



# **Corporate** NO: R103

# **Report** COUNCIL DATE: May 1, 2000

## **REGULAR**

**TO: Mayor & Council**      **DATE: April 25, 2000**

**FROM: General Manager, Finance, Technology & HR**    **FILE: 0200-011**

**SUBJECT: Information on Reserve Policy Implementation**

## **RECOMMENDATION**

That the information contained in this report be received.

## **BACKGROUND**

In 1998, a Reserve Review Task Force developed a Reserve and Surplus Policy for the establishment, use and maintenance of City Reserves and Appropriations of Surplus. This was adopted by Council on December 7, 1998 as Reserve Policy Q-25.

To reduce confusion and help with Council understanding of the new Policy, the Task Force clarified the use of the generic term “reserves” by re-defining and dividing the term into the following categories:

- **“Unappropriated Surplus”** - Means the accumulated excess of revenues over expenditures from prior years which have not yet been appropriated by Council for specific purposes.
- **“Appropriations of Surplus”** - Means funds set aside by Council ( ‘appropriated' ) for a specific purpose from Unappropriated Surplus.

- **“Surplus”** - Means the total of all Appropriations of Surplus and Unappropriated Surplus.
- **“Reserve”** - Means Reserve Funds set aside for specific purposes required by Provincial Statutes or City By-laws. Expenditures of these funds requires approval by By-law.

Application of the Policy to the City's existing Reserves, Unappropriated Surplus and Appropriations of Surplus resulted in:

- 36 Reserves and Appropriations of Surplus being **eliminated**
- 12 new ones added, and
- minor modifications to several others.

These changes have been implemented with the most significant component, Capital Legacy Reserve Fund By-law 13810, being adopted by Council in July, 1999. While significant, these changes did not materially affect the overall balance of the City's Surplus and Reserves.

The most significant change between the original “Reserves” balance in 1996 and today's, is the transfer of DCC's from “Reserves” to a liability account - “Deferred Revenues”. This change was required by the introduction of new accounting standards. The DCC money is provided by developers and must be used to pay for costs related to growth. These funds are not available for any other purpose and as such cannot be treated as City Reserve Funds. The level of DCC funds reflects the City's development activity and are outside Council's direct control. The greater the activity, the larger the amount of DCC's on hand. At the end of 1996 there were \$96,417,000 of DCC's on hand. At the end of 1999, a slower development year, there was \$75,965,000.

The following shows the changes to Surrey's Surplus and Reserve balances from 1996 to 1999 as reported in Surrey's audited consolidated Financial Statements.

**In \$000's**

**Balance Dec. 31, 1996 - Original**

**\$ 344,960**

Restatement of 1996 balances to meet new accounting standards

- DCC's restated as "Deferred Revenues" \$ (96,417)

- General Operating Surplus and Appropriations of Surplus (4,247) (100,664)

**Balance Dec. 31, 1996 - Revised** **244,296**

Appropriations of Surplus - Utilities

- Provisions for Future Water Quality Enhancement 4,000
- Provisions for Future Sewer Secondary Treatment 10,000

Other net changes in Surplus, Appropriations of Surplus and Reserves 8,875 22,875

**Balance Dec. 31, 1997** **267,171**

Expenditures for Surrey Sport & Leisure Complex - Pool (9,423)

Other net changes in Surplus, Appropriations of Surplus and Reserves (730) (10,153)

**Balance Dec. 31, 1998** **257,018**

Expenditures for Surrey Sport & Leisure Complex - Pool (7,702)

Expenditures for Surrey Sport & Leisure Complex - Arena & Retail Units (6,868)

Expenditures on Lowland Capital Drainage projects (9,000)

Proceeds of 1999 land sales 6,731

Other net changes in Surplus, Appropriations of Surplus and Reserves 7,107 (9,732)

**\$ 247,288**

These changes are highly summarized to simplify a very complex accounting and financial reporting process ( see attached Appendix A for greater detail ). If desired, I would be pleased to meet with individual Councillors to provide a more detailed review of these changes.

## CONCLUSION

The City's 1999 overall Surplus & Reserve balance is marginally higher than 1996 ( revised ). This is one indicator of the City's strong financial position.

Gary D. Guthrie, CA

General Manager, Finance, Technology and HR

cc: City Manager

City Clerk