

CITY OF FORT SASKATCHEWAN

Financial Reserves Policy FIN-021-C

Motion:

That Council adopt Financial Reserves Policy FIN-021-C.

Purpose:

To present Financial Reserves Policy FIN-021-C for adoption by Council.

Background:

The City allocates funds to reserves to meet future capital and operating expenditure requirements and to provide financial flexibility for unforeseen events or provide for emergencies. It is essential that municipalities maintain adequate reserve levels to mitigate current and future risks. The management of reserve funds in a formalized financial reserves policy is considered a municipal best practice. To date, the City has operated in the absence of a formal reserves policy. The development of a financial reserves policy was completed to provide consistent standards and guidelines for the management of existing reserves and the establishment of new reserves.

A review of reserve policies and practices of a number of municipalities as well as research articles was conducted. This research was used to determine the guidelines in the Policy, which were established based on the specific needs of the City.

Plans/Standards/Legislation:

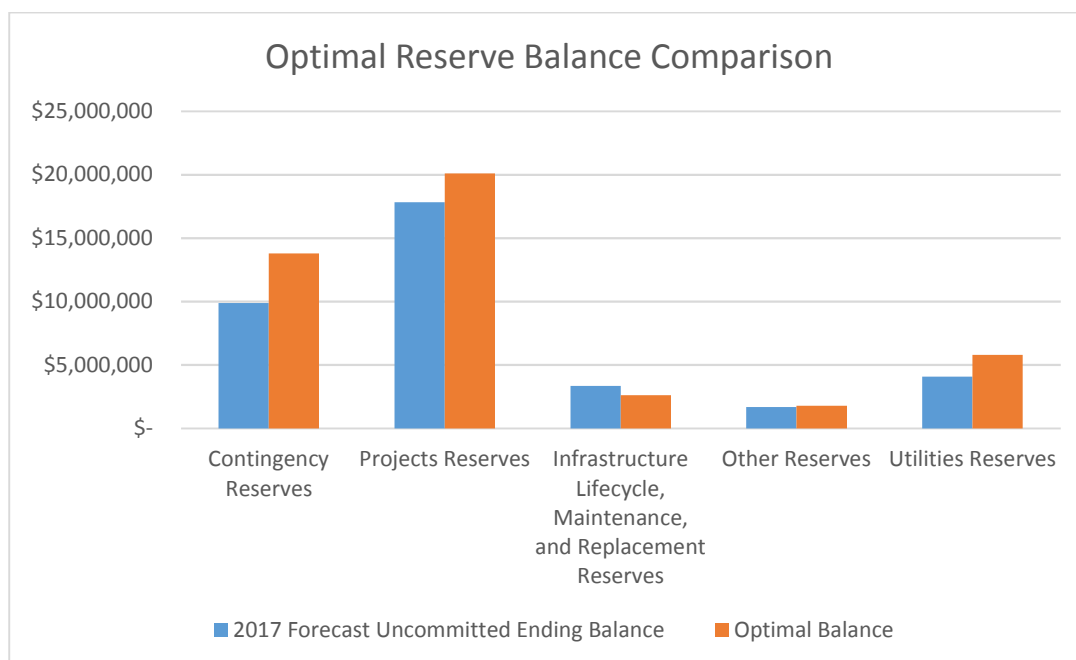
The Government Finance Officers Association (GFOA, international governing body of Government Finance Officers in both Canada and the United States) considers the establishment of a formal policy a best practice and a way to maintain financial sustainability.

Financial Implications:

The City's reserve balances are not at the optimal balance at the time of adoption of this Policy, however, the City is transitioning towards its optimal targets. With this Policy in place, the City can develop a multi-year plan to set aside reserve funds annually to support the goals within the Policy.

In comparing the 2017 forecast uncommitted ending balances to the recommended optimal balances, it was found that the City is below recommended levels by approximately \$7.2 million (net).

The following graph compares the current reserve balances to the optimal balances by reserve category.



The minimum yearly contributions to reserves for some reserves are also below recommended levels. However, those will be addressed through future years' budget processes.

Internal Impacts:

Adoption of Financial Reserves Policy FIN-021-C will require minimal staff training as the Policy largely reflects the City's existing practices which should mitigate any short-term impacts.

Attachments:

Financial Reserves Policy FIN-021-C

File No.:

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Approved by:	Jeremy Emann Chief Financial Officer	Date: July 4, 2017
Approved by:	John Dance General Manager, Corporate Services	Date: July 4, 2017
Reviewed by:	Troy Fleming Acting City Manager	Date: July 4, 2017
Submitted to:	City Council	Date: July 10, 2017