



COUNCIL REPORT

Policy C-222: Reserve Fund Policy

Electoral Division: All

File: N/A

Date:	May 28, 2024		
Presenter:	Isedua (Issy) Agbonkhese, Manager, Financial Services		
Department:	Financial Services		
Approved by:	<input checked="" type="checkbox"/> Executive Director / Director	and/or	<input checked="" type="checkbox"/> Chief Administrative Officer

REPORT SUMMARY

This report recommends amendments to *Reserve Fund Policy C-222*.

Recommended changes include a policy name change, appropriate verbiage that describes current practices such as interest allocation criteria and reserve account categorization, and best practices regarding managing reserve funds.

Managing Reserve Funds Policy C-222 outlines the criteria to create, amend, administer, or close a Rocky View County reserve fund. This policy applies to all County reserve funds except those specifically governed by other legislation such as the Public Reserve and the Offsite Levy Reserve. An annual reserve fund account balance is presented to Council as part of the year-end financial statements.

ADMINISTRATION'S RECOMMENDATION

THAT Council approve the amended *Managing Reserve Funds Policy C-222* as presented in Attachment A.

BACKGROUND

On June 13, 2023, Administration presented the 2022 Reserve and Trust Account Report to the Governance Committee in response to Council's inquiry in December 2022 regarding the County's reserve fund balances. Stemming from this report, Administration committed to bringing the *Managing Reserve Fund Policy C-222* with recommended changes for Council consideration as part of its regular policy review process.

Reserve and Trust accounts are established via a council policy or mandated by legislation. Rocky View County establishes reserve accounts to ensure its long-term financial stability and establishes trust accounts for monies resulting in future obligations to external parties. Reserve funds provide financial flexibility, ensure stable and predictable funding, safeguard and optimize existing assets, and provide contingency funding in an emergency of unforeseen expense. Depending on the purpose of a reserve, an average target balance may be established to ensure the viability of the account.

Reserve and Trust accounts are categorized as operating, capital, levy, utilities, or other. Funding for these accounts generally comes from developer levies, user fees, property taxes, donations, grants, and operating surplus. Monies held in a reserve account may be used to manage the County's cash flow or invested as per *Investment Policy C-201*, and the *Municipal Government Act* (MGA). All reserves not funded by property taxes or operating surplus will have interest revenue allocated to the reserve balance yearly.

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ANALYSIS

The recommended changes to the *Reserve Fund Policy C-222* will provide necessary updates to reserve criteria and a more robust policy framework to ensure long-term financial stability and flexibility. A brief listing of the recommended changes are highlighted in the table below.

Notable Change	Rationale
General	
Formatting and template adjustments.	Alignment with current policy standards and visual identity; enhancement of readability.
Updated form to create, amend, administer, or close reserve funds.	Highlight the various activities involved with managing reserve funds.
Additions	
<i>6 Reserves are identified as Capital or Operating, with a specific purpose, regulatory or third party requirement. A new reserve is considered where funds must be internally restricted to serve a predetermined requirement.</i>	Highlights the categorization and the predetermined requirement for the creation of a reserve fund.
<i>7 Reserve account balances are determined based on the purpose of the reserve in question. Each required reserve balance must be substantiated with data evidence that speaks to County obligations necessitating the amounts required.</i>	Speaks to the logic that must be adhered to when funding a reserve.
<i>13 Interest income from reserve fund investing activities will accrue to a specific reserve if the reserve is required by regulation or a third party. Otherwise, all interest income is retained in the County's General revenue account.</i>	Highlights the revenue-generating nature of a reserve account and the methodology on which the revenue generated is distributed.
Deletions	
<p><i>4.3.3 The appropriate County department shall prepare an action plan to return a Reserve back into compliance when a Reserve has been:</i></p> <ul style="list-style-type: none"> <i>a) Overfunded and has exceeded its applicable maximum target balance; or</i> <i>b) Underfunded and does not maintain its applicable minimum target balance.</i> <p><i>4.3.4 The action plan will be reviewed by the County Manager and the General Manager to determine appropriate measures.</i></p> <p><i>4.3.5 Expenditures from reserves must not exceed the Reserve balance unless it can be demonstrated through financial cash flow projections that future sources of revenues will</i></p>	<p>Replaced with:</p> <p><i>7 Reserve account balances are determined based on the purpose of the reserve in question. Each required reserve balance must be substantiated with data evidence that speaks to County obligations necessitating the amounts required.</i></p> <p><i>11 Withdrawals or transfers from a reserve must not exceed the reserve fund balance.</i></p>

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<i>provide adequate funding to return the Reserve to a positive balance.</i>	
<i>4.1.4 Financial Services is responsible for developing accounting procedures for Reserve transactions and providing guidance to departments in complying with the intent of this policy.</i>	Article removed as reserve accounting procedures are determined by Public Sector Accounting Standards (PSAS).

COMMUNICATIONS / ENGAGEMENT

No communication or engagement is required. Updates to Council policies on the County website will continue as they are amended or repealed by Council.

IMPLICATIONS

Financial

There will be no financial impact at this time as Council must approve funding to all reserve accounts through the annual budget approval process or a budget amendment request.

STRATEGIC ALIGNMENT

Section 153(b) of the MGA requires that Councils develop and evaluate policies and programs of the municipality, and section 201(1) states that a municipal council is responsible for developing and evaluating the policies and programs of the municipality.

Key Performance Indicators		Strategic Alignment
Financial Prosperity	FP2: Ensuring County remains financially sustainable for future generations	This reserve policy supports the strategic themes of financial health and prosperity, with a special focus on strengthening our financial resiliency.

ALTERNATE DIRECTION

Administration does not have an alternate direction for Council's consideration.

ATTACHMENTS

Attachment A: Proposed *Managing Reserve Funds Policy C-222*