

### **Recommendations Summary**

Our annual review consisted of reviewing Restricted Surplus accounts to identify:

- Frequency of use
- Compliance with GFOA Recommended Practice, and
- Comparability to other municipalities

The results of this review are summarized below and reflected in the attached file called "Restricted Surplus Authorization Form Changes May 2013 Attachment I" in red font.

1. Contingency – We recommend that the scope of the Contingency restricted surplus be broadened to include Investment stabilization. We also recommend that the ceiling be increased to \$9.5 million. See item 5 below for details.

2. Contingency Funds General – This 'fund' is currently budgeted and included in the Statement of Operations as an expense. It is essentially treated as a Contingency restricted surplus which we already have. We recommend that the approval to use the operating contingency be delegated to the CAO. The balance in this fund for 2013 is \$150,000.

3. Early Retirement Incentive– This policy is planned to be phased out over the next three years (by 2015).

4. Future Road Projects – We recommend changing the name of this restricted surplus to 'Future Transportation Projects' and change the scope of the fund accordingly.

As road networks become more complex it is difficult to fund a full project from this restricted surplus as some of the elements essential to build the road would not qualify for funding. Allowing the change to 'Transportation' would alleviate this.

5. Investment Stabilization – We recommend that the investment stabilization fund be removed and the fund balance included in the Contingency Fund.

The Investment Stabilization restricted surplus was created to smooth out the budgetary effects of changes in investment rates. Parkland County's current investment portfolio is a low risk portfolio with the majority of investments having guaranteed principal and interest rates. As such there is little risk of significant loss to the County. Should a significant loss occur, the funding in the Contingency restricted surplus could be used to smooth this loss.

6. Local Improvement – This fund was created to account for the receipt and tracking of local improvement revenues paid for with a debenture.

In 2012, there was a change in accounting standards. PSAB 3510 required municipalities to recognize revenue when a taxable event occurred. As a result of this Parkland County will recognize the revenue as required by the standard and then transfer this revenue to restricted surplus to cover the principal and interest portion of the debenture payment.

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7. Long Term Sustainability – We recommend a change in funding application to allow the principal to grow and the interest to be used to help reduce the reliance on tax revenue.  
This is a concept used by Alaska and Norway for non-renewable resource revenue. The purpose is to take revenue from one time projects or non-renewable resources and save it, as it should not be relied upon for operations as it is not sustainable. The resulting savings earn interest and are used to reduce the tax burden on citizens. If Parkland County could increase this restricted surplus by investing 30% of the new linear levy per year over the next 10 years and earn interest of 3% on the principal, tax savings to Parkland county residents would be approximately \$2.7 million.
8. Municipal Park – The Municipal Government Act S671(4) requires all money provided in place of municipal and/or school reserve and the interest earned on that money to be accounted for separately. It was confirmed with Municipal Affairs this does not require the monies to be put in a separate bank account. The requirement is that the money is accounted for separately in the Financial Statements therefore "Separate Bank Account" has been removed from all authorization forms.
9. Office Systems – we missed updating this authorization form in 2012 when we changed all "replacement" plans to "lifecycle" plans
10. Offsite Levies & Development Charges – We recommend changing the restricted surplus to no longer include offsite levies as they are now included in Other Liabilities on the Statement of Financial Position.
11. Winter Maintenance – We recommend a change in the ceiling for winter maintenance.  
The ceiling for winter maintenance is currently \$1.4 million. Upon review of the last 5 years of winter maintenance requirements it was determined that, if the budget for winter maintenance was \$1.6 million, a restricted surplus of \$800,000 would be sufficient to ensure that winter maintenance could be fully funded. We recommend that the \$200,000 be reallocated to the Contingency restricted surplus as the intent of this restricted surplus is similar to that of Winter Maintenance (unforeseen/additional expenditures).