



2019 Reserve and Reserve Fund Status

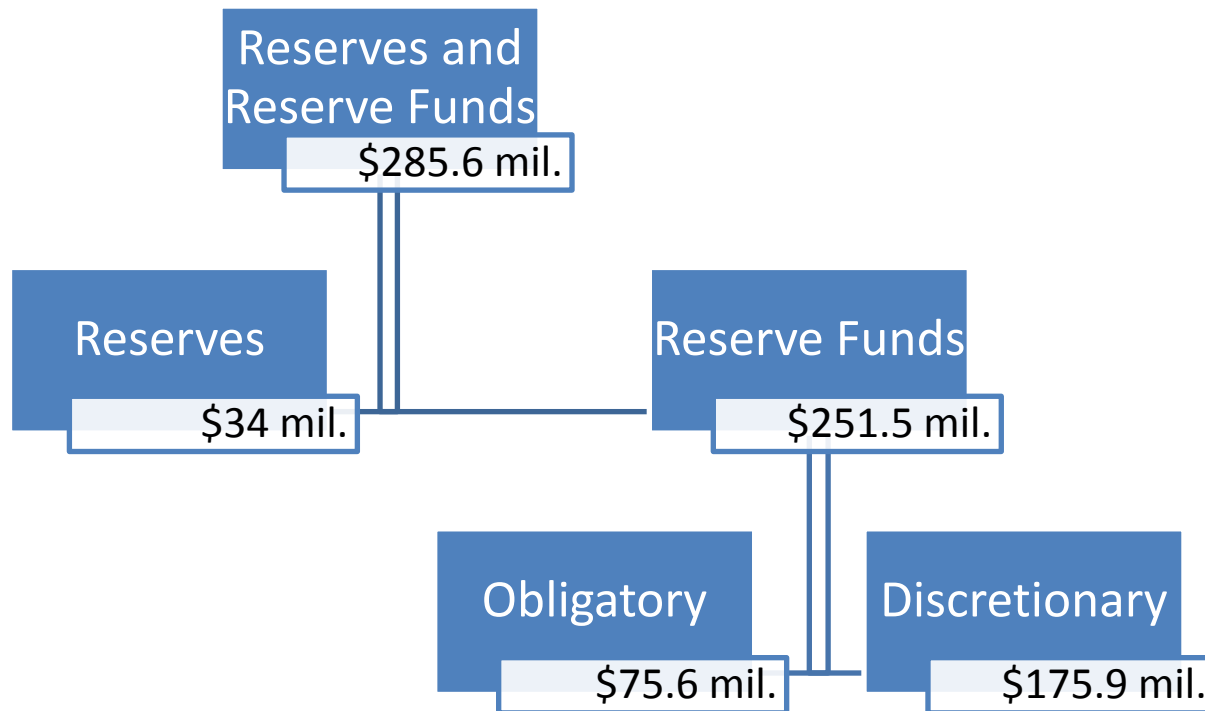
***Budget Committee of the Whole
Tuesday, November 26, 2019***

Purpose of Reserves and Reserve

- Established by City By-laws or through Provincial legislation to provide funding flexibility, mitigate risk, operations uncertainty.
- Funds are contributed to the various Reserves and Reserve Funds through the following sources:
 - Internal funding sources: approved budget contributions, approved Capital Asset Sustainability fee, annual surplus contributions, sale of assets, investment income.
 - External funding sources: development related charges and fees collected, government grants (e.g. Federal Gas Tax) and donations.

Reserves and Reserve Funds Status

As of June 30, 2019, the City collectively combined to an uncommitted balance of \$285.6 million:



Reserves Status

- Reserves are allocated at the discretion of Council, often as part of an overall strategy for funding operating programs and projects. They are used mainly to help offset against unanticipated expenditures or revenue shortfalls.
- They are not associated with any specific asset and do not retain interest.
- Balance as at June 30, 2019 was \$34 million.

Types of Reserves:

- **Stabilization reserves** are used to mitigate the tax and/or rate impacts from fluctuations in operating costs and revenues or to accumulate funds for future contingent liabilities. (June 30, 2019 balance \$14.7 million)
- **Developer Funded Reserves** capture fees charged for development, which are used to fund development related activities such as inspections, water meters, tree planting, and streetlights. (June 30, 2019 balance \$17.4 million)
- **Other Reserves** include Disabled Parking Fines Reserve and Lake Wilcox Remediation. Developer Funded reserves Other reserves (June 30, 2019 balance \$1.9 million).

Reserve Funds Status

- Reserve Funds differ from Reserves in that Reserve Funds are physically segregated from other assets; and restricted by statute or by Council for a specific purpose. All interest earned by the Reserve Fund should be captured and retained within that fund and they are largely associated with the Capital Program.
- There are two types of Reserve Funds:
 - Obligatory
 - Discretionary
- Balance as at June 30, 2019 was \$251.5 million

Obligatory Reserve Funds

- Balance as at June 30, 2019 was \$75.6 million.
- Obligatory Reserve Funds are funds received and set aside for specific purposes by legislation, provincial statute or contractual agreements. These funds can only be used for the purposes prescribed.

Types of Obligatory Reserve Funds:

- **Development Charge Reserve Funds** these Reserve Funds are comprised of Development Charges collected and their use is restricted to fund development or growth related infrastructure. (June 30, 2019 balance \$42.8 million)
- **Lot Levies and Cash-in-lieu of Parkland** Established as per Section 42 (15) of the Planning Act, for the purchase of new parkland and development of new parks. (June 30, 2019 balance \$31.6 million)
- **Federal Gas Tax** provided Ontario municipalities with a source of stable, predictable and long-term funding towards municipal infrastructure.
- **Other Obligatory Reserve Funds** these reserves include building permit stabilization, road and bridge investment FD, S.37 Community. (June 30, 2019 balance \$3.7 million)

Discretionary Reserve Funds

- Balance as at June 30, 2019 of obligatory reserve funds was \$175.9 million.
- Discretionary Reserve Funds are also established by Council for specific purposes but there are no external restrictions placed on the usage of these funds.

Types of Discretionary Reserve Funds:

- **Tax Supported Repair and Replacement Reserve Funds** The Tax Rate Funded Repair and Replacement Reserve Funds are established to provide for repairs and replacement of existing capital facilities and structures in full service and safe operating condition. (June 30, 2019 balance \$41 million)
- **Rate Supported Repair and Replacement Reserve Funds** These include Watermain, Sanitary Sewer, Water Quality Protection, and Watermeter R&R reserves. (June 30, 2019 balance \$42.7 million)
- **Hydro Reserve Funds** In 2003, Council created six Reserve Funds with the proceeds from the sale of the former Richmond Hill Hydro. Three (3) repair and replacement related reserves are grouped in the Tax and Rate Supported categories. (June 30, 2019 balance \$66.8 million)
- **Other Discretionary Reserve Funds** The other Discretionary Reserve Funds totaled \$25.3 million as at June 30, 2019.

Financial Sustainability

- One of the key attributes of financial sustainability is appropriate levels of Reserves and Reserve Funds
- Staff will continue to inform Council regularly on the adequacy of the Reserves and Reserve Funds

Discussion