



**POLICY AND PROCEDURE
HANDBOOK**

**POLICY:
OPERATING AND CAPITAL RESERVES**

POLICY:

County Council will establish and maintain sufficient operating and capital reserves to optimize cash flow, minimize tax implications due to fluctuations in operating activities and capital requirements, and finance emergency, unforeseen, or unusual expenditures.

APPLICATION TO VISION STATEMENT:

Maintaining sufficient financial reserves displays progressive, practical leadership and promotes local economic sustainability.

DEFINITIONS:

Capital Reserves:	Money set aside to fund the acquisition or purchase of tangible capital assets
Emergency:	An occurrence or situation which could jeopardize the safety, health, or welfare of people, or the protection of property in the County
Lowest Investment Balance:	The value of the County's investments at their lowest point in the most recent five year period.
Surplus:	The excess of revenue over expenses, net of annual amortization, at December 31 st of the year as reported in the draft financial statements
Operating Reserves:	Money set aside to fund non-capital expenses

GUIDELINES:

1. Presentation of the value of the County's reserves in the audited financial statement is in accordance with public sector accounting standards. The County "restricts" certain amounts of the accumulated surplus to fund future expenses. The "restricted surplus" shown in the financial statement is the total amount of reserves available over time. These reserves are used on an as-needed basis, as approved in the annual budget and subject to the guidelines of this Policy. They are also used to maximize cash flow for day-to-day operations.
2. The amount of reserves available in cash is shown in Schedule D. This Schedule may be amended annually to reflect changes to the Lowest Investment Balance.
3. Council will establish Operating and Capital Reserves and set minimum and maximum balances as shown in Schedules A and B.
4. Council will maintain legislated reserves in accordance with the *Municipal Government Act* as shown in Schedule C.
5. Council will approve new reserves, adjustments to minimum and/or maximum balances, and/or reallocation of funds amongst reserves to meet short-term financial commitments, long-term financial strategies, and changes to the Lowest Investment Balance.
6. Council will approve all transfers between operating and capital reserves.

Council Approval

Date: September 21, 2016

Motion:

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Last Revision: June 17, 2015

7. Contributions to reserve will be funded as follows:
- a) General Tax Levy
 - i) The annual budget may provide for additional amounts to be added to reserves to achieve minimum reserve balances as established by this Policy;
 - ii) The annual budget may provide for a fixed amount to be added to reserves for future expenses identified in the County's multi-year capital infrastructure plan.
 - b) Interest on the investment of general funds will be allocated to the Contingency Reserve.
 - c) Sale of Assets
 - i) Proceeds from the sale of fixed assets will be allocated to the corresponding capital reserve (e.g. sale of land inventory will be allocated to the capital reserve for land development; sale of public works equipment or vehicles will be allocated to the capital reserve for public works equipment and vehicles, etc.).
 - d) Targeted Mill Rate
 - i) Council may authorize a separate mill rate to raise funds for project-specific reserves (e.g. oiling reserve, paving reserve, etc.), in accordance with the *Municipal Government Act*.
 - e) Surplus will be allocated in the following priority sequence:
 - i) Water and sewer user fee revenue in excess of expenses will be allocated to the Water and Sewer Reserve;
 - ii) WCB and/or the Health and Safety Association rebate in excess of the health and safety incentive program will be allocated to the Administration Operating Reserve;
 - iii) Campground revenue in excess of the budgeted revenue will be allocated to the Recreation/Parks Reserve.
 - iv) If a project has not commenced or been completed in the current year, but will be completed in a subsequent year, funds at least equal to the tax levy raised for the project may be transferred to reserve for use in the subsequent year;
 - v) 50% will be allocated to operating and capital reserves, at the discretion of the Chief Administrative Officer, to meet minimum balance requirements;
 - vi) The remaining Surplus will be allocated to the Public Works capital reserve.
 - f) Contributions to reserve in excess of that which is needed to achieve the maximum balance will be allocated to the Public Works capital reserve.
8. Transfers from reserve will be allocated as follows:
- a) Budgeted transfers
 - i) The amount transferred may be less, but will be no greater than the budgeted amount, unless additional reserves are required to prevent an overall yearend deficit.
 - b) Council-approved transfers
 - i) The use of reserves not approved in the annual budget, but subsequently approved by Council, may be less if not required for the transaction, but will be no greater than the amount approved by Council.
 - c) Emergency transfers
 - i) The use of reserves approved in the annual budget may be allocated to fund an Emergency upon authorization by the Chief Administration Officer.

- ii) The use of reserves not approved in the annual budget (i.e. unbudgeted) may be allocated to fund an Emergency upon authorization by the Chief Administrative Officer.
- 9. Council will approve a strategy to replenish the reserves if reserve balances do not meet the Guidelines of this Policy. The strategy will outline the method to be used to replenish the reserves within the subsequent three-year budget period.

Administration will develop procedures to implement this Policy, which may be amended from time to time without compromising the intent of this Policy.

SCHEDULE A

OPERATING RESERVES

Reserve	Purpose & Rationale for Minimum and Maximum Balances	Minimum Balance	Maximum Balance	Funding Source
Administration	To fund unusual special events, health and safety awards, and hold funds received from BMS and Clean Harbors <i>Minimum balance = special event (\$20,000) + H & S awards (\$10,000)</i> <i>Maximum balance = minimum balance + BMS annual transfer (\$1,065,178) + Clean Harbors' accumulated grant (\$176,240)</i>	30,000	1,271,418	General Tax Levy WCB Rebate BMS & Clean Harbors Surplus
Public Works	To fund unexpected extreme weather events <i>Minimum balance = heavy snowfall event</i> <i>Maximum balance = heavy snowfall event and flooding event</i>	100,000	500,000	General Tax Levy Surplus
Contingency	To stabilize mill rate increases and self-fund "loans" to residents for local improvements <i>Minimum balance = Islet Lake LIT current balance (\$46,530) + 2% increase in tax levy (\$261,000)</i> <i>Maximum balance = Islet Lake LIT repayment (\$119,000) + 4% increase in tax levy (\$522,000)</i>	307,530	641,000	General Tax Levy Interest on Investments Surplus Local Improvement Tax
Cash Flow	To finance County operations and optimize cash flow until current taxes are received in the Fall <i>Maximum balance = 2016 tax levy</i>		13,047,988	General Tax Levy
TOTAL		437,530	15,460,406	

SCHEDULE B

CAPITAL RESERVES

Reserve	Purpose	Minimum Balance	Maximum Balance	Funding Source
Administration and Public Safety	To fund major computer and office equipment purchases, office improvements, and public safety vehicles and equipment <i>Minimum balance = computer server (\$50,000) + copier (\$10,000) + spot roof repairs (\$100,000) + 1 CPO vehicle (\$50,000)</i> <i>Maximum balance = office equipment (\$60,000) + furnaces (\$30,000) + large roof repair (\$500,000) + 2 CPO vehicles & scales (\$120,000)</i>	210,000	710,000	General Tax Levy Sale of Vehicles Surplus
Public Works	To fund road improvements (e.g. construction/oiling/paving & cost-shared road projects), Transportation Shop and grader shed improvements, and heavy equipment/vehicle purchases <i>Minimum balance = 1 year of road improvements (\$2,000,000) + grader shed improvements (\$250,000) + 2017 eqp/veh purchases (\$575,000)</i> <i>Maximum balance = minimum balance + 6 miles pavement (\$6,000,000) + Shop reno (\$1,000,000) + 2018-2021 eqp/veh purchases (\$3,804,000)</i>	2,825,000	13,629,000	General Tax Levy Sale of Assets Targeted Mill Rate Surplus
Water and Sewer	To fund rural waterline extensions and unforeseen or unusual sewer system repairs and upgrades <i>Minimum balance = truckfill station (\$300,000) + Bruce & Kinsella major line repairs (\$50,000 each)</i> <i>Maximum balance = rural waterline extension (\$1,000,000) + Bruce & Kinsella sewer system replacements (\$1,000,000 each) + west end truck fill "loan" (\$1,190,388)</i>	400,000	4,190,388	General Tax Levy Targeted Mill Rate Local Improvement Tax User Fees Surplus

Reserve	Purpose	Minimum Balance	Maximum Balance	Funding Source
Industrial Parks	To develop Equity Industrial Park and Viking/Beaver Business Park (e.g. utilities, roads, wetland compensation) <i>Minimum balance = phased development (\$500,000 each)</i> <i>Maximum balance = complete development in EIP (\$3,000,000) + VBBP (\$1,000,000)</i>	1,000,000	4,000,000	General Tax Levy Sale of Lots Surplus
Agriculture	To fund vehicle and equipment purchases <i>Minimum balance = equipment/vehicle replacement or change in level of service (\$200,000)</i> <i>Maximum balance = minimum balance + 2018-2021 equipment/vehicle purchases (\$472,500)</i>	200,000	672,500	General Tax Levy Sale of Assets Targeted Mill Rate Surplus
Recreation/Parks	To develop campgrounds, other County-owned recreation facilities, fund cost-shared recreation facilities, and provide disaster relief (per Policy) <i>Minimum balance = emergency improvements to Beaver Arts building (\$50,000)</i> <i>Maximum balance = minimum balance + campground improvements (\$50,000 each) + disaster relief funds</i>	50,000	820,000	General Tax Levy Targeted Mill Rate User Fees Surplus
TOTAL		4,685,000	24,021,888	

SCHEDULE C

LEGISLATED RESERVES

Reserve	Purpose	Minimum Balance	Maximum Balance	Funding Source
Spilstead Road Off-Site Levy	To hold funds to repave Spilstead Road per <i>Municipal Government Act</i>	\$26,151.39 (per MGA)	Per MGA	Off-Site Levies
\$-in-Lieu	To hold money-in-lieu of reserve from subdivision development for use per <i>Municipal Government Act</i>	\$145,489.91 (per MGA)	Per MGA	\$-in-Lieu from Developers
TOTAL		\$171,641.30	Per MGA	

TOTAL RESERVES

	Minimum Balance	Maximum Balance
TOTAL (Schedules A & B)	5,122,530	39,482,294
TOTAL (Schedule C)	(subject to MGA)	(subject to MGA)

Amended by Council: Sept 21, 2016

**SCHEDULE D
MUNICIPAL RESERVES (AVAILABLE IN CASH)**

ADMINISTRATION RESERVE

SPECIAL EVENTS	18,469
OFFICE EQUIPMENT	53,300
BUILDING IMPROVEMENTS	90,000
PUBLIC SAFETY VEH/EQP	82,000
BMS SURPLUS	411,668
CLEAN HARBORS GRANT	176,240
TOTAL	<u>831,677</u>

PUBLIC WORKS RESERVE

ROAD PROJECTS	1,371,849
BUILDING IMPROVEMENTS	239,800
VEHICLES/EQUIPMENT	1,429,210
EXTREME WEATHER EVENTS	100,000
TOTAL	<u>3,140,859</u>

WATER & SEWER RESERVE

GENERAL WATER	72,554
WEST END TRUCK FILL	61,811
GENERAL SEWER	100,000
TOTAL	<u>234,365</u>

INDUSTRIAL PARKS

VIKING INDUSTRIAL PARK	500,000
EQUITY INDUSTRIAL PARK	650,394
TOTAL	<u>1,150,394</u>

AGRICULTURE RESERVE

VEHICLES/EQUIPMENT	119,800
SEED CLEANING PLANT	0
TOTAL	<u>119,800</u>

RECREATION/PARKS RESERVE

RECREATION FACILITIES	79,313
DISASTER RELIEF FUND	0
TOTAL	<u>79,313</u>

CONTINGENCY RESERVE

ISLET LAKE REPAYMENT	52,525
MILL RATE STABILIZATION	30,426
TOTAL	<u>82,951</u>

LEGISLATED RESERVES

SPIILSTEAD RD OFF-SITE LEVY	26,151.39
\$-IN-LIEU	145,489.91
TOTAL	<u>171,641.30</u>

GRAND TOTAL 5,811,000.30
