



2024-2028 FINANCIAL PLAN

Committee of the Whole Meeting –

November 27, 2023

Reserves and Surplus Policy and Recommendations

SURPLUS AND RESERVE POLICY – DRAFT#1

New policy – for discussion/direction

- Incorporate best practices
- Some is discretionary / some is not
- Once bylaw is final, Reserves and Surplus Bylaw is next
- Incorporate into Financial Plan as resources allow – some will be recurring; some will be at direction of Council – need it to be financially sustainable
- Staff recommendations for possible reallocation of unappropriated surplus into specific reserves

Recommendations:

Today – receive first draft start discussions

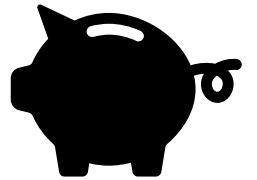
Given that proposed provincial legislation will likely impact Policy and Bylaw.

In 2024, after 2023 audited financial statement are finalized:

- Subsequent drafts to incorporate changes, proposed amounts and input from Council
- Adoption of Policy and Bylaw
- Implement policy, related processes and review periodically

REASONS TO ADOPT A RESERVES AND SURPLUS POLICY

- ✓ Currently, most of the City's "surplus" funds from prior years are in unappropriated surplus – policy would allow for planned use of those funds
- ✓ Key component of sustainable long term financial planning, including for the replacement and renewal of capital assets
- ✓ Provides flexibility with property taxation and utility rates in periods of change
- ✓ Provides contingency amounts for unexpected expenditures
- ✓ Provides financial choices for Council (e.g. consideration of increase tax/utility rates vs debt vs other financing options)
- ✓ Considered best practice for financial sustainability



SUGGESTED TYPES OF RESERVES

1.0 Operating

2.0 Capital

3.0 Accumulated Surpluses

4.0 Statutory

ADMINISTRATION OF THE POLICY

Contributions

- Specifically identified in the City's Financial Plan
- Approved by Council

Minimum/Optimal Balances

- Suggestions in Appendix 1
- Ensure sufficient funds for purpose, but without idle assets better used elsewhere
- Revisit balances annually

Internal Borrowing

- Permissible per legislation
- Repayment plan with interest is required
- Provides more flexibility for the City than external borrowing

Responsibilities

- Finance officer administers policy and process
- Will review annually and provide recommendations to Council for revisions to policy as may be required to reflect economic and/or legislative changes

Interest

- Will be allocated to Reserve Funds and Statutory Reserve Funds
- At City's average rate of return for the year on average balance

ILLUSTRATION FROM 2023: FINANCIAL PLAN OVERVIEW

	2022	2023	Change \$	Change %	2023 Ongoing	2023 Non-recurring
FUNDING SOURCES						
Property taxes	16,412,100	17,605,900	1,193,800	7%	17,605,900	-
Library taxes	778,700	840,600	61,900	8%	840,600	-
Fees and Charges	3,075,900	3,752,600	676,700	22%	3,646,100	106,500
Operating grants	463,700	615,500	151,800	33%	433,400	182,100
Capital Grants/ DCCs	4,738,560	1,620,300	(3,118,260)	-66%	-	1,620,300
Actuarial reduction of debt	35,300	-	(35,300)	-100%	-	-
	\$ 25,504,260	\$ 24,434,900	\$ (1,069,360)	-4%	\$ 22,526,000	\$ 1,908,900

Sustainable financial position:

Consider ongoing vs non-recurring revenues and expenditures

FINANCIAL PLAN ILLUSTRATION – ONGOING AND NON-RECURRING

	2022	2023	Change \$	Change %	2023 Ongoing	2023 Non-recurring
OPERATING EXPENDITURES						
Municipal services provided by City of Parkville employees	(15,765,900)	(16,842,950)	(1,077,050)	7%	(16,551,950)	(291,000)
Minor capital incl in muni services	(1,795,300)	(2,657,050)	(861,750)	48%	-	(2,657,050)
Library	(778,700)	(840,600)	(61,900)	8%	(840,600)	
Solid waste (via contract with RDN)	(805,000)	(858,400)	(53,400)	7%	(858,400)	
Interest on long term debt	(25,900)	(6,300)	19,600	-76%	(6,300)	
Amortization of capital assets	(3,075,200)	(3,120,000)	(44,800)	1%	-	(3,120,000)
	\$ (22,246,000)	\$ (24,325,300)	\$ (2,079,300)	9%	\$ (18,257,250)	\$ (6,068,050)
NET INCOME FROM OPERATIONS	\$ 3,258,260	\$ 109,600	\$ (3,148,660)		\$ 4,268,750	\$ (4,159,150)

FINANCIAL PLAN ILLUSTRATION – ONGOING AND NON-RECURRING

	2022	2023	Change \$	Change %	2023 Ongoing	2023 Non-recurring
NON-OPERATING AMOUNTS:						
Capital expenditures	(12,251,675)	(7,694,500)	4,557,175		-	(7,694,500)
LTD principal payments	(69,800)	(47,800)	22,000		(47,800)	
Transfers to reserves	(792,600)	(4,325,700)	(3,533,100)		(3,690,500)	(635,200)
Transfers from reserves	5,935,000	8,290,500	2,355,500		-	8,290,500
Actuarial reduction of debt	(35,300)		35,300		-	-
Amortization of capital assets	3,075,200	3,120,000	44,800		-	3,120,000
	\$ (4,139,175)	\$ (657,500)	\$ 3,481,675		\$ (3,738,300)	\$ 3,080,800
	\$ (880,915)	\$ (547,900)	\$ 333,015		\$ 530,450	\$ (1,078,350)

Financial Stabilization Reserves

Significant Emergent Operating Issues

- Inclement weather
- Environmental hazards
- Pandemic



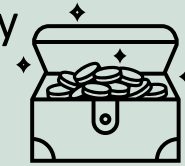
One-time and Intermittent Projects

- Current “minor capital” items
- Studies
- Request from community group
- Changes to legislation or standards



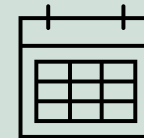
Revenue and Cost Contingencies

- Development revenues
- Utility fees impacted by weather
- Fuel, vandalism
- Staffing costs incl vacancies, severance, retirement



Cyclical Expenditures

- Annualize cost of:
- Elections
- OCP
- Master plans
- Multi-year software renewals



APPENDIX – RESERVE DETAILS

- Sorted by type of reserve and by operating fund
- Name
- Purpose
- Funding source(s)
- Minimum/ optimal balance
- Rationale for funding source and/or balance

1.0 OPERATING RESERVES

RESERVE NAME	PURPOSE	FUNDING SOURCE(S)	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
GENERAL FUND						
General Fund Future Expenditures	To offset costs for which funding has already been collected (e.g. carry forward funds)	Excess of budgeted cost over actual expenditures for specified projects/ accounts in a year; or unspent special purpose operating grant (e.g. Covid Restart)	N/A	N/A	\$ 4,356,450	Amount will vary from year to year depending on the timing of completion of budgeted activities.
General Fund Financial Stabilization	To offset unrealized revenues and costs of one-time or intermittent projects	Annual allocation from audited operating surplus in a year (e.g. for one-time/special initiative projects). Excess revenues above baseline average in a year (e.g. especially re development revenues), or actual costs below baseline (e.g. specific staffing costs) Estimated annual amount for known cyclical expenditures (e.g. election costs, master plans).	5% of PT + cyclical expenditure calc'n	10% of PT + cyclical expenditure calc'n	NEW	Provide sufficient funding for flexibility in responding to intermittent projects and/or short term negative impacts from economic changes. Smooth impact to property taxes by accumulating funds for known cyclical costs.

OPERATING RESERVES (CONT'D)

RESERVE NAME	PURPOSE	FUNDING SOURCE(S)	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
Insurance	To offset cost of insurance claims and deductibles	Unspent allocation in annual financial plan to provide funding for 2 insurance deductible amounts for each of property and liability insurance.	\$ 140,000	\$ 360,000	NEW	Two and three times the major claims deductible and liability insurance deductible.
Legal	To offset cost of major legal costs/claims	Excess of budgeted legal costs over actual expenditures in a year.	\$ 90,000	\$ 270,000	NEW	One and three times the 5 yr average annual corporate legal costs (average reviewed biannually)
Snow and Ice Removal	To offset costs of unusually high snow and/or ice removal costs in a year	Excess of budgeted snow removal costs over actual expenditures in a year	\$ 150,000	\$ 450,000	\$ 124,800	One and three times the 5 yr average annual snow/ice removal costs (average reviewed biannually)

OPERATING RESERVES (CONT'D)

RESERVE NAME	PURPOSE	FUNDING SOURCE(S)	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
Protective Services:	To offset operating and capital costs related to fire and policing services.	As noted below:				
Fire Services	Operating (e.g. extraordinary operating costs or one-time projects; cost increases re future incremental growth of career staff) or Capital (Fire Hall reno/replacement of major components; Fire Dept apparatus/ fleet and major equipment)	Annual allocation from general revenue per planned replacement schedules; Regional service agreement funding; Amenity contributions for Fire Dept	TBD	TBD	NEW	Amounts to be determined based on further direction re: costs to be included in the Reserve.
Policing Services	Operating (e.g. major crime costs, increased costs @ 15k population) or Capital (RCMP detachment building, equipment not included in contract)	Excess of budgeted policing costs over actual expenditures in a year. Calculated amounts re expected contract increase and facility costs with increasing population.	TBD	TBD	NEW	Amounts to be determined based on further direction re: costs to be included in the Reserve.

OPERATING RESERVES (CONT'D)

RESERVE NAME	PURPOSE	FUNDING SOURCE(S)	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
WATER FUND						
Water Fund Future Expenditures	To offset costs for which funding has already been collected (e.g. carry forward funds)	Excess of budgeted cost over actual expenditures for specified projects/ accounts in a year; or unspent special purpose operating grant	N/A	N/A	\$ 488,816	Amount will vary from year to year depending on the timing of completion of budgeted activities.
Water Fund Financial Stabilization	To offset unrealized revenues and costs of one-time or intermittent projects	Annual allocation from audited operating surplus in a year (e.g. for one-time/special initiative projects). Excess revenues above baseline average in a year (e.g. especially re weather impacts), or actual costs below budget (e.g. specific staffing costs) Estimated annual amount for known cyclical expenditures (e.g. master plans).	5% of utility fees + cyclical expenditure calc'n	10% of utility fees + cyclical expenditure calc'n	NEW	Provide sufficient funding for flexibility in responding to intermittent projects and/or short term negative impacts from economic changes. Smooth impact to property taxes by accumulating funds for known cyclical costs.

OPERATING RESERVES (CONT'D)

RESERVE NAME	PURPOSE	FUNDING SOURCE(S)	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
SEWER FUND						
Sewer Fund Future Expenditures	To offset costs for which funding has already been collected (e.g. carry forward funds)	Excess of budgeted cost over actual expenditures for specified projects/ accounts in a year; or unspent special purpose operating grant	N/A	N/A	\$ 579,721	Amount will vary from year to year depending on the timing of completion of budgeted activities.
Sewer Fund Financial Stabilization	To offset unrealized revenues and costs of one-time or intermittent projects	Annual allocation from audited operating surplus in a year (e.g. for one-time/special initiative projects). Excess revenues above baseline average in a year (e.g. especially re weather impacts), or actual costs below budget (e.g. specific staffing costs). Estimated annual amount for known cyclical expenditures (e.g. master plans).	5% of utility fees + cyclical expenditure calc'n	10% of utility fees + cyclical expenditure calc'n	NEW	Provide sufficient funding for flexibility in responding to intermittent projects and/or short term negative impacts from economic changes. Smooth impact to property taxes by accumulating funds for known cyclical costs.

2.0 CAPITAL RESERVES

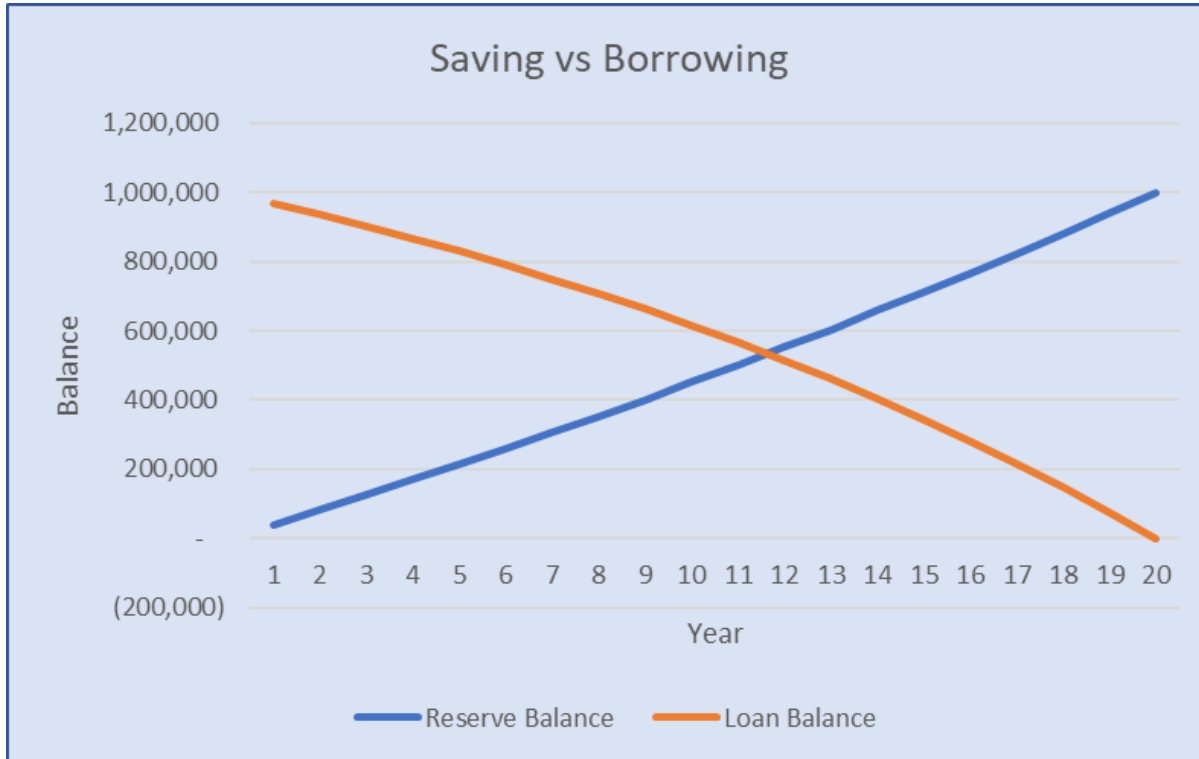


ILLUSTRATION: PURCHASE \$1M FIRE TRUCK

	Investment Rate		
Total cash flow	2.50%	3%	4%
Saving	875,464	852,133	806,994
Borrowing (4.49% MFA)	1,194,112	1,194,112	1,194,112
Difference	(318,648)	(341,979)	(387,118)

2.0 CAPITAL RESERVES

RESERVE NAME	PURPOSE	FUNDING SOURCE(S)	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
GENERAL FUND						
General Fund Capital	To set aside funding for capital projects identified in the City's long term capital plan that are not specifically funded from other established reserves, or to set aside unspent capital grant funding.	Allocations in financial plan (% of property taxes or other) Capital grants	TBD	TBD	\$ 2,258,296	Amount will be determined by LTFP for Capital
Asset Management (Roads, Drainage, Facilities, Parks Infrastructure, Sportsfields, TBD)	To set aside funding for planned replacement or renewal of existing capital assets per the City's sustainable asset management program. Reserve will not be used to fund new assets.	Allocations in financial plan per specific asset class Asset Management Plans / Long Term Financial Plan. (% of property taxes or other)	TBD	TBD	NEW	Amount will be determined by AMP/LTFP for Capital

CAPITAL RESERVES (CONT'D)

RESERVE FUND	PURPOSE	FUNDING SOURCE	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
Canada Community Building Fund <i>(previously known as Community Works Fund/ Gas Tax Fund)</i>	To set aside funds not spent on eligible projects per agreement	Federal government grant (2012-2024)	N/A	N/A	\$ 5,382,355	Requirement is to spend all funds
Growing Communities Fund	To accumulate funds not spent on eligible projects per direction from Province	Provincial government grant received in March 2023	N/A	N/A	NEW - (rec'd March 2023)	Requirement is to spend all funds by 2028

CAPITAL RESERVES (CONT'D)

RESERVE FUND	PURPOSE	FUNDING SOURCE	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
Fleet and Operations Equipment Replacement	To set aside funds for the replacement of moveable equipment and fleet assets. This reserve is not used for new fleet or equipment assets.	Internal charges for use of equipment; Sale of equipment and vehicles	N/A	N/A	\$ 2,138,102	Minimum and optimal balance will depend on the fleet and equipment assets included in the reserve at any time. Optimal amount will be the accumulation of amount to provide 100% funding for replacement of assets)
Information Technology (IT) Equipment Replacement	To set aside funds for the recurring replacement of IT equipment identified in 10 year replacement plan (operating and capital).	Annual allocation in the financial plan calculated per 10 year replacement plan. All amounts currently reflected in financial plan. This reserve will smooth the costs through annual average amount to reserve.	TBD	TBD	NEW	Minimum and optimal balance will depend on the equipment assets included in the reserve at any time. Optimal amount will be the accumulation of amount to provide 100% funding for replacement of assets)

CAPITAL RESERVES (CONT'D)

RESERVE FUND	PURPOSE	FUNDING SOURCE	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
PCTC Reserve	To set aside funds for the City's share of the replacement or renewal of the building and/or building components owned by the PCTC joint venture.	Annual allocation in the financial plan. Amount will change with information from facility asset management plan and/or agreement with joint venture partners.	TBD	TBD	\$ 279,900	Future amounts will be determined by AMP/LTFP for Capital
Community Amenities	To set aside funds for assets/works that benefit the general community.	Cash contributions received from development not otherwise designated.	TBD	TBD	NEW	Contributions are currently discretionary but may be impacted by proposed Provincial legislation (November 2023)

CAPITAL RESERVES (CONT'D)

RESERVE FUND	PURPOSE	FUNDING SOURCE	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
WATER FUND						
Water Fund Capital	To set aside funding for capital projects identified in the City's long term capital plan that are not specifically funded from other established reserves, or to set aside unspent capital grant funding.	Allocations in financial plan (% of property taxes or other) Capital grants	TBD	TBD	\$ 660,052	Amount will be determined by LTFP for Capital
Water Fund Asset Management	To set aside funding for planned replacement or renewal of existing capital assets per the City's sustainable asset management program. Reserve will not be used to fund new assets.	Allocations in financial plan per specific asset class Asset Management Plans / Long Term Financial Plan. (% of property taxes or other)	TBD	TBD	NEW	Amount will be determined by AMP/LTFP for Capital

CAPITAL RESERVES (CONT'D)

RESERVE FUND	PURPOSE	FUNDING SOURCE	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
Arrowsmith Dam Capital	To set aside the City's share of joint venture reserve contributions to fund the replacement or renewal of AWS dam assets	Allocations in AWS financial plan. Amount will change with development of dam asset management plan.	TBD	TBD	\$ 17,500	Amount will be determined by AMP/LTFP for dam
Englishman River Water Service Capital	To set aside the City's share of joint venture reserve contributions to fund the replacement or renewal of ERWS water treatment plant and other infrastructure/equipment assets	Allocations in ERWS financial plan. Amount will change with development of water treatment plant and other ERWS infrastructure/equipment asset management plans.	TBD	TBD	\$ 385,000	Amount will be determined by AMPs/LTFP for ERWS

CAPITAL RESERVES (CONT'D)

RESERVE FUND	PURPOSE	FUNDING SOURCE	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
SEWER FUND						
Sewer Fund Capital	To set aside funding for capital projects identified in the City's long term capital plan that are not specifically funded from other established reserves, or to set aside unspent capital grant funding.	Allocations in financial plan (% of property taxes or other) Capital grants	TBD	TBD	\$ 1,055,939	Amount will be determined by LTFP for Capital
Sewer Fund Asset Management	To set aside funding for planned replacement or renewal of existing capital assets per the City's sustainable asset management program. Reserve will not be used to fund new assets.	Allocations in financial plan per specific asset class Asset Management Plans / Long Term Financial Plan. (% of property taxes or other)	TBD	TBD	NEW	Amount will be determined by AMP/LTFP for Capital

3.0 UNAPPROPRIATED SURPLUS

RESERVE FUND	PURPOSE	FUNDING SOURCE	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
Accumulated Surplus General Fund Water Fund Sewer Fund	To provide funds for working capital purposes (i.e. for payment of expenditures before property taxes and utility fees are collected in the year) or for unforeseen financial needs.	Excess of operating fund revenues over expenditures and transfers at the end of each fiscal year per audited financial statements, less allocations to other reserves per this policy.	6 months of regular operating expenditures rounded to the nearest higher \$100,000	9 months of regular operating expenditures rounded to the nearest higher \$100,000	\$19,805,740 General Fund \$7,215,329 Water \$4,054,491 Sanitary Sewer	Maintaining minimum working capital levels eliminates or reduces the need to borrow externally and/or internally for operations. Very conservative estimate.
			2023 ~ \$8M	2023 ~ \$13M		

4.0 STATUTORY RESERVES

RESERVE FUND	PURPOSE	FUNDING SOURCE	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
Land Sale Reserve	To acquire land, improvements or other capital assets.	Funds received from the sale of City owned land and improvements.	N/A	N/A	\$ 1,265,627	Reserve funding and acquisitions therefrom are dependent on sale of land and improvements (timing and amount unknown).
Parks Acquisition Reserve	To purchase parkland per Community Charter	Funds received from the sale or disposal of parkland, and funds for parkland received upon subdivision	N/A	N/A	\$ 537,982	Reserve funding and acquisitions therefrom are dependent on 2 actions identified (timing and amount unknown).
Off Street Parking Reserve	To purchase off street parking space, transportation infrastructure that supports active modes, public transit or other alternative forms of transportation.	Funds received pursuant to parking space requirements in LGA S.906	N/A	N/A	\$ 560,725	Reserve funding and acquisitions therefrom are dependent on external parties (timing and amount unknown).

STATUTORY RESERVES (CONT'D)

RESERVE FUND	PURPOSE	FUNDING SOURCE	MINIMUM \$	OPTIMAL \$	BALANCE AT 12/31/2022	RATIONALE FOR \$ LEVEL
Development Cost Charges (DCC) Reserves:						
Roads, Storm Drainage, Open Spaces, Water, Sewer)	To accumulate funds for projects identified in the City's DCC bylaw	Funds received pursuant to CC S.188	N/A	N/A	\$ 10,847,187	Reserve funding and spending is dependent on actual DCCs collected. DCCs are restricted for use on specified projects.
					\$ 5,731,934	Roads
					\$ 194,197	Storm Drainage
					\$ 2,486,818	Open Spaces
					\$ 2,328,519	Water
					\$ 105,720	Sewer



QUESTIONS