

**Report from** Financial Management Services, Director

**Date of Report:** February 26, 2020

**Date of Meeting:** March 11, 2020

**Report Number:** FMS-B005-2020

**File:** 10.57.10

**Subject:** 2019 Year-End Report and Reserve Update

## Recommendation

That Report FMS-B005-2020, regarding the City's 2019 Year-End Position and Reserves and Reserve funds, be received for information; and

That the creation of two new reserves, the Green Initiative Reserve and the Capital Infrastructure Reserve, be approved; and

That allocations to the following reserves and initiatives using portions of the 2019 year-end surplus be approved:

- Capital Infrastructure Reserve - \$351,750
- Tax Stabilization Reserve - \$347,850
- Parks Legacy Fund - \$250,000
- Election Reserve - \$181,980
- 101 South Drive project - \$130,000
- Green Initiative Reserve - \$117,250
- Canada Summer Games legal and project management cost - \$100,000
- Winter Control Reserve - \$100,000.

## Summary

This report provides information of the City's year-end financial result details for December 31, 2019 as well as staff recommendations on the allocations of the 2019 year-end surplus. This report also includes the year-end balances of the City's current reserves and reserve funds.

## Background

### 2019 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 BSC with information and details pertaining to the Operating Budget performance.

As the 2020 Operating Budget was passed by Council on December 16, 2019 the information contained within this report is to advise the BSC and Council of the City's 2019 final figures and financial year-end position. It is important to note that while all of our 2019 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 2020 budget allocation of \$1.148 million.

## **Report**

### **2019 Year-End Results**

The figures presented in Appendix 1 demonstrate the City's 2019 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 2019, regardless of their final expenditure figures. These details help to understand the 2019 departmental challenges and accomplishments and are included with the variance information in Appendix 1 attached.

As of December 31, 2019, the City's Total Expenditures (including Boards and Commissions) for 2019 is 97.81% with the year complete. Revenues also trended favourably for 2019.

Overall the year-end has resulted in an estimated surplus of \$2,726,830, of which \$1,148,000 has been committed to the 2020 operating budget. This leaves a favourable variance of \$1,578,830 to be allocated to City reserves and various other initiatives.

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 \$481,000. This negative variance has been positively offset with additional supplemental tax revenues of \$259,000. Other positive year-end variances relate to interest income, including dividends and POA revenues.

Interest income exceeded budget by \$600,000 largely due to more funds being available for investment during 2019 and St. Catharines Hydro dividends exceeding budget by \$469,000 in part, the result of a change of their accounting treatment to asset amortizations, St. Catharines Hydro Generation Inc. reported a net profit of \$266,100 at 2018 year-end. As a result, the City of St. Catharines received 50% of their net profit in 2019 (\$133,050) as a dividend payout to their shareholder. The remaining favourable variance of \$336,000 was due to higher than expected dividend received from Alectra Inc. for their 2018 financial results. These positive variances were offset by unfavourable variances related to penalty and interest on tax arrears being under budget by \$707,000.

## **Allocation to Special Projects**

At its meeting on November 18, 2019, Council approved the expenses for the City's share of Canada Summer Games project management, associated legal and procurement review to an upper limit of \$200,000; and the half of these expenses (\$100,000) be funded from the 2019 operating budget and the other half be included in the City's 2020 operating budget, unless adequate funds are available through the 2019 year-end surplus.

Therefore, staff recommend on the allocation of \$100,000 from the 2019 surplus to the projects stated above.

## **Reserve and Reserve Funds**

The City has a number of established reserves, discretionary and obligatory reserve funds. More specific details on all reserve and reserve funds, as well as current balance as of December 31, 2019, are included for the BSC's information in Appendix 2.

### **Parking Reserve Fund**

Appendix 3 has details regarding the Parking Reserve Fund which was included in the 2019 Operating Budget – Parking Meter Reserve Summary. The fiscal year 2019 ends with unfavourable results of \$39,791. The balance of this reserve is \$1,252,992 at December 31, 2019.

### **Sewer / Water Capital Reserve**

Appendix 4 has details regarding Water and Wastewater Operations. The fiscal year 2019 ends with unfavourable results of \$163,380. The balance of this reserve is \$5,286,107 at December 31, 2019.

### **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 a maximum of 10% of net City assets. Based on 2018 audited statements, the targeted balance in the reserve is \$75.4 million (2017 - \$73.5 million). The 2019 year-end uncommitted balance of \$4,444,512 represents 5.89% 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 2019 the reserve has earned investment income of \$11.8 million and funded more than \$10.0 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 \$10.0 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 \$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 5.

During 2019, Council approved the allocation of \$130,000 from the Civic Project Fund (CPF) for the park improvements at 101 South Drive with \$100,000 in funds being raised by the community. Part of the Council motion approved replenishing the CPF when the funding source was identified. With adequate 2019 year-end surplus funds available, staff recommend replenishing the CPF with the \$130,000.

<b>Targeted Balance</b>	<b>Current Uncommitted Balance</b>	<b>2019 YE Surplus Allocation</b>
\$75,440,000	\$4,444,512	\$130,000

## Allocation to Reserves

With the positive 2019 year-end results, staff are recommending the following reserve allocations:

- Capital Infrastructure Reserve (new) - \$351,750
- Tax Stabilization Reserve - \$347,850
- Parks Legacy Fund - \$250,000

- Election Reserve - \$181,980
- 101 South Drive project - \$130,000
- Green Initiative Reserve (new) - \$117,250
- Canada Summer Games legal and project management cost - \$100,000
- Winter Control Reserve - \$100,000

Total reserve allocations total \$1,578,830.

## **Potential New Reserves**

During 2019 more hydro dividends were received than anticipated. Staff are recommending the creation of two additional reserves with these additional hydro dividends received in 2019; the Green Initiative Reserve and Capital Infrastructure Reserve.

In October 2019, Council approved the City's Energy Conservation and Demand Management Plan (CDMP). One of the staff recommendations within the CDMP was the establishment of "a Green Reserve Fund". With continued pressures on capital budgets, it is important that a funding model be established to ensure the necessary capital needed for implementation of the CDMP is available over the next five years and beyond. Without a dedicated account, or annual allocation, it would be very easy for other capital priorities to take precedent over the measures identified in this plan.

At Council meeting on February 10, 2020, a series of motions with regards to Emissions Targets were approved in order to further reduce the City's carbon footprint, including the establishment of a green reserve fund be sent to the BSC for consideration.

These two new reserves would help set the foundation for the City's ongoing commitments with regards to climate change and overall reduction in energy intensity and greenhouse gas emissions.

## **Capital Infrastructure Reserve**

The purpose of this reserve is to provide additional funding for capital infrastructure renewal, particularly for the high-priority projects that are not eligible for debt funding as set out in the proposed Capital Financing and Debt Strategy (scheduled to be presented to Budget Standing Committee in April 2020). This reserve will also provide the City's portion of where it can be leveraged to obtain grant funding from other levels of government agencies and third party sponsors.

The use of the reserve will be approved through the approval of the annual Capital Budget. Council will approve the contributions to the reserve which will include one-time unbudgeted revenues such as hydro dividends.

The proposed targeted reserve balance is set at \$4 million which is equivalent to one percent of the current capital infrastructure gap of \$406.2 million. Staff are

recommending the allocation of \$351,750 to the Capital Infrastructure Reserve.

<b>Target Balance</b>	<b>Current Uncommitted Balance</b>	<b>2019 YE Surplus Allocation</b>
\$4,000,000	\$0	\$351,750

### **Green Initiative Reserve**

The purpose of this reserve is to provide financing for the implementation of energy conservation measures identified in the CDMP, which will result in ongoing utility savings, operational savings, and one-time incentive payments from local utilities. These savings and incentives are tracked and used to replenish the reserve for the next round of investments.

In addition to using these funds for strictly CDMP projects it may also be prudent to consider a range of actions related to climate change adaptation and or mitigation (e.g. greenhouse gas reductions) that may be beyond the scope of the CDMP. Other funding sources would include savings from initiatives (e.g. fuel savings of fleet / equipment projects) or grants.

Also, many government grants require matching contributions, and therefore having a fund available that would be able to provide the matching funds would be an asset to the City.

Therefore, staff are recommending that the allocation of \$117,250 to Green Initiative Reserve.

<b>Target Balance</b>	<b>Current Uncommitted Balance</b>	<b>2019 YE Surplus Allocation</b>
TBD (To Be Determined)	\$0	\$117,250

### **Existing Reserves**

At the end of each year staff reports on the balances in the City's reserves and reserves funds. This reporting includes the commitments and target balances for each reserve. This information is attached as Appendix 2. The reserve target balances have been updated to reflect the 2019 year-end amounts. The majority of the City's reserve funds are not at their target balances.

### **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.

<b>Target Balance</b>	<b>Current Uncommitted Balance</b>	<b>2019 YE Surplus Allocation</b>
\$10,837,000	\$372,281	\$347,850

The 2020 budgeted tax levies are \$108,373,220. Therefore 10% equals \$10,837,000 which would be the current maximum target balance. The uncommitted balance as of December 31, 2019 is \$372,281. Staff are recommending an allocation to this reserve of \$347,850 which equals the amount that was used in the 2020 operating budget.

### **Parks Legacy Fund**

The goal of the Parks Legacy Fund is to maintain and sustain City parks through leveraging alternative sources of funding such as donations and legacy giving. The Fund will annually provide up to \$250,000 in matching funding towards community projects in City parks. The Parks Legacy Fund projects will not be completed at the expense of any other projects on the City's work plan or Parks Renewal Plan. The Parks Legacy Fund will help to alleviate the financial implications to the Parks Renewal Plan by leveraging City funds with matching community donations so that twice as much as work can be completed.

At the September 6, 2019 BSC meeting, there was the following motion made for the Parks Legacy Fund – Options for a Funding Model report:

That a 0.25% increase in the infrastructure levy in order to fund the Parks Legacy Fund be referred to the 2020 Operating Budget deliberations.

The infrastructure levy was increased by 0.25% in 2020 to provide additional funds to the Canada Summer Games Park and Royal Canadian Henley Rowing Centre. Therefore, rather than increasing this levy by another 0.25% in 2020, staff recommend utilizing portion of the 2019 year-end surplus and allocating \$250,000 (equivalent of 0.25% increase of the annual infrastructure levy) to Parks Legacy Fund in 2020. This is an important usage of the 2019 year-end surplus, as City staff have been in active discussions since the beginning of 2020, with a third party organization regarding the Happy Rolph's playground project scheduled for replacement this year. The third party organization is considering a donation of approximately \$95,000 which through a Parks Legacy Fund match and the approved 2020 Capital Budget amount of \$330,000 would bring the project total to \$520,000 (\$330,000 Capital + \$95,000 third party donations + \$95,000 Parks Legacy Fund = \$520,000).

<b>Target Balance</b>	<b>Current Uncommitted Balance</b>	<b>2019 YE Surplus Allocation</b>
\$500,000	\$0	\$250,000

### **Election Reserve**

The Election Reserve is the funding source for the municipal elections which occur every four years. After the 2018 election there is \$99,573 remaining in this reserve. It is estimated that the 2022 municipal election will cost the City approximately \$500,000. Therefore, an additional \$400,427 is required. Staff are recommending that \$181,980 from the 2019 year-end surplus be allocated to the election reserve. This would mean that annual allocation in the 2021 and 2022 operating budgets could be reduced to \$109,224 from \$125,000 previously estimated.

<b>Target Balance</b>	<b>Current Uncommitted Balance</b>	<b>2019 YE Surplus Allocation</b>
\$500,000	\$99,573	\$181,980

### **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 2015 to 2019 is \$2,409,828. The uncommitted balance of this reserve as of December 31, 2019 is \$500,000. Therefore, staff recommend an allocation of \$100,000 to this reserve fund, which will increase the reserve balance to 24.90% of its target balance.

<b>Target Balance</b>	<b>Current Uncommitted Balance</b>	<b>2019 YE Surplus Allocation</b>
\$2,409,828	\$500,000	\$100,000

## **Financial Implications**

This report is financial in nature with details throughout. The City's year-end result details for December 31, 2019 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 and Water & Wastewater 2019 year-end results are in Appendix 3 and 4. The activity of the CPF is attached as Appendix 5.

## **Relationship to Strategic Plan**

Economic Prosperity 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 this report on the City's 2019 Year-End Position and Reserves and Reserve funds be received for information purposes and further;

That the creation of two new reserves, the Green Initiative Reserve and the Capital Infrastructure Reserve be approved; and further,

That allocations to the following reserves and initiatives using portions of the 2019 year-end surplus be approved:

- Capital Infrastructure Reserve - \$351,750
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- Winter Control Reserve - \$100,000

### **Prepared:**

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### **Submitted by:**

Kristine Douglas, Director, Financial Management Services / City Treasurer

### **Approved by:**

David Oakes, Deputy Chief Administration Officer

### **Attachments:**

Appendix 1 – Operating Expenditure Variance as at Dec 31, 2019

Appendix 2 – Year-End Reserve Balances as at Dec 31, 2019

Appendix 3 – 2019 Parking Reserve Financial Update

Appendix 4 – 2019 Water & Wastewater Financial Update

Appendix 5 – Civic Project Fund – Summary of Activity 2005 to Present

**2019 Operating Expenditure Variance  
as at Dec 31, 2019**

			100% of year		
	Dec 2019 Actuals	2019 Budget	% Used	Variance Favourable/ (Unfavourable)	
Office of Mayor and Members of Council	796,859	805,522	98.92%	8,663	In line with budget - Council conference/conventions and memberships slightly lower than budget, creating a favourable variance.
Grants and Committees	20,480	21,000	97.52%	520	In line with budget.
<b>City Departments</b>					
CAO	1,366,414	1,484,894	92.02%	118,480	In line with budget - favourable variance due to staff gapping.
Legal Services and Clerks	1,653,585	1,674,390	98.76%	20,805	In line with budget - higher legal and court costs due to different LPAT cases, offset by favourable licensing revenue.
Planning and Building Services	1,590,174	2,152,470	73.88%	562,296	Favourable variance due to full-time staffing vacancies in Planning and Building divisions; higher than expected revenue in building permits and the Committee of Adjustment.
Fire Services					Personnel off for extended sick time impact sick pay account. Overtime budget also affected
710.100.002 Salaries/Wages-Overtime	1,898,771	1,099,998	172.62%	-798,773	by sick leave, WSIB, LTD and personal leave to maintain minimum staffing requirements.
710.100.006 Sick Pay	1,615,824	1,099,999	146.89%	-515,825	Offset by software savings, WSIB recoveries and preventable false alarms revenue.
Total Fire Services	25,004,493	25,336,673	98.69%	332,180	
Economic Development & Tourism	1,051,978	1,108,462	94.90%	56,484	In line with budget - Full-time staffing vacancy shows positive variance. Small Business Enterprise Centre budget aligns with Provincial fiscal year-end of March 31.
Engineering, Facilities and Environmental Services	9,967,030	10,398,326	95.85%	431,296	In line with budget - savings mainly from utilities cost for streetlighting and city facilities and lower cost of asphalt for road constructions; offset by lower practice rental revenue and higher than expected costs for equipment at Seymour Hannah Complex.
Municipal Works	17,985,003	19,088,410	94.22%	1,103,407	In line with budget - significant savings in Parks due to lower utilities cost and difficulty in retaining contractors to perform tree maintenance and removals in watercourses; winter cost exceeds budget due to harsh winter weather conditions but was offset by staffing vacancies in Trees division.
Community, Recreation and Culture Services	6,708,992	6,983,492	96.07%	274,500	In line with budget - full-time staffing vacancies in various divisions including Muesem and Culture show positive variances. Kiwanis Aquatic Centre had a favourable variance due to higher lessons income and lower operating cost.
Meridian Centre	655,003	652,689	100.35%	-2,314	In line with budget - better than forecasted financial results in 2019 due to a strong year from events and ice rental revenue, as well as lower than expected utilities cost.
First Ontario Performing Arts Centre	1,677,490	1,491,701	112.45%	-185,789	Staffing vacancies have created a positive variance. Liquor sales are higher than expected and are being offset by lower concession sales and rental income. Delay in transition to Board has negatively impacted fundraising revenues.
Financial Management Services	3,689,487	3,817,345	96.65%	127,858	In line with budget - favourable variance due to staff gapping in Finance; partially offset by encumbrance in miscellaneous expenditures for Canada Summer Games legal cost.
Corporate Support Services	5,815,500	5,662,404	102.70%	-153,096	Unfavourable variance due to higher labour relation related cost and telephone cost (unexpected conference calling fees, higher long distance rates and increase in maintenance fees).
Contribution to Capital	1,553,000	1,563,000	99.36%	10,000	In line with budget.
<b>Total City Departments</b>	<b>79,535,488</b>	<b>82,240,778</b>	<b>96.71%</b>	<b>2,705,290</b>	
Debt Repayment	14,303,735	14,112,019	101.36%	-191,716	In line with budget.
<b>Total City Expenditures</b>	<b>93,839,223</b>	<b>96,352,797</b>	<b>97.39%</b>	<b>2,513,574</b>	
Library Board	5,512,338	5,512,338	100.00%	0	In line with budget.
Transit Commission	12,753,265	12,751,179	100.02%	-2,086	In line with budget. The Commission projects a surplus figure of \$490,000 for the 2019 year which is directly tied to a lower than expected diesel price during 2019 and will be held by the Commission to contribute to their 2020 operations.
Niagara District Airport	245,263	245,263	100.00%	0	In line with budget.
<b>Total Expenditures</b>	<b>112,350,089</b>	<b>114,861,577</b>	<b>97.81%</b>	<b>2,511,488</b>	

City of St. Catharines - Reserves and Reserve Funds

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2019	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	\$ -	\$ 5,956,512	\$5,956,512 - Total accumulated sick leave calculated as at December 31, 2019
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	\$ 1,421,553	\$ 930,455	\$ 491,098	\$ 9,548,250	- 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	\$ 5,005,635	\$ 2,241,000	\$ 2,764,635	\$ 11,433,750	- Maximum balance of 75% of total estimated replacement cost of motor vehicle equipment owned by the City  Estimated replacement cost as at December 31, 2019: \$15,245,000 x 75% = \$11,433,750
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.	\$ 16,041,417	\$ 16,041,417	\$ -	N/A	Fluctuates as Balance is dependent on obligations for which payment is outstanding at year end
Building Improvement	Provide for commitments to building improvement projects	- Annual operating budget contribution - Grants/rebates on building improvement expenditures	- Building improvement projects	\$ 2,180,693	\$ 1,891,154	\$ 289,539	\$ 47,639,600	- Maximum balance of 10% of total estimated replacement cost of buildings owned by the City  Estimated replacement cost as at December 31, 2019: \$476,396,000 x 10% = \$47,639,600
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	\$ -	\$ 19,437	\$ 361,500	- Maximum balance of 25% of annual Cemetery revenues  2019 budgeted Cemetery revenues: \$1,446,000 x 25% = \$361,500
Community Improvement Plan Reserve	To fund the City Community Improvement Plan	-Annual operating budget contribution	-Council Approved CIP projects	\$ 5,938,418	\$ 5,938,418	\$ -		No upper limit as this program is paid out over several years (3,5 or 10)

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2019	Commitments	Available Balance	Targeted Balance	Basis for Targeted Balance
Hydro Funds	One time hydro funding source	-One time special dividend received from Hydro	-Operating Budget support	\$ 520,217	\$ 313,000	\$ 207,217	- 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	-1.5% annual tax levy	-as per Infrastructure levy policy	\$ 1,233,535	\$ 971,785	\$ 261,750	-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)	\$ 500,000	\$ -	\$ 500,000	\$ 2,409,828	- Maximum balance equating to 100% of the previous five year rolling average of Winter Control Program expenditures - Rolling average for 2015 to 2019 \$2,409,828 - 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	\$ 844,197	\$ 471,916	\$ 372,281	\$ 10,837,000	- Maximum balance of 5% to 10% of annual total tax levies. 2020 budgeted tax levies: \$108,373,220 x 10% (maximum) = 10,837,000
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	\$ 367,081	\$ -	\$ 367,081	\$ 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 project's estimated value
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	\$ 567,419	\$ 452,173	\$ 115,246	\$ 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	\$ 195,338	\$ 8,752	\$ 186,585	\$ 5,662,000	- Maximum balance of 10% of net facility assets. Net facility assets as at December 31, 2019: \$56,620,000 x 10% = \$5,662,000
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	\$ 229,997	\$ 50,000	\$ 179,997	\$ 150,000	-\$150,000 for event fund portion.
Sewer Capital Reserve	To support wastewater capital needs	- annual net wastewater account activity	-wastewater capital improvements	\$ 433,611	\$ -	\$ 433,611	\$ 36,792,000	Upper limit based on 4% of the current estimated wastewater replacement value of \$920M
<b>TOTAL RESERVES</b>				<b>\$ 38,586,052</b>	<b>\$ 32,397,575</b>	<b>\$ 6,188,477</b>		

City of St. Catharines - Reserves and Reserve Funds

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2019	Commitments	Available Balance	Targeted 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	- Expenditures related to new mausoleum construction	\$ 386,193	\$ 386,193	\$ -	\$ 1,500,000	- 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	- 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	\$ 9,122,956	\$ 4,678,444	\$ 4,444,512	\$ 75,440,000	- Maximum balance of 10% of net City assets.  Net City assets as at December 31, 2018: \$754,400,000 x 10% = \$75,440,000	- 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	\$ 1,252,992	\$ 511,314	\$ 741,678	\$ 5,837,700	- Maximum balance of 10% of total estimated replacement cost of parking infrastructure owned by the City  Estimated replacement cost as at December 31, 2019: \$58,377,000 x 10% = \$5,837,700	- Maximum balance of total estimated replacement cost of parking capital assets
<b>TOTAL DISCRETIONARY RESERVE FUNDS</b>				<b>\$ 10,767,798</b>	<b>\$ 5,581,609</b>	<b>\$ 5,186,190</b>			

City of St. Catharines - Reserves and Reserve Funds

Reserve Name	Purpose	Revenues	Expenditures	Balance as at December 31, 2019	Commitments	Available Balance	Targeted 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	\$ 1,207,107	\$ 1,207,107	\$ -	- N/A - Contributions dependent upon development activity therefore upper limit not applicable	- 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	\$ 2,512,341	\$ 184,205	\$ 2,328,136	- N/A - Contributions dependent upon development activity therefore upper limit not applicable	- 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)	\$ 2,487,536	\$ 100,289	\$ 2,387,247	\$ 2,729,994	- Maximum balance of one year's worth of building permit department's revenues. Balance represents 2020 budgeted revenues 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	\$ 696,156	\$ 696,156	\$ -	- N/A - Contributions dependent upon development activity therefore upper limit not applicable	- 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
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	\$ 3,990,203	\$ 1,295,648	\$ 2,694,555	\$ 3,990,203	- 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	\$ 987,801	\$ 987,801	\$ -	- N/A - funding levels set by Ministry of Transportation	- 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, watermain	- 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	\$ 6,458,682	\$ 6,458,682	\$ -	- N/A - funding levels set by Infrastructure Canada (Federal Government)	- 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 OBLIGATORY RESERVE FUNDS</b>				<b>\$ 18,339,826</b>	<b>\$ 10,929,888</b>	<b>\$ 7,409,938</b>			
<b>TOTAL RESERVE FUNDS</b>				<b>\$ 29,107,625</b>	<b>\$ 16,511,497</b>	<b>\$ 12,596,128</b>			

## Appendix 3

**City of St. Catharines  
Parking Meter Reserve Fund  
December 31, 2019**

**Account #320.100.000**

**Balance at January 1, 2019** 1,292,782.74

**Revenues**

Parking Meters	671,474.00	
Parking Violations	773,861.00	
Off Street parking	610,951.00	
Ontario Street Parking Garage	346,874.00	
Carlisle Street Parking Garage	816,059.00	
Downtown Area Levy (net)		
Interest Earned	18,870.00	3,238,089.00

**Expenditures**

Parking Meters	246,866.00	
Parking Violations	801,444.00	
Off Street parking	322,246.00	
Parking Area Write Offs		
Ontario Street Parking Garage	522,187.00	
Carlisle Street Parking Garage *	1,385,137.00	

3,277,880.00

<b>Balance</b>		<b>1,252,991.74</b>
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\* Includes 2019 parking debt charges (principal & interest) of \$848,686.

## Appendix 4

### City of St Catharines Water/Wastewater Summary

	<b>Budget</b>	<b>Actuals</b>	
	2019	2019	2018
Reserve at Beginning of Year	5,449,486	5,449,486	3,824,317
Revenues	52,244,811	50,030,623	49,419,991
Less: Region expenditures	32,361,372	32,088,689	30,893,197
Net Revenue	19,883,439	17,941,934	18,526,793
City Expenditures			
Water Operating costs	6,980,947	6,018,726	6,049,674
Water Debenture debt	526,248	526,248	587,026
Water Infrastructure costs	5,786,000	4,739,590	4,014,732
Sewer Operating costs	3,711,799	3,353,209	3,274,065
Sewer Debenture debt	624,257	638,818	640,958
Sewer Infrastructure costs	2,620,000	2,828,722	2,335,169
	20,249,251	18,105,313	16,901,624
Annual Surplus/(Deficit)	-365,813	-163,380	1,625,170
Reserve at End of Year	5,083,674	5,286,107	5,449,486



## Appendix 5

### Civic Project Fund Reserve Activity from 2005 to 2019 In \$000's

	Year of transaction/s	Including 2019 Budget	Including 2019 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	2016-2019	13	64	51
Interest income	2005-2019	11,801	11,790	(11)
Land sales and other	2008-2019	1,240	1,300	60
Total Inflows/Revenues		52,877	52,977	100
<b>Uses/Expenditures:</b>				
<b>Operating related (recurring)</b>				
Interest redirected to operating fund	2006-11&2014-17	5,571	5,406	165
Grants	2007-2019	767	635	132
Festivals, civic celebrations and receptions	2008-2019	920	879	41
Cultural investment program	2007-2019	2,214	2,314	(100)
Physician recruitment	2007-2019	562	531	31
Culture	2007 & 2016-19	247	235	12
Total operating related		10,280	10,000	280
<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)
Civic Square Design	2017	120	-	120
Arena Strategy for future ice provision	2019		41	(41)
Other (includes GM Secondary Plan & Council SP Update)	2016-2019	191	81	110
Total capital related		34,130	33,944	187
Total Uses/Expenditures		44,410	43,944	467
Reserve Ending Balance December 31,2019		\$ 8,467	\$ 9,033	\$ 566

**Table 2**

### Uncommitted Civic Project Fund Balance As at December 31,2019 in \$000's

	2019
Ending Balance December 3, 2019	\$ 9,033
Internal Loan for Seymour Hannah Complex	9,700
Less principal repayment	5,112
	4,588
Forecast available reserve balance	\$ 4,445