

## Reserves & Reserve Funds

Reserves and reserve funds (R&RFs) are established by Council to assist with the long-term financial stability and planning of the City. R&RFs are an important element of the City's financial plan.

R&RFs provide stability in times of unexpected shifts in revenue and expenditures, provide funding for one-time expenditure requirements, and minimize fluctuations in taxes caused by cyclical conditions, unanticipated events or economic fluctuations. Credit rating agencies consider a municipality's level of reserves and reserve funds as part of their rating process.

The City reviews its R&RFs on an annual basis to ensure targets are appropriate and balances are forecasted for a minimum of 10 years. This oversight and management supports the financing of the 10-year capital plan, and the City's approach of continuous improvement of R&RFs assists in long-term planning strategies.

### Operating Reserves

Operating reserves are generally used to mitigate the impact of fluctuations in operating costs and revenue. Reserves are established at the discretion of Council, often as part of an overall strategy to fund programs or special projects and to stabilize the operating budget.

Select operating reserves as listed below are used to mitigate operating budget fluctuations:

- **Fiscal Stability:** this reserve is maintained for emergencies or unforeseen events such as labour settlements, legal settlements and assessment appeals
- **Winter Maintenance:** an unusually severe winter might result in higher-than-average winter maintenance costs. Rather than maintaining an unnecessarily high annual budget for winter maintenance, any one-time extraordinary expenditure is funded from the Winter Maintenance Reserve
- **Building Revenue Stabilization:** due to fluctuating levels of development, actual building permit and development fee revenue can fluctuate significantly from year to year. Annual variances are managed through this stabilization reserve

### Reserve Funds

Reserve funds are established by Council for a specific purpose. They contain funds that have been set aside as directed by a requirement of provincial or federal legislation, or a decision of Council. These reserve funds are used to conduct major repairs, renovations or rehabilitation of buildings or large equipment; acquire new assets; and replace older assets that have reached the end of their lifecycle.

The City classifies reserve funds in two ways. Obligatory reserve funds are restricted or conditional, and funding received can only be used for the purposes specified in the related agreements or legislation. Discretionary reserve funds are set aside for specific uses as approved by Council.