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Brandon Low

Media Contact

brandon@RMAAlberta.com

780.886.2480

RMA Releases Municipal Financial Reserves Report

RMA's newly-released report explains the important role that financial reserves play in long-term planning and decision-making for municipalities across Alberta

Nisku, AB, November 14, 2019 – The Rural Municipalities of Alberta (RMA) has released a report providing an overview of municipal financial reserves, including how they are used by municipalities across Alberta, their role in supporting effective municipal planning and efficient use of municipal tax dollars, and financial reserve case studies based on actual municipalities. The report, titled [Understanding Municipal Financial Reserves](#), is intended to inform the public, stakeholders and decision-makers as to the importance of financial reserves and their effectiveness as an alternative to other means of financing large municipal capital projects, such as debt financing.

“Financial reserves have been an important aspect of municipal planning in Alberta for many years, and as our report demonstrates, are only becoming more widely used,” said Al Kemmere, President of the Rural Municipalities of Alberta. “I would encourage anyone under the impression that financial reserves are an indication of municipal wealth to read the report, as it clearly demonstrates that nearly all municipalities use reserves, and many save for many years to support major capital projects such as a bridge replacement or wastewater treatment facility.”

Financial reserves can be compared to a “savings account” for municipalities. A municipality will direct a small portion of their annual revenues to various reserves each year, which are usually “restricted” for specific purposes, such as large capital projects or for ongoing management of municipal infrastructure such as roads and water systems. Reserves can also be “unrestricted” and used as a contingency in the event of an unforeseen expense. As of 2018, 90.3% of rural municipalities’ financial reserves were “restricted,” a figure which has steadily increased each year since 2014.

Not only do financial reserves support long-range planning, they also help prepare municipalities to weather unexpected financial challenges and economic ups and downs. Without reserves, municipalities may be forced to increase taxes or reduce service levels to address reductions in taxes, grants or other sources of revenue.

“For municipalities to be engaged in the conversation around Alberta’s financial challenges, it is crucial that other stakeholders and decision-makers have a full understanding of the financial planning tools that municipalities

2510 Sparrow Drive
Nisku, Alberta T9E 8N5

OFFICE: 780.955.3639
FAX: 780.955.3615
RMAAlberta.com



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currently use,” Kemmere stated. “Financial reserves are widely used by both urban and rural municipalities, and without them, municipalities would face the cost of borrowing, rely strictly on grants, or forego many major projects and ultimately reduce service levels for residents.”

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Rural Municipalities of Alberta (RMA) is an independent association comprising Alberta’s 69 counties and municipal districts. Since 1909, we have helped rural municipalities achieve strong, effective local government. RMA provides Advocacy and Business Services (including RMA Trade, RMA Fuel and RMA Insurance).

For enquiries, please contact:

Brandon Low
Manager of Marketing & Communications
brandon@RMAAlberta.com

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