



RESERVE POLICY

Council Policy
C 304-25

Administered By:	Finance Operations	Policy No:	C 304-25
Approval Date:	July 15, 2025	Effective Date:	July 15, 2025
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References:			

Policy

The Town of Crossfield (“Town”) is committed to fiscal sustainability and seeks to be transparent in the allocation of resources for future operating and capital spending through the creation of Reserves. Reserves contribute to fiscal stability, cash flow management, debt minimization, and flexibility for emergent economic needs while creating dedicated funding sources for long-term infrastructure planning and asset management.

Purpose

The purpose of this policy is to maintain consistent standards and guidelines for the establishment and management of reserves and execution of reserve transactions, and to determine responsibilities and authorities related to Reserves management.

Reserve transactions will support and adhere to the Municipal Government Act (“MGA”) or other legal requirements and the principles outlined within this Policy.

1.0 DEFINITIONS

- 1.1 **Capital Reserve:** An internally restricted balance designated to fund expenditures that are capital in nature.
- 1.2 **Operating Budget Surplus:** The excess of revenues over expenditures as compared to the annual operating budget approved by Council, net of budget carryover items.
- 1.3 **Operating Expenses:** Total budgeted operating expenses, excluding amortization and accretion expense.
- 1.4 **Operating Reserve:** An internally restricted balance designated to stabilize the Town's operating financial requirements.
- 1.5 **Restricted Reserve:** Funds that are targeted for a specific purpose, project or department, or has limitations as to where the funds may be used.
- 1.6 **Tangible Capital Assets:** Non-financial assets, including real property, having a physical substance that: a) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development construction, maintenance or repair of other Tangible Capital Assets; b) have a useful and economic life extending beyond an accounting period; c) are used on a continuing basis; and d) are not for sale in the ordinary course of operations.
- 1.7 **Town:** Refers to the Town of Crossfield, a municipal corporation of the Province of Alberta.
- 1.8 **Unrestricted Reserve:** Funds that are available for use for any operating requirement that is compliant with the *Municipal Government Act* (MGA).

2.0 RESPONSIBILITIES

- 2.1 In compliance with this policy and the MGA, the establishment, amendment and closure of all reserve accounts, as well as the transfers to and from these accounts require Council approval.
- 2.2 Administration of all Reserves will be carried out by the Chief Administrative Officer (CAO) or their delegate.

3.0 PRINCIPLES

- 3.1 Corporate risk will be mitigated through effective management of Town Reserves.
- 3.2 Reserve balances will be reviewed on an annual basis as part of the budget process.
- 3.3 Where relevant, internally restricted reserve will have an established optimal or target value. In the event of a balance that is below the optimal value, a strategy could be adopted to achieve the optimal level over a reasonable period. The strategy may include, but is not limited to:
 - Replenishing the reserve with any unplanned one-time revenues;
 - Utilizing previously committed one-time funds that are no longer required for their original purpose; or
 - Adjusting the annual budgeted reserve contributions.

The requirement to bring the reserve balance to the optimal level is subject to Council's discretion.

- 3.4 Once a reserve has reached its optimal level, annual budget contributions will cease until such time the reserve balance falls below the target level and requires replenishment.
- 3.5 To be sustainable, each reserve must identify a funding source, either from internal or external sources, including but not limited to:
 - Approved budget contributions;
 - Allocation of year end surplus;
 - Donations;
 - Interest earned on reserve funds;

- Government grants; and
 - One-time transfers approved by Council.
- 3.6 Interest earnings are intended to be applied to Reserves if there are external requirements based on legislation or agreements, or as approved by Council. The interest will be applied quarterly based on the net weighted average of the Reserve balance relative to all interest earned by the Town's investment portfolio.
- 3.7 Reserve reporting will form part of the quarterly corporate reporting and annual financial statements.
- 3.8 All financial Reserves shall be attached to this policy as a schedule.
- 3.9 All financial Reserves schedules attached to this policy shall contain the following sections:
- Type of Reserve
 - Name of Reserve
 - Purpose of Reserve
 - Source of Funding
 - Application
 - Indication of whether it is interest bearing or not
 - Any additional information deemed relevant by the CAO

4.0 OPERATING RESERVES

- 4.1 Operating Reserves provide sustainable operating funds to ensure the Town can provide adequate levels of municipal services during unplanned and unforeseen events or conditions. They help smooth the impact of financial changes on taxpayers and service users and can be set aside for specific future liabilities.
- An Operating Reserve is an internally restricted balance set aside to stabilize the Town's finances by providing an allowance for unexpected events, significant losses of income, and large unbudgeted expenses.
 - Fifty percent (50%) of any annual operating surplus will be allocated to the Municipal Stabilization and Contingency Reserve.

5.0 CAPITAL RESERVES

5.1 Capital Reserves are internally restricted amounts established to fund expenditures of a capital nature, including the replacement and upgrading of existing assets or the construction of new assets and infrastructure. These Reserves are used to support the Town's long-term capital and asset management planning.

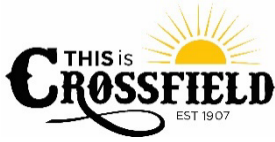
- Fifty percent (50%) of any annual operating surplus will be allocated to the Capital Projects – New Capital Reserve.

6.0 RESTRICTED RESERVES

6.1 Restricted Reserves are externally restricted through the MGA or are held by the Town on behalf of third parties and do not have an established optimal balance.

7.0 POLICY REVIEW

7.1 This policy shall be reviewed by Administration every four (4) years with any changes being recommended to Council for approval. This policy must be updated any time a new reserve is proposed to be added to the Town's Reserves.



SCHEDULE A – Town of Crossfield Financial Reserves

OPERATING RESERVES

Reserve Number	O1
Reserve Name	Municipal Stabilization and Contingency
Purpose	To provide funding for non-recurring, one-time expenditures, tax stabilization or losses in revenue that will not be built into future base-operating budgets.
Application	Funds used for stabilizing budget impacts resulting from weather events, fluctuating interest rates, declines in development revenues, increased or unplanned costs, to stabilize tax or utility increases or other extraordinary items that would result in an overall deficit.
Funding Source	<ul style="list-style-type: none"> • An annual contribution as determined by Council; • 50% of annual operating surplus; • Other sources as approved by Council; • Unused amounts in the Carry Forward Reserve after the completion of an operating project.
Optimal Balance	8% of operating budget (equivalent to one month of operating costs)
Interest Bearing	No

Reserve Number	O2
Reserve Name	Operating Carry-Forward
Purpose	To preserve unspent budget for specific projects or expenditures from one fiscal year to the next fiscal year.
Application	Identified operating budget items that remain unexpended in one fiscal year will be expended in the following fiscal year. Any unused operating project funds, following the completion of the intended use, will be transferred to the Municipal Stabilization and Contingency Reserve.
Funding Source	Year-end budget transfer to reserve.
Optimal Balance	N/A
Interest Bearing	No

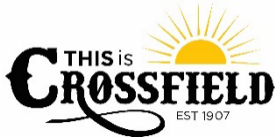
Reserve Number	O3
Reserve Name	Health & Safety
Purpose	To provide funds for enhancing the Town’s health and safety program and to pay for health and/or safety initiatives. When necessary, this reserve can be used for capital expenditures.
Application	Funds used for operating and capital purposes as long as the expenditure is for an employee health and/or safety initiative.
Funding Source	Worker’s Compensation Board (WCB) safety rebates and personal injury reduction awards.
Optimal Balance	N/A
Interest Bearing	No

CAPITAL RESERVES

Reserve Number	C1
Reserve Name	Capital Project – Town Administration Building
Purpose	To dedicate funds for the addition of a new Town Administration Building
Application	Funds used to support the costs associated with the construction and/or acquisition of a permanent administration building. This may include design and planning costs, land acquisition and site preparation, construction, furniture, fixtures and equipment, permitting, project
Funding Source	Proceeds from sale of CIBC Building as motioned by Council (199-2023) An annual contribution as determined by Council Proceeds from sale or lease of Town land (exclusive of the lease of irrigated agricultural lands)
Optimal Balance	\$5,000,000
Interest Bearing	No

Reserve Number	C2
Reserve Name	Capital Projects – Community Lighting
Purpose	To dedicate funds for the purchase of Community Lighting
Application	Funds used to support addition of community lighting initiatives or enhancements.
Funding Source	One-time Funding as motioned by Council (280-2024)
Optimal Balance	\$25,000
Interest Bearing	No

Reserve Number	C3
Reserve Name	Capital Projects – New Capital
Purpose	To dedicate funds to the purchase of new tangible capital assets.
Application	New municipal infrastructure, equipment and vehicles
Funding Source	<ul style="list-style-type: none"> • Proceeds from sale of tangible capital assets; • One-time funding; • 50% of any annual operating surplus; • Unused capital carry-forward budgets once project is closed.
Optimal Balance	N/A
Interest Bearing	No



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Reserve Number	C4
Reserve Name	Capital Carry-Forward
Purpose	To preserve unspent budget for specific projects or expenditures from one fiscal year to the next fiscal year.
Application	Identified capital budget items that remain unexpended in one fiscal year will be expended in the following fiscal year. Any unused capital project funds will be transferred to the Capital Projects – New Capital Reserve
Funding Source	Year-end budget transfer to reserve.
Optimal Balance	N/A
Interest Bearing	No

Reserve Number	C5
Reserve Name	Cemetery Perpetual Care
Purpose	To provide funding for future one-time operating or capital projects in the Crossfield cemetery.
Application	Funds used for any one-time operating or capital expenditure related to the Crossfield Cemetery.
Funding Source	Contributions from the operating budget equal to or exceeding 75% of annual cemetery plot and columbarium niche sales.
Optimal Balance	\$75,000
Interest Bearing	No

Reserve Number	L1
Reserve Name	Infrastructure Lifecycle, Maintenance & Replacement
Purpose	To provide funds for the repair, maintenance and replacement of existing tangible capital assets. Proper maintenance and asset replacement are required to sustain the asset in a condition necessary to provide expected service levels.
Application	The execution of the Infrastructure Lifecycle, Maintenance & Replacement Reserves are reviewed annually.
Funding Source	<ul style="list-style-type: none"> • An annual contribution as determined by Council; • Other sources as approved by Council; • Surpluses from closed projects shall be returned to the original fund. • Annual TRAVIS fee revenue • 314 Pure community investment • Proceeds from lease of Town lands (inclusive of the lease of irrigated agricultural lands)
Optimal Balance	N/A
Interest Bearing	No

RESTRICTED RESERVES

Reserve Number	R1
Reserve Name	Cash In Lieu Of Municipal Reserve
Purpose	This reserve is established to collect funds from developers who are unable to provide sufficient land for municipal reserve in new developments as required in section 671 of the Municipal Government Act (MGA).
Application	As outlined in section 671 of the MGA, municipal reserve lands and funds may be used by a municipality or school authority or them jointly, for the following purposes: <ul style="list-style-type: none"> • A public park; • A public recreation area; • School authority purposes; • To separate areas of land that are used for different purposes.
Funding Source	Cash contributions from developers in lieu of providing municipal reserve land.
Optimal Balance	N/A
Interest Bearing	Yes, as outlined in section 671(4) of the MGA.

Reserve Number	R2
Reserve Name	Crossfield & District Recreation Board Capital
Purpose	This reserve is established to collect annual recreation board grant funds that were not allocated during the fiscal year.
Application	Annual funds not allocated in a fiscal year shall be held in a reserve account and may be accessed as needed by the Recreation Board for additional recreation or cultural funding. Recommendations for these funds shall be approved by Council.
Funding Source	Year-end transfers of unspent annual recreation board grants to organizations.
Optimal Balance	N/A
Interest Bearing	No