



Council Policy #C58

FINANCIAL RESERVES

Approved by Council Resolution # 25/08/17

1. PURPOSE:

This policy sets standards for the proper administration and management of reserves, to ensure that those reserves are providing fiscal stability and sustainability to support a viable and growing community, now and into the future. This policy outlines responsibilities, emphasizing efficient and effective management and Council oversight of reserve transactions.

2. POLICY STATEMENT:

A strategic reserve policy that establishes a robust financial standard and serves to enhance fiscal strength, flexibility and cash flow management in alignment with Council's vision and strategic priorities. This policy plays a crucial role in establishing, maintaining, and managing funds that:

- maintain and improve Beaumont's working capital requirements;
- provide for future funding requirements; and
- provide stabilization for fluctuations in operating and capital activities.

Aligning with best practice, this policy supports judicious spending and provides financial flexibility for timely responses to unexpected challenges. Regular reviews of reserve balances, coupled with transparent governance, ensure the ongoing sustainability of Beaumont.

3. DEFINITIONS:

Authorized Range: Where applicable, a suggested range of each reserve balance as outlined in Schedule "A" of this policy. These ranges will be considered by Council and Administration as guidelines for redesignation of funds in accordance with the policy statement. Administration will consider the current and future use of each reserve, to effectively rebalance uncommitted funds to align with Council approved strategy and expenditures.

Capital Reserve: A roll up reserve category for reporting, which maintains funds to be used for the non-cyclical capital needs of the municipality.

Committed Balance: Funds approved as stipulated by financial policy and authorized for specific expenditures. Committed balances must be in accordance with the defined purposes of each specific reserve.

Infrastructure Lifecycle Reserve: A roll up reserve category for reporting, which maintains funds to be used for the replacement, refurbishment, and maintenance of tangible capital asset infrastructure.

Operations, (Rate) Stabilization and Contingency Reserve: A roll up reserve category for reporting, which maintains funds to aid in stabilizing and smoothing the temporary impact of unforeseen events, or planned fluctuations in activity. This reserve also includes operational projects and year-end operating carry forwards.

Redesignation of Reserve Funds: The process to change the location of an uncommitted balance (either a portion or in total) from one reserve to another.

Release of Reserve Funds: Committed balances (either a portion or in total) for which the purpose has been fulfilled or changed and the commitment is no longer required. Any funds resulting from the release of a committed balance will be returned to the original source.

Reserve: Reserves are funds aside within Beaumont's accumulated surplus for specific requirements. These funds are restricted and will be applied as outlined in the reserve description.

Reserve Description: The reserve description in Schedule "A" of this policy, includes the following for each individual reserve:

- The entity.
- The roll up category.
- The reserve name.
- Capital or operating in nature.
- The overall purpose of the reserve.
- The source of reserve funds.
- Authorized range formula, if applicable.
- Application of the reserve funds.
- Interest entitlement.

Reserve Transaction: Activities that are included in the following categories:

- Contributions to the reserve from internal or external sources.
- Withdrawals from the reserve to fund expenditures.
- Redesignation of the reserve funds.

Special Purpose Reserve: A roll up category for reporting which captures unique reserves with a one-to-one relationship with the related reserve description. These reserves have specific policies referenced in the reserve description or external influences.

Uncommitted Balance: Funds designated to a reserve for a specific purpose, subject to approval as stipulated by financial policy, to be applied towards specific expenditures.

4. GUIDELINES

Reserve Transaction Ratification

1. Reserve transactions that require ratification by Council will be approved via:
 - Existing municipal policies.
 - The annual budget process.
 - The year-end reserve request and approval process.
 - The approved reserve description.
 - Council resolution.
2. All reserve transactions will be ratified by Council, except the following:
 - Ongoing activities as per the reserve description (Schedule "A") that, by their nature or significance, do not meaningfully impact an uncommitted balance and therefore are managed through administrative approval. Examples of these transactions include interest allocations that differ from budgeted amounts, and sales proceeds of reserve funded assets.
 - Administrative corrections/adjustments that are housekeeping in nature.
 - Reserve transactions up to the authorized CAO limit as per the C32 – Contingency and Budget Control Policy.
 - Redesignation of uncommitted balances up to 10% of the entity's (municipal or utility) total reserve portfolio, to accommodate Council-approved committed balances and to adhere to authorized ranges, as approved by the Chief Financial Officer. Reserves eligible for redesignation are outlined in Schedule "A".

Reserve Administration and Compliance

1. All reserves will be administered in accordance with current municipal policies and Public Sector Accounting Standards.
2. All reserves must fall under an approved reserve description. The establishment of a new reserve, which will require a new reserve description, must be approved by Council.
3. Reserves will be funded from internal or external sources as defined in the reserve description.
4. Interest earnings will be applied to the reserves deemed interest bearing as indicated in the reserve description.
5. Administration will determine the specific funding source for Council approved authorities.
6. Administration will review reserve balances and redesignate based on the authorized ranges outlined in Schedule "A" periodically throughout the year. Year-end surplus allocations will supplement reserve balances that Administration has deemed necessary based on the authorized ranges (Schedule "A").

Reporting

1. Reporting on the reserves, including redesignation of uncommitted balances, to occur through the year at Quarterly Financial Reports, Budget Deliberations, and the Year-End Financial Report. This reporting will indicate the total of reserves as grouped in the four

- reserve roll up categories for each entity, and will include the total balances, segregated between committed and uncommitted balances.
2. Beaumont's consolidated financial statements report reserves within accumulated surplus, along with equity in tangible capital assets and unrestricted surplus (deficit).
 3. Redesignation reporting will occur through the Year-End Financial Report. This report will indicate the redesignation totals by reserve description.

5. SCOPE/APPLICATION:

- Council and members of Administration must adhere to this policy.

6. AUTHORITY/RESPONSIBILITY TO IMPLEMENT

- Chief Financial Officer has authority for the policy and must ensure the policy requirements are met and updated as required.

Attachments:

Schedule "A" - Financial Reserves

Policy Record

Adopted by Council: August 26, 2025

Council Resolution: # 25/08/17

Cross Reference: C2 – Offsite Levy Policy, C17 – Capital Financing, C32 – Contingency and Budget Control, C47 – Utility Fiscal Policy, C49 - Land Management Policy

Administrative Responsibility: Chief Financial Officer

Next Review Date: Q3, 2028

SCHEDULE A FINANCIAL RESERVES

Reserve Descriptions:

Municipal Reserves:

Municipal Operations, Stabilization and Contingency Reserve

M1) Municipal Operations, Stabilization and Contingency*

Municipal Capital Reserve

M2) Municipal Capital*

Municipal Infrastructure Lifecycle Reserve

M3) Municipal Infrastructure Lifecycle *

Municipal Special Purpose Reserves

M4) General Land Reserve*

M5) Municipal Land Reserve

M6) Municipal Levy Debt Repayment

M7) Clean Energy Improvement Program (CEIP) Financing

Utilities Reserves:

Utilities Operations, Rate Stabilization and Contingency Reserve

U1) Utilities Operations, Rate Stabilization and Contingency*

Utilities Capital Reserve

U2) Utilities Capital*

Utilities Infrastructure Lifecycle Reserve

U3) Utilities Infrastructure Lifecycle*

Utilities Special Purpose Reserve

U4) Utilities Levy Debt Repayment

*Denotes reserves that are eligible for redesignation

Financial Reserves – Description M1	
Entity:	Municipal
Roll Up Category:	Municipal Operations, Stabilization and Contingency Reserve
Name:	Municipal Operations, Stabilization and Contingency
Operating or Capital:	Operating
Purpose:	To provide funds to: a) Smooth the future property tax dollar increases in periods of high inflation b) Stabilize fluctuations in operating activity c) Address the risk of revenue or expenditure volatility d) Stabilize the temporary impact of unforeseen, non-recurring, emergency and one-time expenditures or losses of revenue e) Ensure the orderly provision of services to citizens f) Operating multi-year projects that will be undertaken in the future g) Year-end operating carry forwards that have been carried forward for specific operating programs and projects where the service or acquisition was not completed or received by year-end, but will occur in the following year, to eliminate the requirement to re-budget or cancel partially completed projects.
Source(s) of Funding	a) Budgeted transfers as approved by Council b) Allocations of the year-end Operating Surplus as approved by Council c) Workers' Compensation Board Partnerships in Injury Reduction rebate amounts above budgeted contributions d) Transfers due to redesignation of reserve funds e) Other sources as approved by Council
Authorized Range:	8-16% of the current year operating budget
Application:	Funds from this reserve will be used for stabilizing periods of high inflation or other items that would result in volatility of future property tax dollar requirements, and for stabilizing unbudgeted impacts resulting from unanticipated events. Funds from this reserve will be used to fund operational projects and year-end carry forwards. Projects or programs not completed in the fiscal year that they were budgeted will be carried forward as part of the annual reserve request and approval process. Any project that has not been completed within one year of being carried forward will be automatically released unless decided otherwise at the direction of the CAO.

	Examples are: a) Unforeseen increases in emergency response costs b) Unforeseen climatic conditions c) Reductions in the carrying costs of investments d) Losses incurred due to assessment changes e) Extraordinary events f) Insurance premiums and/or deductible payment fluctuations g) Other items that would result in an overall deficit to municipal operations
Interest Bearing:	No

Financial Reserves – Description M2	
Entity:	Municipal
Roll Up Category:	Municipal Capital Reserve
Name:	Municipal Capital
Operating or Capital:	Capital
Purpose:	To: a) Provide funding for single-year and multi-year capital projects b) Build funding for non-lifecycle programs c) Assist in meeting future funding requirements for projects
Source(s) of Funding	a) Budgeted transfers as approved by Council b) Allocations of the year-end Operating Surplus as approved by Council c) Proceeds received from the sale of disposed non-lifecycle assets by virtue of this reserve description are authorized to be transferred to this reserve d) Transfers due to redesignation of reserve funds e) Other sources as approved by Council
Authorized Range:	The average of five-year projected non-lifecycle capital budget funding, multiplied by a factor of two, with and applicable floor of -20% and ceiling of +20%
Application:	This reserve will be used to fund expenditures relating to specific capital projects, as approved through the budget or as presented to Council
Interest Bearing:	No

Financial Reserves – Description M3	
Entity:	Municipal
Roll Up Category:	Municipal Infrastructure Lifecycle Reserve
Name:	Municipal Infrastructure Lifecycle
Operating or Capital:	Capital
Purpose:	To: a) Fund the replacement, refurbishment and maintenance of Beaumont's infrastructure assets b) Smooth out funding impacts for fluctuations in annual costs
Source(s) of Funding	a) Budgeted transfers as approved by Council b) Allocations of the year-end Operating Surplus as approved by Council c) Proceeds received from the sale of disposed infrastructure lifecycle assets by virtue of this reserve description are authorized to be transferred to this reserve d) Proceeds received from developers for construction asphalt density penalties e) Transfers due to redesignation of reserve funds f) Other sources as approved by Council
Authorized Range:	The average of five-year projected infrastructure lifecycle capital budget, multiplied by a factor of two, with and applicable floor of -20% and ceiling of +20%
Application:	To provide funding for infrastructure lifecycle projects including, but not limited to: a) Meeting future municipal requirements for existing assets b) Refurbishment, maintenance and/or major repairs to building` infrastructure c) The scheduled replacement, refurbishment and maintenance of the vehicles and equipment d) Reconstruction and/or repairs of road infrastructure
Interest Bearing:	No

Financial Reserves – Description M4	
Entity:	Municipal
Roll Up Category:	Municipal Special Purpose Reserves
Name:	General Land Reserve
Operating or Capital:	Capital
Purpose:	To set aside funds to acquire and maintain lands for the general land reserve
Source(s) of Funding	a) Proceeds from the sale of general land and considerations paid for the granting of easements across such land by virtue of this reserve description b) Budgeted transfers as approved by Council c) Allocations of the year-end Operating Surplus as approved by Council d) Transfers due to redesignation of reserve funds e) Other sources as approved by Council
Authorized Range:	One half of the approved area structure plans future land requirements for the next 20 years, with a floor of -20% and ceiling of +20%
Application:	The land reserve may be used to fund the acquisition and maintenance of lands classified under the Land Management Policy
Interest Bearing:	No

Financial Reserves – Description M5	
Entity:	Municipal
Roll Up Category:	Municipal Special Purpose Reserves
Name:	Municipal Land Reserve
Operating or Capital:	Capital
Purpose:	To set aside funds for the purchase and development of municipal reserve land in developing areas, and/or supports the upgrading of existing municipal reserve land (neighbourhoods, community, or city-wide).
Source(s) of Funding	a) External contributions from developers or third parties b) Budgeted transfers as approved by Council c) Allocations of the year-end Operating Surplus as approved by Council d) Other sources as approved by Council
Authorized Range:	Not applicable
Application:	To provide funding to purchase municipal reserve and for the development of municipal reserve land throughout the City.
Interest Bearing:	Yes

Financial Reserves – Description M6	
Entity:	Municipal
Roll Up Category:	Municipal Special Purpose Reserves
Name:	Municipal Levy Debt Repayment
Operating or Capital:	Capital
Purpose:	To set aside funds for the repayment of approved municipal levy supported debentures
Source(s) of Funding	This reserve will be funded from off-site developer levy revenues for approved levy debt. By virtue of this reserve description, municipal levy developer revenue is authorized to be transferred to the municipal levy debt repayment reserve in accordance with approved capital project funding, municipal levy debt bylaws or to repay interim financing.
Authorized Range:	Not applicable
Application:	This reserve will be used to repay the principal and interest of outstanding approved levy debentures over the term of the debt, in accordance with approved municipal levy debt (borrowing) bylaws. It may be necessary to interim finance some levy funded capital projects due to timing differences between collection of developer levy funds and approved expenditures. Municipal levy debt repayment reserve funds are authorized to provide interim financing for approved levy funded projects, as required. If interim financing is approved and provided, subsequent municipal developer levy revenue collected will be transferred to the municipal levy debt repayment reserve to repay any interim financing, as first consideration.
Interest Bearing:	Yes

Financial Reserves – Description M7	
Entity:	Municipal
Roll Up Category:	Municipal Special Purpose Reserves
Name:	Clean Energy Improvement Program (CEIP) Financing
Operating or Capital:	Operating
Purpose:	To allow interim financing and delivery of the Clean Energy Improvement Program (CEIP)
Source(s) of Funding	This reserve will mainly be funded from CEIP repayments collected from property owners upon successful completion of their respective upgrade(s). Repayments are collected in accordance with the property owners financing terms and will appear on their annual property tax bill as a separate item. This reserve will also be funded through: a) Budget transfers as approved by Council b) Other sources as approved by Council
Authorized Range:	Not applicable
Application:	This reserve will be used to interim finance expenditures related to the administration of CEIP
Interest Bearing:	No

Financial Reserves – Description U1	
Entity:	Utilities
Roll Up Category:	Utilities Operations, Rate Stabilization and Contingency Reserve
Name:	Utilities Operations, Rate Stabilization and Contingency
Operating or Capital:	Operating
Purpose:	To provide funds to: a) Stabilize solid waste, water and wastewater rates in the event of unforeseen, non-recurring, emergent expenditures or losses of revenue b) Stabilize fluctuations in operating activity c) Address the risk of revenue or expenditure volatility d) Ensure the orderly provision of utilities services to citizens e) Operating multi-year utilities projects that will be undertaken in the future f) Year-end operating carry forwards that have been carried forward for specific utilities operating programs and projects where the service or acquisition was not completed or received by year-end, but will occur in the following year, to eliminate the requirement to re-budget or cancel partially completed projects.
Source(s) of Funding	a) Budgeted transfers as approved by Council b) Allocations of the year-end Utilities Operating Surplus as approved by Council c) Transfers due to redesignation of reserve funds d) Other sources as approved by Council
Authorized Range:	8-16% of the current year Utilities operating budget
Application:	Funds from this reserve will be used for stabilizing periods of high inflation or other items that would result in volatility for utility user rates and for stabilizing unbudgeted impacts resulting from unanticipated events. Funds from this reserve will be used to fund operational projects and year-end carry forwards. Projects or programs not completed in the fiscal year that they were budgeted will be carried forward as part of the annual reserve request and approval process. Any project that has not been completed within one year of being carried forward will be automatically released unless decided otherwise at the direction of the CAO. Examples are: a) Unforeseen increases in emergency response costs

	b) Unforeseen climatic conditions c) Reductions in the carrying costs of investments d) Losses incurred due to assessment changes e) Extraordinary events f) Insurance premiums and/or deductible payment fluctuations g) Other items that would result in an overall deficit to municipal operations
Interest Bearing:	Yes

Financial Reserves – Description U2	
Entity:	Utilities
Roll Up Category:	Utilities Capital Reserve
Name:	Utilities Capital
Operating or Capital:	Capital
Purpose:	To: a) Provide funding for single-year and multi-year capital projects b) Build funding for non-lifecycle programs c) Assist in meeting future funding requirements for projects
Source(s) of Funding	a) Budgeted transfers as approved by Council b) Allocations of the year-end Utilities Operating Surplus as approved by Council c) Proceeds received from the sale of disposed non-lifecycle assets by virtue of this reserve description are authorized to be transferred to this reserve d) Transfers due to redesignation of reserve funds e) Other sources as approved by Council
Authorized Range:	1-3% of Utilities' current asset replacement value
Application:	This reserve will be used to fund expenditures relating to specific capital projects, as approved through the budget or as presented to Council
Interest Bearing:	Yes

Financial Reserves – Description U3	
Entity:	Utilities
Roll Up Category:	Utilities Infrastructure Lifecycle Reserve
Name:	Utilities Infrastructure Lifecycle
Operating or Capital:	Capital
Purpose:	To: a) Fund the replacement, refurbishment and maintenance of Beaumont's Utilities infrastructure assets b) Smooth out funding impacts for fluctuations in annual costs
Source(s) of Funding	a) Budgeted transfers as approved by Council b) Allocations of the year-end Utilities Operating Surplus as approved by Council c) Proceeds received from the sale of disposed infrastructure lifecycle assets by virtue of this reserve description Utilities are authorized to be transferred to this reserve d) Transfers due to redesignation of Utilities reserve funds e) Other sources as approved by Council
Authorized Range:	5% of Utilities' current asset replacement value, with an applicable floor of -20% and ceiling of +20%
Application:	To provide funding for Utilities infrastructure lifecycle projects including, but not limited to: a) Meeting future requirements for existing assets b) Refurbishment, maintenance and/or major repairs to building ` infrastructure c) The scheduled replacement, refurbishment and maintenance of the vehicles and equipment d) Reconstruction and/or repairs of road infrastructure
Interest Bearing:	No

Financial Reserves – Description U4	
Entity:	Utilities
Roll Up Category:	Utilities Special Purpose Reserves
Name:	Utilities Levy Debt Repayment
Operating or Capital:	Capital
Purpose:	To set aside funds for the repayment of approved Utility levy supported debentures
Source(s) of Funding	This reserve will be funded from off-site developer levy revenues for approved levy debt. By virtue of this reserve description, Utility levy developer revenue is authorized to be transferred to the Utility levy debt repayment reserve in accordance with approved capital project funding, Utilities levy debt bylaws or to repay interim financing.
Authorized Range:	Not applicable
Application:	This reserve will be used to repay the principal and interest of outstanding approved levy debentures over the term of the debt, in accordance with approved Utilities levy debt (borrowing) bylaws. It may be necessary to interim finance some levy funded capital projects due to timing differences between collection of developer levy funds and approved expenditures. Utilities levy debt repayment reserve funds are authorized to provide interim financing for approved levy funded projects, as required. If interim financing is approved and provided, subsequent Utilities developer levy revenue collected will be transferred to the Utilities levy debt repayment reserve to repay any interim financing, as first consideration.
Interest Bearing:	Yes