District of Barriere

REPORT TO COUNCIL
Request for Decision

Date: July 20, 2026	**File:**
To: Council	**From:** Chief Financial Officer Chief Administrative Officer
Re: Reserve Contribution Policy	
Recommendation: **THAT Council adopts Policy No. 64FI – Reserve Contribution Policy, as presented.**	

Purpose
For Council to consider adopting a new Policy No. 64FI – Reserve Contribution Policy – to codify current know contributions to reserves and assist staff with preparing the initial draft of the annual budget.

Background
As part of the Strategic Plan in 2024 (and any subsequent updates thereof) Council established as Priority #1 to Implement an Organizational Asset Management Program. The Goals for this priority were defined as:

1. Assess our current Practices and Assets
2. Develop Asset Management Policies
3. Communicating the Asset Management Program to the Public

Progress has been made throughout these three categories over the past two years.

Under the "Develop Asset Management Policies" category only two Plans/Policies are remaining, which are:

- Develop an Asset Management Investment Plan (AMIP)
- Develop Asset Management Financial Investment Policy (AMFIP)

The District applied in the fall of 2025 to the Strategic Priorities Fund (SPF) for grant funding to complete the AMIP which then would assist in developing the AMFIP. To date, no grant funding has been announced and as such, no additional progress has been made within the Asset Management Priority since then as these two items will support any form of long-range planning and communication.

To bridge the gap until the AMIP and AMFIP are complete (either through grant funding or self-funding by Council), Staff is proposing a temporary measure to at a bare minimum codify current practices while also establishing some basic reserve contribution guidelines based on known upcoming or anticipated expenses.

Over the past two years, the District has made considerable progress with key projects which have created a thorough understanding on what some of the anticipated costs are and will be. For example, As part of the Roads Department reorganization, Council acknowledged that roughly $20,000 should be allocated to reserves annually which will allow replacement of the winter roads equipment over time.

Another example is the Leonie Dam. Annually, roughly $20,000 - $30,000 should be placed in a reserve to support a Dam Safety Review every 10 years and any potential repairs.

At the same time, a Paving Assessment in 2022 highlighted that annually roughly $292,000 would be needed to adequately maintain or replace the 32km of roads the District is responsible for.

We are today also in a much better position in understanding these and other expenses such as the $1,000,000 or more required to purchase a new fire engine in 3 years. This knowledge can now guide Council with developing an interim policy that will assist staff when developing the initial draft of the annual budget.

Given the above, the attached draft policy intends to provide this guidance for the 2027 (and potentially future years) budget while we await the SPF funding announcement which will allow us to undertake a more holistic review of our asset management and capital needs.

Policy Highlights

Policy No. 64FI establishes annual reserve contribution guidelines to support long-term asset management, stable taxation and user fee impacts, and the timely renewal, replacement, and improvement of municipal infrastructure. Key highlights include:

- **Purpose and scope** — The policy applies to staff preparing the annual budget and provides guidance for planning annual contributions to reserves as part of the financial planning process.

- **Annual reserve planning** — Staff are directed to review reserve balances, projected contributions, planned withdrawals, and future capital needs each year and recommend contribution levels that are reasonable, sustainable, and aligned with long-term asset management goals.

- **Contribution considerations** — Reserve contributions are to be informed by asset management planning, multi-year capital plans, master plans, lifecycle replacement needs, risk assessments, grant opportunities, debt servicing requirements, current year asset management and capital investment needs, and Council priorities.

- **Use of reserves** — Reserves are not intended to replace prudent operating budget management and should not be reduced solely to offset recurring operating expenditures without considering long-term asset renewal and financial sustainability impacts.

- **Surplus management** — Annual operating surplus should be accumulated until a minimum accumulated operating surplus of $500,000 is maintained, representing approximately 2.5 to 3 months of operating costs. Surplus beyond that level may be transferred to reserves by Council through the annual financial plan bylaw.

- **Restricted surplus and grants** — Grant funding received for specific operational projects is to be treated separately from annual or accumulated operating surplus and should be categorized as restricted surplus where possible, unless legislation or a funding agreement requires otherwise.

- **Reserve categories** — Appendix A identifies four main reserve accounts funded by contributions: General Reserve, Fire Reserve, Water Reserve, and Wastewater Reserve.

- **Minimum contribution targets** — Appendix A provides minimum annual contribution amounts for each reserve category. The current minimum annual contribution total is $505,000. Please note that the roughly $500,000 minimum contribution target is not entirely new funds. The District receives annual Community Works Fund contributions for roughly $142,000 for example. The District also has been working towards funding annual capital expenses from the annual budget. As such, the $500,000 should be seen as a guideline for a minimum amount that is invested annually into our asset management and annual capital program.

- **Annual review** — Contribution levels should be reviewed annually and adjusted based on updated asset condition information, capital cost estimates, inflation, grant funding, regulatory requirements, and Council priorities.

Summary

Significant additional information is available now to Council and staff which helped guide this initial Reserve Contribution Policy. As the AMIP is developed a future AMFIP should be utilized, and this Reserve Contribution Policy should be rescinded at that time.

Contributions amounts listed in the policy will be used as a starting point for the annual budget deliberations; however, Council can amend the amount each year as part of the budget process.

Benefits or Impact

General

The intent of this policy is to codify current known costs and practices while providing guidance to staff in developing annual reserve contributions as part of the budget process.

Finances

N/A – no direct costs; however, this policy will ensure that current knowledge is documented which in return will provide for a clearer picture for future Council and future staff.

Strategic Impact

Priority #1: Implement an Organizational Asset Management Program
Goal 2. – Develop Asset Management Policies
Actions:

a. Develop an Asset Management Investment Plan (AMIP)
b. Develop Asset Management Financial Investment Policy (AMFIP)

Risk Assessment
Compliance: Investment Policy – Policy No. 53FI, Asset Management Policy – Policy No. 55FI, Tangible Capital Assets Policy – Policy No. 57FI, Reserve Fund Establishment Bylaw No. 259, Annual Financial Plan Bylaws, Annual Tax Rates Bylaws, Fees and Charges Bylaw No. 73

Risk Impact: Low

Internal Control Process: Staff have reviewed reports and data to summarize Council decisions and known costs into this policy. A future AMIP and AMFIP will further help adjust these amounts.

Next Steps / Communication
- Include reserve contribution amounts in the 2027 budget process for Council consideration.

Attachments
1. Draft Reserve Contribution Policy No. 64FI

Recommendation
THAT Council adopts Policy No. 64FI – Reserve Contribution Policy, as presented.

Alternative Options
1. Council could choose not to adopt a policy and annually deliberate contributions during the budget process.
2. Council could amend the draft policy.

Prepared by:

Chief Financial Officer, K. Abel
Chief Administrative Officer, D. Drexler

Approval Date: N/A
Amended Date: N/A

NO: 64FI
SECTION: Finance
SUBJECT: Reserve Contribution Policy

Purpose

This policy establishes general guidelines for Staff regarding annual contributions to Reserve planning as part of the budget process for the District of Barriere (the "District"). The intent is to recognize known long range capital costs for asset management and other capital expenses; and proactively providing such funds for future needs.

Scope

This policy applies to staff working on the preparation of the annual budget.

Definitions

1. **Accumulated Operating Surplus** means the excess of revenues over operating expenditures from all prior years.

2. **Annual Operating Surplus** means the accumulated excess of revenues over expenditures for the current year.

3. **Reserve** means a specific Reserve fund established by Council through the Reserve Fund Establishment Bylaw No. 259, as amended or replaced from time to time. A Reserve is generally used to plan for future asset management and other capital expenses.

4. **Restricted Surplus** means a portion of the operating revenue that has a designated funding source such as a grant and must be held separately year over year for a designated purpose.

5. **Staff** means the Chief Administrative Officer or designate.

Policy Statements

General

1. Staff shall plan annual contributions to Reserve through the financial planning and annual budget process to support long-term financial sustainability, stable taxation and user fee impacts, and the timely renewal, replacement, and improvement of municipal infrastructure.

2. Staff shall review Reserve balances, projected contributions, planned withdrawals, and future capital requirements each year and recommend contribution levels that are reasonable, sustainable, and aligned with the District's long-term asset management goals.

3. Reserves shall not be used as a substitute for prudent operating budget management and shall not be reduced solely to offset recurring operating expenditures without consideration of long-term asset renewal and financial sustainability impacts.

4. Annual budgets may include asset management and capital costs that relate directly to the reserve contributions detailed in Appendix A and as such the contributions may be reduced by that amount being invested into District assets.

Reserve Funds and Reserve Contributions

5. Reserve contributions shall be informed by asset management planning, multi year capital plans, master plans, lifecycle replacement needs, risk assessments, grant opportunities, debt servicing requirements, and Council priorities.

6. Reserve contributions shall be considered before new ongoing service level increases are recommended, except where Council determines that an immediate operational need, regulatory requirement, or public safety matter takes priority.

7. Where a Reserve fund balance is below its target level, Staff shall identify options to increase annual contributions over time while considering affordability, service impacts, grant funding, and other financial pressures.

8. Where a Reserve fund balance exceeds its target level and there are no identified near-term requirements, Staff may recommend reducing, deferring, or redirecting contributions to another priority Reserve, subject to Council approval.

9. Interest earned on Reserve fund balances shall be allocated to the related Reserve fund unless otherwise required by legislation.

10. Transfers to and from Reserve funds shall be authorized through the District's annual financial plan bylaw, budget amendments, Council resolution, or other bylaw as applicable.

Annual Operating Surplus and Accumulated Operating Surplus

11. Annual Operating Surplus generated from the previous budget year should be accumulated until a minimum of $500,000 Accumulated Operating Surplus is recognized. This amount equates to roughly 2.5 to 3 months of operating costs for the District. Any surplus accumulated beyond this amount may be transferred by Council to a Reserve fund as part of the annual financial plan bylaw to provide for long-term asset management and capital funding.

12. The Accumulated Operating Surplus should only be used to fund unforeseen costs that occur during the budget year. The Accumulated Operating Surplus shall only be utilized in extenuating circumstances by Council to reduce taxation or user fee impacts as part of the budget process. This option should not be used on an ongoing basis as this would limit potential contributions to long-term asset management and capital Reserves.

Grant Funding and Restricted Surplus

13. Grant funding received for specific operational projects shall not be placed into a Reserve fund unless required by legislation or by a contribution agreement with the funder and shall not be counted towards the Annual or Accumulated Operating Surplus. Such funding should be categorized as Restricted Surplus where possible and cannot be used for other expenses other than expenses as allowed under the grant funding agreement.

Appendixes

14. Appendix A – “Reserve Contribution Details” forms part of this policy and provides additional guidance for annual, initial reserve contribution planning for the financial plan bylaw.

Related Bylaws and Policies

- Investment Policy – Policy No. 53FI
- Asset Management Policy – Policy No. 55FI
- Tangible Capital Assets Policy – Policy No. 57FI
- Reserve Fund Establishment Bylaw No. 259
- Annual Financial Plan Bylaws
- Annual Tax Rates Bylaws
- Fees and Charges Bylaw No. 73

All Bylaws and Policies listed may be amended, replaced, or repealed from time to time.

Resolutions and Amendments

MMM DD, YYYY – Council Policy No. 64FI is established.

Appendix A – Reserve Contribution Details

The following guidance is intended to support annual budget deliberations and long-term financial planning. Contribution levels should be reviewed annually and adjusted based on updated asset condition information, capital cost estimates, inflation, grant funding, regulatory requirements, and Council priorities.

Below is a summary of the four main reserve accounts that are funded by contributions:

Reserve Fund	Primary Purpose
General Reserve	Supports general municipal capital renewal, major equipment replacement, facilities, roads, drainage, parks, technology, land, and other infrastructure or one-time strategic priorities.
Fire Reserve	Supports fire protection capital needs, including apparatus replacement, equipment, communications, protective gear, facilities, training infrastructure, and emergency response readiness.
Water Reserve	Supports renewal, replacement, expansion, and regulatory compliance for the District's water system, including wells, treatment, storage, distribution, pumps, and related infrastructure.
Wastewater Reserve	Supports renewal, replacement, expansion, and regulatory compliance for the District's wastewater collection, treatment, disposal, lift stations, and related infrastructure.

At a minimum, Staff should prepare the first draft of the annual budget with the following contributions. Minimum Annual Amounts should be included.

General Reserve

Purpose	Minimum Annual Amount
Fleet – Solid Waste	$20,000
Fleet – Roads/Parks	$20,000
Annual Paving Program	$100,000
CN Rail Crossings	$2,000
Facilities – Parks	$5,000
Equipment – Roads/Parks	$2,000
Equipment – IT/IS	$10,000
Other Strategic Priorities	$15,000
Total	**$174,000.00**

Fire Reserve

Purpose	**Minimum Annual Amount**
Fleet – Fire	$50,000
Facility – Fire	$50,000
Equipment – Fire	$25,000
Total	**$125,000.00**

Water Reserve

Purpose	**Minimum Annual Amount**
Fleet – Water	$5,000
Equipment – Generators	$500
Leonie Dam	$20,000
Mains – Replacement	$100,000
Mains – Extension	$0
Wells / Reservoirs	$25,000
Total	**$150,500.00**

Wastewater Reserve

Purpose	**Minimum Annual Amount**
Fleet – Wastewater	$5,000
Equipment – Generators	$500
Mains – Replacement	$0
Mains – Extension	$50,000
Total	**$55,500.00**

Total All Categories	**$505,000.00**

Resources utilized for determining values

- Solid Waste vehicle costs ($200,000 every 10 years minimum)
- Roads Department ($20,000 annual for winter equipment) -> full fleet should be closer to $60,000 (would include Tool Cat, backhoe, pickup trucks, etc.)
- Paving Report 2022 ($292,000 annual paving required to keep up with District needs)
- Utilities - Fleet split into 2 (Water/Wastewater) – fleet will need replacements over time
- Leonie Dam Report (estimated maintenance costs $150,000 every 10 years for testing and additional amounts for repairs as needed)