsible financial planning for the future.

**Policy**

This Policy applies to all Town departments and committees that fall directly under the Town’s Approved Budget.

1. The Town of Peace River will approve the establishment of specific reserves including the purpose and category of the reserve, the intended source(s) of funding for the reserve, the targeted level of funding for the reserve, and any restrictions upon the reserve’s use. These specifics will be set out in Schedule “A” of this policy, which will be subject to annual review by the Chief Administrative Officer who will make appropriate recommendations to Council through the budgetary process.
2. Council will approve any appropriations to and from reserves as part of the annual budget process.
3. Council will endeavor to make annual contributions where possible with the goal of funding reserves to the targeted level. Contributions to specific reserves will cease once the targeted level for that reserve has been reached.
4. Unbudgeted transfers to and from reserves must be approved by Council, except in cases where a contingency or emergency expenditure is required from a reserve established for that purpose. However, details of any contingency or emergency expenditure will be disclosed to Council at its next meeting after the expenditure.

5. Reserves will be designated as one of the following categories:
  - 5.1. **Discretionary Reserves** are created specifically to finance future expenditures or to establish a contingent reserve to offset extraordinary and unforeseen expenditure requirements or revenue shortfalls.
  - 5.2. **Dedicated Reserves** are those which have received fees, levies, charges, or contributions for a specific purpose, such as reserves funded by off-site levies or those funded by developer's cash contributions in lieu of Municipal Reserve lands. These reserves are created for a specific purpose and are to be used for that purpose. Dedicated reserves must earn interest annually, and those earnings become part of the reserve fund.

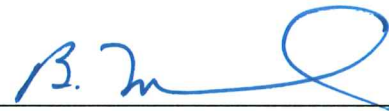
**Schedules**

Schedule "A" is attached and forms part of this policy.



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Elaine Manzer, Mayor



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Barb Miller, CAO

## **Reserve Policy – Schedule “A”**

Annual contributions are made from the Operating Budget or other revenue sources established to various reserves to ensure solid financial planning for future requirements. Maintaining sufficient balances in reserves is a critical component of a municipality’s long-term financial planning as it strengthens the Town’s financial sustainability to meet its long-term needs, minimizes fluctuations in the tax rate, and sustains infrastructure. In general, reserves are restricted to fund the purpose for which the reserve was established. There are two types of reserve funds:

1. Discretionary Reserves are created to finance a future expenditure or to provide for a specific contingent liability so that funds are available as may be required.
2. Dedicated Reserves are those which have received fees, levies, charges, or contributions for a specific purpose, and the reserve funds are used solely for that purpose. Dedicated reserves earn interest annually, and those earnings become part of the reserve fund.

The following section groups the reserves by their intended use.

### Discretionary Reserves

Discretionary Reserves are used to offset unforeseen expenditure requirements, fund one-time extraordinary expenditures and unanticipated revenue shortfalls, and to avoid wide variances of the general tax levy from year to year. The Discretionary reserves established by Council are as follows:

Name of Reserve	Purpose	Source of funding	Targeted balance
Tax-Supported Operating Reserve	To offset any unforeseen expenditure not addressed in specified existing contingency reserves	Contributions from annual operating budget to targeted levels	15% of annual operating budget
Tax-Supported Capital Reserve – Buildings and Engineered Structures	To fund capital purchases of buildings and engineered structures	Contributions from Tax-Supported budget, sale of assets	N/A
Tax-Supported Capital Reserve - Vehicles, Machinery and Equipment	To fund capital purchases of vehicles, machinery and equipment	Contributions from Tax-Supported budget, sale of assets	N/A
Water Capital Reserve	To fund capital purchases relating to the Water Fund	Contributions from surplus generated from Water Fund	As directed by Utility Rate Model
Wastewater Capital Reserve	To fund capital purchases relating to the Wastewater Fund	Contributions from surplus generated from Wastewater Fund	As directed by Utility Rate Model
Storm Sewer Capital Reserve	To fund capital purchases related to the Storm Sewer Fund	Contributions from surplus generated from Storm Sewer Fund	As directed by Utility Rate Model
Solid Waste Operating Reserve	To offset costs associated with unplanned events related to the provision of solid waste services	Contribution from solid waste budget to targeted level	\$250,000
Disaster Recovery Program Reserve	To be used for the municipal portion of funding required to access the Disaster Recovery Program	Contributions from tax-supported operating budget to targeted level	\$200,000

### Dedicated Reserves

Those which have received fees, levies, charges, or contributions for a specific purpose, such as reserves funded by off-site levies or those funded by developer's cash contributions in lieu of Municipal Reserve lands. These reserves are created for a specific purpose and are to be used for that purpose.

Name of Reserve	Purpose	Source of funding	Targeted balance
Public Use Recreation Land Reserve	To provide for public recreational lands	Cash contributions from developers in lieu of municipal reserve land	Not applicable
Museum Acquisitions Reserve	Purchase of special acquisitions and collections for museum	Donations made to museum by private donors	Not applicable
Landfill Post-Closure Reserve	To fund any future costs associated with landfill closure	Contributions set aside from prior years	Not applicable
Off-site Levy Reserve	To fund infrastructure required for new subdivisions	Developer's off-site levies	Not applicable
Neighbourhood Infrastructure Renewal	To fund infrastructure required for existing development	Contributions from annual operating budget via specified tax levy	Not applicable
Safe Communities Initiative	To fund public safety initiatives	Proceeds from traffic enforcement initiatives	Not applicable