



Report on Municipal Restricted Surpluses 2014

Financial Services



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Executive Summary

Restricted surpluses are funds which have been designated for a specified future purpose. Restricted surpluses are used to smooth fluctuations in the tax rate by anticipating large or unusual future expenditures. Parkland County has established restricted surplus accounts for various purposes as outlined below.

Long Term Planning

Often municipalities will use restricted surpluses to fund major projects, capital replacements, or one time capital items. The utilization of restricted surplus enables a municipality to maintain stability in tax rates by avoiding spikes and reducing a municipality's reliance on debenture borrowing to fund capital. Example include the Equipment Lifecycle, Future Transportation, and Granular Aggregates restricted surplus accounts.

Legislated and Externally Restricted

Restricted surplus accounts also help identify funds that have external restrictions. These funds can only be used for the purpose specified by an external party such as the provincial government. Examples include Municipal Park and Municipal Operations restricted surplus accounts, both of which have their use specified by the Municipal Government Act (MGA).

Unforeseen and Unusual Events

Restricted surplus accounts can also be used to hedge our risks against short falls in operating budgets that are outside of our control. Examples include the Winter Maintenance and the Disaster restricted surplus accounts.

Working Capital

As taxes are not due until June 30, working capital can aid in funding operations from January to June (including the quarterly school requisition payment). These funds are used to avoid incurring borrowing cost in the event that the County required short term financing for operations. An example of this is the Working Capital restricted surplus account.

Other

Additional types of restricted surplus accounts utilized by the County include: Contingency, Future Capital, Future Operating, and Long Term Sustainability restricted surplus accounts.

Report on Restricted Surpluses

Introduction

Restricted surpluses are funds which have been designated for a specified future purpose. Restricted surpluses are used to smooth fluctuations in the tax rate by anticipating large or unusual future expenditures. There are a number of types of restricted surpluses used for different purposes. These Restricted Surpluses will be identified and reviewed in this report.

Municipalities throughout North America rely on restricted surpluses as part of their fiscal management strategy. Restricted surplus accounts support a municipality's long range planning process. They allow a municipality to provide programs and services, which may include the acquisition of capital assets, without having to acquire debenture debt (and pass the interest costs associated with debt onto the residents), or make significant changes in tax levies year to year. Essentially, restricted surpluses smooth large expenses over a period of time rather than incurring them in one year. Restricted surplus funds are set up to help ensure that funding is available to cover both planned and unplanned future events. The level of restricted surplus held by a municipality should be determined by a critical assessment of future needs and potential risks. The Government Finance Officers Association (GFOA) states that "It is essential that governments maintain adequate levels of [restricted surplus] to mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. [Restricted surplus] levels are a crucial consideration, too, in long-term financial planning."¹

Many municipalities are committed to fiscal management strategies that include the use of [restricted surpluses]. As a result, many of these municipalities have seen their overall debt loads and corresponding annual debt payments decrease over the years.² This financial strategy, coupled with others, contributes to good stewardship of public funds. The use of restricted surpluses is a strategy to limit tax supported debt.

Municipalities are sometimes criticized for the amount of restricted surpluses they maintain. This overall amount will vary depending on the size of the individual municipality, the extent to which a municipality has implemented the "save now and pay later" philosophy and the degree to which the municipality has developed longer term financial plans.³ The purpose of this report is to: reaffirm why the use of restricted surpluses is an effective financial strategy for Parkland County,

¹ <http://www.gfoa.org/determining-appropriate-level-unrestricted-fund-balance-general-fund>

² Task force on municipal reserves, Alberta Association of Municipal Districts & Counties, January 24, 2002, Pg. 1.

³ Task force on municipal reserves, Alberta Association of Municipal Districts & Counties, January 24, 2002, Pg. 6.

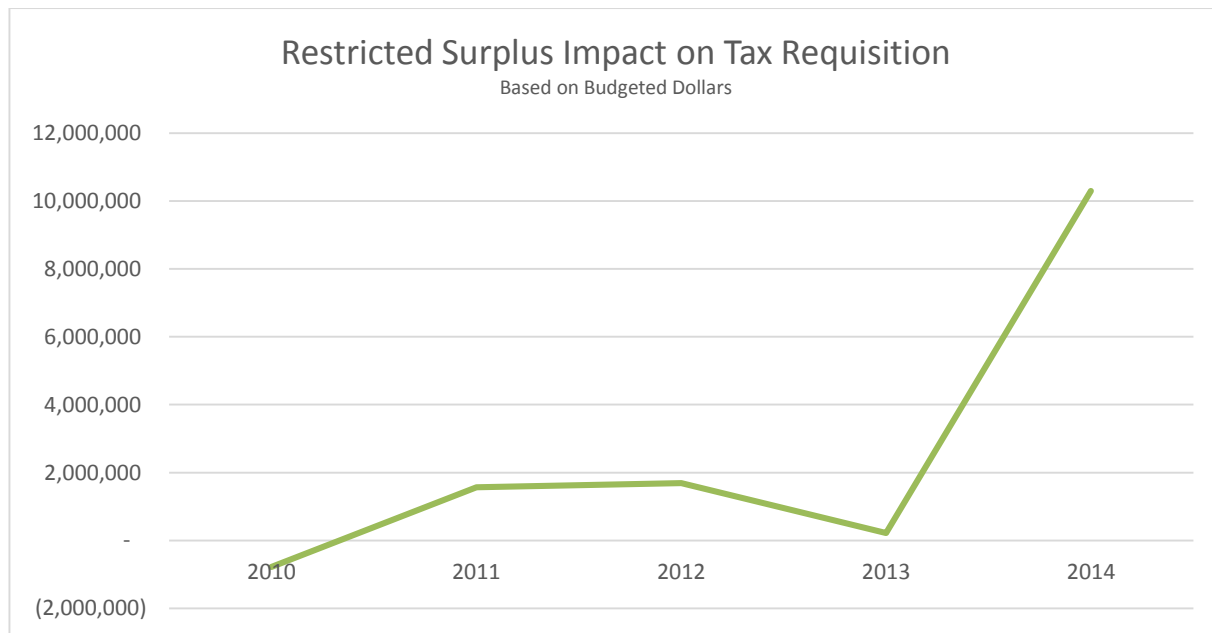
analyze existing restricted surpluses to determine if levels are appropriate, and reaffirm management's commitment to review restricted surpluses as part of good stewardship practices.

Restricted Surpluses as a Financial Strategy

Municipalities employ various financial strategies as part of their commitment towards ensuring efficient and effective use of public resources. Establishing restricted surpluses is one financial strategy that municipalities can use to complement other good stewardship practices. The following describes how this strategy is utilized.

Long Term Planning

Often municipalities will use restricted surplus to fund capital replacements or planned one time capital items. The utilization of restricted surplus enables a municipality to maintain stability in tax rates and reduces a municipality's reliance on debenture borrowing to fund capital. The graph below shows the impact on the tax requisition if a restricted surplus strategy was not utilized.



The types of long term planning restricted surplus accounts include:

County Facilities	Future Transportation	Protective Services Lifecycle
Development Charges	Granular Aggregates	Recreation Facilities
Early Retirement Incentive	Information Technology	Rural Communications Network
Environmental	Internal Financing	Survey Instruments Lifecycle
Equipment Lifecycle	Local Improvement	Waste Management
Facilities Maintenance	Office Systems Lifecycle	Water & Wastewater
Fire Services Lifecycle	Overland Drainage	

By funding capital through restricted surplus, the cost of capital is reduced by eliminating interest expenses. For example, the Acheson Fire Station was budgeted at \$10 million which was funded using restricted surplus and grants. As a result, the cost of the fire station will be \$10 million. If the \$10 million was borrowed from ACFA and repaid over a period of 15 years the cost of the fire station would have been approximately \$12 million and therefore cost tax payers \$2 million more in interest. Note that the savings from this approach is even more than \$2.1 million as the restricted surplus funds were also earning interest income prior to being utilized.

Parkland County is committed to establishing restricted surplus accounts to cover future expenditures. Again, these funds establish stability in tax rates and mitigate the reliance on acquiring debt. Examples of these include the Granular Aggregates Restricted Surplus and the Waste Management Restricted Surplus. These funds are set aside to help with anticipated future reclamation expenditures and capital improvements. The Granular Aggregates Restricted Surplus has been set up to include a small charge on gravel used by the County. This charge is equal to the cost of reclaiming the portion of the pit that the gravel was removed from. The result of this is that when it comes time for a gravel pit to be reclaimed, the funds to do so will be available and therefore there is no significant unexpected cost in the future for past activities.

Legislated and Externally Restricted

In other situations, a municipality will collect money that is legislated for a specific purpose (called externally restricted). An example of this would be cash in lieu of municipal reserve. The Municipal Government Act legislates how this money is to be spent and often municipalities will transfer this money into a restricted surplus account to be spent at a later date. The types of legislated and externally restricted Restricted Surplus accounts within Parkland County include:

Municipal Operations	Municipal Park
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Unforeseen and Unusual Events

Municipalities should have restricted surplus accounts to hedge against short falls in operating budgets that are outside of the municipality's control. This type of restricted surplus fund includes the Winter Maintenance and Disaster restricted surplus. The winter maintenance fund serves to aid a municipality in funding a deficit position as a result of excessive snowfalls. The disaster restricted surplus has been developed to help supply or bridge funding in the event of a disaster.

Working Capital

Municipalities may also find themselves in situations where they need to borrow on a short term basis to fund municipal operations until such time as revenues from property taxes are received. In Parkland County, taxes are due on June 30 of each year. As a result, January through June operations need to be funded, including the quarterly school requisition. Although borrowing from an operating line of credit is an acceptable practice, there is a cost to borrowing that is ultimately an additional financial burden passed on to residents. To avoid borrowing for

operations, GFOA Best Practice indicates that it is “essential that a government maintain adequate levels of working capital in its enterprise funds (restricted surplus). GFOA also recommends that “under no circumstances should the target for working capital be less than forty-five days’ worth of annual operating expenses and other working capital needs of the enterprise fund.”⁴ For Parkland County this would mean having a total working capital related restricted surplus of approximately \$7.4 million. Parkland County has the Working Capital restricted surplus (\$5,000,000) to address this recommendation.

Other

There are a number of other types of restricted surpluses that all support a specific goal or purpose. This includes Contingencies (used for non-recurring or unforeseen expenditures), Future Capital and Future Operating (used to carry over funds for projects not completed in a fiscal year), Entwistle Community Development (used for community minded projects in Entwistle as per the Terms of Reference) and Long Term Sustainability restricted surplus. This group of restricted surplus accounts fills the gaps that occur between the other types of restricted surplus accounts.

The Long Term Sustainability restricted surplus is significantly different than all other types of restricted surplus held by the County. This restricted surplus represents more than just long term planning. This restricted surplus signifies forward thinking and is a legacy fund. By setting aside a portion of the funds received from linear taxation, the County is showing that it is planning for the day that this linear assessment is no longer available as part of the tax base. Funds like this have been established in Norway and the United Arab Emirates and have been utilized to keep tax rates balanced and save for future generations. The interest earned in this fund is used for expenditures that keep the tax rate steady. The principal portion of this restricted surplus is invested and can be used for emergency and special capital projects. The intent is that the use of these funds will support future generations. As at November 30, 2014 the interest earnings on this fund have saved County residents \$91,415 in tax dollars.

Stewardship of Public Funds

Restricted Surplus Levels

As stated earlier, municipalities are often questioned on the types and sizes of restricted surpluses. The January 24, 2002 task force report to the Alberta Association of Municipal Districts and Counties (AAMD&C) on reserves suggests that the amount of restricted surpluses held by a municipality should directly correlate to its size and its commitment to utilizing restricted

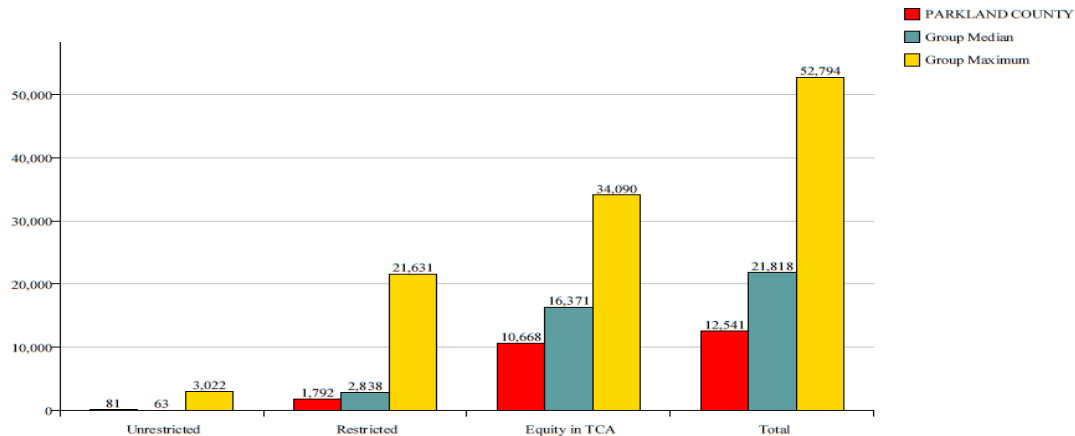
⁴ GFOA Best Practice, *Appropriate Levels of Working Capital in Enterprise Funds (Budget & CAAFR) (2012)*, February 2011, Pg. 2.

surpluses as a financial strategy. The report also urges municipalities not to hold large amounts of uncommitted funds in restricted surplus. To this end, Parkland County holds minimal uncommitted funds in restricted surplus and strives to keep the overall unrestricted surplus, which is uncommitted, to a minimum (As at December 31, 2013 the unrestricted surplus was \$2,577,995).

The graphs below show a representation of Parkland County's unrestricted surplus, restricted surplus, equity in tangible capital assets (TCA), and accumulated surplus compared to other jurisdictions (as created by Municipal Affairs). As you can see, Parkland County is below the group median and well below the group maximum for both unrestricted and restricted surplus on a per capita basis. Parkland County has 37% less funds per capita than the median municipality in Alberta.

**Financial Indicator Graphs
PARKLAND COUNTY**

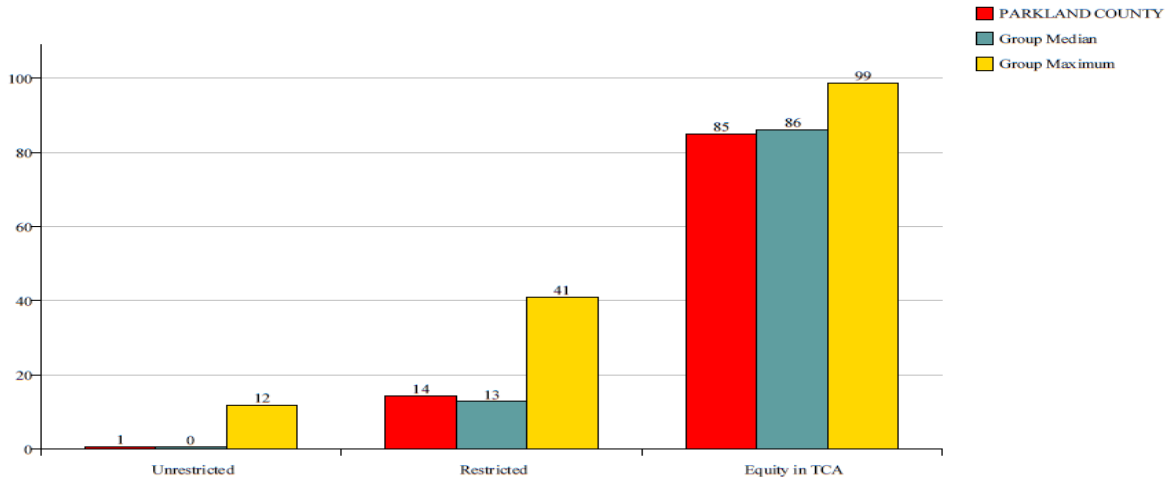
Accumulated Surplus Per Capita, 2012



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Accumulated Surplus Categories as % of Total, 2012



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Comparatives: Wood Buffalo, Strathcona County, Rocky View County, Yellowhead County, Foothills No. 31, Greenview No. 16, County of Grande Prairie No. 1, Lacombe County, Clearwater County, Leduc County, Red Deer County, Cypress County, Sturgeon County

When you look at Parkland County's unrestricted surplus as a percentage of the total surplus, the County is equivalent to the group median and well below the group maximum. As for the Restricted Surplus as compared to the total surplus, the County is again just above the group median and substantially lower than the group maximum.

The restricted balance at December 31, 2013 is \$55,391,523. Appendix 1 contains a complete listing of Parkland County's restricted surplus accounts and balances as at December 31, 2013.

Restricted Surplus Targets

Many of the restricted surplus accounts have a maximum dollar value based on assessed future needs; this is referred to as the ceiling. In the current year, administration has recommended changing the term "ceiling" to the term "target". The reason for this change is that restricted surplus balances should not simply be under a maximum value but directly tied to a projected need. Administration uses a number of methods to propose an appropriate target for the restricted surplus accounts. These methods include a look at: historical figures to identify trends or maximum cost years, facility audits, and master plans. The restricted surplus accounts are then adjusted to reflect any change in the target value.

Our facilities have recently undergone an audit, the results of which, will be incorporated into the restricted surplus balance in future years. We recommend that all county owned facilities have an

audit completed on a regular basis to ensure that funds for maintenance and replacement is set aside.

Parks, Recreation, and Culture and Fire Services plan to undertake master plans that will be used to assess their restricted surplus targets. Parkland County staff review the needs of the utility systems on a regular basis. We recommend that the results of utility system reviews are used to establish the target value for the restricted surplus account.

We recommend that current plans, where applicable, be utilized and tied into the restricted surplus targets for the Environmental and Waste Management restricted surplus accounts to ensure that a target fund balance can be set based on future plans. If the current plans are no longer reflective of the County's future need we recommend that new plans be developed.

We also recommend that further analysis of capital replacements and deficiencies at the Tri-Leisure Center be conducted to refine the findings identified in the facility audit report conducted in 2012. The 2012 report notes, on page 22, that "The recommendation to retain a consultant for the previously mentioned asset components [referring to a list of 10 items that require further analysis] may significantly alter both the estimated deficiency cost and the forecasted life cycle." Page 21 of the *Tri-Municipal Leisure Facility Corporation Strategic Plan 2014-2018* also states that "The TLC Co. would initiate a process with its owners, to determine current capital maintenance needs as a benchmark for future planning and measurement."

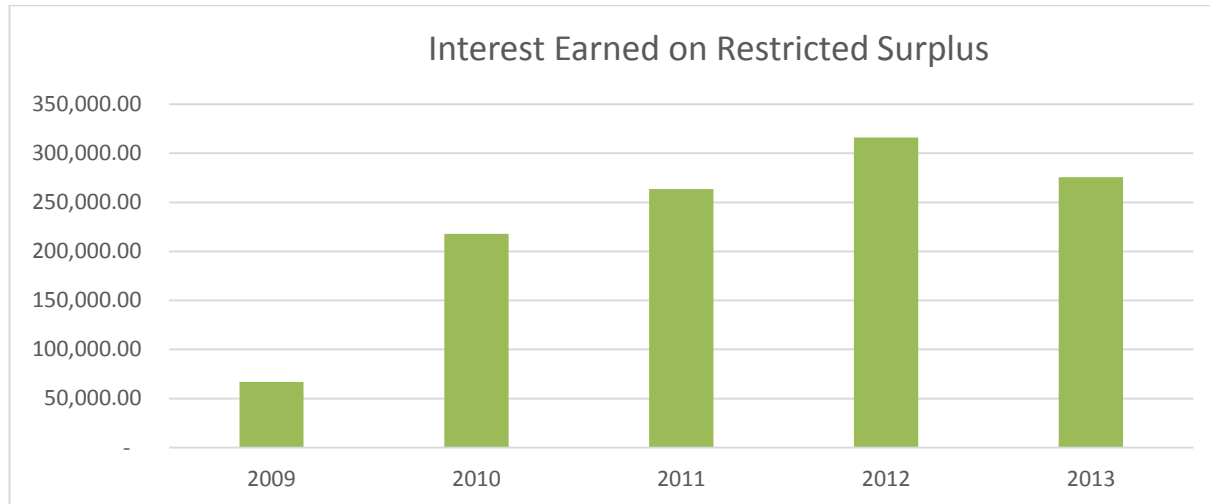
The County should also encourage all boards and commissions, whose capital requirements could significantly impact the County's annual contributions, to complete capital maintenance and replacement plans.

Review

As with any financial strategy, continual review of current practices is encouraged. Municipalities who use restricted surpluses should review them on a regular basis to determine if existing levels are appropriate. Management continues to review restricted surpluses on a regular basis to ensure suitability and makes recommendations if changes are required. Appendix 3 contains the recommendations resulting from the review.

Interest Income

Restricted surplus funds are invested until authorized expenses are incurred. The return on these investments form an integral part of our revenues, reducing reliance on property taxes. Below is a graph of the interest earned on restricted surplus in the past five years.



Summary

The opportunity to establish and utilize restricted surpluses serves as an important management tool that assists Municipalities in their efforts to be good stewards of public funds.⁵ Parkland County's current restricted surplus strategy is used to support our commitment to limiting tax supported debt, and to ensure stability in tax rates from one year to the next.

The review of current restricted surplus levels in comparison to other municipalities identifies that Parkland County's current levels are below average. Comparison between municipalities is valuable, however; each municipality has unique characteristics which should drive the appropriate level of restricted surplus funds held. That said, this is a strong indication that a further review should be conducted. Administration recommends that a thorough review of all balances be conducted in the 2016 fiscal year by an external consultant.

Management remains committed to use restricted surpluses as a strategic tool to ensure the County can meet its spending commitments now and in the future. This strategy will also help to ensure future generations of taxpayers do not face an unmanageable bill for government services provided to the current generation. The review of restricted surplus accounts has been completed

⁵ Task force on municipal reserves, Alberta Association of Municipal Districts & Counties, January 24, 2002, Pg. 9.

and a summary of recommendations is included in Appendix 3. Appendix 5 contains Restricted Surplus Authorization forms.

Appendix 1 - Restricted Surplus Listing

PARKLAND COUNTY

STATEMENT OF RESTRICTED SURPLUS

As at December 31, 2013

	BALANCE	TRANSFERS	TRANSFERS	BALANCE	CEILING
	Jan. 1, '13	TO	FROM	Dec. 31, '13	AS PER
					POLICY
Benefit Premium Stabilization	151,336	48,805	0	200,140	147,000
Contingency	4,610,977	1,367,292	2,923,970	3,054,299	9,250,000
County Facilities *	7,392,324	678,367	1,879,077	6,191,613	10,000,000
Development Charges *	288,207	0	25,242	262,965	
Disaster	703,598	60,072	0	763,670	1,500,000
Early Retirement Incentive	124,603	185,000	163,991	145,612	500,000
Environmental	833,582	0	2,607	830,975	800,000
Entwistle Community Development	399,999	0	25,000	374,999	400,000
Equipment Lifecycle	2,244,819	2,248,706	1,529,420	2,964,105	
Facility Maintenance *	1,673,628	165,842	134,599	1,704,870	
Fire Services Lifecycle	265,903	277,650	192,041	351,512	
Future Capital	574,734	174,672	51,537	697,869	
Future Capital - Entwistle	112,231	0	112,231	0	
Future Operating	3,356,070	691,288	1,057,433	2,989,926	
Future Transportation *	2,336,528	831,389	683,085	2,484,832	
Granular Aggregates	1,421,873	98,858	110,000	1,410,731	2,000,000
Information Technology	330,412	35,000	0	365,412	
Internal Financing	1,322,488	1,253,820	1,494,198	1,082,109	
Investment Stabilization	499,329	0	499,329	0	
Local Improvement	1,061,834	0	173,128	888,706	
Long Term Sustainability *	2,013,111	1,534,129	34,601	3,512,639	
Municipal Operations	2,349,303	887,506	172,506	3,064,303	
Municipal Park *	3,239,789	1,556,455	397,450	4,398,794	
Office Systems	1,464,709	381,347	122,785	1,723,270	
Overland Drainage	506,690	0	0	506,690	
Parks - Entwistle	5,570	0	0	5,570	
Protective Services Lifecycle	318,273	69,681	57,419	330,534	
Recreation Facilities *	1,355,226	248,110	100,647	1,502,688	6,000,000
Rural Communications Network Lifecycle	0	10,000	0	10,000	
Survey Instruments Lifecycle	66,514	15,814	14,835	67,493	
Waste Management *	4,261,145	137,472	233,672	4,164,945	4,000,000
Water & Waste Water	3,428,918	551,008	439,677	3,540,250	
Winter Maintenance	1,000,000	0	200,000	800,000	800,000
Working Capital	5,000,000	0	0	5,000,000	5,000,000
Total	54,713,720	13,508,282	12,830,478	55,391,523	

* Interest bearing

Appendix 2 - November 30, 2014 Restricted Surplus

PARKLAND COUNTY STATEMENT OF RESTRICTED SURPLUS As at November 30, 2014

	BALANCE	TRANSFERS	TRANSFERS	BALANCE	CEILING
	<u>Jan. 1, '14</u>	<u>TO</u>	<u>FROM</u>	<u>Nov. 30, '14</u>	<u>AS PER</u>
					<u>POLICY</u>
Benefit Premium Stabilization	200,140	0	0	200,140	150,000
Contingency	3,054,299	50,697	417,555	2,687,441	9,250,000
County Facilities *	6,191,613	620,792	700,236	6,112,169	10,000,000
Development Charges *	262,965	0	23,139	239,827	
Disaster	763,670	0	0	763,670	1,500,000
Early Retirement Incentive	145,612	215,417	0	361,028	500,000
Environmental	830,975	137,500	0	968,475	800,000
Entwistle Community Development	374,999	0	0	374,999	400,000
Equipment Lifecycle	2,964,105	2,115,733	1,035,581	4,044,258	
Facility Maintenance *	1,704,870	149,877	488,009	1,366,738	
Fire Services Lifecycle	351,512	287,343	214,701	424,154	
Future Capital	697,869	0	200,627	497,241	
Future Operating	2,989,926	398,342	835,099	2,553,169	
Future Transportation *	2,484,832	211,079	611,302	2,084,608	
Granular Aggregates	1,410,731	139,215	65,816	1,484,129	2,000,000
Information Technology	365,412	210,623	42,000	534,034	
Internal Financing	1,082,109	830,193	1,855,563	56,739	
Local Improvement	888,706	0	170,408	718,298	
Long Term Sustainability *	3,512,639	1,602,508	797,686	4,317,461	
Municipal Operations	3,064,303	611,005	3,194,394	480,914	
Municipal Park *	4,398,794	1,038,233	659,138	4,777,890	
Office Systems	1,723,270	168,091	90,847	1,800,514	
Overland Drainage	506,690	0	0	506,690	
Parks - Entwistle	5,570	0	0	5,570	
Protective Services Lifecycle	330,534	59,285	24,262	365,558	
Recreation Facilities *	1,502,688	354,926	164,935	1,692,680	6,000,000
Rural Communications Network Lifecycle	10,000	0	0	10,000	
Survey Instruments Lifecycle	67,493	14,496	0	81,989	
Waste Management *	4,164,945	658,869	309,770	4,514,045	4,000,000
Water & Waste Water	3,540,250	596,529	128,749	4,008,030	
Winter Maintenance	800,000	0	0	800,000	800,000
Working Capital	5,000,000	0	0	5,000,000	5,000,000
Total	<u>55,391,523</u>	<u>10,470,752</u>	<u>12,029,816</u>	<u>53,832,459</u>	

* Interest bearing

Appendix 3 – Summary of Recommendations

1. Changes to the Restricted Surplus Policy (FI-005) are reflected in Appendix 4.
2. Changes to Restricted Surplus Authorization Forms are summarized below and reflected in Appendix 5 in **red** font.
 - a. All restricted surplus accounts - Replace the term “Ceiling” with the term “Target”
 - b. Contingency restricted surplus– We recommend that the Target be updated to \$11 million which would be approximately 25% of the 2014 municipal tax levy.
 - c. Early Retirement Incentive– This policy will be phased out by the year 2016.
 - d. Long Term Sustainability – removal of the phrase “and that would otherwise not proceed” from the Application paragraph. This authorization form has also been amended to broaden the use of the principal balance to include “emergency and special capital projects”
3. Other Recommendations
 - a. All county owned facilities are audited on a regular basis and the results of these audits are tied into the restricted surplus balance.
 - b. Existing plans, where applicable, be tied into the Environmental, and Waste Management restricted surplus accounts to ensure that the target fund balance can be set based on future plans.
 - c. A consultant be engaged to look at our existing restricted surplus holdings and allocations to ensure that they are in accordance with best practices.
 - d. Further analysis of capital replacements and deficiencies at the Tri-Leisure Center be conducted so that Parkland County can adjust their restricted surplus target appropriately for its proportionate share.

Appendix 4 - Restricted Surplus Policy



COUNCIL POLICY C-FI05

Restricted Surplus

Prepared By: Financial Services

Council Approval Date:

Effective Date:

Council Resolution No.: N/A

References: Public Sector Accounting Board

Previous Revision Date: October 13, 2009

Handbook

(Policy FI-005)

Investments Policy C-FI01

Function: Financial Management

LAS Review Date: March 17, 2015

PURPOSE

The purpose of this policy is to establish consistent the standards and guidelines for regarding the management of Parkland County's restricted surplus.

POLICY STATEMENT

Parkland County recognizes that the ongoing commitment of funds to restricted surplus provides for property tax stabilization reduces the need for debt financing, maintains and improves Parkland County's working capital requirements, provides for future operating and capital requirements, addresses the overall current and future initiatives of Parkland County, and provides for offsetting unanticipated fluctuations in operating and capital activities and contingency funding, and reduces the need for debt financing. In order to ensure consistent and effective management of the designated funds, standards pertaining to the restricted surplus must be established.

DEFINITIONS

1. "Contingency funding" means the financial assets that are set aside to cover the cost of unforeseeable future expenses.
2. "County" means the Municipality of Parkland County.
3. "Property tax stabilization" means the minimal variations in property tax rates year over year.

4. "Rate of return" means the gain or loss arising from an investment expressed as a percentage of the principal amount invested.

5. "Restricted surplus" means the excess revenues which have been internally or externally restricted or formally designated. These restrictions identify funds for a specified future purpose and are not available to meet the government's general obligations and/or finance its other activities (Public Sector Accounting Board 3100.02).

SCOPE

This policy applies to all departments within Parkland County.

MANAGEMENT RESPONSIBILITIES

Administration of the restricted surplus will be carried out by Financial Services under the direction of the General Manager of Corporate Services.

STANDARDS

1. Authority

- a. ~~The establishment of, contributions to, and withdrawals from restricted surplus shall be approved by Council through resolution or bylaw.~~ or elimination of a restricted surplus must be approved by Council resolution. Council approval may be given as either part of the overall budget review and approval process, or by resolution on an as-needed basis. Transfers to and from the restricted surplus must be approved by Council resolution or through the budget approval process.
- b. The Chief Administrative Officer has the authority to approve transfers from the Early Retirement Incentive Restricted Surplus for early retirements approved under Policies HR 018 and HR 019, and will keep Council informed of such the purpose of servicing early retirements approved pursuant to Parkland County Directives A-HR18 and A-HR19.

2. Funding Sources

- a. Restricted surplus can may be funded from various sources such as including, but not limited to:
 - i. Direct cash receipts such as sale of capital assets and land,
 - ii. Approved budget contributions,
 - iii. Carryover of current year's budget funds which were approved for a specific purpose but were not expended during the year,
 - iv. Annual surplus contributions,
 - v. ~~Investment income earned on restricted surplus will be added to restricted surplus if approved on the restricted surplus authorization form, and~~
 - vi. Other one-time revenue sources.

3. Interest Earnings

- a. Restricted surplus funds may be invested in accordance with the County's Investments Policy C-FI01. The required rate of return is equal to the interest rate that the County would earn in their operating account or the interest rate dictated by the corresponding legislation and/or agreement (if applicable.)
- b. Interest earnings ~~are intended to be applied to reserves only if~~ will only be applied to the restricted surplus if:
 - i. There are external requirements based on legislation or agreements, or
 - ii. They are required to assist in offsetting the effects of inflation.
- c. If neither condition is met, the interest earnings will be applied to the County's general revenue.
- ~~b. The interest rate will be calculated at the end of the month based on the restricted surplus balance at that time. The interest rate used will be the rate that Parkland County would earn in their operating account.~~

4. Internal Borrowing

- a. Where the County chooses to borrow internally from the restricted surplus to reduce the overall impact of external borrowing, the interest rate ~~used shall be the three-(3)-year~~ assessed will be equal to the corresponding Alberta Capital Finance Authority rate (i.e., the interest rate that the Alberta Capital Finance Authority would assess on a loan of similar duration).

5. Restricted Surplus Authorization Form

~~Transfers from restricted surplus shall be outlined within the Restricted Surplus Authorization form. Each restricted surplus authorization form will identify whether it is interest bearing or not.~~

- a. Financial Services will prepare Restricted Surplus Authorization forms for Council to review and approve. These forms provide details regarding how specific fund balances will be managed. The following information is included on each form:
 - i. Purpose: An explanation as to why restricted surplus funds are being set aside for this function;
 - ii. Source of Funding: How additional funds will be generated to replenish depleted amounts;
 - iii. Target: The projected amount that is required to service future expenses pertaining to the specified purpose;
 - iv. Application: The criteria upon which funds can be transferred out of the restricted surplus;
 - v. Duration: The length of time that restricted surplus funds will be set aside for the specified purpose; and

vi. Interest bearing: Whether or not interest earned from the investment of restricted surplus funds will be applied to the restricted surplus.

- b. ~~Restricted surplus transactions will not be processed until actual expenditures are incurred. Departments must notify Financial Services when funding for these expenditures is required. The source of approval and the amount of the expenditure to be funded will need to be provided to Financial Services.~~

6. Reporting

- a. Reporting of the restricted surplus will form part of the monthly financial statements. Significant transactions affecting these will be highlighted in the comments notes to the financial statements.

Appendix 5 - Restricted Surplus Authorization Forms

Name: Benefit Premium Stabilization

Purpose: To provide funding for unforeseen deficits in the Self Insured Benefit Plan and to smooth large premium increases

Source of Funding: Self Insured Benefit Plan Surpluses

CeilingTarget: Up to 30% of annual premiums

Application: Upon Council's approval to buffer future large premium increases and to fund unforeseen deficits

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Contingency

Purpose: To fund unforeseen revenue losses or additional expenditures.

Source of Funding: a) Unexpended funds remaining in the contingency account at the end of each fiscal year.
b) Other revenues as approved by Council.
c) Repayment of funds advanced for consumable inventory purchases.

CeilingTarget: \$11,000,000 (Approximately 25% of the municipal tax levy – 2014 = \$44,000,000).

Application: To replace or fund non-recurring and unforeseen revenue losses or additional expenditures.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: County Facilities

Purpose: To provide funding for the expansion of existing or additional new County owned facilities

Source of Funding: a) Annual operating budget.
b) Proceeds from sale of municipal buildings and lands.
c) Other revenues as approved by Council.

CeilingTarget: \$10,000,000

Application: Fund the expansion or renovation of existing or additional new County owned facilities, and/or the purchase of furniture and equipment for existing or new County owned facilities as approved by Council.

Duration: On-going

Interest Bearing: Yes

Approved by Council: **Date:** June 11, 2013

Resolution: RFD 13-084

Name: Development Charges

Purpose: To provide an account for the receipt and tracking of Development Charges

Source of Funding: Development Agreements regarding residential, commercial and industrial development

Ceiling Target: N/A

Application: The ~~restricted reserve will~~ surplus will be used to fund the future upgrade and/or expansion of water, sewer, storm sewer and road infrastructure.

Duration: On-going.

Interest Bearing: Yes.

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Disaster

Purpose: To provide funding for non-reimbursed costs or to provide interim funding for reimbursable costs of unforeseen disasters occurring within Parkland County.

Source of Funding: Restricted surplus~~Reserve~~ or transfers as approved by Council.

~~Ceiling~~Target: \$1,500,000

Application: To fund non-reimbursed costs of unforeseen disasters.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Early Retirement Incentive

Purpose: To provide the necessary funds for eligible employees to retire in accordance with the early retirement policy.

Source of Funding: a) Annual operating budget.
b) Other revenues as approved by Council.

CeilingTarget: Approximately \$500,000.

Application: The restricted surplusreserve will be used to assist in funding early retirements as per the Early Retirement Incentive policy.

Duration: On-going

Interest Bearing: No

Approved by Council: **Date:** June 11, 2013

Resolution: RFD 13-084

Name: Entwistle Community Development

Purpose: To provide funding for the purpose of community development initiatives which benefit the Hamlet of Entwistle. See terms of reference.

Source of Funding: Capital budget monies for infrastructure improvements saved in an amount equal to \$400,000 from an estate endowment made to the County.

Ceiling Target: \$400,000

Application: To fund community development initiatives as approved by Council which enhance or enrich the quality of life for residents of Entwistle.

Duration: Until fund is fully depleted.

Interest Bearing: No

Approved by Council: **Date:** June 11, 2013

Resolution: RFD 13-084

TERMS OF REFERENCE- ENTWISTLE COMMUNITY DEVELOPMENT FUND

Purpose:

To enhance and enrich the community of Entwistle by providing funding for community development initiatives that benefit the residents of Entwistle beyond the established service levels of Parkland County.

Objectives:

Community Development initiatives must address one or more of the following objectives:

- Contribute to safe streets and spaces (streets, parks, neighborhood)
- Contribute to a thriving economy
- Contribute to environmental well-being (walkability, pride, greening, sense of community)
- Contribute to beautification and cleanliness of the community
- Contribute towards the prevention of crime
- Contribute towards community programs and services that enhance the quality of life for residents

Eligibility:

- Initiative must benefit the Hamlet of Entwistle and address one or more objectives of the program
- Businesses, Not for Profit Organizations, Schools or Adhoc Community Groups whose purpose is solely to carry out the specific initiative may apply
- There is no funding limit, nor matching requirement required of the applicant

Process:

- Applications can be submitted anytime throughout the year to the Manager of Community and Protective Services and must include the following information:
 - Name of the Group/Organization Applying
 - Identify the type of organization/group; Business, Not for Profit, School or Adhoc Group
 - Contact Name, Address and phone number for the group
 - List of Board Members/Group members involved with the project
 - Initiative Description
 - Explain what you want to do with the funds
 - What program objectives will this initiative address and how
 - How many people will benefit from this initiative
 - How long will it take to complete the project
 - Does the initiative need to be sustained after it is completed, if so how will that be done
 - Initiative budget (revenue and expenses)
 - Also include any in-kind donations or volunteer equity being donated towards the initiative

- Level of funding requested
 - Timelines for the initiative
 - Projected start and completion dates for the initiative
- Adjudication of Application will be based on the following criteria:
 - Is the project feasible?
 - Does it advance one or more of the program objectives?
 - What is the benefit to the area?
 - Does it create connections, interactions which bring the community together?
 - Does it leave a legacy for the residents of Entwistle?
 - Does the project involve leveraging funding from other sources?
- Approval will consist of Administration making a recommendation to Council, who will have final approval
- There is no appeal process
- Once approved funding will be provided in a timely manner
- Applicant will be required to submit a final report once the initiative is complete

Funding Administration:

- The Entwistle Community Development Fund will be managed by Parkland County
Parkland County Administration will review applications and make recommendations on Funding to Council.
- Funding will be dispersed on approval from Council
- Interest and principal can be used to fund approved initiatives
- Fund will exist until it is fully depleted

Name: Environmental

Purpose: To provide funding for future environmental projects.

Source of Funding: a) Annual operating budget.
b) Other revenues as approved by Council.

CeilingTarget: \$800,000

Application: To fund operating and capital expenditures for environmental projects as approved by Council.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Equipment Lifecycle

Purpose: To provide funds for the scheduled replacement of the existing mobile equipment fleet.

Source of Funding: a) Annual operating budget in an amount calculated in accordance with the Mobile Equipment Lifecycle Plan.
b) Other revenues as approved by Council.

Ceiling Target: N/A - based on "Mobile Equipment Lifecycle Plan".

Application: To provide the necessary funds for the scheduled replacement of mobile equipment.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Facility Maintenance

Purpose: To provide funding for the repair and replacement of major items at County owned facilities.

Source of Funding: a. Annual operating budget.
b. Other revenues as approved by Council.

CeilingTarget: N/A

Application: Provides necessary funds for the repair and replacement of building components and systems.

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Fire Services Lifecycle

Purpose: To provide funds for the replacement and upgrade of fire services equipment

Source of Funding: a) Annual operating budget in an amount calculated in accordance with the Fire Services Equipment Lifecycle Plan
b) Other revenues as approved by Council

CeilingTarget: N/A – based on Fire Services Equipment Lifecycle Plan

Application: The ~~restricted surplus~~reserve will be used to assist in funding the future replacement and upgrade of fire services equipment

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Future Capital

Purpose: To carry over to a subsequent year, funding for specific capital projects not completed at year-end.

Source of Funding: a) Annual capital budget.
b) Other revenues as approved by Council.

CeilingTarget: N/A

Application: To fund capital expenditures as approved by Council in a previous year but not completed in the previous year.

Duration: On-going

Interest Bearing: No

Approved by Council: **Date:** June 11, 2013

Resolution: RFD 13-084

Name: Future Operating

Purpose: To carry over to a subsequent year, funding for specific operating programs and projects not completed at year-end and to build funding for future non-annual programs such as elections, census, strategic plans, etc.

Source of Funding: a) Annual operating budget.
b) Other revenues as approved by Council.

CeilingTarget: N/A

Application: To fund expenditures approved by Council in a previous year but not completed in the previous year and to build funding for non-annual programs such as census, elections, strategic plans, etc.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Future Transportation

Purpose: To set aside funds for the construction of future transportation projects.

Source of Funding: a) Road construction budget.
b) Other revenues as approved by Council.

CeilingTarget: None

Application: To fund future transportation projects as approved by Council.

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Granular Aggregates

Purpose: To fund costs of reclamation, exploration, and development of granular aggregate deposits and to fund base shrinkage.

Source of Funding: a) Usage Royalty.
b) Proceeds in excess of cost of granular aggregates sold.
c) Other revenues as approved by Council.

CeilingTarget: \$2,000,000

Application: Development of granular aggregate deposits, exploration, and reclamation.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Information Technology

Purpose: To provide funds for Information Technology initiatives.

Source of Funding: a) Annual operating budget.
b) Other revenues as approved by Council.

CeilingTarget: None

Application: To fund implementation of Information Technology initiatives.

Duration: On-going

Interest Bearing: No

Approved by Council: **Date:** June 11, 2013

Resolution: RFD 13-084

Name: Internal Financing

Purpose: To provide funds for internal financing of capital projects thereby improving the County's overall net financial position.

Source of Funding: a) Annual transfer as determined by Council.
b) Transfers equal to repayment of principal for approved projects with interest equivalent to the Alberta Capital Finance Authority rate at the time of borrowing.
c) Other revenues as approved by Council.

Ceiling Target: N/A

Application: To internally finance or fund capital projects as approved by Council.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Local Improvement

Purpose: To provide an account for the receipt and tracking of Local Improvement Revenues paid for with a debenture

Source of Funding: Local Improvements charges

Ceiling Target: N/A

Application: To fund the debenture payments for the Local Improvements that were paid for by the debenture.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Long Term Sustainability

Purpose: To set aside and disburse funds obtained through taxation of linear assessment resulting from the construction of large projects such as a power plant. The funds are set aside to protect the municipality from the future depreciation of these assets ensuring the long term sustainability of Parkland County.

Source of Funding: a) Linear taxation resulting from large industrial projects
b) Other revenues as approved by Council

CeilingTarget: No ~~CeilingTarget~~

Application: The principal balance of this fund is to be held to earn interest. The ~~principal fund can; however, interest income of this fund can~~ be used for emergencies and special capital projects that support the long term sustainability of Parkland County ~~and that would otherwise not proceed.~~

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Municipal Operations

Purpose: Collection of By-law 64-2003 Sand and Gravel License Fees

Source of Funding: a) \$0.25 per tonnes of sand and gravel license fee, on all granular materials removed from local private pits.
b) Other revenues as approved by Council.

CeilingTarget: None.

Application: Revenue raised from the Community Aggregate payment levy (Gravel License Fee) is to be used toward the payment of infrastructure and other costs in the municipality as per Section 409.1(2) of the Municipal Government Act.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Municipal Park

Purpose: To set aside proceeds from the sale of municipal and/or school reserve lands or cash received in lieu of dedication of municipal or school reserve lands as dictated by Section 670 of the Municipal Government Act.

Source of Funding: Proceeds from sale of park lands or cash received in lieu of dedication.

CeilingTarget: N/A

Application: Municipal or school reserve funds from the sale of lands or cash in lieu of dedication may only be used for any or all of the following purposes:

- a) A public park
- b) A public recreation area
- c) School authority purposes
- d) To separate areas of land that are used for different purposes as required by Section 671 of the Municipal Government Act.

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Office Systems Lifecycle

Purpose: To provide funds for the replacement and upgrade of office systems.

Source of Funding: a) Annual operating budget in an amount calculated in accordance with the Office Systems Lifecycle Plan.
b) Other revenues as approved by Council.

CeilingTarget: N/A - based on "Office Systems Lifecycle Plan."

Application: The restricted surplus~~reserve~~ will be used to fund the future replacement and upgrade of office systems.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Overland Drainage

Purpose: To set aside funds for the construction or maintenance of future and existing overland drainage infrastructure.

Source of Funding: a) Annual operating budget.
b) Other revenues as approved by Council.

CeilingTarget: None

Application: To fund future and existing overland drainage infrastructure as approved by Council.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Protective Services Equipment Replacement

Purpose: To provide funds for the replacement and upgrade of protective services equipment

Source of Funding: a) Annual operating budget in an amount calculated in accordance with the Protective Services Equipment Lifecycle Plan
b) Other revenues as approved by Council

CeilingTarget: N/A - based on Protective Services Equipment Lifecycle Plan

Application: The ~~restricted surplus~~reserve will be used to assist in funding the future replacement and upgrade of Protective Services equipment

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Recreation Facilities

Purpose: To set aside funds for capital replacements, improvements and the construction of future recreation facilities either within the County or on a cost share basis within an urban municipality.

Source of Funding: a) Annual operating budget.
b) Other revenues as approved by Council.

CeilingTarget: \$6,000,000.

Application: To fund capital expenditures for recreation facilities as approved by Council.

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Rural Communications Network Lifecycle

Purpose: To provide funds for the replacement and upgrade of rural communications network equipment

Source of Funding: a) Annual operating budget in an amount calculated in accordance with the Rural Communications Network Lifecycle Plan
b) Net surplus funds received from the communication tower operations
c) Other revenues as approved by Council

CeilingTarget: None

Application: To provide the necessary funds for the future replacement and upgrade of rural communications network equipment

Duration: On-going

Interest Bearing: No

Approved by Council: **Date:** June 11, 2013

Resolution: RFD 13-084

Name: Survey Instruments Lifecycle

Purpose: To provide funds for the replacement and upgrade of Survey Instruments

Source of Funding: a) Annual operating budget in an amount calculated in accordance with the Survey Instruments Lifecycle Plan
b) Other revenues as approved by Council

CeilingTarget: N/A –based on Survey Instruments Lifecycle Plan

Application: The restricted surplus~~reserve~~ will be used to assist in funding the future replacement and upgrade of Survey Instruments

Duration: On-going

Interest Bearing: No

Approved by Council: **Date:** June 11, 2013

Resolution: RFD 13-084

Name: Waste Management

Purpose: To set aside funds for capital replacements, improvements and the construction of future waste management facilities and reclamation of solid waste sites.

Source of Funding: a) Annual operating budget.
b) Other revenues as approved by Council.
c) Business license fees related to Waste Management.

CeilingTarget: \$4,000,000.

Application: Construction and improvements to Landfills and Transfer Stations, purchase of solid waste related equipment and reclamation of solid waste sites.

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Water and Waste Water

Purpose: To provide funds for the expansion, refurbishment or replacement of water and waste water infrastructure.

Source of Funding: a) Transfers from the Water and Waste Water operating budget.
b) Other revenues as approved by Council.

CeilingTarget: N/A

Application: To fund future and existing water and waste water infrastructure including the purchase of water and waste water related equipment.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Winter Maintenance

Purpose: To smooth out the budgeting effects that a harsh winter has on the operating budget.

Source of Funding: a) Any balance remaining at year-end from within the winter maintenance program budget.
b) Other revenues as approved by Council.

CeilingTarget: \$800,000

Application: Where due to severe weather conditions, monies required to provide the approved service level of winter maintenance would cause a cost overrun, monies may be transferred as required.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084

Name: Working Capital

Purpose: To provide operating funds during January - June so that interim borrowing is unnecessary prior to the receipt of tax revenues.

Source of Funding: a) Annual operating budget.
b) Other revenues as approved by Council.

CeilingTarget: \$5,000,000

Application: To avoid the additional costs of interim borrowing pending receipt of tax revenues. Monies accumulated in this restricted surplus~~reserve~~ are not accessible for operating or capital expenditures.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date: June 11, 2013

Resolution: RFD 13-084