

	Reserve Policy
	Council Approved
	Finance (FN) #1301
	Approved August 19, 2025
	Next Review Date August 19 2028

1.0 POLICY STATEMENT

- 1.1 Healthy reserve balances will ensure the Town of Hinton is positioned to execute infrastructure rehabilitation needs respond quickly to opportunities or emergencies and may provide relief from significant economic fluctuations.
- 1.2 All reserve transactions will be in accordance with Public Sector Accounting Standards, and Generally Accepted Accounting Principles and viewed annually by external auditors.

2.0 PURPOSE

- 2.1 The purpose of this policy is to ensure principles are in place for the appropriate oversight of reserves that aim to provide the financial resources needed to maintain a viable, sustainable community.
- 2.2 This policy establishes the objectives for reserves and reserve funds, standard of care and delineates the responsibilities for their management and administration.
- 2.3 The primary objectives for reserves and reserve funds shall be:
 - 2.3.1 Adherence to statutory requirements.
 - 2.3.2 Provide guidance to staff and Council to assist in decision making.
 - 2.3.3 Provide a financial safety net to address unanticipated financial needs.
 - 2.3.4 Provision for major capital projects and major rehabilitation needs on existing assets.
 - 2.3.5 Smooth extraordinary fiscal pressures or to soften volatility in tax rates.
 - 2.3.6 Support the organization's ability to respond quickly to opportunities or emergencies.

3.0 SCOPE

- 3.1 This policy applies to the Town's Elected Officials and Town Staff.
- 3.2 This policy identifies three methods of funding for reserves.
 - 3.2.1 Through any annual operating surplus confirmed by external auditor.
 - 3.2.2 Through allocation of investment income during the operating year.
 - 3.2.3 Through annual budget process.
- 3.3 Council determines strategic priorities and assigns a percentage of growth to each over-arching category.
- 3.4 Percentage assigned, indicates what allocation of annual investment income and year end surplus (if any) is awarded to the overarching category.

- 3.5 Interest and surplus allocations to funds under the overarching category will be done on a percentage basis based on balances in the sub-funds.

4.0 RESPONSIBILITIES

4.1 Council

- 4.1.1 Mitigate Corporate Risk through the effective management of Town Reserves and Reserve Funds.
- 4.1.2 Authority to create, amend and close reserves.
- 4.1.3 Approve transfers to and from restricted reserves through budget process.
- 4.1.4 Be advised of the transfers to and from the General Municipal Reserve which shall be managed administratively by the Corporate Services Director or their designate.
- 4.1.5 Council to approve any restrictions or conditions placed on any reserves.
- 4.1.6 Council may approve re-direction of funds from one reserve to another to fund emergent needs within municipal operations.
- 4.1.7 Council to set over-arching allocations forming the initial framework for this policy.

4.2 Administration Leadership

- 4.2.1 Manage the transfers to and from the General Municipal Reserve, reporting activity to Council upon completion of annual audit and closure of year end.
- 4.2.2 Corporate Services, in alignment with department directors, will manage each reserve in accordance with the reserve's purpose ensuring any restrictions or conditions placed on the reserve are adhered to.
- 4.2.3 Revenue sources for reserves and expenditures funded by reserves will be planned within Town budgets.
- 4.2.4 A reserve report will be prepared and presented to Council two times each year with one time following the annual audit and the second time in conjunction with annual budget presentation.
- 4.2.5 Allocate investment interest to the reserves based on the framework composition. (4.1.7)
- 4.2.6 Allocate any surplus identified through year end audit process on the framework composition last approved by Council.
- 4.2.7 Manage reserve plan to determine and achieve appropriate reserve fund balances as identified as best practice for needs of community:
 - a) Asset Management: \$40,800,000, equates to three years of infrastructure funding as identified in asset management plan.
 - b) Municipal Reserve: \$4,700,000, unrestricted operating reserve equates to two months operating expenditures available if faced with an emergent event.
 - c) Risk and Mitigation Reserve: \$5,500,000, funds in place to respond to emergent event before other government or insurance funding is provided to cover costs.

- 4.3 Communications Service Unit
 - 4.3.1 Direct any questions from the public regarding reserves to the Corporate Services Director.
- 4.4 Employees
 - 4.4.1 Plan for capital projects and long-term reserve funding needs, ensuring allocations to and from reserve funds are clearly identified during annual budget process and approved by department director.
 - 4.4.2 Always request approval from Council prior to using reserve funding for any projects initiated outside of normalized budget process.

5.0 RELATED MATTERS & REFERENCES

- 5.1 Town of Hinton Strategic Plan 2022-2026
- 5.2 Procurement Policy FN-1300
- 5.3 Annually approved Capital and Operating Budgets

6.0 DEFINITIONS

- 6.1 **Administration Leadership:** The Chief Administrative Officer and Department Directors employed by the Town of Hinton.
- 6.2 **Chief Administrative Officer (CAO):** The person appointed by Council to the position of chief administrative officer of the Town of Hinton, or their designate
- 6.3 **Council:** The municipal Council of the Town of Hinton, including the Mayor and six Councillors.
- 6.4 **Department:** The groupings of like services within the Town of Hinton, including Corporate Services, Community Services, and Development & Infrastructure Services, each led by a director.
- 6.5 **Director:** The head of a Department of the Town of Hinton.
- 6.6 **Employee:** Any person that is directly employed, on a full-time or part-time basis, whether union or salaried, with the Town of Hinton.
- 6.7 **Member:** An official elected to Town Council including the Mayor, as well as members appointed to Council Committees or other bodies established by Council.
- 6.8 **Reserve Framework:** Pre-defined structure approved by Council.
- 6.9 **Restricted Reserves:** Funds set aside for a specific future project, or as a contingency for excess costs in a specific area.
- 6.10 **Third Parties:** All contractors and partners associated with the Town of Hinton.
- 6.11 **Town:** The municipal corporation of the Town of Hinton
- 6.12 **Unrestricted Reserves:** Funds set aside for unexpected expenses incurred at a later time.
- 6.13 **West Yellowhead Regional Waste Management Authority:** As a regional member of the authority, Town of Hinton assumes potential liability for proportionate share of operating and capital costs. These amounts are reflected in the reserve schedule as monies, available when legally required to provide.

7.0 APPENDICES, PROCEDURES, & FORMS

7.1 Budget control documents, (capital project plan, operating business case)

8.0 REVISION CONTROL

8.1 This Policy must be reviewed every 3 years.

8.2 Upon Council approval, all former versions of this Policy are hereby rescinded.



Mayor



Chief Administrative Officer