



## AMHERST TOWN COUNCIL

RFD# 20180127

Date: September 24, 2018

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**TO:** Mayor Kogon and Members of Council

**SUBMITTED BY:** Shelley Rector, CPA, CMA – Chief Financial Officer

**DATE:** September 24, 2018

**SUBJECT:** Moving Funds from Operating Reserve to General Capital Fund

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**ORIGIN:** Budget and Operating from 2017-18 carried forward to 2018-19.

**LEGISLATIVE AUTHORITY:** Financial Reporting and Accounting Manual (FRAM) 3.16(d)

**RECOMMENDATION:** That Council approve the resolution to withdraw \$527,907 from the Operating Reserve and transfer it to the General Capital fund for the 2017/18 capital purchase of a fire truck.

**BACKGROUND:** At March 31, 2018 the fire truck had long term debt as its funding source on the capital budget, in the amount of \$527,907.

For year-end purposes the fire truck was bridge financed with long term debt anticipated to be borrowed in the fall of 2018.

The surplus at March 31, 2018 was \$472,237 for the general fund, \$79,200 for sewer and \$6,561 for solid waste for a total overall surplus of \$557,998. The surplus funds were transferred to Operating Reserve in their designated accounts (sewer and solid waste segregated).

**DISCUSSION:** There are two options for the financing of the fire truck:

1. Issue a debenture for the fire truck in the amount of \$527,907. If a debenture was issued, it is estimated that interest over a fifteen year term would be \$168,929.
2. Use funds from the 2017/18 general surplus as well as other unrestricted funds in Operating Reserve to pay for the fire truck.

The fire truck is currently in the General Capital fund not funded. We need a resolution from Council to withdraw the funds from Operating Reserve and transfer them to the General Capital fund. This resolution would allow us to ensure proper matching of the funds with the expenditures.

Of interest for Council, if option 2 is chosen, Council will have saved \$379,607 in debt repayment interest between this purchase and the use of the surplus funds to pay for the Community Credit Union Business Information Center and Mill Street per the May 29, 2018 Council meeting.



Per the information in the Debenture approval package, it makes sense to use long-term borrowing for the water main replacement (\$145,000) and street reconstruction (\$367,000) of East Victoria Street from Rupert to civic # 250 and the storm water separation on Station Street (\$404,677) as the useful life of these project exceeds the borrowing period of the debt. Staff attempt to match borrowing periods with useful life whenever possible.

**FINANCIAL IMPLICATIONS:** Significant long term interest savings as noted above.

**COMMUNITY ENGAGEMENT:** No community engagement required.

**ENVIRONMENTAL IMPLICATIONS:** None

**ALTERNATIVES:** Issue long term debt to pay for the fire truck.

**ATTACHMENTS:** None

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Report prepared by: Shelley Rector

Report and Financial approved by: Shelley Rector