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|  <p>CROWSNEST PASS <i>Municipality Reserves</i></p> | <h2>Municipality of Crowsnest Pass Policy</h2> |
| <p>Policy No.: Policy Title: Approval Date: Supersedes Policy: Department:</p> | <p>1700-03 Municipal Reserves Policy November 19, 2024 1700-02, 1700-01 Finance</p> |

1.0 POLICY PURPOSE

The Municipality of Crowsnest Pass (CNP) recognizes that sustainability will be enhanced by maintaining both capital infrastructure assets and financial assets over the long term. The purpose of the Municipal Reserves Policy is to establish guidelines, limits, and conditions applicable to the segregation of the CNP's accumulated surplus, referred to as restricted surplus, into reserve funds which will enhance the Municipality's financial strength, flexibility and cash flow management as well as to help sustain infrastructure needs at an adequate level to ensure delivery of services and support the Municipality's Strategic Plan. The reserves practices will address the longer-term funding strategies of the Municipality and ensure good financial and cash management for the overall financial stability of the Municipality. Maintaining sufficient balances in reserves and reserve funds is a critical component of a municipality's long-term financial plan as it strengthens its long-term financial sustainability, helps to minimize fluctuations in the tax rate and provides funding to sustain infrastructure.

2.0 DEFINITIONS

“Capital reserves” means the portion of unrestricted net assets that the Municipality maintains, or that Council has designated (or "restricted") for use in maintaining an adequate reserve to acquire or construct new capital assets and replace and rehabilitate major capital infrastructure assets as required, and as identified in the CNP Strategic Plan, Capital Budget, and Long-Term Capital Plans.

“Dedicated reserves” means the portion of unrestricted net assets that the Municipality has collected from developers, government grants, land sales/revenues and donations to fund specific initiatives and/or projects. The funds may not be used for any other purpose than what they were collected for.

“Depreciation” means the amortization amount of fixed assets, such as buildings and equipment, in order to allocate the cost over its useful life. It is a process of cost allocation and not valuation. Depreciation increases expenses but does not reduce cash.

“Operating expenses” means the annual expenditures to fund regular operations and for greater certainty, do not include transfers from operating to fund capital expenditures, transfers to reserves, internal transfers between departments, and funds expended on non-tangible capital asset.

“Operating reserves” means the portion of unrestricted net assets that the Municipality maintains, or that Council has designated (or "restricted") for use in:

- a) emergencies to sustain financial operations for a reasonable period in the event of significant and unanticipated, unbudgeted increases in operating expenses and/ or losses in operating revenues, and/or
- b) funding budgeted contingencies for non-emergent but unpredictable revenues, volatile expenditures, and unanticipated opportunities and/or challenges, and/or
- c) funding for the mitigation of tax rate increases.

“Program specific reserves” means the portion of unrestricted net assets that the Municipality maintains, or that Council has designated (or "restricted") for use in specific initiatives or programs for which the funds are collected.

3.0 POLICY STATEMENTS

3.1 General Guidelines

- a. Draws from reserves must not exceed the fund balance unless it can be demonstrated to Council that future sources of revenue will provide adequate funding to return the fund to a positive balance.
- b. All operating and capital reserve funds must be fully described and include a purpose, source of funding, minimum level, optimum or target level, and the rationale used to establish the levels.
- c. Before creating a new reserve fund, the option of adding an incremental contribution to an existing fund of a like nature will be considered.
- d. The prescribed fund limits will be reviewed by Council at least once each term of office.
- e. Interest will be paid to those reserve funds as designated within Schedule A, based on the average balance, calculated as the opening plus closing balances divided by two, at the annual average rate of return on long and short-term investments.
- f. The Municipality will maintain reserve funds in accordance with Schedule A.
- g. Program specific reserve funds are intended to accumulate the money collected for specific initiatives or programs stipulated at the time of collection.

3.2 Responsibilities

- a. Municipal Council to:
 - i. Approve by resolution this policy and any amendments.
 - ii. Approve all reserve transfers, re-designations, revisions, and new account requests must be approved by Council. Approvals may be in the form of:
 - 1. The annual operating or capital budget approval;
 - 2. A carryover project that was contained in an approved operating or capital budget; or
 - 3. A Council resolution.

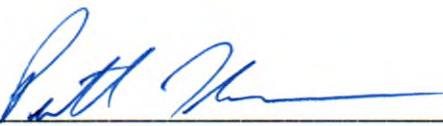
- b. Chief Administrative Officer to:
 - i. Implement this policy and approve procedures.
 - ii. Ensure policy and procedure reviews occur and verify the implementation of policies and procedures.
 - iii. Ensure funds are invested according to the guidelines set out in the Municipality's Investment Policy and in accordance with provincial legislation.
 - iv. Reserve funds will be drawn down only under circumstances specific to the individual reserve fund.
- c. Director of the Department to:
 - i. Ensure implementation of this policy and procedure.
 - ii. Ensure that this policy and procedure is reviewed every three years.
 - iii. Make recommendations to the Chief Administrative Officer of necessary policy or procedure amendments.
 - iv. For reporting purposes, the reserve funds will be listed separately in the "notes" section of the Municipality's financial statements.
 - v. Annually provide Council with:
 - 1. Actual year end reserve fund balances;
 - 2. Five-year, projected, uncommitted reserve fund balances;
 - 3. Five-year, anticipated reserve contributions and draws;

MUNICIPALITY OF CROWSNEST PASS



Mayor

November 26, 2024
Date



Chief Administrative Officer

November 26, 2024
Date

Municipal Reserves Policy - Schedule A

| Fund | Purpose | Funding Source(s) | Interest Earned |
|--|--|---|------------------------|
| Operating | | | |
| Mill Rate Stabilization | To cover operating Deficits and capital or operating costs as directed by Council. | An annual transfer as determined in the approved budget. Transfer of annual surpluses remaining after any Council approved transfers to reserve funds as part of the year-end process. | No |
| Program Specific | | | |
| Roads | To fund replacement and renewal of streets, roads and sidewalks. To provide funding for unanticipated operating expenditures and for unforeseen operating emergency expenditures as approved by Council. | An annual transfer as determined in the approved budget. | No |
| FCSS, Christmas Hamper | To carry forward surplus donations to offset years when program costs exceed donated funds. | Excess donations over program costs transferred at year end. | No |
| Recreation/Green Spaces | To fund the development of recreation, parks and green spaces. | An annual transfer as determined in the approved budget. Cash received from developers in lieu of providing municipal reserve. | No |
| Planning, Zoning, Development (Previously Land Servicing) | Servicing of Municipal Land for sale or development | An annual transfer as determined in the approved budget. | No |
| Community Cultural Projects (previously Marketing / Promotion) | Established to cover project costs related to cultural activities | Excess dollars not expended from Category 1 and 2 Grants approved but not utilized. | No |
| Fund | Purpose | Funding Source(s) | Interest Earned |
| Capital | | | |
| IT/Computer | To fund Information Technology capital expenditures relating to expansion, enhancement or improvement to services. | An annual transfer as determined in the approved budget. | No |
| Emergency Management | Established for emergency response activities in the community. | An annual transfer as determined in the approved budget. | No |
| Fleet & Equipment | Established to replace vehicles, machinery and equipment. | An annual transfer as determined in the approved budget. Sale from auction of vehicles and heavy equipment. | No |
| Facilities | To fund major capital repairs or rehabilitation expenses associated with all municipal facilities. | An annual transfer as determined in the approved budget. | No |
| Water | To fund future major rehabilitation and or replacement of Municipal water assets | An annual transfer as determined in the approved budget. | No |
| Wastewater | To fund the lifecycle replacement of capital infrastructure or future capital acquisitions relating to wastewater services. | An annual transfer as determined in the approved budget. | No |
| New Recreation Facility | To fund a new recreation facility | | No |

Municipal Reserves Policy - Schedule A

| Fund | Purpose | Funding Source(s) | Interest Earned |
|---------------------------|--|--|-----------------|
| Land Purchases/Sales | To fund municipal land purchases. | Net revenues from land/lot sales | No |
| Election | To cover the cost of election every 4 years | An annual transfer as determined in the approved budget. | No |
| Cemetery – Perpetual Care | For Maintenance and repairs of municipal cemeteries | An annual transfer as determined in the approved budget. | No |
| Pass Pool | To cover costs to develop and upgrade the Pool. | An annual transfer as determined in the approved budget. | No |
| Pass PowderKeg Ski Hill | To cover repair costs for major types of equipment including but not limited to the groomer, tow lift, and snow machines | An annual transfer as determined in the approved budget. | No |