

District of Highlands

Reserves and Surplus Policy

Asset Management British Columbia

Asset Management for Sustainable Service Delivery – A BC Framework



Why is Reserves and Surplus Management Important?

Council has adopted an Asset Management Plan and Policy.

Next Step – Reserves and Surplus Management

- Healthy reserves and surplus levels are important in achieving community goals such as financial health and stability. They are also a component of sustainable asset management.
- Reserves and Surplus Management (Policy) provides consistent direction for the establishment, maintenance and use of Reserves and Surplus in meeting the Districts short-term and long-term financial goals.

What does Reserves and Surplus Management Provide ?

The Reserves and Surplus framework is focused on providing:

- Long-term Financial Stability,
- Predictable Tax Levies,
- Contingencies for Operating Emergencies,
- Safeguard and Maintain Existing Assets, and
- Finance New Capital Assets

Reserves and Surplus Principles

Using four fundamental principles:

- The District will strive to be proactive in terms of financial health and stability;
- Reserves and surplus goals will be consistent with The Districts longer-term financial plan and Sustainable Asset Management Plan;
- Actual reserves and surplus balances will be benchmarked with other jurisdictions and with pre-determined targets on an ongoing basis to gauge whether financial health is being achieved, and
- Annual disclosure of reserves and surplus (The Scorecard).

Reserves and Surplus

OPERATING (WORKING) CAPITAL

The District will maintain an Unappropriated Surplus balance in its General Operating Fund for working capital purposes, i.e. to provide for operating expenditures before property taxes and/or user fees are collected. Given the stability of District revenues and moderate level of financial risk a target of 6 months revenue (approx. \$1,400,000) is suggested.

OPERATING RESERVE FUNDS – CONTINGENCIES and PROJECTS

- Financial Stabilization Reserve Fund – A range of between one month’s revenue \$231,000 (minimum) and two months revenue \$463,000 (Optimal) is suggested. This will provide Council with the flexibility to fund projects from time to time and to cover unexpected emergencies if they occur.
- Snow Contingency Reserve Fund – A range of between \$75,000 and \$150,000 to provide a reasonable contingency for significant winter snow events is suggested.
- Westshore Recreation Reserve Fund – no specific level identified.

Reserves and Surplus

STATUTORY RESERVE FUNDS – INFRASTRUCTURE and LAND

These are reserves for the planned replacement of District assets, the purchase of land and a general capital reserve for future new capital priorities of Council.

- Community Works Gas Tax Reserve Fund
- Fire Buildings, Vehicles and Equipment Replacement Reserve Fund
- Municipal Buildings, Vehicles and Equipment Replacement Reserve Fund
- Heritage Structures Replacement Reserve Fund
- Community Hall Replacement Reserve Fund
- Park Facilities Replacement Reserve Fund
- Roads Replacement Reserve Fund
- Bridge Replacement Reserve Fund
- Groundwater and Drainage Reserve Fund
- General Capital Project Reserve Fund
- Parkland Acquisition and Development Reserve Fund
- Land Sale Reserve Fund

Reserves and Surplus Scorecard



Reserves Scorecard (Example)

	Policy Target		Balance	Balance	Balance	Balance	Balance	Balance	Status	Balance	Status
	Minimum	Optimum	2018	2019	2020	2021	2022	2023	2019	2023	2023
WORKING CAPITAL											
Accumulated Surplus	3 Months Revenue \$693,600	12 Months Revenues \$2,774,400	1,437,155	1,444,155	1,444,155	1,444,155	1,444,155	1,444,155	Good	1,444,155	Good
GENERAL FUND (Reserve Accounts)											
Community Works Gas Tax Reserve	Min \$75,000	As Received	xxx	xxx	xxx	xxx	xxx	xxx	Good	xxx	Good
Snow Contingency Reserve	1 month Revenue \$231,200	2 months revenue \$463,000	xxx	xxx	xxx	xxx	xxx	xxx	Good	xxx	Good
Financial Stabilization Reserve	N/A	As received	xxx	xxx	xxx	xxx	xxx	xxx	Good	xxx	Good
Other Various Committed Reserves			xxx	xxx	xxx	xxx	xxx	xxx	Good	xxx	Good
RESERVE FUND (Statutory Reserves)											
Fire Buildings, Vehicles and Equipment Replacement	N/A	Per SAMP	xxx	xxx	xxx	xxx	xxx	xxx	Good	xxx	Good
Municipal Building, Vehicle and Equipment Replacement	N/A	Per SAMP	xxx	xxx	xxx	xxx	xxx	xxx	Low	xxx	Minimal
Heritage Structures Replacement	N/A	Per SAMP	xxx	xxx	xxx	xxx	xxx	xxx	Low	xxx	Minimal
Community Hall Replacement	N/A	Per SAMP	xxx	xxx	xxx	xxx	xxx	xxx	Minimal	xxx	Good
Park Facilities Replacement	N/A	Per SAMP	xxx	xxx	xxx	xxx	xxx	xxx	Low	xxx	Low
Road Replacement	Min \$250,000	Per SAMP	xxx	xxx	xxx	xxx	xxx	xxx	Good	xxx	Good
Bridge Replacement	N/A	Per SAMP	xxx	xxx	xxx	xxx	xxx	xxx	Minimal	xxx	Low
Drainage Capital	TBD	Per SAMP	xxx	xxx	xxx	xxx	xxx	xxx	TBD	xxx	TBD
Parkland Acquisition	N/A	As received	xxx	xxx	xxx	xxx	xxx	xxx	TBD	xxx	TBD
General Land Sale	N/A	As received	xxx	xxx	xxx	xxx	xxx	xxx	TBD	xxx	TBD
OVERALL											