



**Financial Management Services
Reserve Balance – Dec 31/15
Budget Standing Committee, February 9, 2016**

Background

At its meeting of December 15, 2015, the Budget Standing Committee reviewed the City's Reserve and Reserve Funds and approved the following motions:

That staff approve the FirstOntario Performing Arts Centre Capital Sustainability Reserve, but eliminate the recommended FOPAC Operational Sustainability Reserve; and

That staff hold surplus operating funds over 1% to be considered during Budget deliberations regarding the Tax Rate (TR) Stabilization Reserve; and

That the Budget Standing Committee direct staff to have 100% of the five year rolling average included in the Target Level for the Winter Control Program (WCP) Stabilization Reserve.

The City has the majority of its year end processes complete, there may still be a few small adjustments as we work through reconciliations and the preparation of the City's provincial reporting and financial statements. As part of the year end process, Staff records the transaction in the City's reserve and reserve funds to calculate the balance at December 31, 2015. Details are attached in Appendix 1.

Report

FirstOntario PAC Capital Sustainability Reserve

The intent of the Capital Sustainability Reserve is to offset the capital needs of the PAC for the next 25 years to ensure that the building remains in good status, with modern equipment, and the capital needs are sustainable without tax base support or debt financing. The funding for the capital reserve will be generated through a \$2 capital surcharge that is a fee added to the ticket prices of each ticket. At December 31, 2015, \$67,487 had been collected through ticket sales and added to this reserve fund.

Tax Rate Stabilization Reserve

The intent of the creation of this reserve was to improve the City's financial management strategy and enhance long-term sustainability, the (TR) Stabilization Reserve would help to minimize the fluctuation of tax rate increases. The City's 2015 Operating Budget was \$106,668,072. One percent of this amount is \$1,066,681. The City's 2015 year end surplus was approximately \$1 million. At this time there are not

surplus operating funds in excess of 1%. Therefore there is not a contribution to the TR Stabilization Reserve for 2015.

WCP Stabilization Reserve

The intent of the WCP Stabilization Reserve is to help ensure sustainable funding to support the programs' base operating budgets during season of high program needs. This reserve fund has two funding sources: i) Winter Control Program budget surplus and ii) Overall Corporate Surplus. In 2015, the WCP was \$787,326 over budget. As indicated above in the TR Stabilization Reserve the 2015 surplus operating funds were not in excess of 1%. Therefore there is not a contribution to the WCP Stabilization Reserve for 2015.

Parking Reserve Fund

The expected activity in the Parking Reserve Fund in 2016 is detailed in Appendix 2. Further details are in the 2016 Draft Operating Budget - Parking Meter Reserve Summary.

Recommendation

That the Budget Standing Committee receive the Reserve and Reserve Fund December 31, 2015 balances for information.

Appendix 1

RESERVE AND RESERVE FUNDS:

Name	Purpose	Dec 31/15	Dec 31/14	Dec 31/13	Dec 31/12
Reserves:					
Working Funds	Cash management device for cash flow and reduce the need for short term loans.	\$0	\$28,038	\$28,038	\$28,038
Accumulated Sick Leave	For certain employees unused sick leave can accumulate and could be taken as cash on termination. The liability for the vested sick leave is \$5,035,038	3,021,900	3,038,161	3,052,742	3,067,322
Motor Vehicle Replacement	Replacement of Major Equipment / Equipment Replacement Reserve	7,079,124	7,090,491	7,179,864	7,893,617
Encumbrances	Provide for unliquidated encumbrances or commitments.	17,300,209	19,100,185	19,052,879	18,420,501
Building Improvement Reserve	Provide for commitments to building improvement projects TCA	1,517,557	1,438,000		
Winter Control Reserve	Reserve to help stabilize winter control fluctuations	0			
Tax Rate Stabilization Reserve	Minimize the fluctuation of tax rate increases due to extraordinary of unforeseen events	0			
Hydro Funds	One time hydro funding source	0	0	500,000	1,000,000
Community Improvement Plan Reserve	Provide for ongoing commitments to the CIP program	3,902,548			
Cemetery Reserve	Net cemetery activity-to be used for Capital items	29,842	29,842	29,842	29,842
Fire	Equipment Replacement	1,022,104	670,486	826,782	950,456
Brownfield Reserve	Brownfield Development	19,224	19,224	19,224	332,960
Move Ontario Fund	Provincial funding-one time roads and bridges funding	0	0	3,069	3,069
Prov'l Surplus Contribution	Provincial Contribution from 2008 surplus to be used towards capital infrastructure	0			
MRBII	Municipal Roads and Bridges Fund - one time Provincial Funding	0	0	54,580	54,580
First Ont Pac CIF Reserve	Capital Improvement Fund Reserve funded through portion of ticket sales	67,487			
		\$33,959,995	\$31,414,427	\$30,747,020	\$31,780,386
Reserve Funds:					
Future Sidewalks	When sidewalk requirements are waived by Council the funds are placed in a reserve for a period of 20 years.	\$998,538	\$996,048	\$987,568	\$980,183
Future Mausoleum	Provide funds for debt repayment and future mausoleum construction.	55,042	19,323	1,110,536	1,020,422
Payment in Lieu of Parkland	5% cash-in-lieu of parkland dedication (Sec 542 (15) Planning Act).	1,244,361	1,044,528	1,177,921	1,023,685
Parking	Net revenue derived from Parking Operations	1,453,805	1,452,157	1,572,851	1,393,792
Subdivider Deposits	Funds can only be used to meet expenditures for the specific subdivision	584,155	387,282	382,457	286,726
Residential Development Charges	Funds to be used only to meet growth-related net capital costs for which the development charge was imposed (Sec 16 (1) Development Charge Act).	3,481,202	3,445,140	3,402,367	3,360,125
Gas Tax Reserve - Provincial	Public Transportation	2,971,715	3,462,257	3,417,837	4,098,541
Gas Tax Reserve - Federal	Incremental Infrastructure Roads,Sewers,Watermains	7,165,619	8,155,213	8,607,954	8,013,924
Actifest Surplus	Legacy fund from senior games for programmes for Seniors 55+ promoting healthy lifestyles	7,718	7,718	7,718	7,718
Future Aquatic Facility	Provide funds for future aquatic facility construction	0		0	0
Civic Project Fund	Interest earned used for Municipal Capital or other capital projects	11,615,556	21,754,112	21,716,396	38,277,638
Hospital Pre Levy	Pre-levy for City's contribution towards NHS	0		0	0
Building Code	Net Building Permit fees - Provincial legislation	82,382	81,971	251,316	329,663
		\$29,660,093	\$40,805,749	\$42,634,921	\$58,792,417
TOTAL RESERVE AND RESERVE FUNDS		\$63,620,088	\$72,220,176	\$73,381,941	\$90,572,803

Definitions:

Reserve: A reserve is an allocation of accumulated net revenue. It has no reference to any specific asset and does not require segregated funds.

Reserve Fund: A reserve fund differs from a reserve in that reserve fund assets are segregated and restricted to meet the purpose of the reserve fund. In addition reserve funds earn interest.

Estimate 2016

Parking Meter Reserve Fund

Expenditure Account	Estimate 2016		Estimate 2015		Actual 2015		Actual 2014	
Reserve Fund Balance - January 1	\$1,453,805		\$1,470,828		\$1,452,157		\$1,572,851	
Net Revenue Added During Year:								
Meters	355,720		327,265		337,699		405,799	
Parking Violations								
Off-Street Parking	290,691		318,414		314,256		366,454	
Ontario Street Garage								
Carlisle Street Garage								
Interest Earned	5,000	651,411	5,000	650,679	7,277	659,232	7,882	780,135
	\$2,105,216		\$2,121,507		\$2,111,389		\$2,352,986	
Net Expenditure For Year:								
Parking Violations	183,076		210,717		99,523		169,936	
Off-Street Parking								
Ontario Street Garage	220,504		198,884		64,189		98,283	
Carlisle Street Garage	689,890		814,505		493,872		632,610	
Parking trfr to General Fund								
Capital/Revenue								
	1,093,469		1,224,106		657,584		900,830	
Reserve Fund Balance -December 31	\$1,011,746		\$897,401		\$1,453,805		\$1,452,157	