



TOWN OF THREE HILLS

POLICY # 530-A1

RESERVES POLICY

Adopted by Council on: June 26, 2023
Resolution No.: 146-2023

1. PURPOSE

- 1.1. The Town of Three Hills recognizes the need to maintain and manage the reserve funds that:
 - 1.1.1. Retain a stable municipal taxation structure, balance the current year deficit, accommodate any emergency type expenditure and for non-budgeted operating items that require funding Council approval during the year;
 - 1.1.2. Maintain and improve the Town's working capital requirements;
 - 1.1.3. Provide funding for vehicles and equipment replacement and continued development of new construction and/or capital repairs of the Town's infrastructures;
 - 1.1.4. Address overall current and future initiatives of the Town.
- 1.2. The purpose of this Policy is to provide guidance with respect to the development, maintenance and use of the Town's Reserve Funds.

2. AUTHORITY

- 2.1. The authority for this Policy is by resolution of the Council of the Town of Three Hills.
- 2.2. The CAO is accountable and responsible for the development, evaluation, and implementation of this Policy.
- 2.3. The CAO reserves the right to exercise appropriate managerial judgement to take such actions as may be necessary to achieve the intent of this Policy.

3. DEFINITIONS

- 3.1. Whenever the singular masculine gender is used in this Policy, the same shall include the feminine and neutral gender whenever context requires.
- 3.2. In this Policy, unless the context otherwise requires:
 - 3.2.1. "Capital Reserves" means reserves established to replace and/or rehabilitate major capital infrastructure assets and fund new capital assets.
 - 3.2.2. "Operating Reserve" means a reserve established to fund one-time expenditures of

an operating nature and used to stabilize budgets with volatile revenue streams.

- 3.2.3. “Reserves” means funds specifically set aside to finance future expenditures which are operating, or capital related and are approved by Council.

4. POLICY STANDARDS

- 4.1. 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.
- 4.2. Accounting principles adopted in respect of reserves will be in accordance with generally accepted accounting principles.
- 4.3. All reserves, as allocated, will be fully funded.
- 4.4. Reports shall be provided to Council regarding committed reserves, as well as the transfer to and transfer from reserves twice per year.

5. RESPONSIBILITIES

- 5.1. Administration:
- 5.1.1. Ensure that all transactions regarding reserves are approved and reported to Council.
- 5.1.2. To transfer funds to and from Reserve Funds as directed by resolution of Council where Council deems that such transfers should occur.
- 5.1.3. Manage reserves in accordance with this policy.
- 5.1.4. Provide reports to Council regarding committed reserves and any transfers to and from reserve funds twice per year.
- 5.1.5. Present in each annual capital and operating budget the transactions necessary to comply with this policy.

6. OPERATING RESERVE GUIDELINES

- 6.1. The purpose of maintaining Operating Reserves is to:
- 6.1.1. meet unexpected operational needs of the Town;
- 6.1.2. to fund planning expenditures during the current budget year when expenses exceed budget allocations;
- 6.1.3. to fund items not fully allocated in the current year’s budget; and
- 6.1.4. to use in an emergency or disaster situation.

6.2. Contribution To

6.2.1. Council approval is required to transfer amounts from operations to Operating Reserves.

6.2.2. Unexpended revenue collected in the current year for a specific purpose may be transferred from operations to Operating Reserves with Council approval.

6.3. Contribution From

6.3.1. Council approval, either by motion or budget approval, is required to transfer funds out of Operating Reserves to operations. Contributions from Operating Reserves may be made with Council approval to match current expenditures made for a specific purpose and for which revenue was previously raised.

6.4. Accumulated Deficit

6.4.1. Where the Town has an accumulated deficit as at the end of a fiscal year, an amount equal to the deficit may be transferred with Council approval from Operating Reserves to bring the accumulated deficit to nil.

7. CAPITAL RESERVE GUIDELINES

7.1. The purpose of Capital Reserves is to:

7.1.1. establish a systematic method of capital equipment/infrastructure replacements that emphasizes the long-term annual expense of equipment/infrastructure; and

7.1.2. encourage long term planning for new capital needs and a systematic method of financing for those needs.

7.2. Contributions To

7.2.1. Contributions to Capital Reserves shall be based on budget approvals or by motion of Council.

7.3. Contributions From

7.3.1. Contributions from Capital Reserves to fund specific capital expenditures and/or specific operating expenses of the current year shall be approved as part of the annual budget process or by resolution of Council, as required. Operating expenses financed from Capital Reserves are normally of a construction or development nature.

8. GENERAL OPERATING RESERVE

8.1. The General Operating Reserve shall be used to:

8.1.1. provide funding for unanticipated operating expenses in the course of providing municipal services;

8.1.2. to provide funding for unforeseen general operating emergency expenses;

8.1.3. to balance the current year deficit; and

8.1.4. for non-budgeted items that require funding and Council approval during the year.

8.2. The Town will strive to maintain a general operating reserve balance to cover two months of typical operating expenses.

9. WATER OPERATING RESERVE

9.1. The Water Operating Reserve shall be used to provide funding for water expenses of an operating nature. Such expenses may include:

9.1.1. operating expenses for the day-to-day operation and maintenance of the Water Treatment Plant;

9.1.2. operating expenses for the maintenance and repair of water meters; and

9.1.3. operating expenses for the day-to-day operation and maintenance of the Town's water supply and distribution network.

10. WASTEWATER OPERATING RESERVE

10.1. The Wastewater Operating Reserve shall be used to provide funding for wastewater expenses of an operating nature such as the day-to-day operation and maintenance of the Town's wastewater network.

11. MILL RATE STABILIZATION RESERVE

11.1. The Mill Rate Stabilization Reserve shall be used to establish dedicated funds that can be used to stabilize the level of municipal property tax increases over future years.

12. CEMETERY PERPETUAL CARE RESERVE

12.1. The Cemetery Perpetual Care Reserve shall be used to provide funds for the improvement, maintenance, management, control, and operation of Town cemeteries once closed for future internments.

13. LANDFILL CLOSURE/POST CLOSURE RESERVE POLICY

13.1. The Landfill Closure/Post Closure Reserve shall be used to provide funds for the closure and post closure liability costs of the Town's Landfill.

13.2. Pursuant to Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include, but are not limited to, final clay cover,

landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. The requirement is being provided for over the estimate of the remaining life of the landfill site based on usage.

13.3. The Town will strive to match the reserve balance to the reported environmental liability.

14. GENERAL CAPITAL RESERVE

14.1. The General Capital Reserve shall be used to provide funding to accommodate current year capital funding requirements that have not been previously established from existing reserves.

14.2. This reserve is intended for use to, at least partially, fund one-time emergent capital projects that require additional funds that exceed the approval annual budget. This may be due to scope changes in work, natural disasters, unique requirements based on ratepayers' requests, reduced funding from other sources (i.e. Government grants) or a dramatic increase in costs due to a one-time special circumstance.

15. ADMINISTRATION BUILDING CAPITAL RESERVE

15.1. The Administration Building Capital Reserve shall be used to provide funds for the capital improvement or replacement of the Town Administration building (i.e. structural improvements, roof replacement, floor coverings, etc.) and major equipment (i.e. electronic data processing hardware, software, printers/scanners, etc.).

16. EMERGENCY SERVICES CAPITAL RESERVE

16.1. The Emergency Services Reserve shall be used to provide funds for the replacement of the Town Fire Hall and other fire infrastructure and equipment within the Town of Three Hills. This reserve fund may also be used for the purchase of fire apparatus.

16.2. This reserve does not include funds for purchasing turn-out gear.

17. TRANSPORTATION CAPITAL RESERVE

17.1. The Transportation Reserve shall be used to provide funds for capital transportation infrastructure needs within the Town. Such needs may include construction, repair, or replacement of arterial roadways including all related appurtenances (i.e. including, but not limited to, sidewalks, asphalt pathways, street lighting, storm sewers, traffic control devices, etc.) or the funding of operations vehicles and equipment.

18. WATER CAPITAL RESERVE

18.1. The Water Capital Reserve shall be used to provide funds for replacement of construction of water supply and distribution systems and networks. This reserve may include:

- 18.1.1. replacement of equipment for the Water Treatment Plant;
- 18.1.2. replacement of equipment for the Water Distribution network (i.e. pumphouse, lift stations, etc.);
- 18.1.3. repairs or replacement of water lines; and
- 18.1.4. repairs, replacement, or construction of other water infrastructure.

19. WASTEWATER CAPITAL RESERVE

19.1. The Wastewater Capital Reserve shall be used to provide funds for replacement or construction of the sewer plant/lagoons and wastewater collection systems/networks.

20. SOLID WASTE CAPITAL RESERVE

20.1. The Solid Waste Capital Reserve shall be used to:

- 20.1.1. fund the lifecycle replacement of capital infrastructure or future capital acquisitions relating to solid waste collection services;
- 20.1.2. fund the lifecycle replacement of capital infrastructure or future capital acquisitions relating to solid waste recycling services; and/or
- 20.1.3. fund the replacement of capital infrastructure or future capital acquisitions relating to the landfill.

21. CEMETERY CAPITAL RESERVE

21.1. The Cemetery Reserve shall be used to fund capital projects relating to Town-operated cemeteries. Such projects may include expansion of a cemetery and repairs, replacements or upgrades to columbaria.

22. LAND DEVELOPMENT RESERVE

22.1. The Land Development Reserve shall be used to purchase and develop lands for the economic development of the Town.

22.2. Proceeds from the sale of Town-owned lands shall go back into this reserve.

23. MUNICIPAL RESERVE

23.1. The Municipal Reserve shall be used to fund capital projects for repair, renovation, renewal or replacement of lands designated as Municipal Reserves, as prescribed in the *Municipal Government Act*.

24. AQUATIC CENTRE CAPITAL RESERVE

24.1. The Aquatic Centre Reserve shall be used to fund capital projects for repair, renovation, renewal, and replacement of the Three Hills Aquatic Centre. This reserve does not include repairs, renovations, renewal or replacement of the Three Hills Splash Park.

25. CENTENNIAL ARENA CAPITAL RESERVE

25.1. The Centennial Arena Reserve shall be used to fund capital projects for repair, renovation, renewal, and replacement of the Three Hills Centennial Arena.

26. CAMPGROUND CAPITAL RESERVE

26.1. The Campground Reserve shall be used to fund capital projects for repair, renovation, renewal, replacement, and/or expansion of the Three Hills Campground.

27. PARKS & PLAYGROUNDS CAPITAL RESERVE

27.1. The Parks & Playgrounds Reserve shall be used to fund the development and/or upgrades of Town parks and playgrounds, including the Three Hills Splash Park, and the purchase and replacement of parks department equipment.

28. COMMUNITY MEMORIAL CENTRE RESERVE

28.1. The Community Memorial Centre Reserve shall be used to fund capital projects for repair, renovation, renewal, and replacement of the Three Hills Community Memorial Centre.

29. LIBRARY CAPITAL RESERVE

29.1. The Library Capital Reserve shall only be used to provide funds for the capital improvement or replacement of the Three Hills Library building (i.e. structural improvements, roof replacement, floor coverings, etc.). This reserve shall not be used for cosmetic capital improvements or replacements.

30. PRIOR POLICY

30.1. This policy repeals:

- Policy 570 – Administration Capital Building Reserve Policy
- Policy 640 – General Operating Reserve Policy
- Policy 650 – Mill Rate Stabilization Reserve
- Policy 660 – Snow Removal Reserve Policy
- Policy 670 – Water/Wastewater Reserve Policy
- Policy 680 – Landfill Closure/Post Closure Reserve Policy
- Policy 690 – Cemetery Perpetual Care Reserve Policy
- Policy 700 – General Capital Reserve Policy
- Policy 710 – Disaster Services Reserve Policy
- Policy 720 – Emergency Services Reserve Policy
- Policy 730 – Transportation Reserve Policy
- Policy 740 – Water Capital Reserve Policy
- Policy 750 – Wastewater Capital Reserve Policy
- Policy 760 – Solid Waste Capital Reserve Policy
- Policy 770 – Cemetery Reserve Policy
- Policy 780 – Land Development Reserve Policy
- Policy 790 – Parks & Playgrounds Reserve Policy
- Policy 800 – Community Memorial Centre Reserve Policy
- Policy 810 – Aquatic Centre Reserve Policy
- Policy 820 – Centennial Arena Reserve Policy
- Policy 830 – Campground Reserve Policy
- Policy 840 – Municipal Reserve Policy
- Policy 850 – Equipment Replacement Reserve Policy
- Policy 860 – Library Capital Reserve Policy

Mayor

Chief Administrative Officer

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