

**Report from** Financial Management Services, Director

**Date of Report:** January 28, 2019

**Date of Meeting:** March 6, 2019

**Report Number:** FMS-B006-2019

**File:** 10.57.10

**Subject:** 2018 Year End Report and Reserve Update

## Recommendation

That the Budget Standing Committee (BSC) receive this report on the City's 2018 Year End Position and Reserves and Reserve funds for information purposes; and

That the BSC approve the allocations to the following reserves using portions of the 2018 yearend surplus:

- Winter Control Reserve - \$200,000
- Election Reserve - \$125,000
- Tax Stabilization Reserve - \$118,000; and

That the BSC approve the allocation of the extra hydro dividends from St. Catharines Hydro of \$4.91M for the following purposes:

- Building Improvement Reserve **(for Building Condition Assessments for Asset Management)** - \$1,000,000
- Infrastructure Levy Reserve - \$1,000,000
- Tax Stabilization Reserve - \$1,000,000 **(tax write-offs due to appeals and to support future budgets)**
- Meridian Centre Capital Project - \$1,000,000 **(to replace \$ for IceDogs Way naming rights)**
- CIP Reserve - \$410,000
- Motor Vehicle Replacement Reserve - \$250,000
- Winter Control Reserve – \$150,000
- Litigation/Insurance Reserve - \$50,000
- Training Reserve - \$50,000.

## Background

### 2018 Year End Surplus

Scheduled delivery of year-to-date financial information, often referred to as a variance report, is aligned with the Corporation's fiscal year (January 01 to December 31) and is delivered on a quarterly basis. These reports are intended to provide the committee with information and details pertaining to the Operating Budget performance.

As the 2019 Operating Budget was passed by Council on December 17, 2018 the information contained within this report is to advise the Budget Standing Committee of the City's 2018 final figures and financial year-end position. It is important to note that while all of our 2018 transactions have now closed, the numbers for the year are still subject to an annual audit. Figures are only truly finalized once this assessment has been completed.

In addition, based on the City's positive year end position, Staff are making recommendations on the allocation of this surplus, beyond what is required for 2019 budget allocation of \$1.106 million.

### **Extra Dividends from St. Catharines Hydro**

With the cancellation of the Shickluna project, funds reserved by St. Catharines Hydro for that project can now be considered as possible special dividends to be declared. At its annual general meeting on May 29, 2017, St. Catharines Hydro provided a cheque to the City of St. Catharines for extra dividends in the amount of \$4 million. In addition, in June 2018 the City received another dividend in the amount of \$1.75 million due to Horizon's merger with Alectra.

The previous Council had directed staff to include the feasibility of an incentive program for affordable housing units in the Community Improvement Plan (CIP). This report provides additional information on this subject matter.

Table 1 below provides the details of the amount of dividends received, what has been allocated to date and the amount of the Unallocated Dividend.

**TABLE 1**

<b>Description</b>	<b>Amount</b>
May 2017 Dividend	\$4,000,000
June 2018 Dividend	\$1,750,000
Total Dividends Received	\$5,750,000
2019 Operating Budget Allocations:	
TES Equipment Reserve	(\$302,000)
Capital Out of Revenue	(\$248,000)
PRCS Equipment Reserve	(\$213,000)
Fire Equipment Reserve	(\$75,000)
Dividends Unallocated	<b>\$4,912,000</b>

This report provides staff recommendation on how unallocated dividend should be utilized.

# Report

## 2018 Year End Results

The figures presented in Appendix 1 demonstrate the City's 2018 actual results and identify how departments aligned with their expenditure budgets. When combined, these numbers determine how the City positioned overall for the fiscal year.

All departments have been requested to comment on their overall financial position for 2018, regardless of their final expenditure figures. These details help to understand the 2018 departmental challenges and accomplishments and are included with the variance information in Appendix 1 attached.

As of December 31, 2018, the City's Total Expenditures (including Boards and Commissions) for 2018 is 98.72% with the year complete. Revenues trended favourably for 2018. Overall the year end has resulted in an estimated surplus of \$1,548,941, of which \$1,106,000 has been committed to the 2019 operating budget. This leaves a favourable variance of \$443,000 to be allocated to City reserves.

Further identified in Appendix 1, there were a number of factors that contributed to this positive position. Staff vacancies during the year prevailed throughout many departments leading to positive variances. Once filled, often entrants begin at the lower rate, or in the cases of contracts do not require pension or extended health benefits.

Another factor contributing to the surplus was unanticipated revenues which positively influenced the final figures for a few of our departments. Most notably, the Planning and Building Services divisions, Committee of Adjustments and Building and Plumbing Inspections, found increased applications and permits which resulted in higher than budgeted revenues for the year.

As mentioned in the third quarter variance report, tax appeals and write-offs ended the year over budget by approximately \$708,000. This negative variance has been positively offset with additional supplemental tax revenues of \$433,000. Other positive year end variances relate to interest income and miscellaneous savings from the streetlight conversion project. Interest income exceeded budget by \$637,000 largely due to the interest rate increases that occurred during 2018. These positive variances were offset by unfavourable variances related to penalty and interest on tax arrears being under budget by \$230,000 and Payment-in-lieu revenues being under budget by \$23,000.

## Reserve and Reserve Funds

The City has a number of established discretionary and obligatory reserves and reserve funds. More specific details on all reserve and reserve funds, as well as current balance as of December 31, 2018, are included for the BSC's information in Appendix 2. Staff are not recommending the creation of any new reserve funds related to the 2018 yearend results.

### **Parking Reserve Fund**

Appendix 3 has details regarding the Parking Reserve Fund which was included in the 2018 Operating Budget – Parking Meter Reserve Summary. The fiscal year 2018 ends with favourable results of \$173,554. The balance of this reserve is \$1,292,782 at December 31, 2018.

### **Civic Project Fund (CPF) Reserve**

In March 2005, St. Catharines Hydro Inc. merged with Hamilton Utility Corporation to form Horizon Utilities Corporation and the City received \$39.823 million in proceeds comprising \$8.7 million of recapitalization dividends and \$21.123 million repayment of promissory notes (2005 - \$19.123 million, 2008 - \$2 million). All merger proceeds were transferred to the newly established CPF.

Since inception, CPF has funded community projects, and external cultural and community improvement initiatives. This mandate includes the funding of significant new facilities construction and purchases. In 2006 an internal 20-year loan for \$9.8 million to fund the Seymour Hannah Complex was provided from the CPF, rather than issuing debentures with similar terms. The target for the CPF has been set at 10% of net City assets. Based on 2017 audited statements, the targeted balance in the reserve is \$73.5 million (2016 - \$71.0 million). The 2018 yearend balance represents 12.8% of the targeted balance.

The establishment and operation of the CPF complies with the Municipal Act and the contributions to and from the reserve fund since its inception have been approved by Council either within the annual budget process or in separate reports to Council.

Since its inception, until the end of 2017 the reserve has earned investment income of \$11.4 million and funded more than \$9.3 million of ongoing operating expenditures. The CPF earns interest income on its fund balance, from both an internal loan, at a fixed rate of 5.354%, and the remaining CPF balance at a variable rate linked to prime rates. The \$9.3 million of expenditures includes \$5.4 million of interest earned from CPF and redirected to the operating fund. Initially this annual allocation was intended to stabilize the operating budgets, as the 2005 operating budget included \$2.2 million of income from St Catharines Hydro the support in the operating budget from the CPF has been reduced. The reserve has also provided over \$34 million of funding for one time projects, including the Performing Arts Centre and the Meridian Centre. A summary of the reserve activity is attached in Appendix 4.

### **Allocation to Reserves**

With the positive 2018 yearend results, staff are recommending the following reserve allocations:

- Winter Control Reserve - \$200,000 – this amount would increase the current reserve balance to 25.7% of the targeted balance for this reserve
- Election Reserve - \$125,000 – it is estimated that the municipal election held every four years will cost the City approximately \$500,000. With this allocation, the annual allocation in the each of the next three years (2020-2022) can be reduced to \$92,300 from \$125,000.
- Tax Stabilization Reserve - \$118,000 – to partially replace the funds used to support the 2019 operating budget one time expenditures.

Total reserve allocations total \$443,000.

### Existing Reserves

At the end of each year staff reports on the balances in the City's reserves and reserves funds. During the 2016 budget process staff prepared a report on the reserves and reserves funds with a target balance for each reserve fund. This information is attached as Appendix 2. The reserve target balances have been updated to reflect the 2018 yearend amounts. The majority of the City's reserve funds are not at their target balances. Chart 1 below shows the percentage of the various infrastructure reserve and the current balance as percentage of target balance.

### CHART 1

<b>Reserve</b>	<b>Target Balance</b>	<b>Current Balance as % of Target Balance</b>	<b>Current Balance as % of target balance with additional allocation</b>
Infrastructure Levy	Currently no target balance	N/A	N/A
Building Improvement	\$46,614,000	4.52%	6.67%
Tax Rate Stabilization	\$10,052,000	5.64%	15.59%
Motor Vehicle Replacement	\$11,187,000	56.96%	59.20%
Winter Control	\$2,485,383	12.07%	20.12%

In addition, the pressures of the past three budget years have resulted in the allocations to the equipment and building reserves being lower than staff recommendations, in order to meet the budget guidance set. Therefore, when additional funds, such as these extra hydro dividends, become available a portion of them should be allocated to certain reserves to move closer to the target balances.

### Infrastructure Levy Reserve

Based on BSC recommendation, Council approved an Infrastructure Levy as part of the 2016 budget process. For the past three years funds have been allocated to this reserve based on one percent of the City's portion of the current year tax levy. This one percent is established for five years, with 2016 being the first year. Therefore, the 2020 budget will be the final year of the five years. Since the City introduced its infrastructure levy, many other municipalities have also introduced an infrastructure levy to address their infrastructure funding gaps. Staff are supportive of the infrastructure levy continuing until such time as the City's infrastructure deficit has been eliminated.

The Infrastructure Levy policy identifies eligible renewal and replacement projects to be funded by this levy. The following is a list of these items:

- Road improvements
- Walkway improvements
- Traffic signal replacement
- Playground equipment
- Building improvements
- Tree planting
- Sidewalk improvements
- Park amenities

Currently there is no target balance for the Infrastructure Levy reserve as the City's infrastructure gap is significant, over approximately \$364.5 million. The allocation of more funds to this reserve helps to address this deficit. This also assists with the Parks Renewal to be more achievable. The balance of this reserve as of December 31, 2018 is \$1,445,599.

Due to the significant amount of the City's infrastructure deficit, staff recommend a significant allocation of \$1,000,000 to this reserve.

### **Building Improvement Reserve**

During the 2016 budget process the building reserve was created. The target balance is set as 10% of the estimated replacement cost of buildings owned by the City, which is \$46,614,000, as of December 31, 2018. The balance as of December 31, 2018 is \$2,108,089.

As the City meets the requirements of O.Reg 588/17, one item that will have significant effect on the City is completing condition assessments of its facilities. Therefore, staff recommend an allocation of \$1,000,000 to this reserve to be used towards condition assessment and future building improvements.

### **Tax Rate Stabilization Reserve**

Based on BSC recommendation, Council approved a Tax Rate Stabilization Reserve as part of the 2016 budget process. The purpose of this reserve is to minimize the

fluctuation of tax rate increases due to extraordinary or unforeseen events. In addition, it provides an alternative to increasing tax levies. The target balance is set at 5 to 10% of annual total tax levies. The 2018 budgeted tax levies are \$100,524,733. Therefore 10% equals \$10,052,000 which would be the current maximum target balance. The balance as of December 31, 2018 is \$566,983. Staff are recommending an allocation to this reserve of \$1,000,000.

### **Motor Vehicle Replacement**

The target balance for this reserve is set at 75% of total estimated replacement cost of motor vehicles owned by the City, which is \$11,187,000, as of December 31, 2018. The balance of this reserve as of December 31, 2018 is \$6,372,176. Therefore, staff recommend an allocation of \$250,000 to this reserve fund.

### **Winter Control**

Based on BSC recommendation, Council approved a Winter Control reserve as part of the 2016 budget process. This reserve is to fund potential shortfalls in the winter control budget due to higher than anticipated incidents of inclement weather. The target balance equals 100% of the previous five year rolling average of Winter Control Program expenditures. The rolling average for 2014 to 2018 is \$2,485,383. The balance of this reserve as of December 31, 2018 is \$300,000. Therefore, staff recommend an allocation of \$200,000 to this reserve fund, which will increase the reserve balance to 20.12% of its target balance.

### **Potential New Reserves**

In recent years, the BSC established and Council approved seven new reserves: Winter Control, FirstOntario Performing Arts Centre Capital Sustainability, the Tax Rate Stabilization Reserve, Port Dalhousie Pier Reserve, Election Reserve, Litigation/Insurance Reserve, Meridian Centre Capital Fund Reserve and Meridian Centre Event Fund Reserve.

With the extra hydro dividends staff are recommending the creation of one additional reserve, a training reserve.

### **Training Reserve**

In 2015 budget, the City's Skills Development and Training budget of \$112,000 was eliminated. Training is needed for development of skills and knowledge of changes to legislation. In addition, there are a significant number of staff that will be eligible to leave the corporation in the next three to five years. Staff have estimated this number to be between 31% and 38%. St. Catharines is not alone in this issue. Many municipalities across the province are facing the same issue. This increases the need to adequately succession plan.

Succession planning is not a replacement plan. With succession planning it is not a canned program and it needs to be fluid so that it can evolve and change. One option

to succession planning is the development of talent pools. This begins with the identification of “key” or “critical” positions within the organization based on evaluation criteria. This training reserve would assist with the development of staff to progress in the corporation. In addition, there is new legislation annually that requires staff training and development.

Staff support the inclusion of training and development in the annual operating budget. The current Council approved the inclusion of \$40,000 for staff training and development. This is a most welcome inclusion in by City staff. As staff work on the refinement of the City’s existing staff training and development policy in 2019, the shortage of staff training funds in the 2015 to 2018 budgets could be partially replaced with the allocation to a training reserve. Therefore, staff recommend an allocation of \$50,000 to this reserve. As indicated the existing staff training policy will be further enhanced with an increased focus on succession planning.

## **Other Uses**

### **Community Improvement Plan (CIP)**

The City currently has two CIP programs: Brownfield Tax Assistance and Tax Increment Finance Program. During the 2016 budget process, staff presented a plan to fund the CIP. This funding plan began with a base funding of \$825,000 plus 10% of the value of taxes for each CIP project paid out in that year. With the approval of CIP projects in 2017, the base funding amount was increased to \$900,000 annually. As of December 31, 2018 the balance of the CIP reserve for approved projects was \$5,386,567.

The BSC requested that staff review the feasibility of an incentive plan for affordable housing. In a two-tier municipal structure, Affordable Housing falls under the responsibility of the upper tier. Therefore, it would be the Region of Niagara’s responsibility to create an Affordable Housing CIP. An Affordable Housing CIP is a tool that is intended to stimulate the development of affordable housing units within the City/Region. The need for affordable housing is not only an issue for the City of St. Catharines, but also for the Niagara Region and province wide. The Federal and Provincial governments have provided some short-term and not sustainable funding for this initiative to Niagara Regional Housing, such as the Social Infrastructure Fund (SIF) \$9,462,700 and \$6,079,500 from the Social Housing Improvement Program (SHIP).

A CIP could assist with the development of affordable housing. One main obstacle to the creation of these units are the costs associated with planning approvals, building permit fees and increased tax rates. These costs are passed on by the developer to the owner in the form of higher rental rates.

The Housing Action Plans which was received by Council on June 12, 2017 indicates that there needs to be a review of the City’s CIP program related to the provision of affordable housing. It is recommended that a full review of this incentive program be



completed by the City's Planning and Building Services with assistance from Financial Management Services in order for a fulsome report to be prepared and presented to BSC for its consideration. To address the building permit and service fees for these projects, Staff is recommending the commitment of \$410,000 to address these funding requests.

## Financial Implications

This report is financial in nature with details throughout. The City's year end result details for December 31, 2018 are provided in Appendix 1. The year end balances of the City's current reserves and reserve funds are provided in Appendix 2. The Parking Reserve 2018 yearend results are in Appendix 3. The activity of the CPF is attached as Appendix 4.

## Relationship to Strategic Plan

Economic Sustainability is further enhanced with variance and year-end reporting to the BSC.

With these financial controls in place it improves the City's ability manage escalating costs and challenges associated with City operations and services. These reports are a valuable tool to help the City make decisions to keep the City affordable and benefit residents of all ages.

## Conclusion

Staff are recommending that the 2018 additional yearend surplus be allocated to the following reserves:

- Winter Control Reserve - \$200,000
- Election Reserve - \$125,000
- Tax Stabilization Reserve - \$118,000

In addition, Staff are recommending that the allocation of the remaining extra hydro dividends of \$4.91M million be used for the following purposes.

- Building Improvement Reserve (*for Building Condition Assessments for Asset Management*) - \$1,000,000
- Infrastructure Levy Reserve - \$1,000,000
- Tax Stabilization Reserve - \$1,000,000 (*tax write-offs due to appeals and to support future budgets*)
- Meridian Centre Capital Project - \$1,000,000 (*to replace \$ for IceDogs Way naming rights*)
- CIP Reserve - \$410,000
- Motor Vehicle Replacement Reserve - \$250,000
- Winter Control Reserve – \$150,000

- Litigation/Insurance Reserve - \$50,000
- Training Reserve - \$50,000

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Kristine Douglas, Director, Financial Management Services/City Treasurer

**Attachments:**

Appendix 1 – 2018 Operating Expenditure Variance as at Dec 31, 2018  
Appendix 2 – Year End Reserve Balances  
Appendix 3 – Parking Reserve  
Appendix 4 – Civic Project Fund – Summary of Activity 2005 to Present

**City of St Catharines**
**2018 Operating Expenditure Variance  
as at Dec 31, 2018**

100% of year

	Dec 2018 Actuals	2018 Budget	% Used	Variance	
Office of Mayor & Members of Council	699,206	736,461	94.94%	37,255	In line with budget. Council conference / conventions slightly under budget, creating a positive variance.
Grants & Committees	10,192	21,000	48.53%	10,808	Accessibiltiy committee and Clean City committee under budget, creating a postive variance.
<b>City Departments</b>					
CAO	1,219,686	1,183,446	103.06%	-36,240	Variance a result of corporate reorganization following approval of budget. Impact on corporation overall was nil
Legal Services & Clerks	1,464,715	1,507,934	97.13%	43,219	In line with budget.
Planning & Building Services	1,331,568	2,006,187	66.37%	674,619	Permit, minor variance and planning application revenues higher than anticipated. Vacancies have created a positive variance.
<b>Fire Services</b>					
710.100.002 Salaries/Wages-Overtime	2,041,264	980,098	208.27%	-1,061,166	Personnel off for extended sick time impact sick pay account. Overtime budget is also affected by sick time, vacation, statutory holidays, and parental leave to maintain minimum staffing requirements. 11 new recruits hired in 2018 to fill vacancies. Remaining budget expenditures inline with budget.
710.100.005 Service Pay	485	500	97.00%	15	
710.100.006 Sick Pay	1,389,470	899,999	154.39%	-489,471	
<b>Total Fire Services</b>	<b>24,823,055</b>	<b>24,825,636</b>	<b>99.99%</b>	<b>2,581</b>	
Economic Development & Tourism	1,020,647	1,061,141	96.18%	40,494	In line with budget. Full-time staffing vacancy shows positive variance.
Transportation & Environmental Services	17,620,069	18,471,522	95.39%	851,453	In line with budget. Winter control budget over expended due to snowfall volume, however, staff vacancies and retirements have created a slight positive variance. Streetlight energy costs also provided a positive variance
Parks, Recreation & Culture Services	16,422,725	17,341,429	94.70%	918,704	In line with budget. Full-time staffing vacancies shows positive variance. Parks - Operations utility costs provide positive various due to wetter summer.
Meridian Centre	673,942	673,941	100.00%	-1	In line with budget.
First Ontario Performing Arts Centre	1,449,930	1,461,502	99.21%	11,572	In line with budget.
Financial Management Services	4,663,078	3,989,715	116.88%	-673,363	Funds committed for outstanding tax appeals.
Corporate Support Services	5,573,181	5,642,170	98.78%	68,989	In line with budget.
Contribution to Capital	1,641,000	1,563,000	104.99%	-78,000	Contribution to Capital Expended for 2018.
<b>Total City Departments</b>	<b>78,612,994</b>	<b>80,485,084</b>	<b>97.67%</b>	<b>1,872,090</b>	
Debt Repayment	13,577,101	13,405,620	101.28%	-171,481	In line with budget.
<b>Total City Expenditures</b>	<b>92,190,095</b>	<b>93,890,704</b>	<b>98.19%</b>	<b>1,700,609</b>	
Library Board	5,398,960	5,398,960	100.00%	0	
Transit Commission	11,446,089	11,164,914	102.52%	-281,175	Ongoing increase of diesel fuel causing negative variance.
Niagara District Airport	207,853	207,853	100.00%	0	
<b>Total Expenditures</b>	<b>109,242,997</b>	<b>110,662,431</b>	<b>98.72%</b>	<b>1,419,434</b>	

City of St. Catharines - Reserves and Reserve Funds

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2018	Commitments	Available Balance	Targeted Balance	Basis for Targeted Balance
Accumulated Sick Leave	IAPFF Local 485 employees can accumulate unused sick leave which could be taken as cash on termination	- Annual operating budget contribution	- Sick leave paid out upon termination/retirement for eligible employees	\$ 2,987,931	\$ 2,987,931	\$ -	\$ 5,684,744	\$5,684,744 - Total accumulated sick leave calculated as at December 31, 2018
Fire Equipment Replacement	Replacement of major equipment	- Annual operating budget contribution - Gain on disposition of major fire fighting equipment - Proceeds on disposition of major fire fighting equipment	- Purchase of major fire fighting equipment	\$ 1,761,195	\$ 1,495,312	\$ 265,883	\$ 9,342,000	- Maximum balance of 75% estimated replacement cost of major fire fighting equipment
Motor Vehicle Replacement	Replacement of major equipment	- Annual operating budget contribution - Gain on disposition of motor vehicle equipment - Proceeds on disposition of motor vehicle equipment	- Purchase of motor vehicle equipment	\$ 6,372,176	\$ 5,636,260	\$ 735,916	\$ 7,458,000	- Maximum balance of 50% of total estimated replacement cost of motor vehicle equipment owned by the City  Estimated replacement cost as at December 31, 2018: \$14,916,000 x 50% = \$7,458,000
Encumbrances	Fund unliquidated encumbrances or commitments	- Annual operating budget contribution - Annual water and wastewater budget contribution	- Obligations that were included as part of the operating or water and wastewater budget for which payment is outstanding at year end.	\$ 14,704,414	\$ 14,704,414	\$ -	N/A	-Fluctuates as Balance is dependent on obligations for which payment is outstanding at year end

**City of St. Catharines - Reserves and Reserve Funds**

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2018	Commitments	Available Balance	Targeted Balance	Basis for Targeted Balance
Building Improvement	Provide for commitments to building improvement projects	- Annual operating budget contribution - Grants/rebates on building improvement expenditures	- Building improvement projects	\$ 2,108,089	\$ 1,347,090	\$ 760,999	\$ 46,614,000	- Maximum balance of 10% of total estimated replacement cost of buildings owned by the City  Estimated replacement cost as at December 31, 2018: \$466,140,000 x 10% = \$46,614,000
Cemetery	Net cemetery activity to be used for capital items	- Transfer of annual net cemetery revenues - Surcharges on cemetery transactions	- Capital items used in cemetery operations	\$ 19,437	\$ 10,540	\$ 8,897	\$ 329,625	- Maximum balance of 25% of annual Cemetery revenues  2018 budgeted Cemetery revenues: \$1,318,500 x 25% = \$329,625
Community Improvement Plan Reserve	To fund the City Community Improvement Plan	-Annual operating budget contribution	-Council Approved CIP projects	\$ 5,386,567	\$ 5,386,567	\$ -		-No upper limit as this program is paid out over several years (3,5 or 10)
Hydro Funds	One time hydro funding source	-One time special dividend received from Hydro	-Operating Budget support	\$ 6,050,217	\$ 1,138,000	\$ 4,912,217	- N/A - One-time funding	- N/A - One-time funding. Usage to be determined by Council within this report
Infrastructure Levy Reserve	Infrastructure Levy to support capital projects to address infrastructure gap	-1% annual tax levy	-as per Infrastructure levy policy	\$ 1,445,599	\$ 1,434,272	\$ 11,327	-No upper funding level as infrastructure gap is significant	-No upper funding level as infrastructure gap is significant
Winter Control	Fund potential shortfalls in the winter control budget due to higher than anticipated incidents of inclement weather	- Transfer of annual winter control surplus (if any)	- Transfer to cover annual winter control deficit (if any)	\$ 300,000	\$ -	\$ 300,000	\$ 1,945,000	- Maximum balance equating to 100% of the previous five year rolling average of Winter Control Program expenditures - Rolling average for 2014 to 2018 \$1,942,324 *- Target Balance should be updated annually to the current rolling average of program expenditures
Tax Rate Stabilization Reserve	Minimize the fluctuation of tax rate increases due to extraordinary or unforeseen events. Provides an alternative to raising total tax levies	- Annual operating budget contribution - Transfer of annual operating budget surplus	- Annual operating budget contribution - Unforeseen expenditures that may occur - Unbudgeted/new expenditures	\$ 566,983	\$ 346,833	\$ 220,150	\$ 10,052,000	- Maximum balance of 5% to 10% of annual total tax levies.  2018 budgeted tax levies: \$100,524,733 x 10% (maximum) = 10,052,473
FirstOntario Performing Arts Centre - Capital Sustainability Reserve	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 without tax base support or debt financing	- \$2 surcharge added to each ticket sold at the PAC	- Capital items used in PAC operations (replacement of existing capital and/or upgrades) - Unforeseen or unbudgeted/new expenditures	\$ 221,079	\$ -	\$ 221,079	\$ 6,075,000	- Maximum balance of 10% of total estimated replacement cost of PAC  the Project Budget for the PAC: \$60,757,101 x 10% = \$6,075,710
Election Reserve	To fund the cost of the municipal election	- Annual operating budget contribution equal to 25% of anticipated election costs	- election expenses in election year	\$ 99,573	\$ 99,573	\$ -	\$500,000	-Target Balance represents the cost of the municipal election which occurs every four years.
Port Dalhousie Piers Reserve	To assist for future maintenance and capital rehabilitation or improvements at piers and harbour	- Annual operating budget contribution of \$100,000 per year	capital expenditures required following the completion of the Port Dalhousie Pier replacement project	\$ -		\$ -	\$30,000,000	Target Balance represents the replacement cost based on the 2018/19 project's estimated value

**City of St. Catharines - Reserves and Reserve Funds**

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2018	Commitments	Available Balance	Targeted Balance	Basis for Targeted Balance
Litigation/Insurance Reserve	To fund "unknown matters" and to provide additional amounts to pay legal expenses and damages below City's deductible.	-Unspent funds in the City's Legal and Court Cost; and Self-Insurance expenditures -allocations from year end surplus	-unknown litigation matters and legal cost and claims below City's insurance premium deductible	\$ 574,522	\$ 396,173	\$ 178,349	\$900,000	-Target balance represents approximately 50% of the annual self-insurance; and legal & court cost expenditures; and potential OMB appeals
Meridian Centre Capital Reserve	To fund capital replacements and upgrades	- Surplus funds from annual operating budgets	-capital expenses based on capital plan approved as part of the City's annual capital upgrade program	\$ 197,164	\$ 48,000	\$ 149,164	\$ 5,540,100	- Maximum balance of 10% of net facility assets. Net facility assets as at December 31, 2018: \$55,401,000 x 10% = \$5,540,100
Meridian Centre Event Fund Reserve	To support events that have significant benefit to the community and create additional revenue generating potential	- Surplus funds from annual operating budgets -Portion of additional revenues generated from events that this fund was used to support	-capital or other expenses related to the attraction of events to the facility, subject to approval of the Governance Committee	\$ 100,000	\$ 50,000	\$ 50,000	\$ 150,000	-\$150,000 for event fund portion.
Sewer Capital Reserve	To support wastewater capital needs	- annual net wastewater account activity	-wastewater capital improvements	\$ 1,331,162		\$ 1,331,162	\$ 36,000,000	-Upper limit based on 4% of the current estimated wastewater replacement value of \$900M
<b>TOTAL</b>				<b>\$ 44,226,108</b>	<b>\$ 35,080,965</b>	<b>\$ 9,145,143</b>		

**City of St. Catharines - Reserves and Reserve Funds**

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2018	Commitments	Available Balance	Basis for Targeted Balance	Basis for Target Maximum Level of Funding
<b>DISCRETIONARY RESERVE FUNDS</b>						\$ -		
Future Mausoleum	Fund debt repayment and future mausoleum construction	- Surcharges on cemetery transactions - mausoleum plot sales include a surcharge used to fund future mausoleum construction - Interest on reserve fund balance	- Expenditures related to new mausoleum construction	\$ 269,882	\$ 269,882	\$ 5,658	- Projected cost of future mausoleum construction incorporating construction price index	- Projected cost of future mausoleum construction incorporating construction price index
Actifest	Legacy fund from Senior Games for programmes promoting healthy lifestyles for Seniors 55+	- Transfer of surplus from 2004 Ontario Senior Games - Grants - Interest on reserve fund balance	- Expenditures related to the promotion of healthy lifestyles for citizens aged 55+ years	\$ 5,658	\$ 5,658	\$ -	- N/A - One-time legacy fund to be drawn down over time	- N/A - One-time legacy fund to be drawn down over time
Civic Project Fund	Fund community projects, external cultural and community improvement initiatives. Used to fund significant new facility construction and/or purchases	- Proceeds from St. Catharines Hydro Inc. / Hamilton Hydro Inc. merger in 2005 - Interest income - internal loan re: construction of Seymour Hannah - Interest on reserve fund balance - Sale of land	- Community grants - Interest paid to support Operating Fund - Cultural Investment Program - Physician Recruitment - Heritage Grant Program - Habitat for Humanity - Contributions towards major capital projects	\$ 9,415,980	\$ 5,200,807	\$ 4,215,173	- Maximum balance of 10% of net City assets. Net City assets as at December 31, 2017: \$734,587,000 x 10% = \$73,458,700	- Maximum balance of estimated replacement cost of major City facilities including: First Ontario Performing Arts Centre, Meridian Centre, Seymour Hannah, Kiwanis Aquatic Centre
Parking Operations	Net revenue from parking operations	- Transfer of annual net parking operations revenue - Interest on reserve fund balance	- Parking lot acquisition, construction and improvements - Purchase of parking control equipment	\$ 1,292,783	\$ 623,971	\$ 668,812	- Maximum balance of 10% of total estimated replacement cost of parking infrastructure owned by the City Estimated replacement cost as at December 31, 2018: \$57,120,000 x 10% = \$5,712,000	- Maximum balance of total estimated replacement cost of parking capital assets

**City of St. Catharines - Reserves and Reserve Funds**

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2018	Commitments	Available Balance	Basis for Targeted Balance	Basis for Target Maximum Level of Funding
<b>OBLIGATORY RESERVE FUNDS</b>						\$ -		
Future Sidewalks	When sidewalk requirements are waived by Council the funds are placed in a reserve for a period of 20 years	- Transfer of sidewalk deposits - Interest on reserve fund balance	- Sidewalk construction and improvements	\$ 1,090,675	\$ 1,090,675	\$ -	- N/A - Annual contributions dependent upon development activity - Funds should be utilized in a timely manner upon receipt rather than remaining in reserve indefinitely	- N/A - Contributions dependent upon development activity therefore upper limit not applicable
Payment in Lieu of Parkland	5% cash-in-lieu of parkland dedication - Sec 542(15) <i>Planning Act</i>	- Cash payments made by the developer to the municipality in lieu of conveyance of land - Interest on reserve fund balance	- Parkland construction and improvements	\$ 1,758,890	\$ 190,305	\$ 1,568,585	- N/A - Annual contributions dependent upon development activity - Funds should be utilized in a timely manner in accordance with the <i>Planning Act</i> upon receipt rather than remaining in reserve indefinitely	- N/A - Contributions dependent upon development activity therefore upper limit not applicable
Building Code	Net building permit fees - Provincial legislation	- Transfer of annual net building permit income (if any) - Interest on reserve fund balance	- Transfer to cover annual net building permit deficit (if any)	\$ 1,011,113	\$ 210,637	\$ 800,476	- Maximum balance of one year's worth of building permit department's expenditures. Balance represents 2018 budgeted expenditures for Building & Plumbing department  - Sufficient to cover future potential net building permit deficits	
Subdivider Deposits	Fund expenditures for the specific subdivision	- Payments from developers held by the municipality as a deposit	- Refund of deposit back to developer upon successful completion of project - Amount taken from deposit and moved into revenue if developer unable to complete work and City is required to complete works	\$ 701,823	\$ 701,823	\$ -	- N/A - Annual contributions dependent upon development activity - Funds should be utilized in a timely manner upon receipt rather than remaining in reserve indefinitely	- N/A - Contributions dependent upon development activity therefore upper limit not applicable



**City of St. Catharines - Reserves and Reserve Funds**

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2018	Commitments	Available Balance	Basis for Targeted Balance	Basis for Target Maximum Level of Funding
Residential Development Charges	Fund growth-related net capital costs for which the Development Charge was imposed - Sec 16(1) <i>Development Charge Act</i>	- Payments from developers collected to fund growth related capital expenditure - Interest on reserve fund balance	- Eligible project costs for capital projects defined and listed in the approved Development Charge Background Study and By-Law	\$ 3,616,395		\$ 3,616,395	- Development Charges set in accordance with the approved Development Charge Background Study and By-Law - Balance collected sufficient to fund growth related expenditures as per Development Charge Background Study and By-Law	- Development Charges set in accordance with the approved Development Charge Background Study and By-Law
Gas Tax Reserve - Provincial	Public transportation	- Payments from Provincial Government to fund public transportation - Interest on reserve fund balance	- Transfers to St. Catharines Transit for upgrades to public transportation infrastructure	\$ 1,973,240	\$ 1,973,240	\$ -	- N/A - funding levels set by Ministry of Transportation	- Transit priorities set by St. Catharines Transit. Funds received are flowed through to Transit as per their approved Capital Budget and Forecast
Gas Tax Reserve - Federal	Infrastructure projects - roads sewers, watermains	- Payments through Association of Municipalities of Ontario on behalf of the Federal Government - Interest on reserve fund balance	- Eligible project costs for infrastructure supporting cleaner air, cleaner water or reduced greenhouse gas emissions in accordance with Federal Gas Tax Agreements	\$ 6,947,761	\$ 6,947,761	\$ -	- N/A - funding levels set by Infrastructure Canada (Federal Government)	- Project priorities set by City Council and staff and are approved as part of the Capital Budget and Forecast.
<b>Total</b>				<b>\$ 28,084,200</b>	<b>\$ 11,114,441</b>			

**City of St. Catharines**  
**Parking Meter Reserve Fund**  
**December 31, 2018**

**Account #320.100.000**

Balance at January 1, 2018 1,119,228.72

Revenues

Parking Meters	651,725.25	
Parking Violations	805,039.37	
Off Street parking	648,810.74	
Ontario Street Parking Garage	412,528.53	
Carlisle Street Parking Garage	807,362.34	
Downtown Area Levy (net)		
Interest Earned	12,094.80	3,337,561.03

Expenditures

Parking Meters	242,404.50	
Parking Violations	776,081.52	
Off Street parking	313,852.16	
Parking Area Write Offs		
Ontario Street Parking Garage	464,822.22	
Carlisle Street Parking Garage	1,366,846.61	
transfer to general fund		3,164,007.01

Balance		1,292,782.74
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**APPENDIX 4**  
**Civic Project Fund Reserve**  
**Activity from 2005 to 2018**

<b>Table 1</b> <b>Civic Project Fund -Summary of Activity 2005-2018</b> <b>In \$000's</b>				
	Year of transaction/s	Including 2018 Budget	Including 2018 Actuals	Variance
<b>Inflows/Revenues:</b>				
Capital - recapitalization dividend	2005	\$ 8,700	\$ 8,700	-
Capital - promissory note repayment payment	2005	29,123	29,123	-
Capital - promissory note repayment	2009	2,000	2,000	-
Arts award funds for SCCIP	2016	13	45.5	32.5
Interest income	2005-2018	11,481	11,466	(15)
Land sales and other	2008-2017	1,190	1,262	72
Total Inflows/Revenues		52,507	52,596	89
<b>Uses/Expenditures:</b>				
<b>Operating related (recurring)</b>				
Interest redirected to operating fund	2006-11&2014-17	5,571	5,406	165
Grants	2007-2018	606.8	533.3	74
Festivals, civic celebrations and receptions	2008-2018	716.5	675.5	41
Cultural investment program	2007-2018	1,968	2,068	(100)
Physician recruitment	2007-2018	507	476	31
Culture	2007 & 2016-18	176.4	171.4	5
Total operating related		9,546	9,330	216
<b>Capital related</b>				
Charles Ansell Park - City share	2006	100	100	
Arena renovations - Ice Dogs & Falcons	2007	295	295	
Aquatic centre - capital contribution	2008-2009	1,050	1,050	
Land purchase Merritt St- Fire Station #4	2008-2009	718	718	
Meridian Centre	2013	17,000	17,000	
Performing Arts Centre	2007-2017	14,656	14,659	(3)
Other (includes GM Secondary Plan)	2016-2018	108.4	25	83
Total capital related		33,927	33,847	80
Total Uses/Expenditures		43,473	43,178	296
Reserve Ending Balance December 31,2018		\$ 9,034	\$ 9,418	\$ 385

<b>Table 2</b> <b>Uncommitted Civic Project Fund Balance</b> <b>As at December 31,2018</b> <b>in \$000's</b>		<b>2018</b>
Ending Balance December 3,2017	\$	9,418
Internal Loan for Seymour Hannah Complex	9,700	
Less principal repayment	4,575	
		5,125
Forecast available reserve balance	\$	4,293