



COUNCIL POLICY C-FI05

Restricted Surplus

Prepared By: Chief Financial Office

Council Approval Date: February 13, 2018

Effective Date: February 13, 2018

References: Public Sector Accounting Board
Handbook

Previous Revision Date: July 11, 2017

Function: Financial Management

LS Review Date: January 29, 2018

PURPOSE

To establish standards regarding the management of Parkland County's restricted surplus.

POLICY STATEMENT

The ongoing commitment of funds to restricted surplus provides for property tax stabilization, contingency funding, and reduces the need for debt financing. Established guidelines ensure consistent and effective management of the designated funds pertaining to the restricted surplus.

DEFINITIONS

1. "Asset Management" means restricted surplus accounts established to support the sustainability of current and future assets.
2. "County" means the Municipality of Parkland County.
3. "Externally Restricted" means restricted surplus accounts where the allowable uses are established by an authority other than Parkland County.
4. "Extreme Events" means restricted surplus accounts established for expenditures where the cause was not under the control of the County and where an immediate response is required for public safety or to continue the delivery of essential services.
5. "Liquidity" means the ability of the County to pay for obligations as they become due.
6. "Property tax stabilization" means the avoidance of large variations in property tax rates year over year.
7. "Rate of return" means the gain or loss arising from an investment expressed as a percentage of the principal amount invested.
8. "Restricted surplus" means the 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.
9. "Risk Mitigation" means restricted surplus accounts used to hedge against potential risks.
10. "Target" means the level of funds that the restricted surplus should hold in order to achieve the purpose specified on the authorization form.
11. "Total Balance" means the total of all funds in a restricted surplus account.

12. "Undedicated Balance" means the sum of all funds not allocated to a specific purpose and held to mitigate future risk.

SCOPE

This policy applies to all departments within Parkland County.

MANAGEMENT RESPONSIBILITIES

Administration of the restricted surplus will be carried out by the Financial Planning and Reporting Department under the direction of the Chief Financial Officer.

Standards

1. Authority

- a. The establishment or elimination of a restricted surplus must be approved by Council resolution.
- b. Transfers to and from restricted surplus must be approved by:
 - i. Council resolution,
 - ii. Council through the annual budget,
 - iii. the Chief Financial Officer, only when specifically contemplated in an approved Restricted Surplus Authorization Form, or
 - iv. the Chief Financial Officer, only when the transfer is used to temporarily cash flow a project funded by: debt, grant funds not yet approved, or other funding source not yet available.

2. Categories

Restricted surplus accounts are grouped into the following categories based on the characteristics of each account:

- a. Asset Management
- b. Risk Mitigation
- c. Externally Restricted
- d. Other as required

3. Funding Sources

Restricted surplus may be funded from various sources including, but not limited to:

- a. Direct cash receipts such as sale of capital assets and land,
- b. Approved budget contributions,
- c. Carryover of current year's budget funds which were approved for a specific purpose but were not expended during the year,
- d. Annual surplus contributions,
- e. Investment income, and
- f. Other revenue sources.

4. Usage

- a. Restricted surplus funds may only be used for the purposes specified by Council in the approved authorization forms attached as Schedule A to this policy.
- b. Prohibited uses include but are not limited to:
 - i. Funding recurring expenditures
 - ii. Funding foreseeable one time expenditures where funding was not built up over time
 - iii. Any use not contemplated in the restricted surplus authorization form
- c. Council may, by resolution, direct administration to utilize restricted surplus for any use.

5. Interest Earnings

- a. Restricted surplus funds may be invested in accordance with the County's Investment Policy C-FI01. The minimum required rate of return is equal to the interest rate the County would earn in their operating account or the interest rate dictated by the corresponding legislation and/or agreement (if applicable).

Interest earnings 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.

If neither condition is met, the interest earnings will be applied to the County's general revenue.

6. Internal Borrowing

- a. Where the County chooses to borrow internally from the restricted surplus to reduce the overall impact of external borrowing, an interest rate will be applied to the borrowing that is reflective of the nature of the borrowing.

7. Liquidity

- a. The Chief Financial Office will monitor the County's restricted surplus balance to ensure that there is sufficient funds available for the County to meet its cash obligations throughout the fiscal year.
- b. If the Chief Financial Office determines that funds cannot be used due to cash flow obligations, alternative funding strategies will require Council approval.

8. Target

- a. Where applicable, restricted surplus accounts will be assigned a target to identify whether the account is under or over funded based on the expected use of the account.
- b. The target will also be classified as "total balance" or "undedicated balance" based on the nature of the account.

9. Restricted Surplus Authorization Forms (Schedule A)

- a. The Chief Financial Office 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 must be included on each form:
 - i. Type: Surpluses are segregated into categories based on their function
 - ii. Purpose: An explanation as to why restricted surplus funds are being set aside for this function;
 - iii. Application: The criteria upon which funds can be transferred out of the restricted surplus;
 - iv. Source of Funding: How additional funds will be generated to replenish depleted amounts;
 - v. Target: The projected amount that is required to service future expenses pertaining to the specified purpose;
 - vi. Duration: The length of time that restricted surplus funds will be set aside for the specified purpose; and

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

10. Excess Restricted Surplus

- a. Excess balances in a restricted surplus account will be administered based on the following process. Excess funds will be applied:
 - i. First to future known projects that meet the criteria of the applicable authorization form;
 - ii. Next to another restricted surplus which has not reached its target;
 - iii. Next to a one time project for which other funding sources are not available, and;
 - iv. Finally to general operating revenue.

11. Reporting

- a. Reporting of the restricted surplus will form part of the financial statements.

Schedule A

Restricted Surplus Authorization Forms

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Type: Asset Management (Specified Needs)

Name: Future Capital

Application: 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.

Target: Variable – Target is tied to carryforward list.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Specified Needs)

Name: Granular Aggregates

Application: To fund costs of reclamation, exploration, and development of granular aggregate deposits and to fund base shrinkage. The fund balance should remain greater than or equal to the liability for future reclamation.

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

Target: Variable – equal to the liability for future reclamation plus \$500,000 to fund granular aggregate exploration and development as well as to fund base shrinkage.

Duration: On-going

Interest Bearing: No – Imbedded in plan

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Specified Needs)

Name: Lifecycle Plans

Application: To fund the scheduled replacement of assets including:

- Mobile Equipment Lifecycle
- Facility Maintenance
- Fire Services Lifecycle
- Office Lifecycle
- Protective Services Lifecycle
- Rural Communications Network Lifecycle
- Survey Instruments Lifecycle
- Other plans as need arises

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

Target: Variable – Target is tied to plan needs.

Duration: On-going

Interest Bearing: No – Imbedded in plan

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Specified Needs)

Name: Water and Waste Water

Application: To fund expansion, refurbishment or replacement of water and waste water infrastructure and related capital equipment.

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

Target: Variable – Target is tied to plan needs.

Duration: On-going

Interest Bearing: No – Imbedded in plan

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Unspecified Needs)

Name: County Facilities

Application: To fund expansion or renovation of County owned facilities, and/or the purchase of furniture and equipment for 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.

Target: \$10,000,000 Total Balance

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Unspecified Needs)

Name: Environmental

Application: To fund operating and capital expenditures for one time environmental projects and environmental remediation/reclamation.

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

Target: Variable - \$800,000 greater than the liability for environmental remediation/reclamation

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Unspecified Needs)

Name: Future Transportation

Application: To fund future transportation projects.

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

Target: None

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Unspecified Needs)

Name: Hamlet Sustainability

Application: To fund infrastructure and community development projects which enhance the quality of life for residents of hamlets within Parkland County.

Source of Funding: a) Annual Budget
b) Other revenues as approved by Council

Target: None

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Unspecified Needs)

Name: Information Technology

Application: To fund expenditures related to information technology capital projects.

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

Target: None

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Unspecified Needs)

Name: Overland Drainage

Application: To fund construction or major maintenance of overland drainage infrastructure.

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

Target: None

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Unspecified Needs)

Name: Recreation Facilities

Application: To fund capital replacements, improvements and the construction of 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.

Target: \$6,000,000 Total Balance

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date:

February 13, 2018

Type: Asset Management (Unspecified Needs)

Name: Waste Management

Application: To fund construction and improvements to landfills and transfer stations, purchase and replacement of solid waste capital equipment 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.

Target: \$4,000,000 Total Balance

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date:

February 13, 2018

Type: Risk Mitigation

Name: Extreme Events

Application: To fund non-reimbursable costs or to provide interim funding for reimbursable costs of unforeseen extreme events occurring within Parkland County.

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

Target: \$7,700,000 Undedicated Balance

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Risk Mitigation

Name: Long Term Sustainability

Application: To set aside and disburse 30% of funds obtained through the municipal portion of taxation of new linear assessment resulting from the construction of large projects such as a power plant (assessed value over \$50M). The funds are set aside to protect the municipality from:

- a) the future depreciation of these assets ensuring the long term sustainability of Parkland County, and;
- b) to mitigate the risk of revenue fluctuations faced by the County.

The principal balance of this fund is held to earn interest. The principal can; however, be used to mitigate unanticipated revenue loss and special capital projects that support 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.

Target: \$11,400,000 Undedicated Balance

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date:

February 13, 2018

Type: Externally Restricted

Name: Development Charges

Application: To fund the future upgrade and/or expansion of water, sewer, storm sewer and road infrastructure in accordance with development agreements.

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

Target: Variable – Target is tied to development agreements.

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date:

February 13, 2018

Type: Externally Restricted

Name: Entwistle Community Development

Application: To fund community development projects 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.

Target: Variable – until fully depleted.

Duration: Until fund is fully depleted.

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

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 Ad hoc 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 Ad hoc 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

Type: Externally Restricted

Name: Municipal Park

Application: 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.

Funds may be used for any or 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.

Source of Funding: Proceeds from sale of park lands or cash received in lieu of dedication. As Section 671 (4) (a) of the Municipal government act states, Money provided in place of municipal reserve must be accounted for separately; these transfers can be authorized by the Chief Financial Officer.

Target: Variable – tied to development within the County.

Duration: On-going

Interest Bearing: Yes

Approved by Council:

Date:

February 13, 2018

Type: Other

Name: Benefit Premium Stabilization

Application: To fund unforeseen deficits in the self-insured benefit plan and to smooth large premium increases. These transfers can be authorized by the Chief Financial Officer.

Source of Funding: Self-insured Benefit Plan Surpluses. These transfers can be authorized by the Chief Financial Officer.

Target: 30% of annual premiums.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Other

Name: Future Operating

Application: To carry over funding for projects/programs not completed at year-end.
To build funding for future non-annual programs such as elections, strategic plans, etc.
To fund unanticipated emergent expenditures.

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

Target: \$2,000,000 Undedicated Balance plus a variable amount tied to the carryforward list.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Other

Name: Local Improvement

Application: To fund the debenture payments for the Local Improvements that were paid for by debenture and revenue has been fully recognized.

Source of Funding: Local Improvements charges.

Target: Variable – tied to debenture funded local improvements.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018

Type: Other

Name: Business Attraction Fund

Application: To fund projects/programs that encourage large scale non-residential development within Parkland County.

Source of Funding: a) 20% of the municipal portion of non-residential taxation revenue (excluding linear tax revenue) resulting from new large scale development within Parkland County (assessed value over \$50M).
b) 80% of permit revenue resulting from new large scale development within Parkland County (assessed value over \$50M). These transfers can be authorized by the Chief Financial Officer.
c) Other revenues as approved by Council.

Target: \$2,000,000 Undedicated Balance.

Duration: On-going

Interest Bearing: No

Approved by Council:

Date:

February 13, 2018