

## FINANCIAL RESERVES

<b>POLICY NO.:</b>	CP-190.25
<b>DIVISION DEPARTMENT</b>	Corporate Services
<b>REVIEW PERIOD</b>	Every 4 Years or Legislative Change

### 1. POLICY PURPOSE

- 1.1 To establish, maintain, and manage reserve funds that maintain and improve working capital requirements, support the long-term capital plan, and provide stabilization for fluctuations in operating and capital activities.

### 2. POLICY STATEMENT

- 2.1 Provide financial stability and flexibility in response to changing circumstances;
- 2.2 Fund future capital projects and strategic initiatives;
- 2.3 Mitigate the financial impact of economic downturns or unforeseen events;
- 2.4 Ensure the uninterrupted delivery of essential services; and
- 2.5 Manage fluctuations in revenues and expenditures over time.

### 3. DEFINITIONS

- 3.1 **“Average Reserve Balance”** means the average of the opening and closing reserve balance
- 3.2 **“Chief Administrative Officer”** means the individual appointed by Council to the position as per the *Municipal Government Act*.
- 3.3 **“Council”** means the Council of the Town of Blackfalds elected pursuant to the Local Authorities Election Act, of Alberta, as amended
- 3.4 **“Funding Source”** means to be sustainable, each reserve must identify a funding source, either from internal or external sources, including but not limited to:
  - 3.4.1 Transfer of approved budget contributions;
  - 3.4.2 Year-End Surpluses;
  - 3.4.3 Interest;
  - 3.4.4 Government Grants;
  - 3.4.5 Donations;
  - 3.4.6 Development levies;

3.4.7 Contributions from other reserves.

3.5 “**General Municipal Revenue**” means the Annual Property Taxes collected less requisitions

3.6 “**Interest Bearing**” means the annual investment income earned on the reserve balance. If a reserve is deemed ‘interest bearing’, any interest generated is to be retained in the reserve.

3.7 “**Town**” means the municipality of the Town of Blackfalds.

#### **4. SCOPE**

4.2 This Policy applies to all Town of Blackfalds Employees.

#### **5. AUTHORITY AND RESPONSIBILITIES**

5.2 Council to:

5.2.1 Adopt and support this Policy by resolution.

5.2.2 Consider the allocation of resources for the successful implementation of this Policy in the annual budget process.

5.2.3 Approval of creation and closure of reserves.

5.2.4 Approve expenditures from reserves and transfers between reserves.

5.2.5 Approve Year-end actual surpluses or deficits to be allocated to/from the related reserve.

5.3 Chief Administrative Officer to:

5.3.1 Ensure staff compliance with this Policy

5.3.2 Administration of the Town’s reserves by reviewing and recommending appropriate reserve usage, contribution, and optimal balances.

5.3.3 To report annually to Council on the state of the reserves as per this Policy.

#### **6. POLICY**

6.1 Reserve Categories

6.1.1 Stabilization and Contingency Reserves – A category of reserves established to provide uncommitted funds to stabilize the temporary impact of unforeseen, non-recurring emergent, one-time expenditures or losses of revenue, to ensure service levels, and to smooth future tax impacts.

6.1.2 Project Reserves – A category capturing the reserves that are established to fund operating and capital projects,

- 6.1.3 Life. Infrastructure Lifecycle Maintenance and Replacement Reserves - A reserve category capturing the reserves that are established to fund expenditures for the repair, lifecycle replacement or upgrade of Town infrastructure, equipment, or vehicles. Also, reserves are established to provide funds to assist in meeting future requirements for the expansion, replacement, refurbishment and maintenance of utility assets or infrastructure, as well as for operating and capital projects required to meet customer service delivery objectives.
- 6.1.4 Specific Purpose Reserves – A reserve category capturing other reserves that have a specific purpose, which is outlined in the reserve’s description.
- 6.1.5 Restricted Reserves – A reserve category capturing reserve funds where allowable uses are established by an authority other than the Town, fall under legislative requirements, or are restricted by an agreement with an outside third party.
- 6.1.6 Offsite Development Levy Reserve – A reserve category capturing the reserves established to hold developer levies collected through developer agreements to fund new assets/infrastructure required due to the growth of the Town without placing an undue burden on existing Town resources.

## **6.2 Guiding Principles**

- 6.2.1 All reserve transactions shall be approved by Council prior to the transaction occurring. Funding to and from the reserve will be approved through Council via:
  - 6.2.1.1 Existing municipal policies;
  - 6.2.1.2 The annual budget process;
  - 6.2.1.3 The year end reserve request and approval process;
  - 6.2.1.4 The approved reserve description; or
  - 6.2.1.5 Council resolution
- 6.2.2 Reserve Reports should be prepared annually and contain the following
  - 6.2.2.1 Reserve name;
  - 6.2.2.2 Reserve category;
  - 6.2.2.3 Overall purpose of the reserve
  - 6.2.2.4 Source(s) of funding
  - 6.2.2.5 Specific use of funds;
  - 6.2.2.6 Optimal balance formula, if applicable

- 6.2.2.7 Duration of the reserve; and
- 6.2.2.8 Whether or not the reserve is Interest Bearing.
- 6.2.3 Reserves shall be funded by either internal or external sources as defined in the reserve report
- 6.2.4 Where appropriate, each reserve shall be supported by a multi-year projection for receipt and disbursement of funds. These projections shall be updated annually as part of the budget process
- 6.2.5 Interest Bearing reserves, as indicated in the reserve report, are allocated a portion of the Town's annual investment income based on the interest earned  
 $\text{Interest Allocation} = \text{Average Reserve Balance} \times \text{Return on Investment}$ .
- 6.2.6 If a reserve is deemed Interest Bearing, interest is applied to the respective reserve; otherwise, interest is applied to operations.

**7. EXCLUSIONS**

None

**8. SPECIAL SITUATIONS**

None

**9. RELATED DOCUMENTS**

- 9.1 Schedule A – Reserves
- 9.2 Schedule B – Reserves Description
- 9.3 Current Off-Site Levy Bylaw

**10. END OF POLICY**

-Original Signed-

\_\_\_\_\_  
Mayor

-Original Dated-

\_\_\_\_\_  
Date

-Original Signed-

\_\_\_\_\_  
Chief Administrative Officer

-Original Dated-

\_\_\_\_\_  
Date

**POLICY RECORD HISTORY**

	<b>Resolution No:</b>	<b>Date</b>
Policy Adopted	<b>254/25</b>	<b>September 23, 2025</b>
Policy Reviewed		
Policy Revised		

**ADMINISTRATIVE REVISIONS**

<b>Date</b>	<b>Description</b>

## SCHEDULE “A” – RESERVES

### Internally Restricted Reserves

<b>Stabilization &amp; Contingency</b>	General Operating Reserve
	Police Operating Reserve
<b>Infrastructure, Lifecycle Maintenance &amp; Replacement</b>	Abbey Centre Reserve
	Arena Sponsorship Reserve
	Fleet & Mobile Equipment Reserve
	General Capital Reserve
	Recreation Contributions Reserve
	Solid Waste Reserve
	Wastewater System Reserve
<b>Specific Purpose</b>	Water System Reserve
	Capital Roll-Over Reserve
	Dillon Stork Award Reserve
	Land Reserve
	Fire Building Reserve

### Externally Restricted Reserves

<b>Developer Levy Reserves</b>	Offsite Levy Reserve – Storm Water
	Offsite Levy Reserve - Transportation
	Offsite Levy Reserve - Water
	Offsite Levy Reserve – Wastewater
<b>Restricted Reserve</b>	Municipal Land Reserve

**SCHEDULE B – RESERVES DESCRIPTION**

Reserve Name	General Operating Reserve
Reserve Category	Stabilization and Contingency Reserve
Purpose	A contingency fund for emergent, non-recurring, one-time expenditures or loss of revenue that will not be built into the operating budget in future years. To also provide funds to smooth future property tax increases during periods of high inflation, revenue, or expense volatility, and to stabilize fluctuations in operating activities
Source of Funding	1) Allocation of annual operating budget surplus 2) If deemed appropriate, annual contribution from operations 3) Other sources as approved by Council
Use of Funds	These funds are not Committed and can be used to protect the Town against any unforeseen costs that will cause the Town to incur an operating deficit. Funds will also be used to stabilize unbudgeted impacts caused by unanticipated events. Examples are losses incurred due to increased emergency response costs, unforeseen climatic events, revenue declines, special non-capital projects, or other items that would result in an overall deficit.
Optimal Balance	6% of General Municipal Revenue
Duration	Ongoing
Interest Bearing	No

Reserve Name	Police Operating Reserve
Reserve Category	Stabilization and Contingency Reserve
Purpose	A contingency fund to address variances in the utilization of RCMP officers
Source of Funding	Yearly allocation from operational savings derived from unspent RCMP contract funds.
Use of Funds	These funds are unallocated and may be utilized to cover any contract overruns related to the RCMP positions approved by Council
Optimal Balance	2 x the average RCMP Officer's total compensation
Duration	Ongoing
Interest Bearing	No

Reserve Name	Abbey Centre Reserve
Reserve Category	Infrastructure, Lifecycle Maintenance, and Replacement Reserves
Purpose	To fund the replacement of equipment and building maintenance at the Abbey Centre
Source of Funding	<ol style="list-style-type: none"> <li>1) Abbey Centre Sponsorship Contracts</li> <li>2) Other sources as approved by Council</li> <li>3) If deemed appropriate, annual contributions from operations.</li> </ol>
Use of Funds	This Reserve will be used to fund expenditures relating to the specific projects as originally presented to Council or approved through budget.
Optimal Balance	Annual 10-year rolling average of Capital Plan Funding Requirements.
Duration	Ongoing
Interest Bearing	No

Reserve Name	Arena Sponsorship Reserve
Reserve Category	Infrastructure, Lifecycle Maintenance, and Replacement Reserves
Purpose	To fund the replacement of equipment and building maintenance at the Town's Arenas
Source of Funding	<ol style="list-style-type: none"> <li>1) Arena Naming Rights Contracts</li> <li>2) Other sources as approved by Council</li> <li>3) If deemed appropriate, annual contributions from operations.</li> </ol>
Use of Funds	This Reserve will be used to fund expenditures relating to the specific projects as originally presented to Council or approved through budget
Optimal Balance	Annual 10-year rolling average of Capital Plan Funding Requirements.
Duration	Ongoing
Interest Bearing	No

Reserve Name	Fleet & Mobile Equipment Reserve
Reserve Category	Infrastructure, Lifecycle Maintenance, and Replacement Reserves
Purpose	To fund the replacement of municipal vehicles and equipment included in the Town's fleet
Source of Funding	1) Annual contribution from operations 2) Proceeds from the sale of fleet vehicles and equipment
Use of Funds	To replace municipal vehicles and equipment included in the Town's replacement schedule and to offset any fleet operating lease payments.
Optimal Balance	Annual 10-year rolling average of Capital Plan Funding Requirements.
Duration	Ongoing
Interest Bearing	No

Reserve Name	General Capital Reserve
Reserve Category	Infrastructure, Lifecycle Maintenance, and Replacement Reserves
Purpose	To fund operating and capital multi-year projects that will be undertaken in the future, to build funding for non-annual programs, and to assist in meeting future funding requirements for projects.
Source of Funding	<ol style="list-style-type: none"> <li>1) Annual budget transfers as approved by Council</li> <li>2) Allocation of Year-End Operating Surplus</li> <li>3) Proceeds from sale of disposed assets</li> <li>4) Other sources as approved by Council.</li> <li>5) If deemed appropriate, additional annual contribution from operations</li> </ol>
Use of Funds	This Reserve will be used to fund expenditures relating to the specific projects as originally presented to Council or approved through budget.
Optimal Balance	Not Applicable
Duration	Ongoing
Interest Bearing	No

Reserve Name	Recreation Contribution Reserve
Reserve Category	Infrastructure, Lifecycle Maintenance, and Replacement Reserves
Purpose	To fund the replacement and maintenance of the Recreation facilities throughout the Town.
Source of Funding	<ol style="list-style-type: none"> <li>1) Contributions from Development agreements</li> <li>2) Other sources as approved by Council.</li> </ol>
Use of Funds	Replacement of the Town's recreational infrastructure and associated equipment in alignment with the long-term capital plan
Optimal Balance	Not Applicable
Duration	Ongoing
Interest Bearing	No

Reserve Name	Solid Waste Reserve
Reserve Category	Infrastructure, Lifecycle Maintenance, and Replacement Reserves
Purpose	To provide funding for the expansion, replacement of Solid Waste equipment and facilities
Source of Funding	<ol style="list-style-type: none"> <li>1) Annual contributions from the Solid Waste operating budget</li> <li>2) Allocation of the annual Solid Waste operating budget surplus</li> <li>3) Other sources as approved by Council</li> </ol>
Use of Funds	Replacement of the Town's Solid Waste infrastructure and related equipment based on the long-term capital plan.
Optimal Balance	Average of 10 Year Capital Plan Funding Requirements.
Duration	Ongoing
Interest Bearing	Yes

Reserve Name	Wastewater System Reserve
Reserve Category	Infrastructure, Lifecycle Maintenance, and Replacement Reserves
Purpose	To provide funding for the expansion, replacement, refurbishment, and maintenance of the Town's wastewater infrastructure, or to fund studies required for future planning purposes.
Source of Funding	<ol style="list-style-type: none"> <li>1) Annual contributions from the wastewater utility operating budget</li> <li>2) Allocation of the annual wastewater utility operating budget surplus</li> <li>3) Other sources as approved by Council</li> </ol>
Use of Funds	Replacement of the Town's utility infrastructure and related equipment based on the long-term capital plan. Including but not limited to wastewater collection and transmission systems.
Optimal Balance	Average of 10-year Capital Plan Funding Requirements.
Duration	Ongoing
Interest Bearing	Yes

Reserve Name	Water System Reserve
Reserve Category	Infrastructure, Lifecycle Maintenance and Replacement Reserves
Purpose	To provide funding for the expansion, replacement, refurbishment, and maintenance of the Town’s water infrastructure or to fund studies required for future planning purposes.
Source of Funding	1) Annual contributions from the water utility operating budget 2) Allocation of the annual water utility operating budget surplus 3) Other sources as approved by Council
Use of Funds	Replacement of the Town’s utility infrastructure and related equipment based on the long-term capital plan. Including but not limited to water transmission and distribution systems.
Optimal Balance	Annual average of 10-year Capital Plan Funding Requirements.
Duration	Ongoing
Interest Bearing	Yes

Reserve Name	Capital Roll-Over Reserve
Reserve Category	Specific Purpose
Purpose	A fund to ensure funding is available for projects not completed within the year.
Source of Funding	Annual contribution of unspent Council-approved funding for projects that were not completed within the calendar year.
Use of Funds	The funds can only be used on Council-approved projects. Any unspent funds will be returned to the originating reserve.
Optimal Balance	100% of the unspent approved budget.
Duration	Ongoing
Interest Bearing	No

Reserve Name	Dillon Stork Youth Ambassador Award Reserve
Reserve Category	Specific Purpose
Purpose	To hold funds received to facilitate the yearly Dillon Stork Youth Ambassador Award. The award is to recognize a youth individual or group who has contributed to their community and been an ambassador for the community.
Source of Funding	One-time funding from a donation
Use of Funds	These funds are distributed through an application process managed by Family and Community Support Services, and are granted based on an evaluation of the submitted application.
Optimal Balance	Not applicable
Duration	Until the balance reached zero
Interest Bearing	No

Reserve Name	Land Reserve
Reserve Category	Specific Purpose Reserve
Purpose	To fund land acquisition and maintenance of land classified under the Land Available for Resale Inventory.
Source of Funding	<ol style="list-style-type: none"> <li>1) Proceeds from the sale of Land</li> <li>2) Other sources as approved by Council.</li> </ol>
Use of Funds	<ol style="list-style-type: none"> <li>1) Future purchase of land</li> <li>2) Servicing Cost</li> <li>3) Cost associated with the purchase or disposal of Land.</li> <li>4) Engineering or planning studies are required for the preparation of land for resale or improvement.</li> </ol>
Optimal Balance	Not Applicable
Duration	Ongoing
Interest Bearing	No

Reserve Name	Fire Building Reserve
Reserve Category	Specific Purpose
Purpose	To hold funds received from the County of Lacombe related to the sale of equity in the fire hall
Source of Funding	1) Proceeds from the sale of the Fire Hall
Use of Funds	Funds will be held until the agreement is complete.
Optimal Balance	The amount stipulated in the Fire Services Agreement
Duration	Ongoing
Interest Bearing	No

Reserve Name	Offsite Levy Reserve - Stormwater
Reserve Category	Developer Levy Reserve
Purpose	To assist with financing the Town's infrastructure related to growth and development
Source of Funding	1) Developer levies, which are collected through a developer agreement that establishes levy payments and specific projects to be completed.
Use of Funds	For future expansions of the Town's stormwater infrastructure network,
Optimal Balance	Not Applicable – Development contributions are on a uniform per-hectare basis. The balance could be in a negative state if the Town frontends development.
Duration	Ongoing
Interest Bearing	Yes

Reserve Name	Offsite Levy Reserve - Transportation
Reserve Category	Developer Levy Reserve
Purpose	To assist with financing the Town's infrastructure related to growth and development.
Source of Funding	1) Developer levies, which are collected through a developer agreement that establishes levy payments and specific projects to be completed.
Use of Funds	For future expansions of the Town's Transportation network.
Optimal Balance	Not Applicable – Development contributions are on a uniform per-hectare basis. The balance could be in a negative state if the Town frontends development.
Duration	Ongoing
Interest Bearing	Yes

Reserve Name	Offsite Levy Reserve - Water
Reserve Category	Developer Levy Reserve
Purpose	To assist with financing the Town's infrastructure related to growth and development.
Source of Funding	1) Developer levies, which are collected through a developer agreement that establishes levy payments and specific projects to be completed.
Use of Funds	For future expansions of the Town's Water System network.
Optimal Balance	Not Applicable – Development contributions are on a uniform per-hectare basis. The balance could be in a negative state if the Town frontends development.
Duration	Ongoing
Interest Bearing	Yes

Reserve Name	Offsite Levy Reserve - Wastewater
Reserve Category	Developer Levy Reserve
Purpose	To assist with financing the Town's infrastructure related to growth and development.
Source of Funding	1) Developer levies, which are collected through a developer agreement that establishes levy payments and specific projects to be completed.
Use of Funds	For future expansions of the Town's Wastewater System network.
Optimal Balance	Not Applicable – Development contributions are on a uniform per-hectare basis. The balance could be in a negative state if the Town frontends development.
Duration	Ongoing
Interest Bearing	Yes

Reserve Name	Municipal Land Reserve
Reserve Category	Restricted Reserve
Purpose	To hold funds received by developers in place of required municipal land dedications (municipal reserve land, school reserve land) the interest earned on that money as per Municipal Government Act
Source of Funding	1) Developer payments in lieu of providing municipal reserve land 2) Sale proceeds from the disposal of any municipal or school reserve land
Use of Funds	May only be used for purposes referred to in the MGA; a public park, a public recreation area, school board purposes, and separate areas of land that are used for different purposes.
Optimal Balance	Not Applicable
Duration	Ongoing
Interest Bearing	Yes