

POLICY 25-26

FINANCIAL RESERVES

DATE OF ADOPTION:	December 16, 2025	MOTION NUMBER:	#25/12/199
DATE OF AMENDMENT:		DEPARTMENT:	Corporate Services

PURPOSE

To establish a policy that supports and assists with long term financial stability and financial planning for the Town of Vermilion.

DEFINITIONS

Administration is the administrative Employees of the Town of Vermilion.

CAO is the Chief Administrative Officer for the Town of Vermilion.

Member of Council an individual elected to office pursuant to the Municipal Government Act (MGA) RSA 2000, c M-26. who serves as an elected official for the Town of Vermilion.

Reserve means funds set aside and intended for a future purpose.

Town is the Town of Vermilion in the Province of Alberta.

SCOPE

This policy applies to All Members of Council and Administration

TASK	TITLE OR DEPARTMENT OF PERSON RESPONSIBLE
APPROVAL OF POLICY & AMENDMENTS	Council
HANDLING INQUIRIES & COMMUNICATING POLICY	Chief Administrative Officer
MONITORING REVIEWS & IMPLEMENTATION	Chief Administrative Officer

GUIDING PRINCIPLES

Reserve Creation, Closure or Amendment

- 1) The creation of a new reserve or amendment of an existing reserve must be authorized by Council.
- 2) Reserves are outlined in Schedule A of this Policy, and subject to Council input and amendments as approved via Council motion.
- 3) An existing reserve that has depleted its funds and Administration identifies as no longer necessary can be closed by Administration without Council approval.

Reserve Transactions

- 4) All reserve transactions shall be authorized by Council in any of the following forms:
 - a) The annual operating or capital budget;
 - b) Separate budget amendments; or
 - c) By Council resolution.
- 5) The CAO Contingency Reserve shall be exempt from Section 4.
- 6) Reserves are at the discretion of Council, often as part of an overall strategy for funding programs for projects.
- 7) Reserves are segregated and restricted for specific purposes. A further distinction is made between restricted and unrestricted reserves.
 - a) Restricted Reserve funds are established by provincial or municipal legislation and can only be used for their prescribed purpose.
 - b) Unrestricted Reserve funds are established based on Council's discretion to fund current or future expenditures for when the Town has the authority to spend money or to provide for a specific purpose. Unrestricted Reserve funds can be further established to assist in funding operational requirements or capital replacements/long term capital programs or for other special purposes.

- 8) Administration is authorized to internally assign funds within a Reserve account to a sub-account for greater clarity. All sub-accounts shall be in alignment with the overall Reserve account intentions.
- 9) Reserves may be used as a funding source to mitigate the impact of fluctuations in operating costs and revenue reductions over multiple budget cycles. Reserves help to eliminate fluctuating taxation rates resulting in a more horizontal tax rate with an incline for inflation.

Responsibilities

- 10) Administration shall be responsible for:
 - a) Ensuring compliance with this policy;
 - b) Ensuring that reserves are established and maintained in accordance with Council direction;
 - c) Conducting an annual review of the reserves and report annually in the audited financial statements;
 - d) Ensuring allocations of reserves are supported in the adopted budget or by Council resolution;
 - e) Monitoring the optimal balance for continued contributions;
 - f) Monitoring budgeted transfers to capital reserves correspond with the future capital expenditures identified in the long-term capital plan;
 - g) Monitoring the reserve balances on an ongoing basis to verify that reserves are adequately funded;
 - h) Providing Council with updates when the CAO Reserve is accessed.
- 11) Council shall be responsible for:
 - i) Approving amendments to the Reserve Policy;
 - ii) Approving Reserve transactions.

Schedule ‘A’

Restricted – Money in Place of Municipal Reserve	
Purpose:	As outlined in Part 17 of the <i>Municipal Government Act</i> (MGA)
Source of Funding:	Funds designated in accordance with Part 17 of the MGA
Type of Expenditures:	Any prescribed purposes outlined in Part 17 of the MGA
Target Balance:	N/A
Authorization for Use:	Council
Duration:	Ongoing

Unrestricted – Operating Reserves	
Purpose:	Established to assist in funding operational requirements and to mitigate the impact of fluctuations of operating costs and revenues of multiple budget cycles
Source of Funding:	Budgeted transfers as approved by Council and other sources as approved by Council
Type of Expenditures:	Any one-time operating item that is not expected to occur
Target Balance:	10% of budgeted annual operating expenditures
Authorization for Use:	Council
Duration:	Ongoing
Accounts:	
General Government	
Protective Services	
Transportation	
Utilities	
Parks & Recreation	
Economic Development	
Planning & Development	
Physician Retention	

Unrestricted – Capital Reserves	
Purpose:	Established to fund capital projects in the Town's long term capital plan
Source of Funding:	Budgeted transfers as approved by Council and other sources as approved by Council
Type of Expenditures:	Existing and new tangible capital assets
Target Balance:	In alignment with the expected needs of the Town's long term capital plan, as approved in principle
Authorization for Use:	Council
Duration:	Ongoing
Accounts:	
General Government	
Protective Services	
Transportation	
Utilities	
Parks & Recreation	
Provincial Park	
Facilities	
Library	
Aquatics	
Economic Development	
Planning & Development	
Fleet	
Cemetery	

Unrestricted – Resiliency Reserve	
Purpose:	Established for extraordinary and unforeseen expenditure requirements or revenue shortfalls. Used to minimize fluctuations of taxes levied and to manage cashflows
Source of Funding:	Budgeted transfers as approved by Council and other sources as approved by Council
Type of Expenditures:	Unforeseen, emergent items that arise throughout the year that are not part of the normal budgeting process
Target Balance:	10% of the annual municipal taxation levy
Authorization for Use:	Council
Duration:	Ongoing

Unrestricted – CAO Reserve	
Purpose:	To give the Chief Administrative Officer (CAO) flexibility to commit funds from one reserve without Council approval so that the Town's operations can operate in a seamless efficient manner
Source of Funding:	Will be replenished at the end of each year, or as approved by Council. Funds for replenishment come from existing reserves
Type of Expenditures:	For operating or capital expenditures that are time sensitive in nature or relatively small when compared to the overall Town budget
Target Balance:	Purchasing threshold for the CAO
Authorization for Use:	Chief Administrative Officer
Duration:	Ongoing