
FINANCIAL RESERVES

Date Issued: July 10, 2017, R149-17

Mandated by: City Council

Current Revision: August 26, 2025, R179-25

Cross Reference:

- Allocation of Operating Budget Surplus Policy FIN-022-C
- Operating and Capital Budgets Policy FIN-024-C
- Management & Financial Reporting Policy FIN-025-C
- Debt Management Policy FIN-028-C
- Service Levels Policy GOV-020-C
- Asset Management Policy GOV-025-C

Next Review: January 1, 2030

Responsibility: Chief Financial Officer

1. PURPOSE

- 1.1 Some primary objectives of the City are to sustain financial viability, provide an adequate level of municipal services, and support the City's long-term capital plan. The City recognizes that an important component for reaching and maintaining these objectives is the establishment of financial reserves.
- 1.2 This Policy establishes consistent standards and guiding principles for the management of existing financial reserves and the establishment of new financial reserves.

2. POLICY

- 2.1 The City shall establish financial reserves and commit funds on an ongoing basis for future funding requirements, stabilization of fluctuations in operating and capital activities, contingency funding, and to reduce the need for debt financing. The City shall manage financial reserves in a responsible manner and use financial reserve funds solely for the specific purpose as approved by Council.

3. DEFINITIONS

- 3.1 *City* – means the municipal corporation of the City of Fort Saskatchewan.
- 3.2 *Committed* – means funds approved by Council to be used towards a specific expenditure.
- 3.3 *Council* – means the municipal Council of the City of Fort Saskatchewan.
- 3.4 *Interest Bearing* – means annual investment income is earned on the financial reserve balance and is retained in the financial reserve.

- 3.5 *Lifecycle* – means the whole life of a tangible capital asset beginning with the identification of the need for a tangible capital asset and ending with the disposal of the tangible capital asset.
- 3.6 *Municipal Operating Budget* – means the same as is defined within the Operating and Capital Budgets Policy (FIN-024-C) and specifically excludes utility operations.
- 3.7 *Optimal Balance* – means, where applicable, a recommended range, minimum and/or maximum, balance for the financial reserve to ensure that the respective balances are not depleted to the degree that those balances are no longer available to serve their intended purposes.
- 3.8 *Reallocation* – means the process to change the purpose of financial reserve funds by transferring the funds from one financial reserve to another.
- 3.9 *Service Levels* – means the same as is defined within the Service Levels Policy (GOV-020-C).
- 3.10 *Uncommitted* – means financial reserve funds that have not yet been approved by Council to be used towards a specific expenditure.
- 3.11 *Utilities Operating Budget* – means a component of the City's operating budget that includes water distribution, wastewater collection, and solid waste services with these specific services provided on a user pay basis, ensuring that users pay the full cost of utility services.

4. FINANCIAL RESERVE CATEGORIES

- 4.1 *Stabilization and Contingency Reserves* – A financial reserve category capturing the financial reserves that are established to provide Uncommitted funds to stabilize the temporary impact of unforeseen, non-recurring, emergent, expenditures or losses of revenue, to maintain Service Levels, and to smooth future tax impacts.
- 4.2 *Projects Reserves* – A financial reserve category capturing the financial reserves that are established to fund operating and capital projects.
- 4.3 *Infrastructure Lifecycle Reserves* – A financial reserve category capturing the financial reserves that are established to fund expenditures for the repair, Lifecycle replacement, or upgrade of City infrastructure, equipment or vehicles. Also, financial reserves established to provide funds to assist in meeting future requirements for the expansion, replacement, refurbishment, and maintenance of utility assets or infrastructure, as well as for capital projects required to meet customer service delivery objectives.
- 4.4 *Specific Purpose Reserves* – A financial reserve category capturing other financial reserves established that have a specific purpose, which is outlined in the financial reserve description.
- 4.5 *Restricted Reserves* – A financial reserve category capturing the financial reserves where allowable uses are established by an authority other than the City, fall under legislative requirements, or are restricted by an agreement with an outside third party.
- 4.6 *Developer Levy Reserves* - A financial reserve category capturing the financial reserves established to hold developer levies collected through developer agreements to fund new assets/infrastructure required due to growth of the City without placing an undue burden on existing City resources.

5. GUIDING PRINCIPLES

- 5.1 All financial reserve transactions shall be approved by Council prior to the transaction occurring.
- 5.2 Each financial reserve description, as shown in Schedule A, shall include the following fields:

- a) financial reserve name;
 - b) financial reserve category;
 - c) overall purpose of the financial reserve;
 - d) source(s) of funding;
 - e) specific use of funds;
 - f) Optimal Balance formula, if applicable;
 - g) duration of the financial reserve; and
 - h) whether or not the financial reserve is Interest Bearing.
- 5.3 Financial reserves shall be funded from either internal or external sources as defined within the financial reserve description (Schedule "A").
- 5.4 Where appropriate, each financial reserve shall be supported by a 10-year projection for receipt and disbursement of funds. These projections shall be updated annually by the appropriate Department as part of the annual budget process. All financial reserves must be presented in the City's annual budget documents as outlined in the Operating and Capital Budgets Policy (FIN-024-C).
- 5.5 Strategies to maintain the Optimal Balance, as applicable, shall be developed and implemented through the annual budget process. When required, an action plan to return a financial reserve back to its Optimal Balance shall be prepared and incorporated into the annual proposed operating budget.
- 5.6 As part of the annual budget process, financial reserves which have an Optimal Balance shall be assessed in comparison to the Uncommitted balance. If the funding source allows for it, financial reserves which exceed their Optimal Balance may be recommended for Reallocation to other financial reserves.
- 5.7 Financial reserves which are lower than their recommended Optimal Balance shall be considered in the distribution of an annual operating budget surplus as part of the year-end process as outlined in the Allocation of Operating Budget Surplus Policy (FIN-022-C).
- 5.8 Interest Bearing financial reserves, as shown in Schedule A, are allocated a portion of the City's annual investment income based on the City's annual rate of return earned on investments. The interest allocation is calculated annually as follows:
- a) Interest Allocation = Average Financial Reserve Balance × Return on Investments;
 - b) If a financial reserve is deemed Interest Bearing, interest is applied to the respective financial reserve; otherwise, interest is applied to operations.
- 5.9 The City's financial reserves shall be reported through the interim and annual reporting processes prescribed within Management & Financial Reporting Policy (FIN-025-C) and as part of the annual budget process.

6. AUTHORITY / RESPONSIBILITY TO IMPLEMENT

- 6.1 It is the responsibility of the Chief Financial Officer (CFO) to administer compliance with this Policy, and for compliance with City bylaws, the *Municipal Government Act*, and other applicable legislation. The CFO is responsible for the administration of the City's financial reserves by reviewing and recommending appropriate financial reserve usage.
- 6.2 It is the responsibility of department Directors to be in compliance with this Policy. Departments must notify the Financial Services Department when financial reserve funding for expenditures is required. Departments will need to partner with Financial Services annually to confirm financial reserve structure and recommended Optimal Balances.

SCHEDULE “A” RESERVES

Internally Restricted Reserves

Stabilization and Contingency Reserves:

- [Financial Stabilization and Contingency Reserve](#)
- [Snow and Ice Removal Reserve](#)

Projects Reserves:

- [Municipal Operating Projects Reserve](#)
- [Utilities Operating Projects Reserve](#)
- [Future Facility Operating Reserve](#)
- [Capital Projects Reserve](#)
- [Land Purchases Reserve](#)

Infrastructure Lifecycle Reserves:

- [Municipal Infrastructure and Equipment Reserve](#)
- [Facility Lifecycle and Maintenance Reserve](#)
- [Utilities Infrastructure and Equipment Reserve](#)

Specific Purpose Reserves:

- [Art in Public Places Reserve](#)
- [Economic Development Reserve](#)
- [Family & Community Support Services Reserve](#)
- [Health, Safety, and Wellness Reserve](#)
- [River Valley Enhancement Reserve](#)

Externally Restricted Reserves

Restricted Reserves:

- [Contributions in Lieu of Municipal Reserve Land Reserve](#)
- [Youth Drug and Safety Education Reserve](#)
- [Fire Waterline Reserve](#)
- [Perpetual Care Reserve](#)
- [Westpark Estates Community Enhancement Reserve](#)
- [Access for Everyone Endowment Reserve](#)

Developer Levy Reserves:

- [Developer Levy Reserve](#)

Reserve Name:	Financial Stabilization and Contingency Reserve
Reserve Category:	Stabilization and Contingency Reserves
Purpose:	A contingency fund for emergent, non-recurring expenditures or loss of revenues that will not be built into the operating budget in future years. As well, to provide funds to smooth future property tax increases during periods of high inflation, revenue or expense volatility, and to stabilize fluctuations in operating activities.
Source of Funding:	1) Allocation of the annual operating budget surplus 2) If deemed appropriate, annual contributions from operations 3) Other sources as approved by Council
Use of Funds:	The funds are not Committed and can be used to protect the City against any unforeseen operating costs or loss of revenues that could cause the City to incur an operating deficit. Funds will be used for stabilizing unbudgeted impacts as a result of unanticipated events. Examples are losses incurred due to increased emergency response costs, unforeseen climactic events, significant declines in revenues, or other items that could result in an overall deficit.
Optimal Balance:	Two months of the City's budgeted operating expenditures.
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	Snow and Ice Removal Reserve
Reserve Category:	Stabilization and Contingency Reserves
Purpose:	To provide funds for emergency use for the snow and ice removal program.
Source of Funding:	1) Unspent portion of funds pertaining to the annual snow and ice removal operating budget as approved by Council 2) If deemed appropriate, annual contributions from operations 3) If deemed appropriate, allocation of the annual operating budget surplus 4) Other sources as approved by Council
Use of Funds:	Major, unforeseen snow and ice events.
Optimal Balance:	One year of the annual snow and ice removal operating budget as approved by Council.
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	Municipal Operating Projects Reserve
Reserve Category:	Projects Reserves
Purpose:	To provide funds for one-time operating projects included in the Municipal Operating Budget as approved by Council.
Source of Funding:	1) If deemed appropriate, annual contributions from municipal operations 2) If deemed appropriate, allocation of the annual Municipal Operating Budget surplus 3) Other sources as approved by Council
Use of Funds:	One-time municipal operating projects that are not specifically funded from other established financial reserves and are not eligible for grant funding. Example projects include, but are not limited to, plans, studies, surveys, public engagements, short-term employment/contracted labour, minor assets, etc.
Optimal Balance:	Five-year historical average of annual one-time municipal operating projects included in the Municipal Operating Budgets as approved by Council.
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	Utilities Operating Projects Reserve
Reserve Category:	Projects Reserves
Purpose:	To provide funds for one-time operating projects included in the Utilities Operating Budget as approved by Council.
Source of Funding:	1) If deemed appropriate, annual contributions from utilities operations 2) If deemed appropriate, allocation of the annual Utilities Operating Budget surplus 3) Other sources as approved by Council
Use of Funds:	One-time utilities operating projects that are not specifically funded from other established financial reserves and are not eligible for grant funding. Example projects include, but are not limited to, plans, studies, surveys, public engagements, short-term employment/contracted labour, minor assets, etc.
Optimal Balance:	Five-year historical average of annual one-time utilities operating projects included in the Utilities Operating Budgets as approved by Council.
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	Future Facility Operating Reserve
Reserve Category:	Projects Reserves
Purpose:	To smooth the tax impact of expected operating costs associated with new City facilities identified within the 10-Year Capital Plan.
Source of Funding:	1) Annual contributions from operations equal to: $\text{Annual Contribution} = \frac{\text{Expected Operating Costs}}{\text{Original Years to Opening}} \times \text{Years Elapsed}$ The budgeted annual contribution will be reallocated in the first year of operations to the correct operating expense lines 2) If deemed appropriate, allocation of the annual operating budget surplus 3) Other sources as approved by Council
Use of Funds:	1) Annual contributions will be reallocated in the first year of operations to fund the operating impact (including debenture costs if applicable) of the new facility. 2) The balance in the financial reserve can be used to fund the capital development of new City facilities, the expansion or major renovation or current facilities, or will be considered for Reallocation to other financial reserves below Optimal Balance.
Optimal Balance:	N/A – The objective of this financial reserve is to meet contribution levels as outlined above.
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	Capital Projects Reserve
Reserve Category:	Projects Reserves
Purpose:	1) To fund capital projects identified in the annual capital budget and 10-Year Capital Plan. 2) Contingency funding for unforeseen capital projects or emergent capital expenditures.
Source of Funding:	1) Annual capital funding from operations 2) Allocation of the annual operating budget surplus 3) Other sources as approved by Council
Use of Funds:	Capital projects or infrastructure investments that are not specifically funded from other established reserves and are not eligible for grant funding.
Optimal Balance:	Five-year historical percentage of total capital expenditures identified in the 10-Year Capital Plan, excluding developer levy funded projects, funded from the Capital Projects Reserve and applied to the first five years of the 10-Year Capital Plan.
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	Land Purchases Reserve
Reserve Category:	Projects Reserves
Purpose:	To fund land purchases or improvements to City land for development and/or sale.
Source of Funding:	1) Proceeds from the sale of land 2) If deemed appropriate, allocation of the annual operating budget surplus 3) If deemed appropriate, annual contributions from operations 4) Other sources as approved by Council
Use of Funds:	1) Purchases of land 2) Costs associated with the purchase or disposal of land (e.g., advertising, surveys, appraisals, real estate commissions, legal costs, subdivision fees) 3) Cost of improvement of City owned land which has not yet been developed or recently purchased land (e.g., fencing, clearing, demolition of buildings, utility servicing costs, or any other expenditure that maintains or increases the value of the land)
Optimal Balance:	N/A
Duration:	Ongoing
Interest Bearing:	No

Reserve Name: **Municipal Infrastructure and Equipment Reserve**

Reserve Category: Infrastructure Lifecycle Reserves

Purpose: To provide funding for the Lifecycle maintenance and replacement of the City's infrastructure and equipment.

Source of Funding: 1) Annual contributions from operations
2) If deemed appropriate, allocation of the annual operating budget surplus
3) Other sources as approved by Council

Use of Funds: Infrastructure Lifecycle maintenance and replacement projects including:

- Annual equipment replacement programs
- Scheduled Lifecycle maintenance of municipal facility components

Optimal Balance: The total Optimal Balance will be the sum of:

• Harbour Pool Infrastructure & Equipment • Culture Equipment & Exhibits • Dow Centennial Centre Infrastructure & Equipment • Fire Equipment • Protective Services Equipment • RCMP Equipment • Transit Equipment • Playground Structures • Information Technology Equipment • Mobile Equipment & Vehicle Fleet • Stormwater Infrastructure	Optimal Balance equals the sum of the proportion of replacement cost of each asset in the asset pool required to reach full replacement value in the replacement year, calculated as follows: $= \sum \frac{\text{Estimated Replacement Cost}}{\text{Original Useful Life}} \times \text{Age of Asset}$ Example: If an asset with an estimated replacement cost of \$100,000 and a 10-year useful life is 3 years old, the Optimal Balance for that asset in year 3 would be \$30,000 $\left(\frac{\$100,000}{10 \text{ Years}} \times 3 \text{ years} \right).$
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Duration: Ongoing

Interest Bearing: Yes

Reserve Name:	Facility Lifecycle and Maintenance Reserve
Reserve Category:	Infrastructure Lifecycle Reserves
Purpose:	To smooth the tax impacts of costs associated with the facility Lifecycle maintenance and replacement program.
Source of Funding:	1) Unspent portion of the scheduled facility Lifecycle and maintenance program within the operating budget as approved by Council 2) If deemed appropriate, allocation of the annual operating budget surplus 3) Other sources as approved by Council
Use of Funds:	Scheduled facility Lifecycle and maintenance projects in excess of the annual facility Lifecycle and maintenance operating budget. Example projects include the repair and replacement of facility components such as roofs and heating/cooling equipment, and other facility maintenance projects.
Optimal Balance:	Two years of the facility Lifecycle and maintenance program within the operating budget as approved by Council.
Duration:	Ongoing
Interest Bearing:	Yes

Reserve Name:	Utilities Infrastructure and Equipment Reserve
Reserve Category:	Infrastructure Lifecycle Reserves
Purpose:	To provide funding for the expansion, replacement, refurbishment, and maintenance of the City's utility infrastructure and equipment.
Source of Funding:	1) Annual contributions from the Utilities Operating Budget equal to at least 3% of the value of the relevant assets (valued at historical cost) for water and sewer and at least 10% of the value of the relevant assets (valued at historical cost) for solid waste 2) Allocation of the annual Utilities Operating Budget surplus 3) Other sources as approved by Council
Use of Funds:	Replacement of the City's utility infrastructure and related equipment identified within the City's asset management plan. These include, but are not limited to: 1) Water transmission and distribution systems 2) Wastewater collection and transmission 3) Solid waste systems
Optimal Balance:	5% of the value of the relevant infrastructure and related equipment (valued at historical cost).
Duration:	Ongoing
Interest Bearing:	Yes

Reserve Name:	Art in Public Places Reserve
Reserve Category:	Specific Purpose Reserves
Purpose:	To provide funds for the purchase and maintenance of City-wide public art. These funds will be used to increase public awareness and appreciation of the arts, stimulate growth of the arts, and to build a civic art collection.
Source of Funding:	1) Annual contributions from operations 2) If deemed appropriate, allocation of the annual operating budget surplus 3) Other sources as approved by Council
Use of Funds:	For the purchase of City-wide public art and the management and maintenance of the public art program. Public artworks can include, but are not limited to: sculptures, paintings, drawings, installations, prints, photography, murals, mosaics, or multi-media projects.
Optimal Balance:	N/A
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	Economic Development Reserve
Reserve Category:	Specific Purpose Reserves
Purpose:	To provide funding for strategic investment that support economic growth in the City by enhancing commercial and industrial areas of the City, and expanding markets through residential, commercial, and industrial development.
Source of Funding:	1) Annual contributions are from 10% of the annual business license fee collected 2) Alberta's Industrial Heartland Association seed funding reimbursement 3) Unused funds from Business Support Grants 4) Other sources as approved by Council
Use of Funds:	Strategic investments that support economic growth in the City by enhancing commercial and industrial areas of the City, and expanding markets through residential, commercial, and industrial developments.
Optimal Balance:	\$750,000; \$500,000 for the Downtown Development Grant program and \$250,000 for future initiatives that support economic development.
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	Family & Community Support Services Reserve
Reserve Category:	Specific Purpose Reserves
Purpose:	Funding can be used for any social project undertaken by the City. This reserve was established in 1991 to help offset the cost of homecare; however, Alberta Health Services has since taken over the homecare program. Funding was provided through the Federal Canada Assistance Plan (CAP) which ended in 1997.
Source of Funding:	Originally funded through the CAP; no annual contributions.
Use of Funds:	Funding can be used for any social project; mentorship programs, youth conferences, guest speakers at community engagements, etc.
Optimal Balance:	N/A
Duration:	Ongoing – Until current funds are disbursed.
Interest Bearing:	No

Reserve Name:	Health, Safety, and Wellness Reserve
Reserve Category:	Specific Purpose Reserves
Purpose:	To provide funds for preventative and proactive health, safety, and wellness programs as part of the City's ongoing commitment to the health, safety, and wellness of employees.
Source of Funding:	1) Alberta Blue Cross account surpluses due to difference in actual benefit claims versus fixed premiums paid 2) Budget surpluses attributable to WCB premiums 3) Other sources as approved by Council
Use of Funds:	1) People Services' initiatives such as leadership development programs, staff events, and one-time benefit enhancements 2) Health and safety initiatives, equipment and safety training programs, and legislative requirements 3) Budget deficits attributable to WCB premiums and to smooth large premium increases 4) Alberta Blue Cross account deficits due to difference in actual benefit claims versus fixed premiums paid
Optimal Balance:	N/A
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	River Valley Enhancements Reserve
Reserve Category:	Specific Purpose Reserves
Purpose:	To provide funding for projects along the river valley. Initial funding for this financial reserve was established in 2004 and came from 50% of the annual calculation as result of the Federal Government reducing the Goods and Services Tax (G.S.T.) rate from 7% to 5%.
Source of Funding:	1) Annual contributions from operations 2) If deemed appropriate, allocation of the annual operating budget surplus 3) Other sources as approved by Council
Use of Funds:	Funds are to be used for river valley enhancement projects.
Optimal Balance:	N/A
Duration:	Ongoing
Interest Bearing:	No

Reserve Name:	Contributions in Lieu of Municipal Reserve Land Reserve
Reserve Category:	Restricted Reserves
Purpose:	To hold money received from developers in lieu of municipal reserve land, school reserve land, or municipal and school reserve land and the interest earned on that money as per Sections 670, 670.1 and 671 of the <i>Municipal Government Act</i> .
Source of Funding:	Money received from developers in lieu of municipal reserve land, school reserve land, or municipal and school reserve land.
Use of Funds:	May only be used for purposes specified in Section 671 of the <i>Municipal Government Act</i> .
Optimal Balance:	N/A
Duration:	Ongoing
Interest Bearing:	Yes

Reserve Name:	Youth Drug and Safety Education Reserve
Reserve Category:	Restricted Reserves
Purpose:	To manage the funds for educational drug awareness and safety programming for youth in the community on behalf of the RCMP.
Source of Funding:	1) Community donations 2) Annual surplus of the Youth Drug and Safety Education program
Use of Funds:	Youth Drug and Safety Education program.
Optimal Balance:	N/A
Duration:	Ongoing
Interest Bearing:	Yes

Reserve Name:	Fire Waterline Reserve
Reserve Category:	Restricted Reserves
Purpose:	To provide funds for future fire waterline construction to the Dow Chemical site.
Source of Funding:	Established with funds received from Dow Chemical in 1981; no annual contributions.
Use of Funds:	Funds have been allocated to the expansion of the water supply system as identified within the Light/Medium Industrial Levy Report.
Optimal Balance:	N/A
Duration:	Ongoing – Until current funds are disbursed.
Interest Bearing:	No

Reserve Name:	Perpetual Care Reserve
Reserve Category:	Restricted Reserves
Purpose:	To provide funding for the perpetual care of the cemetery.
Source of Funding:	1) 100% of regular plot, monument foundation, and columbarium niche revenue 2) If deemed appropriate, allocation of the annual operating budget surplus 3) Other sources as approved by Council
Use of Funds:	For maintenance and capital costs as required to sustain and develop the cemetery.
Optimal Balance:	Present value of perpetual future cash flows determined by dividing annual cemetery maintenance costs by an interest rate (estimated investment yield less estimated inflation rate).
Duration:	Ongoing
Interest Bearing:	Yes

Reserve Name:	Westpark Estates Community Enhancement Reserve
Reserve Category:	Restricted Reserves
Purpose:	Originally established for the purpose of future enhancements to the Westpark Estates Community.
Source of Funding:	Contributions from developers in the Westpark Community as per developer agreements.
Use of Funds:	Enhancements within the Westpark Community.
Optimal Balance:	N/A
Duration:	Ongoing – Until current funds are disbursed.
Interest Bearing:	No

Reserve Name:	Access for Everyone Endowment Reserve
Reserve Category:	Restricted Reserve
Purpose:	The reserve will function as an endowment. The principle will be maintained in perpetuity.
Source of Funding:	Contribution from donors
Use of Funds:	Interest earned will be allocated to the Access for Everyone program to support equitable access to recreation and cultural programs within City facilities.
Optimal Balance:	N/A
Duration:	Ongoing
Interest Bearing:	Yes

Reserve Name:	Developer Levy Reserve
Reserve Category:	Developer Levy Reserves
Purpose:	To assist in financing the City's infrastructure related to growth and development.
Source of Funding:	Developer levies which are collected through developer agreements that establish levy payments for specific projects within Off-site Levy Bylaws.
Use of Funds:	To construct projects identified within Offsite Levy Bylaws.
Optimal Balance:	N/A – Developer contributions rates are set by the City's Offsite Levy Bylaws.
Duration:	Ongoing – Until the build-out of the existing levy lands is complete.
Interest Bearing:	Yes