



Town of Regina Beach

Town of Regina Beach “Reserves”

- **Definition:**

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- a general **reserve is a budgetary account** to meet future cost and financial obligations of the community for specific assets.
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- **General Reserves:**

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- a portion of the current community revenue is set aside in a special account (often annually) to accumulate and be used to finance a specific capital project or asset in the future.
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- Reserves should be used for a specific major expenditure and not for operating or maintenance expenses. Reserves are often used for infrastructure or assets with a shorter life span and require regular replacement.



Town of Regina Beach

Amortization Reserves:

Accounting rules recommend a mechanism of funding replacement of existing assets by annually calculating the set depreciated amount for that asset and inject that amount into a “Amortization Reserve Account” for savings. This is set up to help municipalities save for future replacement of their assets.

Example: The towns firetruck purchased in 2000 for \$200,000. The expectation is that we will need to replace that truck in 2025, 25 years. The firetruck will be depreciated over the 25 years to zero, \$8,000 per year. ($\$8,000 \times 25 = \$200,000$). The annual amount put into the Amortization Reserve would be \$8,000.

General Reserves and Amortization Reserves:

The General Reserves and Amortization Reserves work together to meet the towns financial obligations for replacement of assets.

Example: The new firetruck in 2025 will cost approximately \$450,000. The Amortization Reserve fund accumulated \$200,000, the Reserve obligation would be to accumulate the other \$250,000 required.

A photograph of a lake with several sailboats. The sky is blue, and the water is calm. The title 'Town of Regina Beach' is overlaid on the right side of the image in a large, stylized, blue font with a white outline and a drop shadow.

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Existing General Reserve Fund:

There are existing specific general reserves set up.

There is no specific recommended special account or savings account to hold those funds

Observations:

Existing general reserve assets, some were random had no goals or specific purpose (ie: columbarium)

There was no specific savings account to set the funds into, they were mixed in with the general operating account.

Some of the assets had no established goals or plan.

No established financial plan to meet our obligations for those asset goals.



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Corrective Measures:

- Set up the reserve funds (cash) in a separate specific savings account.
- One step further to set those funds in an investment account so they are working for us. Ryan – RBC will be discussing.
- Create a Town Policy around approvals from council to credit and debit those funds.
- Each appropriated asset would require clarification of purpose and goals.
- Work through each reserve fund asset, create a file, meet with the originators, set goals, define purpose.
- Create policy around new reserves



Town of Regina Beach

Reserve Capital Sub-fund Report

Name of Sub-Fund: Firetruck Reserve

Purpose of Sub-Fund: To allow the TRB to replace the current firetruck in 2025

Date Sub-fund established:

Date of Town Council meeting Sub-fund approved:

Date of Maturity of Sub-Fund: 2025

Estimated Goal of Sub-Fund: \$450,000

Amortization value if any: \$125,000

Initial payment into fund: \$180,000

Annual Budgeted Contribution: \$10,000

Additions to fund (ie. Donations)

Dedicated \$129,658 to the fund out of the \$1M loan effective March 31, 2019 (Deficit)

Dedicated \$50,342 to the fund out of the \$1M loan effective March 31, 2019 (End of 2018 contribution balance)

A photograph of a lake with several sailboats. The sky is blue and the water is calm. The background shows a line of trees.

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Build a Financial Spreadsheet to meet each Appropriated Asset Goal:

- Build spread sheet set up to set goal and calculate financial obligations to meet those goals.
- Create a Town Policy around setting annual budgets to meet reserve fund cash goals set by council.

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<u>Firetruck</u>		3.50%					
Annual contribution	\$ 10,000.00	1	2	3	4	5	6
2019 contribution	\$ 180,000.00	\$ 196,300.00	\$ 213,170.50	\$ 230,631.47	\$ 248,703.57	\$ 267,408.19	\$ 286,767.48
Firetruck looking for \$450,000 in 2025	2019	2020	2021	2022	2023	2024	2025

A photograph of two sailboats on a calm lake with a forested shoreline in the background. The sky is clear and blue.

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Loan Investment:

- Donated funds
- Long term replacement assets
- Project specific assets
- Amortization assets



Town of Regina Beach

Sub total donations	\$156,028.00
Sub total – various sub funds	\$722,675.88
Amortization reserve fund	\$277,324.12
Total	\$1,000,000.00