

Reserves and Reserve Funds

The purpose of Reserves and Reserve Funds is to address long-term funding strategies and to ensure good financial and cash management for the ongoing financial stability of the Corporation. Reserves provide flexibility to manage the financial needs of the City.

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council, legislation, regulation or agreement.

Reserves: Monies set aside by approval of Council and not restricted by legislation. Reserves do not receive an annual interest allocation.

Reserve Funds: Funds that have been set aside either by a bylaw of the municipality or by a requirement of provincial legislation. Municipal councils may set up reserve funds for any purpose for which they have the authority to spend money. Reserves Funds do receive an annual interest allocation.

The City has numerous reserves and reserve funds that are consolidated into four main categories:

1. **Operating Reserves** – these reserves are established for operational purposes and typically carry small balances outside of the working reserve, tax stabilization reserve, and the winter control reserve. Operating reserves can be used to fund items that occur that were not planned and budgeted.
2. **Capital Reserves** – these reserves are to be used to accumulate funds over time to replace and maintain infrastructure and to purchase capital assets (land, facilities, equipment, machinery).
3. **Restricted Reserves (Municipal)** – these reserve funds are for identified purposes and funded from specific revenue sources (e.g. water/sewer rates or building permits).
4. **Restricted Reserves (External)** – these reserve funds are for identified purposes from specific revenue sources external to the municipal corporation.

New Reserve Funds in 2018

The City set up two new reserves in 2018:

Development Charges Reserve Fund: This reserve fund is restricted by the Province’s development charge legislation and the Development Charge Act that dictates these funds are to be used for growth related infrastructure.

Waterfront Development Reserve Fund: City Council set aside \$240,000 of unspent capital in this reserve, so that it can pursue grant initiatives for the upgrade and/or redevelopment of Pointe Maligne.

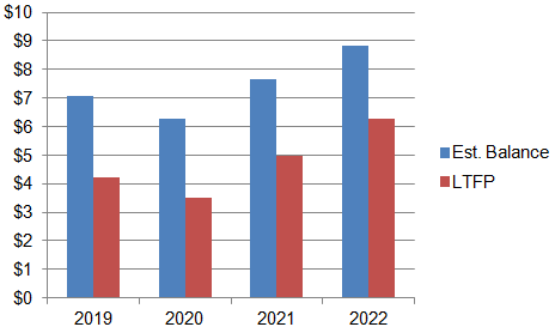
Financial Policy Recommendations

The prudent use of reserves and reserve funds is one way to develop strategies for long-term financial planning for capital projects in order to minimize both debt servicing costs and significant annual budget impacts by allocating costs to benefiting users over a number of years. Reserve and reserve funds also provide funding to mitigate the impact of significant increases or unforeseen issues in the rates charged to users and to fund any annual deficits.

As outlined in the Executive Summary, the LTFP recommended that the City adopt the practice of contributing to reserves for life-cycle costing and that the City implement a capital levy in order to build its reserves and reserve funds. Through the 2018 budget process, the City began both initiatives. The reserves are to be managed in such a way to ensure positive reserve balances during major capital spending years.

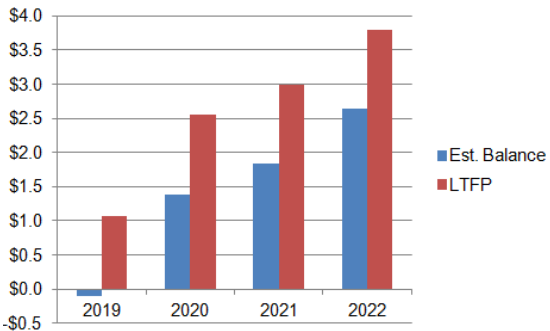
Capital projects will require support from reserves in the first number of years of the plan, as outlined in the LTFP. In later years, by following the LTFP, regular, appropriate contributions to reserves can be used to support asset rehabilitation, the replacement of infrastructure, and unforeseen circumstances.

The following chart shows the four-year forecasted balance (shown in the millions) for the City's Operating Reserves compared to the LTFP.



The LTFP did not include the Tax Stabilization Reserve (\$2.1 million). Contributions to this reserve are required to cover outstanding tax write offs related to assessment appeals.

The following chart shows the four-year forecasted balance (shown in the millions) for the City's Capital Reserves compared to the LTFP.

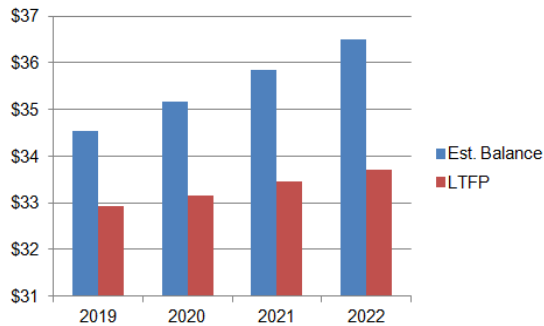


Over the next four years the Capital reserves are below the balance projected in the LTFP.

The City borrowed (\$2 million) from the Land Reserve to purchase land in the Business Park. When this land sells the proceeds will be contributed to back to this reserve and the balance will be in-line with the LTFP.

(for the purposes of this illustration the Development Charges Reserve was excluded from the chart)

The following chart shows the four-year forecasted balance (shown in the millions) for the City's Restricted Reserves (Municipal Funding) compared to the LTFP.



Council adopted changes in the HoTC and Brownfields Community Improvement Plan (CIP) whereby additional contributions will be made to their respective reserves to further support these programs.

The WSIB – Estimated Future Benefit Costs Reserve is also above the LTFP balance, though below the City's targeted balance.

(for the purposes of this illustration the Water and Wastewater Reserves were excluded from the chart)

The LTFP identifies contributions and disbursements for each reserve and reserve fund and applies strategies to ensure that funding will be sufficient to meet planned future obligations.

The following table presents estimated reserve and reserve fund balances at December 31, 2018, contributions and disbursements for reserves and reserve funds during 2019 to provide estimated reserve balances at December 31, 2019.

2019 SUMMARY OF RESERVES
Estimated December 31 2019

	Opening Balance	Net Transactions	Balance at Dec 31/19	2018 Targeted Balance	LTFP Balance at Dec 31/19
<u>Operating Reserves</u>					
Working Reserves	4,359,711	(543,037)	3,816,674		3,255,605
*Tax Stabilization Reserve	2,233,268	0	2,233,268		0
Winter Control Reserve	300,000	0	300,000		300,000
Health & Safety Reserve	76,022	0	76,022		76,022
Municipal Elections Reserve	0	45,000	45,000		45,000
Insurance Deductible Reserve	0	0	0		200,000
Renaissance Reserve	88,826	0	88,826		88,825
Medical Recruitment Reserve	417,841	65,000	482,841		221,542
Waste Management Reserve	<u>18,160</u>	<u>0</u>	<u>18,160</u>		<u>18,160</u>
	7,493,828	(433,037)	7,060,791	6,616,357	4,205,154
<u>Capital Reserves</u>					
Equipment and Vehicles Reserve	137,005	113,700	250,705		501,810
Recreation Facilities Reserve	238,177	9,000	247,177		26,341
Municipal Buildings Reserve	185,819	622,141	807,960		46,594
Fire Equipment Reserve	55,385	21,000	76,385		102,306
Land Ambulance Reserve	576,379	(177,805)	398,574		243,071
Land Reserve	(2,131,634)	(51,000)	(2,182,634)		(30,600)
Road Infrastructure Reserve	28,109	279,174	307,283		175,293
Development Charges Reserve	<u>403,456</u>	<u>(1,314,900)</u>	<u>(911,444)</u>		<u>0</u>
	(507,304)	(498,690)	(1,005,994)	4,676,538	1,064,815
<u>Restricted Reserves (Municipal Funding)</u>					
Water Works Reserve	3,956,215	(120,760)	3,835,455	3,508,292	3,438,682
Wastewater Works Reserve	3,503,523	(177,840)	3,325,683	3,709,503	3,267,576
Building Surplus Reserve (permits)	98,660	2,160	100,820	1,246,714	99,866
CAHC Operating Reserve Fund	2,134,353	59,456	2,193,809	Not Defined	1,859,189
Brownfields Reserve	203,081	413,290	616,371	2,000,000	159,808
Landfill Reserve Fund	399,562	8,790	408,352	1,868,661	400,189
Waterfront Development Fund	240,000	0	240,000	Not Defined	N/A
WSIB - Estimated Future Benefit Costs Reserve	1,823,737	229,440	2,053,177	3,336,246	1,698,251
Downtown Investment Reserve Fund	3,519,388	962	3,520,350	3,500,000	3,513,205
ODRP / Heart of City Reserve	(208,744)	142,913	(65,831)	Not Defined	(200,799)
Parking Reserve Fund	233,887	(59,031)	174,856	Not Defined	53,594
Progress Fund	<u>25,529,243</u>	<u>0</u>	<u>25,529,243</u>	25,000,000	<u>25,354,859</u>
	41,432,905	499,380	41,932,286		39,644,420
<u>Restricted Reserves (Funded Externally)</u>					
(a targeted reserve balance is not applicable)					
Provincial Gas Tax Reserve (Transit)	132,127	(119,785)	12,342		32,747
Federal Gas Tax Reserve (Infrastructure)	192,885	(52,460)	140,425		3,725
Social Housing Providers Reserve	1,782,723	39,660	1,822,383		1,737,483
Social Housing Capital Reserve Fund	1,088,915	27,456	1,116,371		1,149,766
Employment Assistance Retained Surplus Reserve	602,833	(49,164)	553,669		604,353
Child Care ELCD Reserve	99,147	0	99,147		67,851
Consolidated Homelessness CHPI Reserve	39,927	0	39,927		0
Parkland Reserve Fund	182,647	14,961	197,608		144,409
Heritage Murals Trust Fund	0	0	0		N/A
Winter Games/Legacy Trust Fund	61,036	(957)	60,079		N/A
Arts & Culture Trust Fund	<u>46,224</u>	<u>304,317</u>	<u>350,541</u>		<u>N/A</u>
	4,228,464	164,028	4,392,492		3,740,334
TOTAL RESERVES	52,647,893	(268,319)	52,379,575		

* Based on outstanding assessment appeals, Administration feels the reserve is underfunded and therefore does not have sufficient funds to cover the potential tax refunds.

2019 DETAIL OF RESERVES
Estimated December 31 2019

	Opening Balance	Withdrawals	Additions	Balance
OPERATING RESERVES				
Working Reserves	4,359,711			
Egenda Software		(20,000)		
Planning Department Plans		(160,000)		
Accounting System Upgrade		(483,000)		
Locomotive Restoration		(150,000)		
Mural Wall Repair			55,000	
ITT Requirements Council 2022			5,500	
Tax Equipment			5,000	
Accounting Software Upgrade			15,000	
Fire Dispatch Repayment (2017-2019)			62,495	
GSDL Fire Panel Replacement Repayment (2014-2023)			18,310	
Repay Transit Refurbish Bus			18,658	
Planning Department Plans			90,000	3,816,674
Tax Stabilization Reserve	2,233,268			
Budgeted Contribution			500,000	
Budgeted Withdrawal		(500,000)		2,233,268
Winter Control Reserve	300,000			300,000
Health & Safety Reserve	76,022			76,022
Municipal Elections Reserve	0			
Budgeted Contribution			45,000	45,000
Insurance Deductible Reserve	0			0
Renaissance Reserve	88,826			88,826
Medical Recruitment Reserve	417,841			
Budgeted Contribution			100,000	
Medical Loan Repayments			25,000	
Medical Scholarship Paid		(50,000)		
Fund Expenditures		(10,000)		482,841
Waste Management Reserve	18,160			18,160
TOTAL Operating Reserves	7,493,828	(1,373,000)	939,963	7,060,791

2019 DETAIL OF RESERVES
Estimated December 31 2019

	Opening Balance	Withdrawals	Additions	Balance
CAPITAL RESERVES				
Equipment and Vehicles Reserve	137,005			
Repayment of Vans			65,700	
Fire Dept Contribution to Reserve			33,000	
MW Contribution to Reserve			75,000	
Police Dept Contribution to Reserve			30,000	
Fund Fire Equipment - Rescue boat		(90,000)		
				250,705
Recreation Facilities Reserve	238,177			
Budgeted Contribution - Aquatic Centre			62,000	
Budgeted Contribution - Benson Centre			62,000	
Life Cycle Costing - LTFP			200,000	
Arc Flash Analysis		(125,000)		
Civic Complex - Seat Replacement		(55,000)		
Complex/Aquatic Centre Floors		(55,000)		
Benson Centre Duct Work		(80,000)		
				247,177
Municipal Buildings Reserve	185,819			
Contribution from Buildings			429,630	
Contribution from Library			70,000	
Complex Lease Payment			190,686	
Justice Building Repayment			148,147	
EMS HQ			124,866	
Justice Courtyard		(175,000)		
Library Capital		(85,000)		
Library LTD Principle - HVAC		(81,188)		
				807,960
Fire Equipment Reserve (Fire Marque)	55,385			
Fire Marque Revenue			21,000	
				76,385
Land Ambulance Reserve	576,379			
Fund Principal LTD		(94,000)		
Fund Replacement Ambulances		(525,000)		
Fund Toughbook Computers		(58,000)		
Defibrillators (Community Paramedic)		(29,000)		
Fund Defibrillators (PAD Program)		(17,000)		
PAD Vehicle		(31,000)		
Transfer Amortization			576,195	
				398,574
Land Reserve	(2,131,634)			
Interest Paid on Business Park Land Purchase Loan		(51,000)		
				(2,182,634)
Road Infrastructure Reserve	28,109			
Budgeted Contribution			100,000	
Capital Levy - LTFP			159,820	
LED Project Contribution			50,000	
Marleau Properties Rental Surplus/(Deficit)			44,354	
Traffic Impact Study		(75,000)		
				307,283
Development Charges Reserve	403,456			
Estimated Development Charges			800,000	
Nick Kaneb		(1,643,500)		
MW Yard Projects	0	(256,600)		
Fire HQ		(171,000)		
Recreation Master Plan		(43,800)		
				(911,444)
TOTAL Capital Reserves	(507,304)	(3,741,088)	3,242,398	(1,005,994)

2019 DETAIL OF RESERVES
Estimated December 31 2019

	Opening Balance	Withdrawals	Additions	Balance
RESTRICTED RESERVES (Municipal Funding)				
Water Works Reserve	3,956,215			
Budgeted Contribution			250,000	
Est Interest 2019			83,240	
Watermain Rehabilitation Improvements		(250,000)		
Water Purification Plant Improvements		(204,000)		3,835,455
Wastewater Works Reserve	3,503,523			
Wastewater Treatment System Upgrades		(250,000)		
Est Interest 2019			72,160	3,325,683
Building Surplus Reserve (permits)	98,660			
Est Interest 2019			2,160	100,820
CAHC Operating Reserve Fund	2,134,353			
Interest Earned - on loan to Land Reserve			25,500	
Est Interest 2019			24,956	
Receivable from Loan - Mortgage 1			9,000	2,193,809
Brownfields Reserve	203,081			
Budgeted Contribution			400,000	
Est Interest 2019			13,290	616,371
Landfill Reserve Fund	399,562			
Est Interest 2019			8,790	408,352
Waterfront Development Fund	240,000			240,000
WSIB-Est Future Benefit Costs Reserve	1,823,737			
Est Interest 2019			44,440	
Contribution			185,000	2,053,177
Downtown Reserve Investment Fund	3,519,388			
Record Interest Earned/Paid CAHC 2nd Mortgage			35,799	
Interest Earned on CAHC 1st Mortgage Investment			5,000	
City Investment from Scotia Bank			58,164	
Record CAHC Interest transferred to HoTC		(40,799)		
Record Interest transferred to HoTC		(58,164)		
Reverse Accrued Interest		(19,388)		
Interest Accrued not paid			20,350	3,520,350
ODRP / Heart of City Reserve	(208,744)			
Capital Outlay			32,250	
Interest Earned - CAHC 2nd Mortgage			35,799	
Interest Paid on CAHC 1st Mortgage Trf to HOTC Reserve			5,000	
Interest Paid on CAHC HOTC Reserve			58,164	
Tax Incentive Grant - Non-refundable			75,000	
Loan Forgiveness		(50,000)		
Fund HOTC Programs		(13,300)		(65,831)
Parking Reserve Fund	233,887			
Fund Operating		(59,031)		
Est Interest 2019				174,856
Progress Fund	25,529,243			
Benson Centre Debt Payments		(719,407)		
Est Interest 2019			719,407	25,529,243
TOTAL Restricted Reserves (Municipal Funding)	41,432,905	(1,664,089)	2,163,469	41,932,286

2019 DETAIL OF RESERVES
Estimated December 31 2019

	Opening Balance	Withdrawals	Additions	Balance
RESTRICTED RESERVES (Funded Externally)				
Provincial Gas Tax Reserve (Transit)	132,127			
Fund Transit Operating Expenses		(352,500)		
2015 Handi Transit Buses (Long Term Debt)		(49,679)		
2015/2016 Conventional Buses (Long Term Debt)		(78,589)		
2016/2017 Handi Transit Buses (Long Term Debt)		(82,430)		
2017 Transit Fleet		(108,227)		
2017 Transit Fuel Tanks		(40,600)		
2018 Transit Fleet		(62,800)		
Gas Tax Funding			655,040	12,342
Federal Gas Tax Reserve (Infrastructure)	192,885			
Gas Tax Funding			2,826,670	
Asphalt Resurfacing		(2,140,000)		
Bicycle Path Asphalt		(50,000)		
Active Transportation - Sidewalks		(330,000)		
Bicycle Path Asphalt - Bicycle Infrastructure		(390,000)		
Est Interest 2019			30,870	140,425
Social Housing Providers Reserve	1,782,723			
Est Interest 2019			39,660	1,822,383
Social Housing Capital Reserve Fund	1,088,915			
Est Interest 2019			1,956	
Interest Earned on Loan to Land Reserve			25,500	1,116,371
Employment Assistance Retained Surplus Reserve	602,833			
		(49,164)		553,669
Child Care ELCD Reserve	99,147			99,147
Consolidated Homelessness CHPI Reserve	39,927			39,927
Parkland Reserve Fund	182,647			
Est Interest 2019			4,137	
Wireless Tower Land Rental Income			10,824	197,608
Heritage Murals Trust Fund	0			
Est Interest 2019			0	0
Winter Games/Legacy Trust Fund	61,036			
Legacy Awards (Plaques)		(300)		
Legacy Awards		(2,000)		
Est Interest 2019			1,343	60,079
Arts & Culture Trust Fund	46,224			
Donations			300,000	
Est Interest 2019			4,317	350,541
TOTAL Restricted Reserves (Funded Externally)	4,228,464	(3,736,289)	3,900,317	4,392,492