



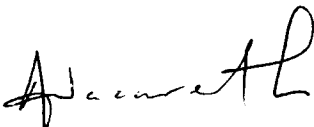
City of Richmond

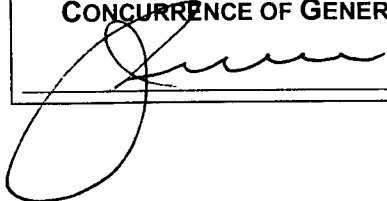
Report to Committee

To: Finance Select Committee
From: Andrew Nazareth
Director of Finance
Date: September 8, 2003
File: 0970-01
Re: **Establishment of a Community Legacy Reserve Fund and Expenditure Guidelines**

Staff Recommendation

1. That a Community Legacy reserve fund be established to complement the existing Council Provision and Council Contingency accounts.
2. That the recommended guidelines for the Council Provision, Council Contingency and Community Legacy reserve fund be adopted.
3. That staff be directed to develop criteria for analyzing requests for funding from the Community Legacy reserve fund (similar to the Capital Planning model).
4. That \$318,851 be transferred from the existing Council Provision account to the new Community Legacy reserve fund after the establishing bylaw is passed.


Andrew Nazareth
Director of Finance

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Staff Report

Origin

General Purposes Committee at the meeting of July 21, 2003 referred the matter of looking at the feasibility of transferring part of the funds from the Council Provision account to a Reserve Account.

Analysis

As described in the previous report dated September 8, 2003 and on the same Agenda, regarding the Council Provision and Council Contingency Expenditures and Balances; Council utilizes the accounts for one-time funding of Programs, Committees, Events and other contingencies that arise during the year that are not included in 5 Year Financial Plan.

The idea of creating a new reserve fund, namely, Community Legacy reserve is definitely worth pursuing further. To this effect, the following matrix analyzes the impact of creating such an account as compared to the present state of Council Provision and Contingency accounts:

Status Quo (Council Provision & Contingency)	New Community Legacy Reserve
<ul style="list-style-type: none"> • not tied to the annual budget process 	<ul style="list-style-type: none"> • will need to be included as part of the annual budget process
<ul style="list-style-type: none"> • does not require a bylaw passed to access funds 	<ul style="list-style-type: none"> • will require an expenditure bylaw in order to access funding
<ul style="list-style-type: none"> • no formal guidelines established for spending 	<ul style="list-style-type: none"> • will require the establishment of guidelines for spending
<ul style="list-style-type: none"> • existing balances do not earn interest income 	<ul style="list-style-type: none"> • existing balances will build up with interest income
<ul style="list-style-type: none"> • allows for quick turnaround in spending without much planning (funds are easily accessible) 	<ul style="list-style-type: none"> • will require more business planning. Turnaround in spending will not be quick (funds are not easily accessible)
<ul style="list-style-type: none"> • does nothing for the City's overall reserve balances 	<ul style="list-style-type: none"> • will enhance the City's overall reserve balances and is in synch with the City's Long Term Financial Strategy
<ul style="list-style-type: none"> • funding is not secure and/or assured 	<ul style="list-style-type: none"> • fund has the potential to become more sustainable
<ul style="list-style-type: none"> • results in all spending occurring on current Council and Community initiatives – immediate benefit 	<ul style="list-style-type: none"> • will allow for spending on future Council and Community legacy type projects – future benefit

To summarize, the benefits of creating a Community Legacy reserve fund are that it will build up with interest income, it will enhance the City's reserve balances, it will be in synch with the City's Long Term Financial Management Strategy and the fund will become more sustainable for future projects providing greater benefit to the community.

The main drawback is that some of the flexibility in responding to immediate Community needs will be lost as the special reserve fund has to comply with regulations from the Local Government Act. These include restrictions on the type of expenditures, public process and the passing of expenditure bylaws in order to access funding.

Overall, the benefits far outweigh the drawback, particularly, if the Community Legacy reserve fund is created in addition to the existing Council Provision and Council Contingency accounts. This will allow for more strategic planning without sacrificing the flexibility of being able to react to immediate Community needs. However, in order for all these three accounts to work together effectively guidelines need to be established. The following are draft recommendations:

Recommended Guidelines for the Council Provision Account

- 1) Designate an annual allocation to the Council Provision account from the Community Legacy reserve fund not to exceed \$250,000
- 2) The balance of the Council Provision account is to be capped at \$250,000
- 3) Expenditures must be on a one-time basis only and for items that are either under-funded or not included as part of 5 Year Financial Plan. These may include but are not limited to Programs, Committees, Events and other arising contingencies at the discretion and direction of Council
- 4) Expenditures in excess of \$5,000 require the approval of Council
- 5) Expenditures can occur over one or more fiscal periods
- 6) Total expenditures are not to exceed the balance available for spending in the account
- 7) A Quarterly report summarizing expenditures to date will be presented to the Finance Select Committee

Recommended Guidelines for the Council Contingency Account

- 1) Maintain the annual operating budget funding at \$100,000
- 2) Transfer unused Council Contingency account balances as at December 31st of each year into the Community Legacy reserve fund
- 3) Expenditures must be on a one-time basis only and for items that are either under-funded or not included as part of 5 Year Financial Plan. These may include but are not limited to Programs, Committees, Events and other arising contingencies at the discretion and direction of Council
- 4) The maximum expenditure amount permitted is \$50,000
- 5) Expenditures of a capital nature are not permitted from this account
- 6) Expenditures in excess of \$5,000 require the approval of Council
- 7) Expenditures can only be made in the current fiscal period
- 8) Total expenditures are not to exceed the balance available for spending in the account
- 9) A Quarterly report summarizing expenditures to date will be presented to the Finance Select Committee

Recommended Guidelines for the Community Legacy Reserve Fund

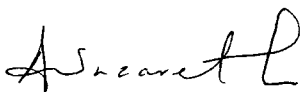
- 1) Designate an annual allocation to the Community Legacy Reserve fund from Casino revenues
- 2) The Community Legacy reserve fund will receive unappropriated surplus funds from the General Operating Budget
- 3) The Community Legacy reserve fund will receive unused Council Contingency balances as at December 31st of each year
- 4) Requests for funding from the Community Legacy reserve need to be submitted once a year as part of the annual budget and 5 Year Financial Plan process. Expenditures would be dependant upon a business plan and the project's value in the community. Criteria for analyzing requests for funding similar to the Capital Planning model needs to be developed
- 5) Expenditures must be on one-time projects that are in synch with the City's vision and leave a lasting impression and/or permanent benefit for the Community. Capital and infrastructure expenditures are acceptable
- 6) The expenditure bylaws will be passed at the same time as the rest of the City's Reserve Fund expenditure bylaws – once a year after the approval of the 5 Year Financial Plan
- 7) Funding available for spending is to be capped at 50% of the existing Community Legacy reserve fund balance (principal and interest)
- 8) The Community Legacy reserve fund will not be used toward funding any Operating Budget shortfalls

Financial Impact

In order to kick-start the Community Legacy reserve fund, \$318,851 should be transferred from the existing Council Provision account after the establishing bylaw is passed. This will reduce the balance of the Council Provision account to \$250,000 which is the recommended cap.

Conclusion

Staff recommend the establishment of the Community Legacy reserve fund to complement the existing Council Provision and Council Contingency accounts. This reserve will be used towards one-time legacy type projects that provide a lasting impression or benefit to the Community. The analysis of annual requests for funding will be based on criteria that needs to be developed. This approach is in synch with the Long Term Financial Management Strategy and will be of greater benefit to the community in the future.



Andrew Nazareth
Director of Finance
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