



AGENDA ITEM

Policy AD(30) Financial Reserves Policy

April 23, 2020

BACKGROUND

Policy AD(30) was first established in 2012 when the County had \$49.37 million in reserves. The Policy authorizes the establishment of funded reserves which are used to offset future obligations. The general intent of the policy is to allocate funding from the operating budget on a predictable and consistent basis for future obligations. Most of the reserve accounts are earmarked for future capital obligations, though several operating reserves have been established over the years.

Over the past year, several changes, both legislative and Council policy, have resulted in the need to review this policy. The proposed updates bring the policy in line with the current direction of Council outlined in other policies or included in the 2020 budget.

A copy of the updated policy is attached.

ANALYSIS

Several updates to the policy have been included in this most recent update. These updates can be categorized into three types: new reserves, consolidation of existing reserve accounts and modifications to existing reserve accounts.

New Reserve Accounts

Administration is proposing three new capital reserve accounts: Assessment Equipment, Planning Equipment, and the Airport Capital Reserve. The first two reserves have been created to track funding for future replacement of vehicles in each of those departments. This practice is similar to other departments in the organization. The Airport Reserve is the result of the County's participation in the Lacombe Regional Airport. Council directed that reserve funding be established to ensure County funding for future capital projects at the airport was available.

Consolidation of Accounts

During the 2020 budget discussions it was identified that the rate structure of the Mirror Utilities did not match the ongoing capital requirements of each utility. There is currently limited capacity to raise water rates to fund an increase in the amount of future capital work. At the same time there is capacity to raise



revenue in the sewer system but limited capital requirements. With both utilities having the same customer base, it was logical to have one capital reserve to fund both water and wastewater capital projects.

As the County updates its long-term capital plans, there will be opportunity for further consolidation of reserve accounts especially tax supported reserve accounts.

Modifications to Existing Reserves

The final set of changes in the proposed Policy AD(30) update include modifications to existing reserves. There are several changes being proposed.

The first is a name change of the “Community Aggregate Levy Reserve” to the “Community Resource Reserve”. This was first proposed in 2019 and was changed to account for well drilling tax revenue being allocated to this reserve. The reserve account history has been updated to reflect this change as well as reflect the most current community aggregate levy change in 2018. The fund is a combined operating and capital reserve as it funds both operating and capital initiatives.

The second change is to the Recreation Capital Assistance Reserve. The only change to this policy is to update the history of the policy to reflect the current annual per capita contribution amount of \$35 per capita.

Another change is an update to the Tax Rate Stabilization Reserve. This proposed change would increase the total amount of the reserve from 10% to 20% of current year municipal tax revenue. The increase would help fund potential increases in uncollectible taxes that the current pandemic situation may spawn in 2021 and beyond.

The final change is to the Trail and Parks Reserve. The history and purpose of this account have been updated to reflect the age of the current trail system and the need to put aside funding for the future rehabilitation of this system.

ALTERNATIVES

1. Approve the policy as presented.
2. Council could add or remove from the proposed list of policy changes or recommend further changes to Policy AD(30).

BUDGET IMPLICATIONS

The 2020 budget includes transfer to reserve accounts that are being proposed in this policy amendment, specifically there are proposed transfers to:



1. Newly created Airport Capital Reserve	\$ 32,000
2. Newly created Assessment Equipment Reserve	\$ 8,980
3. Revised Community Resource Reserve	\$725,000
4. Combined Mirror Utility Reserve	\$ 24,820
5. Newly created Planning Equipment Reserve	\$ 4,150
6. Revised Trails and Parks Reserve	\$ 54,000

There are also funding coming from these updated reserves included in the 2020 budget:

1. Newly created Airport Capital Reserve	\$ 13,200
2. Revised Community Resource Reserve	\$4,101,290
3. Combined Mirror Utility Reserve	\$ 168,660
4. Revised Trails and Parks Reserve	\$ 70,000

LEGISLATIVE RESPONSIBILITIES

1. Section 180(1) of the MGA states that Council may act only by resolution or bylaw.

PUBLIC PARTICIPATION

Lacombe County sees the value in engaging and informing the public/stakeholders through a variety of mediums as outlined in the Policy AD(40): Public Participation Policy. The appropriate level of engagement for each public participation opportunity is selected on a project-to-project basis.

For this item, the following engagement will take place: Administration will inform the Public of Council's decision through Council Highlights.

STRATEGIC PLAN

The following elements of the County's Strategic Plan are relevant to this issue:

Our Vision: "An attractive, balanced and progressive community".

Our Mission: "Building a safe and vibrant community through leadership, innovation and the development of healthy relationships".

Key Principles: 1) "Integrity: Honesty and Trustworthy", and 2) "Accountability and Transparent for our decisions and for our actions".



Key Success Measures – Financial/Viability: “Levels of our reserves – financial and physical” and “Success at working within budgets”

RECOMMENDATION

That Council approve Lacombe County Policy AD(30) – Financial Reserves Policy as amended.

PREPARED BY: Michael Minchin, Director of Corporate Services

A blue ink signature of Michael Minchin, written over a small square box.

REVIEWED BY: Tim Timmons, County Manager

A blue ink signature of Tim Timmons, written over a small square box.