

Reserves

Long-term Planning & Stability

The following infographic is used to show the purpose and long-term planning of the County's Reserves.

For more information on County's financial information, please visit the County's Website: www.vulcancounty.ab.ca > Departments > Corporate Services

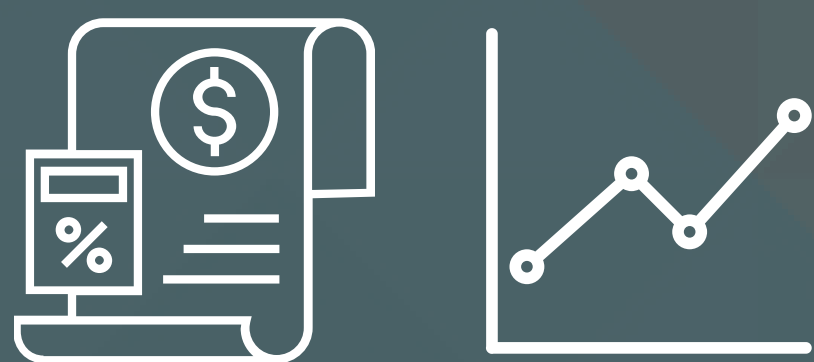
RESERVES

Reserves are internally restricted surpluses that have been set aside for future activities and projects. These include both capital and operating reserves.

Based on the **2023 Financial Statements**:

\$31.68 million in Capital Reserves

\$20.31 million in Operating Reserves



Operating Reserves

The County's operating reserves are specifically "earmarked" for specific activities, projects, and to maintain stability (avoids tax rate fluctuations) for the County and the ratepayers from a year-to-year basis.

1) **Department-Level Reserves**

The County has established specific MIN / MAX levels of reserves for department/activity. This threshold supports stability while ensuring that the appropriate level of reserves are maintained.



2) **Project-Specific Reserves**

There are specific reserves that are maintained for specific projects. These include multi-year projects (i.e., gravel crushing).

3) **Contingency Reserves**

The County holds specific contingency reserves for assessment & operations to cover unexpected costs or variance from budget. This includes reserves for assessment changes, uncollectable/insolvent accounts, and other contingencies.

Capital Reserves

The County takes a very pro-active approach and maintains a comprehensive **20-Year Capital Plan**.

This Capital Plan uses long-term planning to project the upcoming capital requirements being replaced/purchased within the next 20 years.

1) **Saving for capital instead of using debt**

Allows the County to save specific reserves for capital replacement instead of requiring debt to purchase at the time of replacement.

2) **"Levels out" annual funding requirements**

Allows for a consistent annual capital funding requirement to avoid the highs & lows in capital purchases from year-to-year.

This **20-Year Capital Plan** covers an estimated:

\$133.00 million in future capital funding requirements

Projected replacement in the next 20-years (within Budget 2024)

Road Infrastructure

\$45.03 million



Bridge Infrastructure

\$23.56 million



Buildings Equipment & Vehicles

\$64.41 million





Supplementary Information

The following is supplementary information on the County's Reserves & Long-Term Planning.

Capital Reserves & 20-Year Capital Plan

The County also utilizes a 20-year capital funding program. When an asset is due to be either purchased or constructed, the total projected replacement costs (using inflation rates) is effectively "saved up" through the building of the capital reserves over this period of time.

In the example to the right, there is a grader that is replaced every 6 years - historical cost is \$600,000; however, by the date of replacement, it is estimated at \$660,000 (inflationary increases). Therefore, the County saves up \$110,000 per year and would have the money available at the year of replacement.

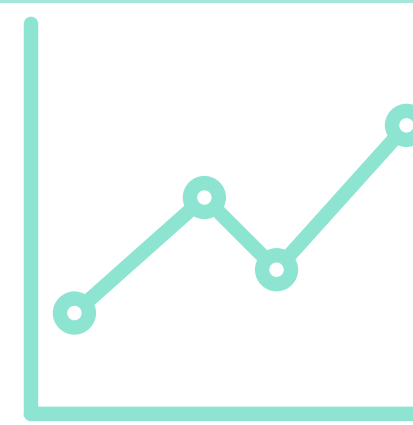
Based on the current year being year 4 of this equipment replacement, there would be \$440,000 saved in reserves for this future replacement.

Grader Replacement - Example		
Current Replacement Cost		600,000
Estimated Cost at Replacement		660,000
<i>Replacement Cycle - every 6 years</i>		
	Annual Reserve Allocation	Total Reserve (Accumulated)
Year 1	110,000	110,000
Year 2	110,000	220,000
Year 3	110,000	330,000
Year 4 - <i>Current Year</i>	110,000	★ 440,000
Year 5	110,000	550,000
Year 6 - <i>Replacement</i>	110,000	660,000

20-Year Capital Plan - Statistics

The Capital Plan tracks the following County assets:

- > **1786** Road Assets
- > **224** Bridge/Culvert Assets
- > **348** Equipment & Vehicles
- > **45** Buildings and Components



Due to the high value of Buildings / Facilities, the savings for reserve start 40 years prior to projected replacement as this also minimizes fluctuations in the long-term Capital Planning.

Operating Reserves & MIN/MAX Levels

MIN / MAX Levels

Standard - 10% to 15%

Low Risk - 5% to 10%

High Risk - 10% to 25%



The County's operating reserves are specifically "earmarked" for specific activities, projects, and to maintain stability for the County and the ratepayers from a year-to-year basis.

The **Department-Level Reserve** have specific **MIN / MAX levels** of reserves for department/activity. This threshold supports stability while ensuring that the appropriate level of reserves are maintained. The higher potential fluctuations in department costs (i.e., variable costs such as fuel, equipment, materials, etc.) the County maintains a higher level of reserve to cover potential cost overages and/or unexpected department costs.

Should the reserve fall below the minimums and/or above the maximums, the County will allocate or use the reserve to stay within these targeted reserve levels.