



**Town of Lumsden**

**FINANCIAL RESERVE POLICY**

**Amended by Council in January 2022**



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## Introduction

The Town of Lumsden financial position is comprised of Unappropriated Net Assets and Appropriated Net Assets. Unappropriated Net Assets come about from the various surpluses and deficits since incorporation. The Appropriated Net Assets are the amounts the Town uses to finance capital and some specific operational arrangements. The most common name for this area is 'Reserves'.

The Appropriated Net Assets or 'Reserves' are established to fund future projects. It has been the practice for the Town to use Reserves primarily to finance capital projects and some operational projects. This method is a sound way to plan and perform the necessary capital works. To successfully manage long-range planning initiatives, the Town should establish a means to have the necessary financing in place to carry forward its plan. This policy will assist in carrying forward the Town's long-range planning directives.

## Policy Statement

It is the policy of the Town of Lumsden

- To establish Reserves and Reserve Funds for planned future capital expenditures, unexpected or unpredicted events, or extraordinary expenditures which would otherwise cause fluctuations in the operating or capital budgets; and
- To manage Reserves and Reserve Funds in a responsible manner.

## Purpose

The purpose of this policy is to address some of the longer-term funding strategies for the Town and to ensure good financial and cash management for the ongoing financial stability of the Town. This policy will inform decisions relating to long-range financial planning for capital projects in order to minimize both debt servicing costs and significant annual budget impacts by allocating costs to benefitting users over a number of years through the prudent use of Reserves and Reserve Funds. The policy will assist Town Council in managing Reserves and provide administration direction. This policy will establish principles that govern Reserve use, funded levels that should be maintained in the Reserve, and contributions to be made.

Throughout the next section it will be shown that Reserve balances should maintain a ten-year cycle. What this means is if a Reserve is to maintain a certain level over ten-years, taking into consideration the ten-year capital plan of withdrawals, scheduled contributions must be made to ensure the level is maintained. This ensures the Reserve will be in a stable position throughout the ten-year cycle.

## Landfill Closure Fund

*3320-010-0000-1*

Since 2015, our auditor has been accruing 'landfill closure costs'. The liability at December 31, 2020 was \$1,916,228. The 2021 accrual is expected to be \$76,649.13. The first contribution to the Landfill Closure Reserve (to fund the liability) was \$10,000 in 2021.



## Municipal Office Relocation

3110-010-0100-1

It is anticipated that the municipalities will continue to grow and consequently, need for administrative office space. The Town and RM of Lumsden have discussed this inevitably and agreed to begin reserving funds. The Town's first contribution to the reserve was in 2021 in the amount of \$20,000.

## Fire

3120-010-0000-1

For equipment replacement of the various response vehicles and other related equipment and fire hall building upgrades.

### *Principles*

- *Use for emergency response equipment, related training tools and structures ie. Training facilities and building upgrades*
- *Annual contribution of \$10,000 began in 2003. In 2015, the annual contribution increased to \$50,000 (funded through mill rate).*

## Flood Protection

3140-010-0000-1

The screwgates and dyking system are integral water control structures protecting the Town of Lumsden from flooding. Projects concerning the dyking system are cost shared 50/50 with the Water Security Agency based on the 1999 Flood Protection works agreement. This reserve has been established for the purpose of having funds ready for flood protection works.

### *Principles*

- *Use for flood protection works*
- *There currently is just the one contribution of \$50,000 made in 2015 as this was what was budgeted. The maximum in this fund should be okay at \$100,000 for the permanent decommissioning. A contribution to recognize inflation will begin in 2020 at a rate of 2% of the balance (\$1,000 for 2020). This inflationary contribution will be funded through mill rate.*

## Equipment Replacement (Transportation and Environmental)

3150-010-CTFA-1

This fund is for replacement and/or purchase of equipment as approved by Town Council. This Reserve is created to evenly fund the purchase of equipment. The Town has a 5-year capital plan, which is reviewed annually and contributions to this Reserve will fund that equipment replacement schedule, regardless of the timing of the equipment purchase.



**Principles**

- ***The annual contribution to this reserve (funded through mill rate) increased from \$63,000 to \$83,000 in 2015***

## Cemetery

3160-010-0000-1

Original contribution to this Reserve was by way of a 2007 donation from Mr. Doug Ramsay in the amount of \$7,500 for upgrades and enhancements to the cemetery. From time to time the Town receives donations from individuals for the cemetery. These donations are transferred to the Reserve. Council commenced annual contributions into this reserve in 2016 to fund the purchase of a columbarium and potentially a “memorial walk” idea. In 2016 Council passed a resolution to transfer operating/capital surpluses for the cemetery operations at the end of each year and fund operating deficits from this reserve:

130-16 Bogdan/Newkirk: “That we authorize administration to transfer operating/capital surpluses for the Cemetery operations, at the end of each year, into the Cemetery Reserve up to a maximum reserve balance of \$30,000; and That we agree that any operating deficits shall be funded through this reserve.”

**CARRIED**

***On November 26, 2019, Town Council rescinded Resolution 130-16***

**Principles**

- ***Used for enhancements and upgrades to the cemetery***
- ***Contributions to this Reserve will be through donations***

## Columbarium

3160-010-0000-1 (combined with Cemetery Reserve)

In 2018, the Town purchased a 48-niche columbarium. Each year 50% of columbarium sales will be transferred to the Cemetery Reserve. The purpose is to accumulate funds so that when the next columbarium is purchased, the Reserve will have sufficient funding to cover the expense.

## Recreation Facilities & Equipment

3170-010-0000-1

This reserve was established to provide a source of funds to properly maintain Town Recreation Facilities. The reserve is also used to fund equipment replacement and new equipment purchases for Town Recreation Facilities.

\$10,000 within this Reserve has been earmarked for the development of Esso/Central Park.



**Principles**

- **Annual contribution of \$10,000 started in 2003 (funded through mill rate)**
- **Applicable Servicing Agreement Fees collected**

## Lumsden Sports Centre

3170-010-SKAT-1

The Town of Lumsden recognizes the importance of the Lumsden Sports Centre as a recreational facility for residents of the Town of Lumsden.

These funds shall be used for approved capital improvements to the Lumsden Sports Centre. The Board of the Lumsden Sports Centre may request monies from this reserve for capital improvements to the facility for approval by Council.

The R.M. of Lumsden No. 189 has a reciprocating reserve account established.

**Principles**

- **Annual contribution of \$1,000 began in 2016 (funded through mill rate)**

## Skateboard Park

3170-010-SKBD-1

## RiverPark

3175-010-0000-1

Surplus funds from the operation of RiverPark (campground and RiverPark Centre) shall be allocated to this reserve to fund future upgrades required at the park, such as a future waterline replacement to increase capacity.

**Principles**

- **Annual contribution of surplus from the RiverPark (amortization is excluded from the surplus calculation)**
- **Maximum account balance is \$150,000**
- **Once the reserve reaches \$150,000; RiverPark surplus will be created to the Centennial Hall Reserve**

## Road Infrastructure

Linear Infrastructure Renewal

3180-010-0000-1



Intended for use for capital projects involving roads (including sidewalks) or bridges. Funds may be used for Engineering/design, land acquisition and construction costs. Council may borrow from this fund, if necessary, to address short term operating expenditures, until such time as taxes are levied and revenue is received.

***Principles***

- ***Use for renewal/improvement of roadways and bridges, including sidewalks, curb and gutter***
- ***Contributions to this reserve include:***
  - ***\$170,000 annual contribution (funded through mill rate)***
  - ***Applicable Servicing Agreement Fees collected***
  - ***Overweight permit fees collected – 4115.211.ROAD.0***
  - ***Repayment of road improvement fees for Fawn Ridge Crescent via Mortgage Fees collected on sale of some Fawn Ridge Crescent lots (as agreed to by the Developer and Town) \$15,802/lot***

## Potash Asset Fund

3190-010-0000-1

The Municipal Tax Sharing Program was established in 1968 in accordance with *The Municipal Tax Sharing (Potash) Act* and General Regulations under *The Municipal Tax Sharing (Potash) Act* in recognition of the fact that potash mines have impacts on municipalities surrounding the mine, and not just the rural municipality in which the mine is located.

Council for the Town of Lumsden has determined that revenues received from the Municipal Potash Tax Sharing program will not be relied upon for the general operating expenses of the municipality but will be annually transferred to the “Potash Asset Fund” that will be only drawn upon in certain circumstances. The purpose of this fund will be to accumulate the revenues resulting from this program to be used as a future financial resource for the municipality. Council also recognizes that the fund may be drawn upon for certain infrastructure needs that directly related to the impact from the mining industry, such as the road network with payback to the fund.

The goal of this fund will be to accumulate the balance to \$3,000,000 to ensure there are adequate finances held in this fund to finance capital improvements and future replacement costs for the James Street North bridge.

As the population of the Town of Lumsden grows and demands change the Town wants to maintain a program of continually improving the road infrastructure. This reserve will accumulate and monies from this fund may be borrowed for these expenditures. Types of projects may include, but are not limited to pavement overlays, road construction, curb and gutter installation, bridge repair, etc. It is understood that projects/programs intended for the overall betterment of the community will be eligible to temporarily borrow from the Potash Asset Fund.

***Principles***

- ***The Potash Asset Fund will be considered a Reserve***



- ***Annual transfer must be made into this fund equal to the amount of revenue received under the Municipal Potash Tax Sharing Program. Lumsden became eligible for this funding in 2015***
- ***This fund will be considered fully funded when the balance reaches \$3,000,000***
- ***Administration may recommend investment options of this fund to Council in order to take advantage of better rates of return***
- ***Withdrawals may be made from this reserve fund in the form of an interest free repayable loan for capital expenditures for road infrastructure***
- ***The repayment term will be dependent on the useful life of the asset being acquired by the Town, but should not exceed ten (10) years***
- ***The interest from this fund shall form part of the general revenue for the municipality***

## Economic Development

3195-010-0000-1

This is a new category requested in 2019 when the possibility of recruiting medical professionals to the community was discussed. Contribution rates will be determined during each budget cycle. The balance of the Reserve in November, 2019 was nil. In 2021, sign corridor revenue began to be deposited into this reserve (\$6,300).

### Sign Corridor

Annual Sign Corridor (Phase 1) payback \$6,300 to the Recreation Reserve (collected fees from participating businesses). Payback commenced in 2015 and will continue until the \$36,930 initially borrowed, is repaid (2020). Once the payback is complete, sign corridor rental revenue will be placed into the Economic Development Reserve.

## Centennial Hall

3210-010-0000-1

At their December 12, 2017 regular meeting, Town Council passed Resolution 2017-468 to establish a Centennial Hall Reserve. The first contribution was made in 2018 in the amount of \$10,000. The 2019 contribution was \$10,000 (+2%). Beginning in 2020, we will transfer \$10,000 (+) from the mill rate each year in addition to any surplus, if applicable. The Reserve is intended for capital projects.

## General

3210-010-GENE-1

### History

This Reserve is for improvements to the Municipal Office. Improvements to the Municipal Office are shared 50/50 with the R.M. of Lumsden No. 189.

### *Principles*





- ***For building renovations and/or additions and office technology***
- ***For large office furniture requirements (ie. desk, workspace accommodation, etc.)***
- ***\$7,500 annual contribution (commenced 2017 year) funded through mill rate***

## Public Reserve (Cash-in-Lieu)

3260-010-0000-1

Under Section 186 of *The Planning and Development Act* Council may require the owner of a parcel of land that is subject to a subdivision, to dedicate land for municipal reserve or provide money in lieu of the land dedication. *The Planning and Development Act* further states that a market value appraisal must be provided or, the amount dedicated as cash-in-lieu can be recommended by the municipality and agreed to by the applicant and the approving authority.

The funds in the public reserve are intended to assist with the creation of/or improvements to public spaces (recreational, natural areas, public park, etc.) on land dedicated as public or municipal reserve in the municipality.

### ***Principles***

- ***Cash-in-lieu shall only be used for eligible projects permitted by The Planning and Development Act and subject to Council approval***

## Water and Sewer

3290-010-0000-1

These funds are for capital projects including water and sewer treatment projects, conveyance system projects and any capital equipment/systems required for water and sewer operations. The sewer infrastructure charge will be attributed directly to the Wastewater Treatment Project.

### ***Principles***

- ***Funded through annual surplus from the water and sewer utility department***
- ***Applicable servicing agreement fees collected***

## Solar Project

Solar projects and annual reduced electrical costs (January 2022 – SECTION INCOMPLETE)

Decisions need to be made regarding solar debt repayment and the allocation of monies where electrical costs are reduced.

## Contribution Rules

1. Contributions will be made in accordance with the above stated principles, with the addition of inflation factor of 2% per year on planned annual contributions, except for the Utility Reserve

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(Water and Sewer), or as otherwise directed by Council through budget directives. In most cases the contributions will be made to conform to the ten-year capital plan in equal installments where possible.

2. Changes to contributions other than those made per budget directive must be endorsed through resolution of Council.
3. At no time can a reserve fall below zero in the ten-year schedule.

## Withdrawal Rules

1. Withdrawals will be made in accordance to current budget directives as outlined in the capital budget and operational budget. When expenditures are completed, withdrawals will be made.
2. Changes to withdrawals other than those made per budget directive must be endorsed through resolution of Council.