C-FS-073

Accumulated Surplus – Restricted (Reserves)

Authority: Council

Effective Date: October 26, 2026

Date Approved by Council:

Resolution No.: 158/10/26/RCM

Future Review Date: 2030

Responsibility: Financial Services

References: *Municipal Government Act* Sections 648 and 671, Public Art Policy C-CD-062

Replaces: C-FS-055 - Accumulated Surplus - Restricted (Reserves) (2021)

1.0 Purpose: To outline the Town of Stony Plain's policy establishing standards and guidelines for the management of existing reserves and the establishment of new reserves, to outline the purpose of each reserve and parameters regarding the use of reserves.

2.0 Scope: This policy covers the management of required reserves for all Town operations.

3.0 Definitions:

CAO: means the Chief Administrative officer for the Town of Stony Plain or designate

Town: means the Town of Stony Plain

3.0 Statement

Reserves are a key component to long-term municipal financial sustainability. Having sustainable levels of reserve enables the Town of Stony Plain to:

a) Plan for future operating and capital needs of the municipality
b) Plan for contingencies
c) Help to avoid interest expense for debt
d) Generate investment income
e) Deal with the ebb and flow of cash management throughout the fiscal year

Sustainable reserves result from having policy surrounding their management as well as effective long term planning to determine correct reserve levels. Standards in a reserve policy should support standards in a long-term planning policy and vice-versa.

5.0 Standards

The establishment of a reserve, contributions to a reserve and withdrawals from a reserve, shall be approved by Council through resolution or bylaw in accordance with the *Municipal Government Act*. This may occur either as part of the overall corporate plan review and approval process or by resolution on an as needed basis.

The annual fiscal plan included in the corporate plan document approved by Council shall include separate statements for reserves and provide estimated contributions and withdrawals for the budget period.

Administration of all reserves shall be the responsibility of the CAO or designate.

Reserve Policy Schedules attached to this policy will be developed for each reserve created outlining the following:

a) Type of reserve
b) Reserve name
c) Purpose of the Reserve
d) Source of funding
e) Optimal balance (if appropriate)
f) Application
g) Interest treatment

Transfers to reserves will be restricted to the following sources:

a) Transfers from tax base or budget surpluses as approved by Council.
b) Direct cash receipts such as grants, sale of fixed assets and land, or any other cash receipts as authorized by Council
c) Investment income earned on reserve funds as outlined in the appropriate Reserve Policy Schedules.

Transfers from reserves shall be as outlined within the Reserve Policy Schedules and approved by Council.

Interest earnings are intended to be applied to reserves only if:

a) External requirements are imposed by legislation or agreements; or
b) Required to assist in offsetting the effects of inflation or meeting the stated purpose of the reserve.

The interest rate earned by the reserve will be calculated at the end of the month based on the reserve balance at that date. The interest allocated to reserves is based on the average interest earned on the Town's cash and investments.

When sufficient funds are available, the Town may internally borrow from its reserve funds to provide for the financing of operating and capital projects. Reserves will be repaid with interest as designated by Council through recommendation from administration.

Where appropriate, each reserve will be supported by a ten year projection for receipt and disbursement of funds. These projections will be updated annually as part of the corporate planning process.

When a new Town facility opens, a lifecycle reserve shall be created for that facility.

Reserve levels shall be monitored and where reserves exceed optimal balances, prior to the fiscal year end, transfers to alternative reserves shall be proposed and approved by Council. Efforts to re-evaluate future contributions to those reserves shall be undertaken to avoid future overages, whether by reducing budgeted contributions or user rates contributing to that reserve.

6.0 Reporting

The CAO or designate shall report quarterly to Council regarding reserve levels in accordance with this policy. Reporting on the Town's reserves and the projections regarding contributions and withdrawals from the reserves shall be provided through the annual corporate plan process and current financial statements.

7.0 Policy Review

This policy will be reviewed by Administration every four years with any changes being recommended to Council for approval. This policy must be updated any time a new reserve is proposed to be added to the Town's Reserves.

Reserve Schedules:

1. Stabilization & Contingency
    a. Tax Levy Stabilization
    b. Snow Removal
    c. Golf Operations
    d. Cemetery Stabilization
2. Project
    a. General Purpose
    b. Legacy
    c. Policing and Public Safety
    d. Health and Safety
    e. Art in Public Places
    f. Public (In Lieu)
3. Infrastructure Lifecycle, Rehabilitation and Replacement
    a. Lifecycle
    b. Capital Equipment Replacement

    c. Roads
    d. Trails
    e. Art Preservation
4. Utility
    a. Water
    b. Wastewater
    c. Storm
    d. Waste Management
    e. Utility Rate Stabilization

1. Stabilization & Contingency Reserves

Schedule 1A - Tax Levy Stabilization	
Type	Operating Reserve
Purpose	This reserve is established to preserve cash flow and allow for emergency spending to avoid volatile tax increases. The reserve also supports one time projects to support tax smoothing and eliminate tax spikes.
Source of Funding	• Portion of the annual operating surplus based on administration recommendation; • Any other unexpected revenue received by the Town and designated by Council to be deposited in the reserve; • Transfer of funds from the tax base as approved through the corporate plan.
Optimal Balance	5% of municipal operating expenses
Application	Transfers from this reserve shall be used to offset expenses associated with extreme events, one time projects, revenue or expense volatility, or any other one time inclement event.
Interest Bearing	As the predominant source of these funds is the general fund of the Town, reserves are non-interest bearing.

Schedule 1B - Snow Removal	
Type	Operating Reserve
Purpose	This reserve was established to offset deficits as a result of excessive snowfall.
Source of Funding	Surplus funds remaining in the snow removal budget at the end of the fiscal year are transferred into reserve for use in subsequent years.
Optimal Balance	Equivalent to expense of one snow removal.
Application	This reserve shall be used for funding budget shortfalls in the snow removal account. This reserve can only be used for operating purposes.
Interest Bearing	As the predominant source of these funds is the general fund of the Town, reserves are non-interest bearing.

Schedule 1C – Golf	
Type	Operating Reserve
Purpose	This reserve was established to offset unpredictable/uncontrollable operational deficits and future operational enhancements.
Source of Funding	Surplus funds remaining in the golf budget at the end of the fiscal year are transferred into reserve for use in subsequent years.
Optimal Balance	Equivalent to 5% of operational expenses.
Application	This reserve shall be used for funding budget shortfalls in the golf program. This reserve can only be used for operating purposes.
Interest Bearing	As the predominant source of these funds is the general fund of the Town, reserves are non-interest bearing.

Schedule 1D – Cemetery	
Type	Operating Reserve
Purpose	This reserve was established to offset unpredictable/uncontrollable operational deficits and future operational enhancements as well as rate stabilization.
Source of Funding	Surplus funds remaining in the cemetery budget at the end of the fiscal year are transferred into reserve for use in subsequent years.
Optimal Balance	Equivalent to 5% of operational expenses.
Application	This reserve shall be used for funding budget shortfalls in the cemetery program. This reserve can only be used for operating purposes.
Interest Bearing	As the predominant source of these funds is the general fund of the Town, reserves are non-interest bearing.

2. Project Reserves

Schedule 2A - General Purpose	
Type	Operating or Capital Reserve
Purpose	These reserves are established to offset tax fluctuations associated with cyclical operating projects. This reserve may also be used for general capital

	purposes such as purchase of land, construction of new facilities, internal borrowing or any other capital purpose designated by Council.
Source of Funding	• Portion of the annual operating surplus based on administration recommendation; • Any other unexpected revenue received by the Town and designated by Council to be deposited in the reserve; • Transfer of funds from the tax base as approved through the corporate plan.
Optimal Balance	Five (5) year average of operating projects plus designated use projects based on contributions.
Application	Transfers from this reserve shall be used to offset expenses associated with cyclical expenditures and/or operating costs which are recurring every 2-4 years rather than annually preventing unnecessary spikes in revenue requirement for the operating budget. For example, expenditures for election, census, compensation surveys, banners, plans & studies, and the Council technology allowance.
Interest Bearing	As the predominant source of these funds is the general fund of the Town, reserves are non-interest bearing.

Schedule 2B – Legacy	
Type	Operating Reserve
Purpose	The legacy reserve exists to generate interest income to be used to fund projects/groups within the community that make requests to Council for funding from time to time. The reserve is intended to grow and generate progressively increasing amounts of interest to be used for funding community requests in the annual budget process.
Source of Funding	Transfer of funds from the tax base as approved through the corporate plan. Interest earned on the reserve through the Town investment portfolio.
Optimal Balance	No optimal balance required.
Application	75% of the interest earned in one year will be used to fund community group requests or community projects in the following budget year. The principal portion of the reserve is not intended to be spent.
Interest Bearing	Interest will accrue to the reserve and be used to fund projects and requests as noted above.

Schedule 2C - Policing and Public Safety	
Type	Operating Reserve
Purpose	This reserve is established to provide emergency funds for the costs of a major crime investigation and/or to pay for specific policing and public safety initiatives.
Source of Funding	Automated Traffic Enforcement revenues. Interest earned on the reserve through the Town's investment portfolio.
Optimal Balance	No optimal balance required.
Application	This reserve can be used for operating or capital purposes as long as the expenditure is for a policing or public safety initiative.
Interest Bearing	Interest will accrue to the reserve to ensure that all revenues flowing from Automated Traffic Enforcement are used for policing and public safety initiatives.

Schedule 2D - Health and Safety	
Type	Operating Reserve
Purpose	This reserve is established to provide funds for enhancing the Town of Stony Plain health and safety program and to pay for health and/or safety initiatives that arise from time to time. When necessary, this reserve can be used for capital purposes.
Source of Funding	Workers' Compensation Board (WCB) Safety Rebates and Personal Injury Reduction awards. Interest earned on the reserve through the Town's investment portfolio.
Optimal Balance	No optimal balance required.
Application	This reserve can be used for operating or capital purposes as long as the expenditure is for an employee health and/or safety initiative.
Interest Bearing	Interest will accrue to the reserve to ensure that all revenues flowing from success in employee health or safety programs are re-routed back to ongoing health or safety program improvement.

Schedule 2E – Art in Public Places	
Type	Operating Reserve
Purpose	This reserve is established in compliance with Public Art Policy C-CD-062 to fund future art projects within the Town.
Source of Funding	Per C-CD-062 Public Art Policy.
Optimal Balance	No optimal balance required.
Application	Per C-CD-062 Public Art Policy.
Interest Bearing	As the predominant source of these funds is the general fund of the Town, reserves are non-interest bearing.

Schedule 2F - Public (in lieu)	
Type	Capital Reserve
Purpose	This reserve is established to collect funds from developers who are unable to provide sufficient land for municipal reserve in new developments as required in section 671 of the *Municipal Government Act.*
Source of Funding	Cash contributions from developers in lieu of providing municipal reserve land. Interest earned on these funds through the Town's investment portfolio.
Optimal Balance	No optimal balance required.
Application	As outlined in section 671 of the Municipal Government Act, municipal reserve land and funds may be used by a municipality or school authority or them jointly, only for any or all of the following purposes: a) A public park; b) A public recreation area; c) School authority purposes; d) To separate areas of land that are used for different purposes.
Interest Bearing	As outlined in section 671(4) of the *Municipal Government Act*, the interest earned on these funds must be accounted for and remain with the fund, so this reserve is interest bearing.

3. Infrastructure Lifecycle, Rehabilitation and Replacement Reserves

Schedule 3A - Facility Lifecycle	
Type	Capital Reserve
Purpose	To provide funding for the capital upgrading of the following facilities based on a Lifecycle plan: • Public Works Buildings • Arena • Pool • Community Center • Heritage Park/Pavilion • Parkland Building • Town Office • Fire Hall • Youth Center • Outdoor Recreational Facilities • Golf Course • Parkland Search and Rescue (PSAR) Building • RCMP Building • Library • Recreation Facility
Source of Funding	Transfer of funds from the tax base as approved through the corporate plan.
Optimal Balance	Equivalent to 10-year average lifecycle plan.
Application	These reserves may be spent on expenditures of a capital or operating nature outlined in the lifecycle plan for each facility and approved through the corporate plan.
Interest Bearing	As the funding for these reserves stems from the general fund, reserves are non-interest bearing.

Schedule 3B - Capital Equipment Replacement	
Type	Capital Reserve
Purpose	Fire Equipment Replacement: these reserves are established to provide funds for the future replacement of the Town's fire trucks and fire equipment as outlined in the Capital Plan. Capital Equipment Replacement: this reserve is established to provide funds for the future replacement of Town equipment primarily required in the Town's operations area.

	Technology Replacement: this reserve is established to provide funds for the future replacement of the Town's technology infrastructure and systems.
Source of Funding	Transfer of funds from the tax base as approved through the corporate plan.
Optimal Balance	Equivalent to 10-year average capital replacement plan.
Application	These reserves may be spent on expenditures of a capital or operating nature outlined in the replacement plans for each area and approved in the capital or operating budget. Where equipment is purchased and determined to be an operating expenditure, the reserves can be used for operating purchases.
Interest Bearing	As the funding for these reserves stems from the general fund, reserves are non-interest bearing.

Schedule 3C – Roads	
Type	Capital Reserve
Purpose	This reserve is established to fund major repair and rehabilitation of existing roads.
Source of Funding	Transfers of funds from the tax base as approved through the corporate plan.
Optimal Balance	Equivalent to 2% of historical capital cost.
Application	These reserves may be spent on expenditures of a capital nature in keeping with the purpose of the reserve as approved in the annual capital budget.
Interest Bearing	As the funding for these reserves stems from the general fund, reserves are therefore non-interest bearing.

Schedule 3D – Trails	
Type	Capital Reserve
Purpose	This reserve is established to fund rehabilitation, replacement and enhancement of trail systems within the Town.
Source of Funding	Transfers of funds from the operating budget as approved through the corporate plan.
Optimal Balance	Equivalent to 2% of historical capital cost.

Application	These reserves may be spent on expenditures of a capital or operating nature in keeping with the purpose of the reserve as approved in the annual capital budget.
Interest Bearing	As the funding for these reserves stems from the general fund, reserves are therefore non-interest bearing.

Schedule 3E - Art Preservation	
Type	Operating Reserve
Purpose	This reserve was established to fund art preservation expenses.
Source of Funding	Funded by transfers from the operating budget and/or donations.
Optimal Balance	10-year average lifecycle plan
Application	These reserves are to be used for the ongoing preservation of existing art, for subsidization of the future cost of a new art. This reserve may be used for operating or capital purposes.
Interest Bearing	As the predominant source of these funds is the general fund of the Town, reserves are non-interest bearing.

4. Utility Reserves

Schedule 4 A, B, C & D - Water, Wastewater, Storm and Waste Management	
Type	Capital Reserve
Purpose	These reserves are established to provide funds for the rehabilitation and replacement of existing equipment and infrastructure related to water, wastewater, storm, and waste management systems for the purposes of providing utility services. They can be used for selected operating costs as well if they are identified in an approved budget and contribute to the ongoing successful operation of the utility or waste management program.
Source of Funding	Water: transfer of funds from the Water operating budget. Wastewater: transfer of funds from the Wastewater operating budget. Storm: transfer of funds from the Storm operating budget.

	Waste Management: transfer of funds from the Waste Management operating budget.
Optimal Balance	Equivalent to 2% of historical capital cost.
Application	These reserves may be spent on expenditures of a capital or operating in nature in keeping with the purpose of the reserve as approved in the annual budget and the Water, Wastewater, and Storm System Capital Plan and the Waste Management Capital Plan.
Interest Bearing	Interest will accrue to the reserves to ensure that all revenues flowing from the utilities are available to fund future needs of the utility. These reserves are interest bearing.

Schedule 4 E – Utility Rate Stabilization	
Type	Operating Reserve
Purpose	This reserve is established to maintain stable utility rates and support one time projects and deficits to absorb short-term utility operating budget fluctuations. This reserve ensures utilities remain self sustaining without pulling resources from the tax supported mechanisms.
Source of Funding	Utility surplus due to operations annually.
Optimal Balance	1% of annual operating budget
Application	Transfers from this reserve shall be used to offset expenses associated with extreme events, revenue or expense volatility, or any other one time inclement events or projects to maintain stable utility rates. This reserve can be used as a rate smoothing mechanism to mitigate significant changes in the utility's annual requirements.
Interest Bearing	As the predominant source of these funds is the utility rates, reserves are non-interest bearing.