

Appendix A

Additional Background Information

Reserves

Reserves are a tool for municipalities to put aside a portion of revenues to fund future operations and capital projects. Municipal councils may set aside whatever proportion of revenues they choose as reserves for whatever purpose they see fit (with some exceptions for restricted reserves).

The City has two types of reserves: restricted and unrestricted.

- **Restricted reserves** are subject to external rules, such as provincial or municipal legislation. These funds can only be used for specific purposes defined by these restrictions.
- **Unrestricted reserves** are created based on the City Council's decisions and can be used at their discretion for any purpose they choose.

History of Subdivision Prepaid Improvement Reserve

Under the Municipal Government Act (MGA) section 650(1), which is the applicable legislation per section 7(2) of the Lloydminster Charter, a municipality can require developers to pay for the construction of certain infrastructure needed for their development, as a condition of a development agreement. These can be referred to as Subdivision Prepaid Improvements.

In 1992, City Council established the Subdivision Prepaid Improvements policy to set guidelines for the Subdivision Prepaid Improvements Reserve (SPIR). The policy outlines how funds are both collected and used, both internally (within the City) and externally (from private developers).

Collection of Funds

- Funds can be **internally collected** from cash generated from newly developed City-owned subdivisions, *or* from transfers from the operating budget, *or* from interest income allocations.
- Funds can be **externally collected** from private developers, as a condition of their development agreement.

Use of Funds

- **Internally collected** funds must be used to fund identified improvements to City-owned subdivisions.
- **Externally collected funds** must be used on the specific improvements identified in the relevant development agreement.

The SPIR reserve had activity from its inception until 2009, after which no funds were collected or used (except for internal interest income additions). A 2009 reconciliation of the account showed a listing of the projects to be completed from the funds. The majority of the work was for toplift paving on City-owned subdivisions, which cannot be completed until two years after initial lot sales have commenced.

An internal review of these projects in 2024 shows that a significant amount of the work has been completed. Due to a lack of detailed accounting records from 2009 and prior, Administration's assumption is that road reserve was used to fund these projects, as it was road related infrastructure work.

The reserve is currently classified as a restricted reserve and has been for a significant period (according to the available accounting records). The balance as of December 31, 2024, is \$2,065,380.73.

Accounting Standards

Accounting standards and best practices have changed significantly since the 1990s, when this reserve was created. Significant changes include better record keeping, tracking of tangible capital assets, and classification of certain funds received from external parties.

Using current accounting standards, funds received from external developers would be considered restricted, as per any relevant agreements, and would be recorded as an obligation on the Statement of Financial Position (balance sheet). However, internal funds set aside for specific purposes are not an obligation on the Statement of Financial Position and can be allocated to a reserve by Council resolution.

Applying current day accounting standards, externally restricted funds would be recorded as an obligation on the Statement of Financial Position, and internally restricted funds would be allocated to a reserve.