



POLICY AND PROCEDURE
NAME: FINANCIAL RESERVES POLICY

CITY OF MARTENSVILLE
NUMBER: 111/21

POLICY STATEMENT:

The Financial Reserves Policy is a prudent business practice that will enhance the City of Martensville's financial strength, mitigate current and future risks, , ensure cash flow management, and strengthen the ability to achieve the City's Vision and Strategic Plan priorities.

A Financial Reserve Policy is required to establish, maintain, and manage Reserve funds that:

- Maintain and improve the City's working capital requirements;
- Provide for future funding requirements;
- Provide stabilization for fluctuations in operating and capital activities; and
- Provide for statutory and legal requirements of the Cities Act and/or other legislative requirements.

PURPOSE:

The purpose of this policy is to maintain consistent standards and guidelines for the management of Reserves and execution of Reserve Transactions, and to ensure that all Reserve Transactions are approved by Council and carried out in accordance with Council's approval.

DEFINITIONS:

1. **Infrastructure Lifecycle, Maintenance and Replacement Reserves** – A reserve roll up category for reporting which captures all Reserves that tie to Infrastructure Lifecycle, Maintenance and Replacement of Martensville Tangible Capital Assets.
2. **Optimal Balance** – Where applicable, Reserves will require a minimum and/or maximum recommended balance for the Reserve. These recommendations will be based on adequate levels to maintain services as determined by departments, endorsed by the Administration team, and approved by Council. The Reserve Descriptions will include recommended balances, if applicable.
3. **Projects Reserves** – A Reserve roll up category for reporting which captures all Reserves that tie to the non-cyclical Reserve needs of departments including operating and capital projects.
4. **Redesignation of Reserve Funds** – The process to change the purpose of Reserve funds from one Reserve to another.
5. **Release of Reserve Funds** – Reserve funds for which the purpose has been fulfilled or changed and is consequently closed. Any funding resulting from the release of a Reserve will be identified for redesignation to another Reserve or general surplus.



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6. **Reserve** - Reserves are created when funds are set aside (designated) for a future purpose. Funds within a Reserve are restricted and will be applied as outlined in the approved Reserve Description.
7. **Reserve Description** – A listing of Reserve Descriptions is found in Schedule A of this policy. Each Reserve Description contains the following:
 - a. The overall purpose of the Reserve and when the reserve can be accessed (the application).
 - b. The General Ledger account code for reserve transactions and balances.
 - c. The source of the Reserve funds.
 - d. The Optimal Balance, if applicable.
 - e. The duration; and
 - f. Interest entitlement.
8. **Reserve Transaction** – The following activity is considered a Reserve Transaction:
 - a. Contributions to the Reserve from internal or external sources
 - b. Withdrawals from the Reserve to fund expenditures
 - c. Redesignation of the Reserve Funds
 - d. Release of the Reserve Funds
9. **Special Purpose & Statutory Reserves** – A Reserve roll up category for reporting which captures unique Reserves that have a one-to-one relationship with the Reserve Description. For these Reserves, a policy is in place as referenced in the Reserve Description, or external influences are a factor.
10. **Stabilization and Contingency Reserves** – A Reserve roll up category for reporting which captures all Reserves that maintain funds to aid in stabilizing and smoothing the temporary impact of unforeseen events or planned fluctuations in activity.

GUIDELINES:

1. All Reserve Transactions will be approved by Council.
2. All Reserves will be administered in accordance with current municipal policies and the Public Sector Accounting Standards.
3. All Reserves must fall under an approved Reserve Description. The establishment of a new Reserve, which will require a new Reserve Description, must be approved by Council.
4. Reserves will be funded from internal or external sources as defined in the Reserve Descriptions.



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5. Funding to and from the Reserve will be approved through Council via:
 - a. Existing municipal policies;
 - b. The annual budget process;
 - c. The year-end Reserve request and approval process;
 - d. The approved Reserve Description; or
 - e. Council resolution

6. As part of the year-end Reserve request and approval process, any potential Release of Reserve Funds or Redesignation of Reserve Funds will be identified.

7. As part of the year-end process for Reserves that have Optimal Balances, an assessment will be made between the actual designated Reserve balance and the recommended Optimal Balance. Reserves which are lower than their established Optimal Balance will be considered in the distribution of the annual operating surplus. Reserves which exceed their established Optimal Balance will be considered for Redesignation. Strategies to maintain the Optimal Balance will be addressed through the strategic plan and budget cycles. Reserve descriptions detail the formula calculations to be used in determining the Optimal Balance for the reserves that have been identified to require an Optimal Balance.

8. Interest earnings will be applied to the Reserves which have been deemed interest bearing as indicated in the Reserve Description.

9. Reporting
 - Reporting on the Reserves will occur through the annual budget report and throughout the year as required.
 - The Annual Audited Financial Statements of the City report Reserves within accumulated surplus, along with equity in tangible capital assets and unrestricted surplus (deficit).

COUNCIL ADOPTING RESOLUTION:

July 20, 2021	#181/07202021
September 17, 2024	#200/09172024



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Schedule A – City of Martensville Financial Reserves Listing & Descriptions

Municipal Reserves:

Stabilization & Contingency Reserves:

1. Municipal Operations Contingency Reserve

GL Code:	1-2-240-0560
Purpose & Application:	To provide funds to smooth the future property tax dollar increases in periods of high inflation or high revaluation; to stabilize fluctuations in operating activity; to address the risk of revenue or expenditure volatility; to stabilize the temporary impact of unforeseen, non-recurring, emergent, one-time and intermittent expenditures, or losses of revenue; and to ensure the orderly provision of services to citizens. Examples are unforeseen increases in emergency response costs, unforeseen climatic conditions, losses incurred due to assessment changes/appeals, extraordinary events, or other items that would result in an overall deficit to the municipal operation.
Source of Funds:	a) Budgeted transfers as approved by Council. b) Allocation of the Year-end Operating Surplus as approved by Council. c) Released or redesignated funds from another Financial Reserve. d) Other sources as approved by Council.
Optimal Balance:	Minimum Level: 1% of total operating revenues Maximum Level: 2% of total operating revenues
Duration:	Ongoing
Interest Bearing:	No



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2. *Road Maintenance Services Reserve*

GL Code:	1-2-240-0562
Purpose & Application:	To provide funds to address the risk of unpredictable weather occurrences. In years of singular high-volume snowfalls or multiple snow events, the City has an obligation to maintain safe and clear roadways, regardless of budgeted expenses. Examples are snow contracting services exceeding budgeted expenses or internal staff overtime paid in excess of budgeted amounts.
Source of Funds:	a) Budgeted transfers as approved by Council. b) Allocation of the Year-end Operating Surplus as approved by Council. c) Allocation of budgetary snow clearing savings in years of minimal snow occurrences. d) Released or redesignated funds from another Financial Reserve. e) Other sources as approved by Council.
Optimal Balance:	Minimum Level: \$75,000 Maximum Level: \$100,000
Duration:	Ongoing
Interest Bearing:	No

3. *Information Technology Reserve*

GL Code:	1-2-240-0564
Purpose & Application:	To provide funds to address the current and future Information Technology needs of the City. This reserve will assist in funding both operating and capital needs and will ensure that the City can take advantage of technological/efficiency opportunities that may arise. Examples are emergent equipment/software replacement; planned capital or operating projects that are non-cyclical; offset growth in IT needs due to operational growth.
Source of Funds:	a) Budgeted transfers as approved by Council. b) Allocation of the Year-end Operating Surplus as approved by Council. c) Released or redesignated funds from another Financial Reserve. d) Other sources as approved by Council.
Optimal Balance:	Minimum Level: 75,000 Maximum Level: 100,000



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Duration:	Ongoing
Interest Bearing:	No

4. Legal & Insurance Reserve

GL Code:	1-2-240-0566
Purpose & Application:	To provide funds to address the risk of unexpected or major legal costs that cannot be readily or easily determined in the budget process. This will also provide a source of funds for liability claims not covered in our insurance policies. Examples are unexpected legal advice expenses not included in the operating budget, unexpected insurance claims that are under the City's deductible amounts.
Source of Funds:	a) Budgeted transfers as approved by Council. b) Allocation of the Year-end Operating Surplus as approved by Council. c) Released or redesignated funds from another Financial Reserve. d) Other sources as approved by Council.
Optimal Balance:	Minimum Level: \$20,000 Maximum Level: \$50,000
Duration:	Ongoing
Interest Bearing:	No

5. Policing Reserve

GL Code:	1-2-240-0568
Purpose & Application:	To provide funding for policing capital or operating projects that will be undertaken in the future. The City may also use funds to plan for the increasing policing costs in the future as our population grows. Funds from this Reserve will be used to fund projects for the RCMP as included in the budget approved by Council and/or to be used to assist with future operating needs/growth.
Source of Funds:	a) Annual allocation from the budget plan. b) Surpluses within the RCMP/Policing operating results. c) Other sources as approved by Council.
Optimal Balance:	Minimum Level: 10% of RCMP contract expenditures Maximum Level: 50% of RCMP contract expenditures
Duration:	Ongoing
Interest Bearing:	No



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Infrastructure Lifecycle, Maintenance & Replacement Reserves:

6. Facilities Reserve

GL Code:	1-2-240-0540
Purpose & Application:	To provide funding for current and future City facilities/buildings, including significant rehabilitation/renovation projects, emergent repairs/upgrades, and new buildings as planned in the 5 Year Approved Capital Plan.
Source of Funds:	a) Annual allocation from the budget plan. b) Savings from the annual capital budget spending in this category. c) Other sources as approved by Council.
Optimal Balance:	Minimum Level: TBD Maximum Level: TBD
Duration:	Ongoing
Interest Bearing:	Yes

7. Fleet and Equipment Reserve

GL Code:	1-2-240-0542
Purpose & Application:	To provide funding for current and future City & Water & Sewer vehicles, heavy equipment and all other mobile equipment and machinery as planned in the 5 Year Approved Capital Plan.
Source of Funds:	a) Annual allocation from the budget plan. b) Savings from the annual capital budget spending in this category. c) Other sources as approved by Council.
Optimal Balance:	Minimum Level: TBD Maximum Level: TBD
Duration:	Ongoing
Interest Bearing:	Yes



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8. *Roadway Infrastructure Reserve*

GL Code:	1-2-240-0544
Purpose & Application:	To provide funding for current and future City roadway infrastructure, including but not limited to: Roads, Pathways, Curbs, Gutters and Sidewalks as planned in the 5 Year Approved Capital Plan.
Source of Funds:	a) Annual allocation from the budget plan. b) Savings from the annual capital budget spending in this category. c) Other sources as approved by Council.
Optimal Balance:	Minimum Level: TBD Maximum Level: TBD
Duration:	Ongoing
Interest Bearing:	Yes

9. *Fire Facilities, Fleet, & Equipment Reserve*

GL Code:	1-2-240-0546
Purpose & Application:	To provide funding for capital projects that will be undertaken in the future specifically for the Fire Department as identified in the City's capital plan. Funds from this Reserve will be used to fund projects for the Fire Department as included in the 5 Year Capital Plan approved by Council.
Source of Funds:	a) RM of Corman Park capital funding as outlined in the RM of Corman Park Fire Protection agreement. b) Proceeds from the sale of Fire Department assets. c) Other sources as approved by Council.
Optimal Balance:	Minimum Level: Minimum funds available to fund current year's fire facilities, vehicle and equipment replacements and other capital expenditures. Maximum Level: Maximum funds available to fund the 5 Year Capital Plan for fire facilities, vehicle and equipment replacements and other capital expenditures.
Duration:	Ongoing
Interest Bearing:	Yes



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10. General Capital & Projects Reserve

GL Code:	1-2-240-0548
Purpose & Application:	To provide funding for capital or significant operating projects that will be undertaken in the future. This may include planning studies, engineering and/or architectural plans and other notable and material special projects not tied to a tangible capital asset. Funds from this Reserve will be used to fund projects as included in the budget approved by Council.
Source of Funds:	a) Annual allocation from the budget plan. b) Savings from the annual capital budget spending in this category. c) Other sources as approved by Council.
Optimal Balance:	Minimum Level: 100,000 Maximum Level: no maximum
Duration:	Ongoing
Interest Bearing:	Yes

11. Martensville Recreation Centre (MRC) Reserve

GL Code:	1-2-240-0526
Purpose & Application:	This Reserve will be used to fund expenditures related to the MRC as approved through the annual budget.
Source of Funds:	a) Future Recreation Facility Levy b) Budgeted transfers as approved by Council. c) Allocation of the Year-end Operating Surplus as approved by Council. d) Donations received from Martensville Community Recreation Project (MCRP) or other donors. e) Other sources as approved by Council.
Optimal Balance:	Minimum Level: N/A Maximum Level: N/A
Duration:	Ongoing
Interest Bearing:	Yes



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12. Perpetual Care Funds Reserve

GL Code:	1-2-240-0528
Purpose & Application:	To set aside funds for the long-term care and maintenance of the City of Martensville Cemetery. Funds from this reserve may be used for expenditures related to the City of Martensville Cemetery as approved through the annual budget.
Source of Funds:	This reserve is funded by the percentage of rates/fees charged as outlined in The Cemeteries Bylaw 21-2011.
Optimal Balance:	Minimum Level: N/A Maximum Level: N/A
Duration:	Ongoing
Interest Bearing:	Yes

Special Purpose & Statutory Reserves:

13. Local Improvement Reserve

GL Code:	1-2-240-0500
Purpose & Application:	To set aside funds received by Local Improvement Prepayments to utilize for the corresponding annual debenture payments as outlined in the Local Improvements Act, 1993. Funds shall be transferred annually in accordance with the amortization period defined in the Final Assessment Schedule.
Source of Funds:	This reserve is funded by Local Improvement prepayments as outlined in the Final Assessment Schedule.
Optimal Balance:	Minimum Level: N/A Maximum Level: N/A
Duration:	Ongoing
Interest Bearing:	No



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14. Offsite Development Fees (ODF) Reserve

GL Code:	1-2-240-0502				
Purpose & Application:	<p>This Reserve is established in accordance with the Planning and Development Act, 2007 Section 174, where a municipality shall deposit all development levies and servicing agreement fees received pursuant to sections 171 and 172 into one or more development levy or servicing agreement accounts, separate and apart from other funds of the municipality.</p> <p>These funds shall be used to fund new infrastructure, or the expansion of existing infrastructure required because of development and all other approved uses under Section 174 of the Planning and Development Act, 2007.</p>				
Source of Funds:	All development levies and servicing agreement fees collected from subdivision and development permits.				
Optimal Balance:	<table border="1"> <tr> <td>Minimum Level:</td> <td>N/A</td> </tr> <tr> <td>Maximum Level:</td> <td>N/A</td> </tr> </table>	Minimum Level:	N/A	Maximum Level:	N/A
Minimum Level:	N/A				
Maximum Level:	N/A				
Duration:	Ongoing				
Interest Bearing:	No				

15. Parking Reserve

GL Code:	1-2-240-0504				
Purpose & Application:	<p>To set aside funds received for payments in lieu of parking facilities.</p> <p>The Planning & Development Act Section 61 (2)(c) requires that funds held pursuant to section (1) be expended only for the acquisition, construction, operation or maintenance of parking facilities or the capital costs of a transit system.</p>				
Source of Funds:	Under the Planning & Development Act Section 61 (1) (b), where a development or expansion requires additional parking facilities, Council may instead approve a parking in lieu payment. These payments, when received, must be transferred, and held in a separate reserve.				
Optimal Balance:	<table border="1"> <tr> <td>Minimum Level:</td> <td>N/A</td> </tr> <tr> <td>Maximum Level:</td> <td>N/A</td> </tr> </table>	Minimum Level:	N/A	Maximum Level:	N/A
Minimum Level:	N/A				
Maximum Level:	N/A				
Duration:	Ongoing				
Interest Bearing:	No				



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16. Canada Community Building Fund (CCBF) Reserve

GL Code:	1-2-240-0518
Purpose & Application:	To set aside funds received under the Municipal Gas Tax Fund Agreement.
Source of Funds:	This reserve is funded by allocations received under the Municipal Gas Tax Fund Agreement – Transfer of Federal Gas Tax Revenue Under the Gas Tax Program. Funds from this Reserve must be applied to Eligible Projects, first approved by Council and then by the Ministry of Government Relations via an approved Infrastructure Investment Plan. (IIP)
Optimal Balance:	Minimum Level: N/A Maximum Level: N/A
Duration:	Ongoing
Interest Bearing:	Yes

17. Dedicated Lands Reserve

GL Code:	1-2-240-0536
Purpose & Application:	To set aside funds as per Section 9 of the Dedicated Lands Regulations and Planning & Development Act (2007). Per Section 9 of the Dedicated Lands Regulations, funds from this reserve may only be used for: (a) the purchase of land to be dedicated for public use. (b) the development of public parks and public recreation facilities on existing public reserves, municipal reserves, or environmental reserves within the municipality or within any other municipality. (c) the upgrading or replacement of existing public parks or public recreation facilities on existing public reserves, municipal reserves, or environmental reserves within the municipality or within any other municipality.
Source of Funds:	(a) Sale, lease, or sublease of public reserves, municipal reserves, and environmental reserves or by payment in lieu of municipal reserve dedication. (b) Money in lieu of any of the land required to be dedicated as municipal reserve.
Optimal Balance:	Minimum Level: N/A Maximum Level: N/A
Duration:	Ongoing



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Interest Bearing:	No
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Utilities Reserves:

Stabilization & Contingency Reserves:

18. Utilities Operations Contingency Reserve

GL Code:	1-2-240-0524
Purpose & Application:	<p>To provide funds to smooth the future water rate increases; to stabilize fluctuations in operating activity; to address the risk of revenue or expenditure volatility; to stabilize the temporary impact of unforeseen, non-recurring, emergent, one-time and intermittent expenditures, or losses of revenue; and to ensure the orderly provision of water and sewer services to citizens.</p> <p>Examples are unforeseen increases in emergency response costs, unforeseen climatic conditions, extraordinary events, or other items that would result in an overall deficit to the Water & Sewer operations.</p>
Source of Funds:	<ul style="list-style-type: none"> a) Budgeted transfers as approved by Council. b) Allocation of the Year-end Utility Operating Surplus as approved by Council. c) Released or redesignated funds from another Financial Reserve. d) Other sources as approved by Council.
Optimal Balance:	<p>Minimum Level: 1% of total W& S operating revenues</p> <p>Maximum Level: 2% of total W&S operating revenues</p>
Duration:	Ongoing
Interest Bearing:	No



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Infrastructure Lifecycle, Maintenance & Replacement Reserves:

19. Utilities Fleet Reserve

GL Code:	1-2-240-0582
Purpose:	To provide funding for current and future City Water & Sewer vehicles, heavy equipment and all other mobile equipment and machinery as planned in the 5 Year Approved Capital Plan.
Source of Funds:	a) Annual allocation from the budget plan. b) Savings from the annual capital budget spending in this category. c) Other sources as approved by Council.
Optimal Balance:	Minimum Level: TBD Maximum Level: TBD
Duration:	Ongoing
Interest Bearing:	No

20. Utilities Infrastructure & General Reserve

GL Code:	1-2-240-0584
Purpose & Application:	To provide funding for current and future City Water & Sewer infrastructure, including but not limited to: Water and sewer mains, hydrants, valves, manholes, lagoons and associated equipment, pump stations and lift stations and associated equipment, and all other Water & Sewer infrastructure assets as planned in the 5 Year Approved Capital Plan. This may also include planning studies, engineering and/or architectural plans, and other notable and material special projects not tied to a tangible capital asset.
Source of Funds:	a) Annual allocation from the budget plan. b) Savings from the annual capital budget spending in this category. c) Other sources as approved by Council.
Optimal Balance:	Minimum Level: TBD Maximum Level: TBD
Duration:	Ongoing
Interest Bearing:	No



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Special Purpose Reserves:

21. Wastewater Treatment Levy Reserve

GL Code:	1-2-240-0522
Purpose:	To set aside funds for the future Wastewater Treatment and Drinking Water Distribution Upgrades
Source of Funds:	a) Wastewater Treatment Levy b) Budgeted transfers as approved by Council. c) Allocation of the Year-end Utilities Operating Surplus as approved by Council. d) Other sources as approved by Council.
Optimal Balance:	Minimum Level: N/A Maximum Level: N/A
Application:	Funds from this Reserve may be applied to expenditures for the Wastewater Treatment and Drinking Water Distribution Upgrades project approved in the annual budget by Council
Duration:	Ongoing
Interest Bearing:	No