



TOWN OF SEDGEWICK

RESERVE FUND POLICY

POLICY # 23-11

APPROVAL DATE: APRIL 20TH, 2023

RESOLUTION NUMBER: 2023-46

1. Policy Statement

Maintaining capital infrastructure and financial assets over the long term is a necessity for the Town of Sedgewick. Reserve funds are an important part of keeping the Town sustainable into the future and protecting these funds is a priority for Town Council.

2. Policy Purpose

The purpose of this policy is to establish guidelines for the accumulation, maintenance and use of the Town's reserve funds.

3. Definitions

- 3.1. "Capital reserves" means the portion of unrestricted net assets that the Town maintains, or that Council has designated (or "restricted") for use in maintaining an adequate reserve to acquire, construct, replace or rehabilitate a capital asset as required, and as identified in the Town of Sedgewick Capital Plan.
- 3.2. "Dedicated reserves" means the portion of unrestricted net assets that the Town has collected from developers to fund specific initiatives and/ or projects. The funds may not be used for any other purpose than what they were collected for.
- 3.3. "Depreciation" means the amortization amount of fixed assets, such as buildings and equipment, in order to allocate the cost over its useful life. It is a process of cost allocation and not valuation. Depreciation increases expenses but does not reduce cash.
- 3.4. "Operating expenses" means the annual expenditures to fund regular operations and for greater certainty, do not include transfers from operating to fund capital expenditures, transfers to reserves, internal transfers between departments, and funds expended on non-tangible capital asset.
- 3.5. "Operating reserves" means the portion of unrestricted net assets that the Town maintains, or that Council has designated (or "restricted") for use in:
 - a) emergencies to sustain financial operations for a reasonable period in the event of significant and unanticipated, unbudgeted increases in operating expenses and/ or losses in operating revenues, and/ or

- b) funding budgeted contingencies for non-emergent but unpredictable revenues, volatile expenditures, and unanticipated opportunities and/ or challenges, and/ or
- c) funding for the mitigation of tax rate increases.

3.6. "Program specific reserves" means the portion of unrestricted net assets that the Town maintains, or that Council has designated (or "restricted") for use in specific initiatives or programs for which the funds are collected.

4. Guidelines

- 4.1. All reserve transfers, re-designations, revisions, and new account requests must be approved by Council. Approvals may be in the form of:
 - a) The annual operating or capital budget approval;
 - b) A carryover project that was contained in an approved operating or capital budget; or
 - c) A Council resolution.
- 4.2. Amounts that have been allocated for specific projects that remain unused after the project is completed may be returned to the reserve from which they originated without Council approval.
- 4.3. Draws from reserves must not exceed the fund balance unless it can be demonstrated to Council that future sources of revenue will provide adequate funding to return the fund to a positive balance.
- 4.4. All operating and capital reserve funds must be fully described and include a purpose, source of funding, minimum level, and optimum or target level.
- 4.5. Before creating a new reserve fund, the option of adding an incremental contribution to an existing fund of a like nature will be considered.
- 4.6. The prescribed fund limits will be reviewed by Council at least once each term of office.
- 4.7. At the end of each year, interest will be paid to all reserve funds based on the average balance, calculated as the opening plus closing balances divided by two, and at the annual average interest rate in which the funds are being held.

- 4.8. The Town will maintain reserve funds in accordance with Schedule A.
- 4.9. Program specific reserve funds are intended to accumulate the money collected for specific initiatives or programs stipulated at the time of collection.

5. Responsibilities

- 5.1. Reserve funds will be drawn down only under circumstances specific to the individual reserve fund or by a resolution approved unanimously by Council.
- 5.2. Only Council can approve the drawing down of a fund for operating or capital purposes.
- 6.2. The CAO will review the Reserve Funds Policy at least every term of Council, or sooner if conditions warrant, and provide recommendations for Council approval.
- 6.3. Administration will annually provide Council with actual year end reserve fund balances and a five-year plan of anticipated reserve contributions and draws.

6. Revision/Review History

| Date | Resolution |
|-------------------------------|------------|
| April 20 th , 2023 | 2023-46 |

TOWN OF SEDGEWICK

APRIL 20TH, 2023

DATE

MAYOR

APRIL 20TH, 2023

DATE

CHIEF ADMINISTRATIVE OFFICER

Schedule 'A'

| Fund | Purpose | Source | Minimum Contribution per Budget Year \$ | Fund Reserves Minimum Balance \$ |
|----------------------|--|---|---|----------------------------------|
| General Operating | To fund unanticipated operating or emergency expenditures in the course of providing municipal services. | One time transfers and unbudgeted sources of revenue. | As directed by Council | \$100,000 |
| General Capital | To fund capital projects. | Voluntary Contributions from tax revenue | As directed by Council | \$100,000 |
| PW Equipment | To fund the purchase of capital equipment and fleet vehicles for public works. | Voluntary Contributions from tax revenue | As directed by Council | \$100,000 |
| Recreation Operating | To fund operating initiatives or emergencies in recreation. | Voluntary Contributions from tax revenue | As directed by Council | \$100,000 |
| Recreation Capital | To fund new or emergency capital projects in recreation. | Voluntary Contributions from tax revenue | As directed by Council | \$100,000 |
| Water Infrastructure | To fund capital projects related to the water plant, system or meters. | Water infrastructure fees | As directed by Council | \$300,000 |
| Sewer Infrastructure | To fund capital projects related to the Town's sanitary sewer system, lift stations and lagoons. | Sewer infrastructure fees | As directed by Council | \$300,000 |
| Natural Gas Capital | To fund Sedgewick's portion of capital projects through SKNGS. | Natural gas infrastructure fees | As directed by Council | \$150,000 |
| Cemetery | To fund perpetual care and improvements at the cemetery. | 10% of all Cemetery fees | As directed by Council | None |