

To: Warden and Members of County Council

From: Director of Corporate Services

Reserves Year End Allocations and Policy Review

RECOMMENDATIONS

- 1. That County Council hereby affirms policy provisions contained in Reserves Policy 6.20 as set out in Attachment 1 to Report No. CS 2022-35 entitled "Reserves Year End Allocations and Policy Review";
- 2. And further, that County Council hereby approves reserve year end allocations to the respective reserve and reserve fund accounts for future use as identified in Attachment 2 to Report No. CS 2022-35.

REPORT HIGHLIGHTS

- Reserves Policy 6.20 is subject to an annual review to ensure appropriate reserve balances are maintained to fund specified operations and capital projects in accordance with the County's Long Term Financial Sustainability Plan
- Year end allocations to and from reserves are based on the status of projects previously approved for funding from reserves or from taxation; year end surpluses; and variance from target balances

Implementation Points

Subject to Council's approval of the recommendations contained in this report, the year end reserve allocations as described and set out in Attachment 2 to this Report will be reflected in 2022 year end financial reports.

Financial Impact

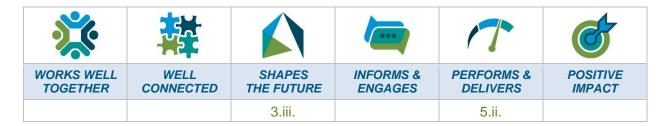
There is no impact to the County's 2022 budget as a result of carrying over funds collected for capital and/or special projects not completed during the year as they are reserved for future use as reflected in the 2022 forecast. At the time these projects are completed the reserves will provide a source of funding that effectively reduces the annual levy to be collected through tax rates and user fees.



Communications

The policy as amended will be updated in the County's General Policy Manual and staff will be appropriately informed.

Strategic Plan (2020-2022)



DISCUSSION

Background

Each year department managers are requested to review special project and capital spending which could not be completed in the current year. Under spending related to ongoing operational items is generally not reserved, however where special projects cannot be completed due to lack of time or other uncontrollable circumstances the practice has been to reserve those funds for future use.

An annual review of the Reserves Policy ensures the County maintains the appropriate combination of revenue sources to fund ongoing and future projects without imposing significant tax and user fee fluctuations.

In accordance with Reserves Policy 6.20, transfers to and from reserves and reserve funds not specifically approved in the annual operating and capital budgets require Council's approval. Without Council's approval, any funds generated in the year that are not used as a result of incomplete projects will become part of the County's year end surplus and allocated as outlined in the Reserves Policy 6.20. This has the potential of funds being used for projects and/or programs other than the purpose for which they were collected.

Comments

The Reserve Policy has been reviewed in accordance with the Long Term Financial Sustainability Plan designed to ensure that sufficient funding and resources are provided to meet required service level and infrastructure needs over the long term; and, the County's Strategic Plan – A County that thinks ahead and wisely shapes the future through demonstrated commitment to community wellbeing and sustainability.

In response, the following proposed Reserves Policy 6.20 amendments described below are clearly marked by tracked changes in Attachment 1 - Reserves Policy 6.20.

Section 3.3 – Program Specific Reserves

Removal of the reference to the Land Ambulance reserve, as this reserve was discontinued as part of the 2019 annual Reserve Policy Review as noted in CS 2019-45.

Section 4.1 – Interest Allocations

Modifications to wording to align with current practice, which facilitates quarterly reporting updates to Council.

Section 4.2 – Annual Allocations of Operating Surpluses

The challenges associated with housing affordability continue to intensify due to increasing costs, low vacancy rates, limited supply and an insufficient mix of housing options. In light of the current housing crisis, staff are recommending the allocation of the year end budget surpluses for the County General budget be modified in 2022 to allow the following:

 Allocate up to \$1,000,000 of the forecasted general operating surplus to the Affordable Housing Reserve for future affordable housing projects (as described in CS 2022-34).
The remaining surplus will be allocated according to the Reserve Policy provisions.

These one-time modifications to the policy provisions of the Reserves Policy have been reflected in Attachment 2.

General Updates

Update to the Land Ambulance reserve names to Paramedic Services to align with the service profile, and minor adjustments to reserve names to align throughout the Policy and Schedule "A".

Schedule "A" – Reserve Policy

Amendments within Schedule "A" to the Reserve Policy are proposed based on the above noted changes and to clarify and expand on uses of some reserves.

Due to the frequency and cost of insuring cyberattacks, most municipalities are no longer able to secure cyber insurance as it is considered a losing proposition for insurers. In light of the foregoing, the target balance for the Insurance reserve has been updated.

Conclusions

This report fulfills the requirements of the County's Reserves Policy for an annual review and authorizes carryover of funds generated for projects and/or special programs not completed in 2022 to the appropriate reserve or reserve fund for future use.

SIGNATURES

Report Author:

Original signed by

Jennifer Lavallee, CPA, CGA Manager of Capital Planning

Departmental Approval:

Original signed by

Lynn S. Buchner, CPA, CGA Director of Corporate Services

Approved for submission:

Original signed by

Benjamin R. Addley Interim Chief Administrative Officer

ATTACHMENTS

Attachment 1 – Reserve Policy 6.20 Attachment 2 – 2022 Year End Reserve Continuity Report