

Report from: Financial Management Services, Director

Report Date: March 1, 2022

Meeting Date: March 21, 2022

Report Number: FMS-B004-2022

File: 10.57.10

Subject: 2021 Year-End Report and Reserve Update

Recommendation

That the Report FMS-B004-2022, regarding 2021 Year-End Report and Reserve Update, be received for information; and

That the estimated 2021 year-end surplus in the amount \$2.42 million be transferred to the Tax Rate Stabilization Reserve; and

That the creation of the FAIR (Fee Assistance in Recreation) Program Reserve, to be funded from expired credit revenue from the City's Recreation Programs, be approved; and

That the amount of \$29,961 be transferred to the FAIR Program Reserve; and

Further, that the updated Infrastructure Levy Policy, attached as Appendix 6, be approved.

Summary

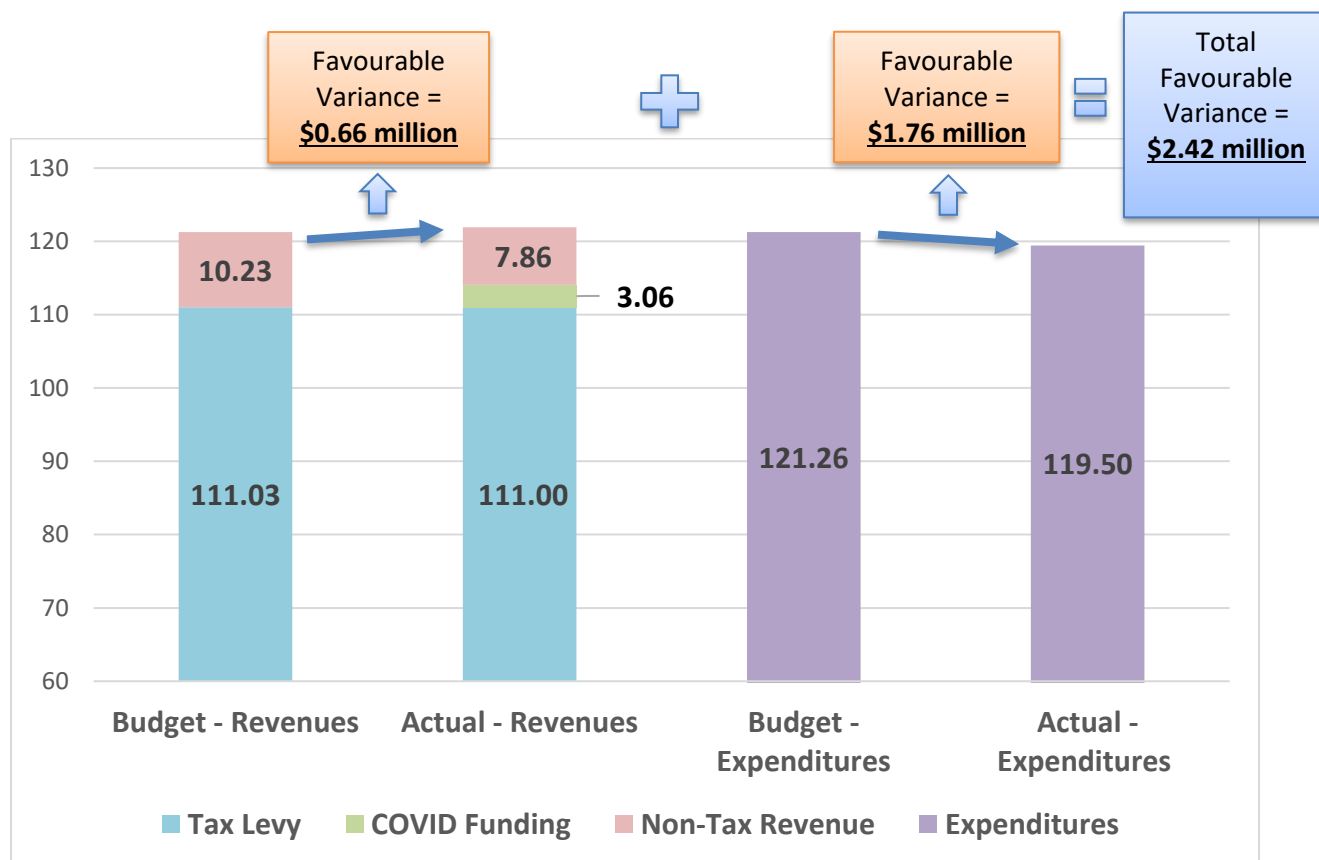
This report provides information of the City's year-end financial position for December 31, 2021, as well as staff recommendations for the allocation of the 2021 year-end surplus. This report also includes the year-end balances of the City's reserves and reserve funds, along with a high-level comparison of reserve balances against other comparable municipalities.

In 2021, the Operating Budget included a transfer from the Civic Project Fund of \$2.67 million and transfer from the Tax Rate Stabilization Reserve of \$213,000, for a total of reserve support of \$2.88 million. The 2021 Tax Levy Budget was approved by Council on December 14, 2020. After the approval of budget, the federal and provincial governments announced the COVID-19 funding support for municipalities on December 16, 2020. Through the Federal and Provincial funding, the City was allocated \$726,000 for 2021. Then on March 4, 2021, the City was allocated an additional \$2.94 million. This COVID-19 Recovery Funding from the upper levels of governments provides much needed funding support. During 2021, the City also implemented a number of mitigation strategies to decrease the financial impact of the COVID-19 pandemic on the City

operations. This report provides details to Council and the Budget Standing Committee (BSC) on the pre-audited 2021 year-end results.

At the end of 2021, actual revenues for the year were \$660,000 over budgeted projections. At the same time the City saw a favourable variance in expenditures of \$1.76 million. This resulted in a \$2.42 million surplus in the Tax Levy Operating Budget.

Chart 1 – 2021 Budget vs. Actual Variance (in millions)



Background

Scheduled delivery of year-to-date financial information, often referred to as a variance report, is aligned with the Corporation's fiscal year (January 1 to December 31) and is delivered on a quarterly basis. These reports are intended to provide the BSC and Council with information and details pertaining to the Operating Budget performance.

The information contained within this report is to advise the BSC and Council of the City's 2021 final figures and financial year-end position. It is important to note that while our 2021 transactions have now closed, the numbers for the year are still subject to an annual audit. Figures are only considered truly finalized once this assessment has been completed.

During the 2016 budget process, the BSC and Council approved the creation of a tax rate stabilization reserve and, further that, a maximum of 1% of the previous year's tax levy budget be contributed to the following year's budget.

With the uncertainty of the 2021 year-end results and the negative impact of the COVID-19 pandemic on the City's financials in 2021, the requirement of prior year surplus contribution was temporarily reduced to \$600,000 in the 2022 Tax Levy / Operating Budget. In order to offset this decrease in surplus use and still maintain the usual 1% carried over in the 2022 operating budget, an additional \$612,000 was provided from the tax rate stabilization reserve. During the 2022 budget deliberations, Council approved additional reserve funding of one-time expenditures and revenue losses of \$1.89 million. Therefore, a total of \$2.50 million was utilized from the Tax Rate Stabilization Reserve to minimize impacts to of the tax rate in 2022. Approving the transfer of the 2021 year-end surplus amount of \$2.42 million to the tax rate stabilization reserve, assists in replenishing funds utilized in the 2022 Tax Levy/Operating Budget.

Report

2021 Year-End Results

The figures presented in Appendix 1 demonstrate the City's 2021 actual tax levy results and identify how departments aligned with their budgets. When combined, these numbers determine how the City positioned overall for the fiscal year.

All departments provided comment on their overall financial position for 2021, regardless of their final expenditure figures. These details help to understand the 2021 departmental challenges and accomplishments and are included with the variance information in Appendix 1.

As of December 31, 2021, the City's Total Expenditures (including Boards and Commissions and excluding Safe Restart Funding) for 2021 sat at 98.55% (compared to budget) with the year complete. Tax and Non-Tax Revenues also trended favourably for 2021 with the receipt of funding from upper levels of government. The City's Total Non-Tax Revenues for 2021 were 100.54% at the year end (compared to budget).

Overall, the year end has resulted in a surplus of \$2.42 million, of which \$600,000 has been committed to the 2022 Operating Budget. Additionally, \$2.50 million from the Tax Rate Stabilization Reserve was approved through the 2022 Operating Budget Process.

The receipt of funding from upper levels of government in 2021 provided some funding to offset revenue losses and additional COVID-related expenditures incurred. However, it was insufficient to cover all financial impacts of the COVID-19 pandemic. Therefore, the Corporation implemented other mitigation strategies, such as workforce reductions, deferred hirings, utility and discretionary expense reductions. Table 1 below summarizes the actual 2021 tax levy results with details provided in Appendix 1.

**Table 1 – 2021 Tax Levy Operating Budget Variance Summary
(in millions)**

Budget Variance	Favourable/ (Unfavourable) Variance
Revenue Loss due to COVID-19	(\$3.68)
Additional Expenditure Costs due to COVID-19	(\$1.74)
Subtotal – COVID-19 Financial Impact	(\$5.42)
Upper Levels of Government Funding Support	
Safe Restart Agreement Funding Phase 2 & 2021 Provincial COVID-19 Recovery Funding – Tax Levy Budget	\$3.06
Net COVID Impact before Internal Mitigations	(\$2.36)
Cost Mitigations	
Workforce Reduction & Deferred Hirings	\$3.35
Utilities & Discretionary Expenses	\$1.11
Subtotal – Mitigation Measures	\$4.46
Net COVID Impact	\$2.10
Non-COVID Impact*	\$0.32
Net Tax Levy - Surplus/(Deficit)	\$2.42

Note: * Non-COVID impact contains favourable variances from non-COVID related vacancies, investment income, planning revenue, and other cost savings, offset by non-COVID related unfavourable variances such as tax write-off expenses.

COVID-19 Financial Impact

The COVID-19 situation was fluid throughout 2021, resulting in a significant impact to the City's operations and finances.

Within the City's Tax Levy Budget, the annual COVID-19 cost is \$1.74 million. This includes COVID-19 related cost for signage, equipment rental, personal protective equipment (PPE), staff overtime, security services, cleaning services, a transfer to Parking Operations, etc. It also includes the City's operational cost of the COVID-19 vaccination site at Seymour-Hannah Sports and Entertainment Centre and the additional cost to implement the Beach Strategy. The total COVID-19 related revenue loss for 2021 is \$3.68 million. This includes City arenas, recreational facilities, Meridian Centre, business licensing fees, and other revenues. When lost revenues and COVID-19 related costs are combined, the financial impact of the pandemic to the City in 2021 was \$5.42 million.

COVID-19 funding from upper levels of government and allocated to the Tax Levy Budget in 2021 totaled \$3.06 million, with the full amount utilized at year end to partially mitigate the financial impact of COVID-19.

In response to the significant financial pressure placed on City operations and revenues due to the global pandemic in 2021, the City implemented various strategic cost

mitigation measures including temporary workforce reductions, deferred hiring, and other discretionary expense reductions. The actual amount of these mitigations measures is \$4.46 million in the City's Tax Levy Operating Budget in 2021.

As a result of effective cost mitigations and non-COVID related items, the net Tax Levy Budget ended the 2021 fiscal year with a \$2.42 million favourable variance.

Safe Restart Agreement (SRA) Funding Allocations

In December 2020, the City received \$726,000 SRA Phase II Funding from the Province to assist with 2021 COVID-related operating pressures. In 2021, the City received an additional \$2.94 Million in Provincial COVID-19 Recovery Funding to support COVID-19 operating costs and pressures.

Of the upper levels of government funding received, \$609,000 has been allocated to the Parking budget to fully mitigate the COVID-19 impact on the parking operations. The remaining \$3.06 million in COVID-19 funding was allocated to the City's tax levy budget to partially offset the COVID-19 impact. The SRA funding has been fully utilized at year end to mitigate pandemic-related financial impacts.

City Expenditures

The City experienced significant revenue losses at arenas and recreation centres, in licensing fees and in advertising revenue collection reductions due to COVID-19 restrictions and facility closures. These unfavourable variances were offset through a combination of workforce reductions, deferred hiring and non-COVID related staff vacancies, alongside reductions in utilities and discretionary expenses.

The Meridian Centre ended 2021 with an unfavourable variance of \$107,000. The total revenue loss for Meridian Centre was \$997,000 which was partially offset by reductions in indirect expenses of \$550,000, including cost mitigations in employee wages and benefits; and operating and administration costs due to the facility being closed and a number of events canceled due to the global pandemic. This unfavourable variance was further mitigated with the receipt of the Canadian Employer Wage Subsidy (CEWS) during 2021 totaling \$340,000.

The additional funding the City provided to the Meridian Centre through the 2021 budget ask in the amount of \$353,000 was covered by the COVID-19 funding received by upper levels of government. In addition, there was a total of \$22,000 more than budgeted expenses in insurance premiums, service contracts, and building repairs.

In order to further assist with the Meridian Centre's cashflow position, Council approved three cash installments from October 2021 to December 2021 totaling \$138,000 (see [Report FMS-B019-2021](#)). The additional support was covered by the COVID-19 funding received by upper levels of government.

More details on the City departmental year-end result can be found in Appendix 1.

Non-Tax Revenues

A few legacy tax appeals were settled in 2021, resulting in an unfavourable variance of \$1.59 million in tax appeals and write-offs non-tax revenues. Provincial Offences Act revenues had an unfavourable variance of \$51,000. Penalty and interest income had a total unfavourable variance of \$22,000.

Supplemental Taxes had a favourable variance of \$434,000 from additional properties being added to the City's tax roll during 2021. Investment and bank interest income generated a \$151,000 favourable variance at 2021 year-end due to higher-than-expected return on investment income as well as bank interest income. At the time of the 2021 budget development and based on historical practice, staff took the conservative approach in projecting non-tax revenues with consideration of the property tax collections in 2021.

In addition, the City has been successful in its court applications to receive previous tax sale property proceeds that had been paid into the courts where the one-year time frame had lapsed. This Provincial policy has since been amended, whereas, after a tax sale is completed and the City receives the funds that it is owed, the remaining fees are paid into the Provincial Courts and the court retains those additional funds, with the City no longer eligible to receive these funds. This contributes to the favourable variance by \$101,000.

Vacancy rebate, Payment in Lieu of Taxes (PILs) and miscellaneous revenues (Visa rebate and WSIB NEER rebate) were also in a favourable variance at year end totaling \$256,000.

Boards and Commissions

St. Catharines Transit Commission

The Transit Commission has a 2021 year-end surplus of approximately \$600,000. This is due to receiving more SRA funding from the Province than was budgeted in the 2021 year. The surplus is to be utilized towards Transit's 2022 budget, as was approved by Council. The small unfavourable variance of \$15,495 is due to unbudgeted interest expense of 2021 debt issuance.

St. Catharines Public Library

The Library ended 2021 with a favourable variance of \$217,000 (3.6% below budget). The favourable variance was mainly due to staff vacancies, retirement, part-time staff working fewer hours, and lower security costs. This was offset by revenue losses due to the pandemic and lower interest rates negatively impacting the interest income. The year-end surplus was transferred to an internal reserve to support the 2022 replacement of the HVAC system.

In early 2021, the Library received correspondence from Revenue Canada Agency (CRA) indicating that the claim for CEWS was denied as CRA defined the Library as a public institution. The Library repaid all funds received and filed an objection based on the unclear definition of public institution. The objection is still pending, and the Library awaits a response.

FirstOntario Performing Arts Centre

The FirstOntario Performing Arts Centre (PAC) had a positive year-end position of \$179,000 for 2021. The PAC experienced significant negative impacts on their revenues of approximately \$1.24 million due to the continuing COVID-19 pandemic and safety restrictions on operations. It is important to note that the PAC continues to be ineligible for wage support programs from the federal and provincial levels of government. The revenue shortfall was offset by measures such as staffing reductions and effective cost containment and mitigations from expenses such as programming, production and marketing totaling \$1.42 million. The total shortfall for the Cultural Capital Improvement Fund (CCIF) was approximately \$21,000, which is due to the significant reduction in ticketed performance and venue capacity due to government restrictions. The year-end surplus will be transferred to an internal reserve to support projects at the PAC that could not be completed during 2021, with the remainder transferred to their Sustainability Reserve.

The small unfavourable variance for the PAC at year end is due to higher than budgeted building insurance premium offset by cost savings from retiree compensation on the City side.

More details on the Boards and Commissions year-end result can be found in Appendix 1.

Reserve and Reserve Funds

The City has a number of established reserves in addition to capital, contingency, discretionary, and obligatory reserve funds. Specific details on all reserve and reserve funds, as well as current balance as of December 31, 2021, are included in Appendix 4.

Parking Reserve Fund

Appendix 2 has details regarding the Parking Reserve Fund which was included in the 2021 Operating Budget – Parking Meter Reserve Summary.

In 2021 Parking Operations was budgeted at a net expenditure (deficit) of \$66,800. The Parking Reserve ends 2021 in line with the 2021 budget.

The City's parking budget has been hit hard by the pandemic. This is due to the waiving of parking charges in City owned garages, surface lots and on-street spaces until June 2, 2021, in addition to a high vacancy rate at parking facilities in downtown areas throughout the year due to the pandemic. Additionally, Council approved limited parking enforcement during that same time period. The total parking revenue loss in 2021 was \$920,000, and the cost mitigations totalled \$327,000.

Parking revenue at beaches represent a \$528,000 favourable variance due to the implementation of the Beach Strategy. The additional cost to implement the Beach Strategy was \$44,000, which includes parking enforcement, parking meters and mailing / permit supply cost. Overall, the Beach Strategy resulted in a total net favourable variance on Parking Budget in the amount of \$484,000.

In the 2021 Parking Budget, total funding of \$1.25 million was included to be transferred from Tax Levy Budget to assist with COVID-19 related budget pressures. Due to the positive impact of the beach paid parking revenues and cost savings from parking enforcement, the tax levy transfer to parking for COVID-19 support has been reduced by \$500,000.

These items above result in an overall unfavourable impact on the Parking Budget of \$609,000. This unfavourable variance is accommodated by the 2021 SRA Funding to the City.

The uncommitted balance of the Parking reserve is \$134,000 as of December 31, 2021. This balance reflects commitments made from this reserve in the 2022 budget.

Water / Wastewater Reserve

Appendix 3 has details regarding Water and Wastewater Operations. The fiscal year 2021 ends with a budget variance of \$4.14 million compared to a budgeted deficit of \$521,000. This results in a net surplus of \$3.62 million being transferred to the water and wastewater reserve at the end of 2021.

Water Budget

Water operations ended 2021 with a favourable variance of \$2.31 million compared to a budgeted surplus of \$456,000. During 2021, the City purchased less water than expected from Niagara Region resulting in a favourable variance of \$858,000 at year end. There was an increase in water billing revenue of \$319,000 over budget. This is mainly due to staff taking a conservative approach in estimating the unmetered water flow loss based on historic data and with the implementation of AMR (Automated Meter Reading). During 2021, the City's unmetered water flow loss has improved. It is unclear if this improvement is due to increased residential usage and decline in Industrial / Commercial / Institutional sector usage from the global pandemic or not. Staff will continue to monitor during 2022 to determine the permanency of this change. Other favourable variances totaling \$1.13 million occurred from cost savings in staff vacancies, deferred projects into 2022; alongside reduced equipment rentals and maintenance, materials and supplies.

Overall, the water operations ended 2021 with a net surplus of \$2.77 million.

Wastewater Budget

Wastewater operations ended 2021 with a favourable variance of \$1.47 million compared to a budgeted deficit of \$977,000. This positive year-end variance is due to revenues exceeding budgeted amounts by \$983,000; wastewater treatment charges being under budget by \$156,000; and operating costs being under budget by \$341,000. These positive impacts were offset by a small unfavourable balance in wastewater infrastructure costs of \$12,000. Therefore, the net surplus for wastewater for 2021 was \$0.49 million.

The total surplus of \$3.62 million in the Water and Wastewater Budget at 2021 year-end was transferred to the Water / Wastewater Reserve. There was a total of \$362,000 included in the total surplus due to unused budget funds from two completed sewer improvement projects in 2021.

The uncommitted balance of the Water / Wastewater Reserve is \$8.78 million as of December 31, 2021. This balance is net of 2022 budget commitments from this reserve.

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 \$39.82 million in proceeds comprising \$8.7 million of recapitalization dividends and \$31.12 million repayment of promissory notes (2005 - \$29.12 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 facility construction and purchases. In 2006 an internal 20-year loan for \$9.8 million to fund the Seymour-Hannah Sports and Entertainment Centre was provided from the CPF, rather than issuing debentures with similar terms.

The target for the CPF is set at a maximum of 2% of net City assets (see Report [FMS-B018-2021](#)). Based on 2020 audited statements, the targeted balance in the reserve is \$15.3 million.

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. A summary of the reserve activity is attached in Appendix 5.

When the 2022 budget commitments are considered, the uncommitted balance is \$4.39 million, which represents 29% of the targeted balance.

On July 12, 2021, Council approved a motion that included the following regarding the Civic Project Fund Policy (see [Report FMS-B018-2021](#)):

That annual usage of the Civic Project Fund for Operating Budget support be reduced by 20% of the 2021 level each year 2023 to 2026 targeting zero Operating Budget support from the Civic Project Fund starting in 2027; and

That the annual usage limit on special projects be set at 10% of the prior year ending balance of the Civic Project Fund starting in 2023; and

That the target balance of the Civic Project Fund be revised to 2% of the City's net assets.

Hydro Funds

The Hydro Funds Reserve holds the dividend income received by the City from St. Catharines Hydro to fund capital related projects. In 2021, the City received the 2020 year-end dividend from St. Catharines Hydro Generation Inc. in the amount of \$659,000. Overall, the hydro dividend and interest income received exceeded the 2021 annual budget by \$651,000. The surplus has been allocated to the Green Initiatives, Building Improvements, and Tax Rate Stabilization Reserves as per [Report FMS-B018-2021](#). As of December 31, 2021, the Hydro Funds Reserve has an uncommitted balance of \$560,000.

Allocation to Reserves

At the end of each year staff report 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 4. The reserve target balances have been updated to reflect the 2021 year-end amounts. Most of the City's reserve funds are not at their target balances.

The City's reserves and reserve funds are an essential part of sound financial planning and management. A strong financial standing is vital for long-term planning, sustainability and to ensure the City meets its future goals. According to the City's reserve framework, these reserves and reserve funds allow for:

- Financing of planned expenditures such as capital requirements or long-term liabilities.
- Protection against unforeseen events and stabilization of future program revenues and/or expenditures.
- Funding of irregular or occasional expenses i.e. municipal election every four years.

In light of the much-needed funding received from the upper-levels of government in 2021, the City was able to utilize this funding and other mitigation strategies to offset COVID-19 related pressures. The year-end surplus, as a result of the internal cost containment, should be transferred to the City's Tax Rate Stabilization Reserve to replenish the usage of \$2.5 million from this reserve to support the 2022 tax levy budget and to enhance long-term financial sustainability and continue to build resilience to the City's programs and operations.

Tax Rate Stabilization Reserve

Based on the 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 2022 budgeted tax levies are \$114.69 million. Therefore 10% equals \$11.5 million which would be the current maximum target balance.

With the positive 2021 year-end results, staff are recommending allocating the full tax levy surplus balance of \$2.42 million to the Tax Rate Stabilization Reserve. A total of \$3.27 million out of the Tax Rate Stabilization Reserve has been committed and

approved through the 2022 Operating Budget Process. With the addition of the 2021 year-end surplus the uncommitted reserve balance would be \$3.43 million.

At the time of this report, the estimated 2022 COVID-19 financial impact on the City including Meridian Centre and Transit Commission is approximately \$1.57 million.

FAIR Program Reserve

The transition from CLASS system to ActiveNet recreation software provided an opportunity to clean up and transfer stale credits with the City's FAIR (Fee Assistance in Recreation) Program. The current balance of the stale credits is \$29,961.

Staff recommend creating a new FAIR Program Reserve for these funds and any future stale credits on customer accounts to be written off and transferred to the Reserve.

The purpose of this Reserve is to increase the available funding for the City's FAIR program. The FAIR program offers financial assistance to eligible recreation program participants living with low incomes and helps enable greater access to the City's recreation and leisure activities. The funding could be used to potentially expand the FAIR program to allow for:

1. More applicants and greater access to a wider number of programs.
2. Remove the need to have an annual limit of the number of times each participant can apply annually.
3. Increase the subsidy rate from 50% to 75% or higher.

Customers requesting old credits from Class will be refunded from the FAIR Program Reserve.

Infrastructure Levy Policy

In 2016, Council approved the introduction of a separate infrastructure tax rate of 1% to be levied to help address the City's existing infrastructure deficit. The proposed policy update reflects the impacts of the current Asset Management Plans and the current infrastructure levy rate of 1.5%. Application of the Levy funding remains consistent with the prior policy. The 1.5% will be revisited in conjunction with the City's Asset Management Plans (AMP) that incorporate targeted levels of service, which will be provided prior to the 2025 legislated deadline.

The infrastructure levy will continue to fund projects that are less suitable for debt funding, and provide funding for components of projects that are ineligible for grant funding. The updated Infrastructure Levy Policy is in Appendix 6.

Reserve Balance Comparison

During the 2021 budget deliberations on December 13, 2021, Council directed staff to report back on how the City's reserve level compared to the municipal comparators. Chart 2 and Chart 3 below provide comparison between the City and its municipal comparators.

Chart 2 – Reserve Balance Comparison – Municipal Comparators

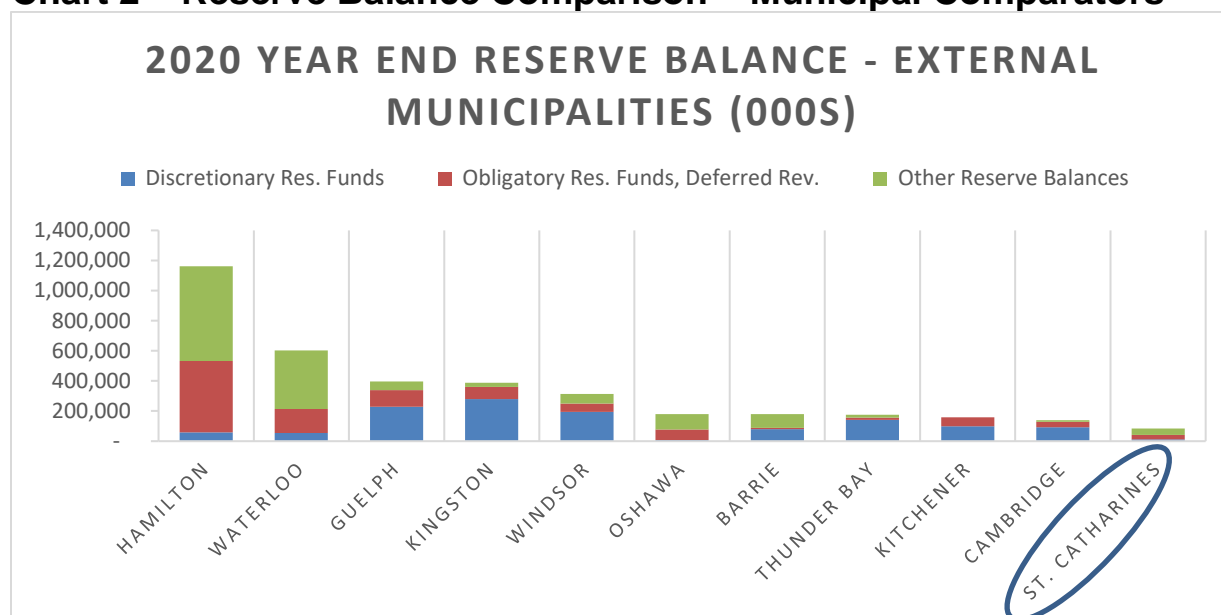
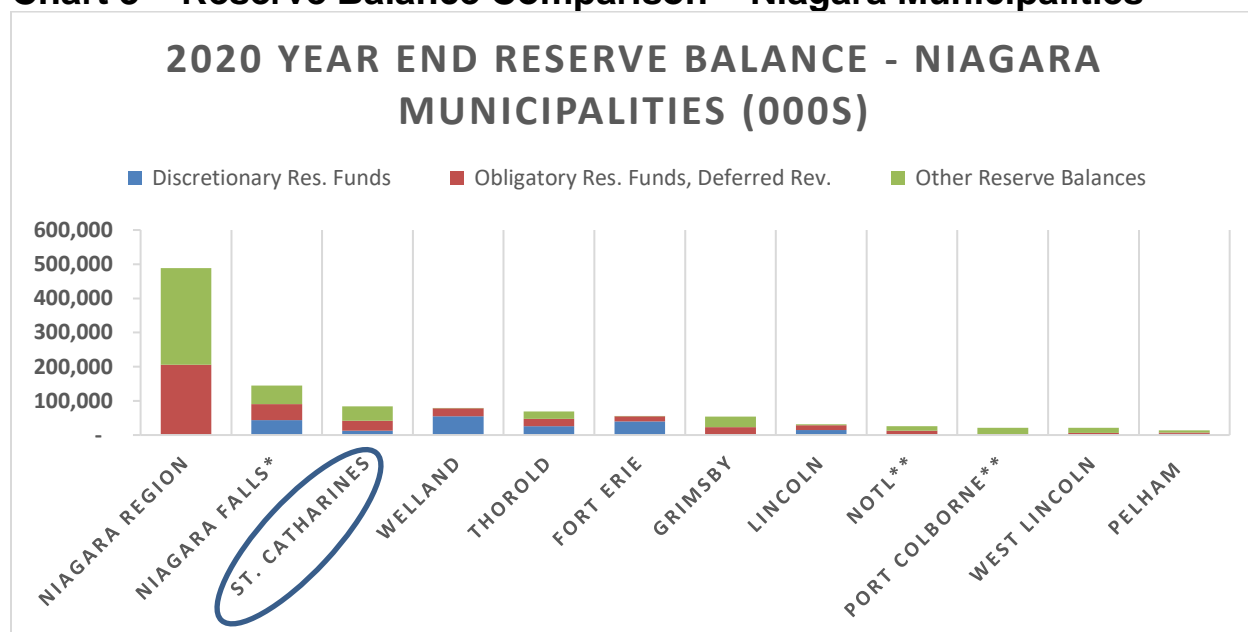


Chart 3 – Reserve Balance Comparison – Niagara Municipalities



Note: * The year-end reserve balances use 2020 Financial Information Return (FIR) data collected by the Ministry of Municipal Affairs and Housing (MMAH). 2019 FIR data was used for Niagara Falls as it is the most recent data available. ** Port Colborne and NOTL did not have an amount from 2020 BMA study, the 2019 BMA study values were used.

St. Catharines has the lowest reserve balance among the external municipal comparators, including when compared to comparators with similar population. When compared with Niagara's lower-tier municipalities, St. Catharines the second-highest reserve balance.

The annual BMA Study (Municipal Study 2020 from BMA management Consulting Inc.) provides analysis and comparison of the reserve levels of municipalities using the following Financial Indicators:

Reserve Financial Indicator One: Tax Discretionary as a Percentage of Taxation

This provides the total tax discretionary reserves and reserve funds using Schedule 60 of the Financial Information Returns (columns 2 and 3) in relation to total taxation (Schedule 10 of the Financial Information Return).

As indicated in Chart 4 and Chart 5, when compared to municipal comparators and other Niagara municipalities, St. Catharines' ratio ranks third lowest, which indicates that the City's discretionary reserve level is lower than the average level considering the total taxation amount for the municipality.

Chart 4 – Tax Discretionary as a Percentage of Taxation – Municipalities outside Niagara

External Municipalities	2020 Tax Discretionary as a % of Taxation (BMA Study)
Barrie	36%
Waterloo	43%
St. Catharines	46%
Guelph	52%
Kitchener	53%
Hamilton	56%
Windsor	68%
Thunder Bay	69%
Oshawa	74%
Kingston	79%
Cambridge**	80%

** Cambridge did not have an amount from 2020 BMA study and 2019 numbers were used.

Chart 5 – Tax Discretionary as a Percentage of Taxation – Niagara Municipalities

Niagara Municipalities	2020 Tax Discretionary as a % of Taxation (BMA Study)
NOTL**	42%
Niagara Region	44%
St. Catharines	46%
Pelham	50%
Lincoln	51%
Grimsby	75%
Port Colborne**	89%
Welland	113%
Fort Erie	114%
West Lincoln	141%
Thorold	175%

** Port Colborne, and NOTL did not have an amount from 2020 BMA study and 2019 numbers were used. Niagara Falls did not have 2020 or 2019 BMA Study values.

Reserve Financial Indicator Two: Tax Discretionary Reserves per Capita

This provides the total tax discretionary reserves in relation to the population. As indicated in Chart 6 and 7 on the next page, when using the discretionary reserve per capita, St. Catharines ranks the lowest among Niagara municipalities and the second lowest to external municipalities considering the population size of the municipality.

Chart 6 – Tax Discretionary Reserves per Capita – Municipalities outside Niagara

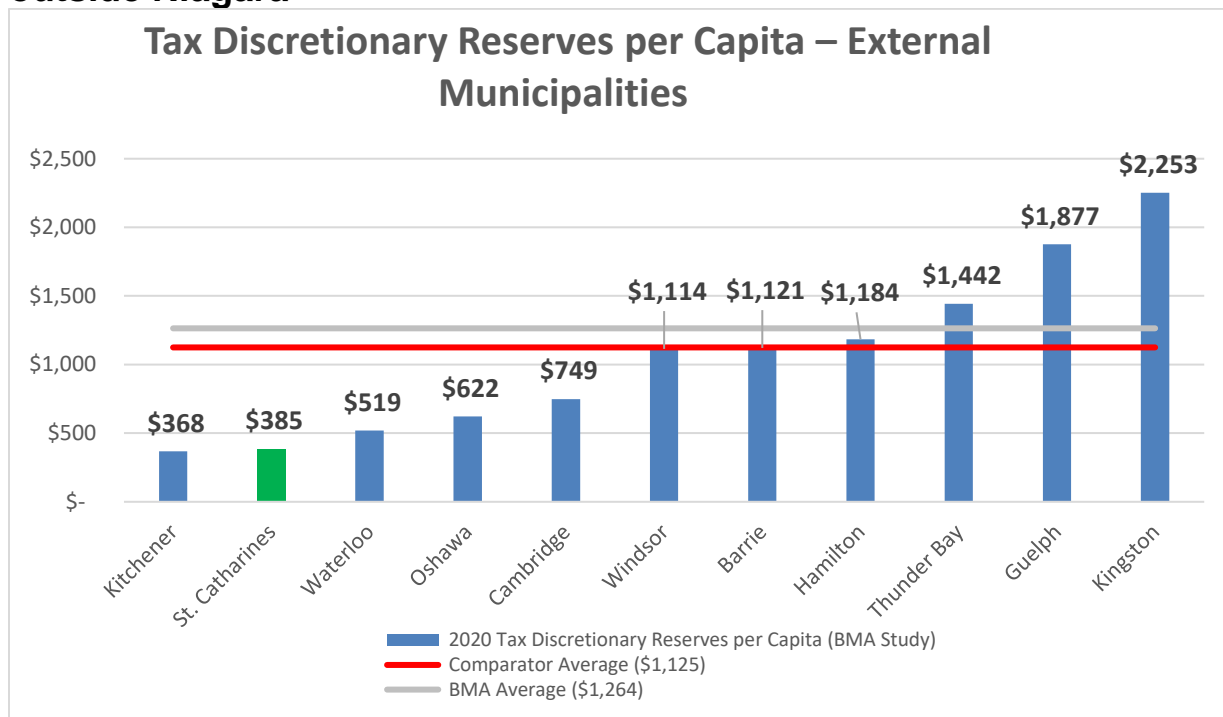
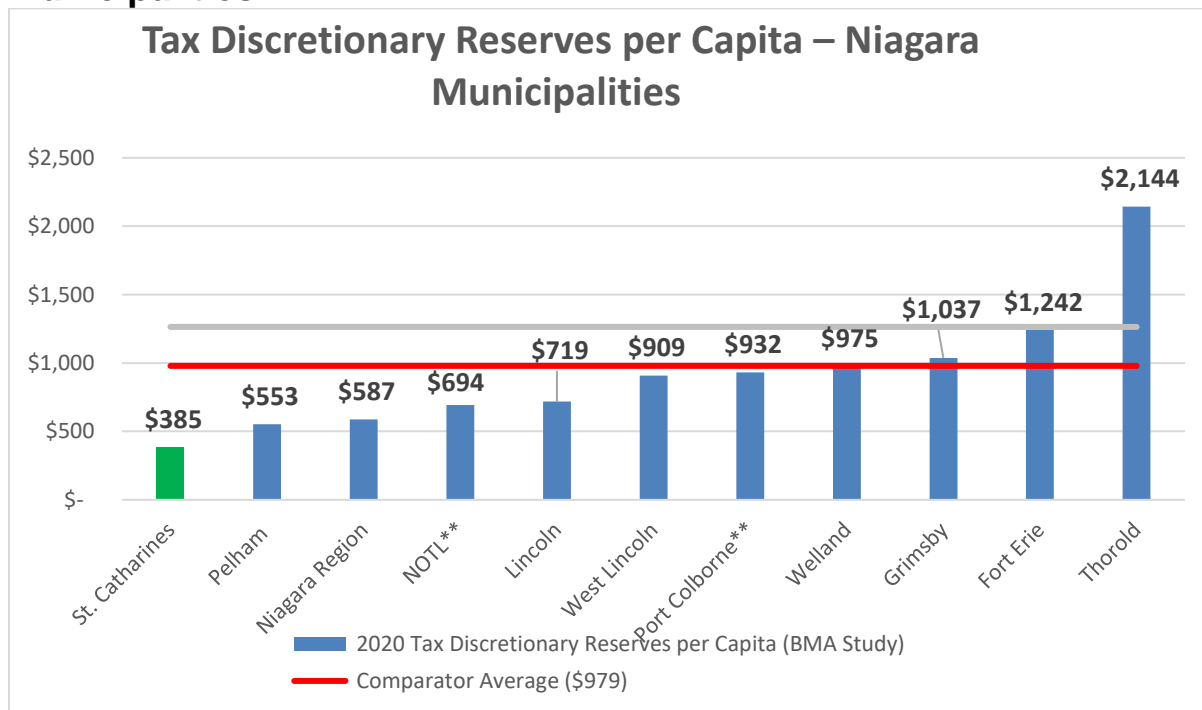


Chart 7 – Tax Discretionary Reserves per Capita – Niagara Municipalities



** Port Colborne and NOTL did not have an amount from 2020 BMA study and 2019 numbers were used. Niagara Falls did not have 2020 or 2019 BMA Study values.

When assessing the reserve balances in dollar amounts as well as based on financial indicators, the City of St. Catharines reserves levels trend unfavourably compared to the City's municipal comparators. The City needs to continue improving and monitoring the reserve balances to be more sustainable for future unexpected expenditures.

Financial Implications

This report is financial in nature with details throughout. The City's year-end result details for December 31, 2021 are provided in Appendix 1. The Parking Reserve and Water and Wastewater 2021 year-end results are in Appendix 2 and 3. The year-end balances of the City's current reserves and reserve funds are provided in Appendix 4. The activity of the Civic Project Fund is attached as Appendix 5.

Conclusion

This report on the City's 2021 Year-End Position and Reserves and Reserve funds is provided for information purposes. In addition, staff recommend that the 2021 year-end surplus of \$2.42 million be allocated to the Tax Rate Stabilization Reserve. This will assist in replenishing this reserve for usage in the 2022 tax levy budget of \$2.50 million.

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Appendices

- Appendix 1 – Operating Expenditure and Non-Tax Revenue Variance as at December 31, 2021
- Appendix 2 – 2021 Parking Reserve Financial Update
- Appendix 3 – 2021 Water & Wastewater Financial Update
- Appendix 4 – Year End Reserve Balances as at December 31, 2021
- Appendix 5 – Civic Project Fund – Summary of Activity 2005 to Present
- Appendix 6 – Updated Infrastructure Levy Policy

	2021 Actuals	2021 Budget	% Used	Budget to Actual \$ Variance Favourable / (Unfavourable)	Year End Variance Comments
Office of Mayor and Members of Council	864,432	838,107	103.14%	-26,325	Unfavourable variance due to LUMCO increase in fees and higher than expected Council Integrity Commissioner expense.
Grants and Committees	15,940	18,000	88.55%	2,060	
City Departments					
CAO	1,804,491	1,821,211	99.08%	16,720	Postive variance due to vacancy of Deputy CAO.
COVID-19	1,603,910	467,500	343.08%	-1,136,410	These are COVID-19 costs for personal protective equipment (PPE) purchases, staff overtime, additional temporary securities (at beaches, Morningstar Mill, City Hall, arenas etc.), and increased cleaning services at City facilities.
Legal Services and Clerks	1,910,204	1,725,510	110.70%	-184,694	Unfavourable variance due to revenue losses of licensing and civil ceremonies, significantly higher than budgeted legal and court costs. Partially offset by staff vacancies and other discretionary cost savings.
Planning and Building Services	1,480,013	2,233,084	66.28%	753,071	Favourable variance due to higher than budgeted revenues, during the 2021 budget development the uncertainty led PBS to budget significantly less revenues. In addition there were vacancies within PBS that also contributed to a favourable variance.
Fire Services	26,011,396	26,568,475	97.90%	557,079	Favourable variance due to vacancies, deferred hiring, and COVID sick leave.
Fire Services Salaries/Wages-Overtime	2,133,490	1,099,998	193.95%	-1,033,492	
Fire Services Sick Pay	1,088,336	1,099,999	98.94%	11,663	

	2021 Actuals	2021 Budget	% Used	Budget to Actual \$ Variance Favourable / (Unfavourable)	Year End Variance Comments
Economic Development & Tourism	1,319,289	1,345,113	98.08%	25,824	Favourable variance due to vacancy partially offset by unfavourable variance due to revenue loss in tourism promotion
Engineering, Facilities and Environmental Services	9,665,053	10,193,487	94.82%	528,434	Favourable variance due to staffing vacancies and COVID-19 shutdown of facilities reducing operating costs & staffing requirement. Partially offset by unfavourable revenue loss variance due to government mandated restrictions shutting down facilities.
Municipal Works	19,091,365	20,141,206	94.79%	1,049,841	Favourable variance significantly due to wage savings (vacancies, facility shutdown), and Contract work not completed. Partially offset by revenue loss due to facility shutdowns and equipment costs.
Community, Recreation and Culture Services	6,434,327	7,134,619	90.18%	700,292	Favourable variance due to staffing vacancies and COVID-19 shutdown of facilities reducing operating costs & staffing requirement, partially offset by revenue loss from facility shutdown.
Meridian Centre	1,201,286	718,509	167.19%	-482,777	<p>The Meridian Centre ended 2021 with an unfavourable variance of \$107,000. The total revenue loss for Meridian Centre was \$997,000 which was partially offset by reduction in indirect expenses of \$550,000, mainly due to cost mitigations in employee wage and benefits, operating and administration costs due to the facility being closed and number of events canceled due to the global pandemic. This unfavourable variance was further mitigated with the receipt of the Canadian Employer Wage Subsidy (CEWS) during 2021 of \$340,000.</p> <p>The additional support the City provided to Meridian Centre in the amount of \$353,000 was covered by the COVID-19 funding received by upper levels of government. In addition there was a total of \$22,000 more than budgeted expenses in insurance premiums, service contracts, and building repairs.</p>

	2021 Actuals	2021 Budget	% Used	Budget to Actual \$ Variance Favourable / (Unfavourable)	Year End Variance Comments
Financial Management Services	4,050,750	3,847,336	105.29%	-203,414	Unfavourable variance due to insurance premiums increasing, partially offset by staffing vacancies and revenue fees collected
Corporate Support Services	5,945,108	6,167,504	96.39%	222,396	Favourable variance due to staffing vacancies within the IT department and HR department.
Contribution to Capital	1,000,000	1,000,000	100.00%	0	
Total City Departments & Commissions	82,397,564	84,219,661	97.84%	1,822,097	
Debt Repayment	15,670,189	15,630,984	100.25%	-39,205	Unfavourable variance since the budget is due to unbudgeted interest of 2021 debt issuance.
Total City Expenditures	98,067,753	99,850,645	98.21%	1,782,892	

	2021 Actuals	2021 Budget	% Used	Budget to Actual \$ Variance Favourable / (Unfavourable)	Year End Variance Comments
Outside Boards and Commissions					
First Ontario Performing Arts Centre	1,658,829	1,658,054	100.05%	-775	<p>The PAC had a positive yearend position of \$179,000 for 2021. The PAC experienced significant negative impact on their revenues compared to budget of approximately \$1,238,000 which was offset by measures such as staffing reductions during the year and effective cost containment and mitigations from expenses such as programming, production and marketing these measure resulted in a total savings of \$1,417,000. The surplus will be transferred to PAC internal reserve for future usage and the PAC closed the 2021 year with a balanced budget (zero variance).</p> <p>The small unfavourable variance of \$775 for the PAC at yearend is due to higher than budgeted building insurance premium offset by cost savings from retiree compensation on the city side.</p>
Library Board	5,677,708	5,677,708	100.00%	0	<p>The Library ended 2021 with a favourable variance of \$217,000. Salaries and Benefits were under budget by \$454K which is a main contributing factor to the year end surplus. The positive Salaries & benefits variance is due to retirements and vacancies, as well as security costs being under budget and part time staff working fewer hours. Miscellaneous Revenues continued to be negatively impacted by the pandemic. Fewer physical materials circulated, programs were cancelled and rentals were not available. In addition, introduction of fine-free for children, teens and seniors reduced revenue. Lower interest rates had a negative impact the interest income. The year-end surplus was transferred to an internal reserve to support the 2022 replacement of the HVAC system.</p>

	2021 Actuals	2021 Budget	% Used	Budget to Actual \$ Variance Favourable / (Unfavourable)	Year End Variance Comments
Transit Commission	13,652,091	13,636,596	100.11%	-15,495	The St. Catharines Transit Commission has a 2021 year-end surplus of approximately \$600,000. This is due to more Safe Restart funding received from the Province than was budgeted in the 2021 year. The Surplus is to be utilized towards Transit's 2022 budget, as was approved by Council. Safe Restart Funding was able to cover significant reductions in revenue and additional costs due to COVID. The unfavourable variance is due to unbudgeted interest of 2021 debt issuance.
Niagara District Airport	441,673	436,842	101.11%	-4,831	Unfavourable variance due to an unbudgeted Governance Report Charge (Invoice 21255)
Total Expenditures	119,498,054	121,259,845	98.55%	1,761,791	
Total Tax Levy & Non-Tax Revenues	-121,917,372	-121,259,845	100.54%	657,527	Unfavourable variance due to higher than budgeted tax appeals and write-offs, POA revenue, and penalty and interest. Offset by favourable investment and bank interest income, Supplemental Taxes, court proceeds for property tax sales, Vacancy rebate, PILs and miscellaneous revenues (Visa rebate and WSIB NEER rebate) are also a favourable variance at year-end. The Safe Restart and COVID-19 Recovery Funding received is included in the actual yearend result in this section.
Net Tax Levy Budget	-2,419,317	0	100.00%	2,419,317	

**City of St. Catharines
Parking Meter Reserve Fund
December 31, 2021**

Account #320.100.000

Balance at January 1, 2021 1,048,579

Revenues

Parking Meters	420,123	
Parking Violations	461,443	
Off Street parking	461,338	
Ontario Street Parking Garage	134,586	
Carlisle Street Parking Garage	272,942	
Transfer from Tax Levy to Parking	750,000	
Interest Earned	8,948	2,509,380

Expenditures

Parking Meters	231,133	
Parking Violations	689,367	
Off Street parking	315,384	
Ontario Street Parking Garage	610,573	
Carlisle Street Parking Garage	1,339,126	3,185,583

Safe Restart Funding Allocation from Tax Levy 609,404

Annual Surplus/(Deficit) (66,799)

Balance at December 31, 2021 981,780

2022 Budget Commitment 847,556

Uncommitted Balance at December 31, 2021 134,224

**City of St Catharines
Water/Wastewater Budget Summary**

3

	2021 Budget	2021 Actuals	Favourable / (Unfavourable)	2020 Actuals
Reserve at Beginning of Year	\$ 6,133,084	\$ 6,133,084		\$ 5,237,749
Water Revenues	(25,471,070)	(25,789,985)	318,915	(25,311,012)
Less: Water Region expenditures	12,265,272	11,406,957	858,315	11,800,682
Wastewater Revenues	(29,763,018)	(30,746,564)	983,546	(28,380,248)
Less: Wastewater Region expenditures	22,996,058	22,839,657	156,401	21,799,094
Safe Restart Funding			-	(854,282)
Net Revenue	<u>(19,972,758)</u>	<u>(22,289,935)</u>	<u>2,317,177</u>	<u>(20,945,765)</u>
City Expenditures				
Water Operating costs	7,829,808	6,695,588	1,134,220	6,774,039
Water Debenture debt	395,165	397,712	(2,547)	426,247
Water Infrastructure costs	4,524,250	4,523,225	1,025	5,952,806
Sewer Operating costs	4,558,657	4,217,385	341,272	3,691,226
Sewer Debenture debt	767,390	767,390	-	775,933
Sewer Infrastructure costs	<u>2,418,000</u>	<u>2,430,290</u>	<u>(12,290)</u>	<u>3,063,343</u>
	<u>20,493,270</u>	<u>19,031,589</u>	<u>1,461,681</u>	<u>20,683,594</u>
Suplus Transfer from Completed Capital Water Improvement Project		(362,489)	362,489	(633,164)
Net Expenditure/(Revenues)	<u>520,512</u>	<u>(3,620,835)</u>	<u>4,141,347</u>	<u>(895,335)</u>
Reserve at End of Year	<u>5,612,572</u>	<u>9,753,919</u>		<u>6,133,084</u>
2022 W/WW Budget Commitment		974,329		
Uncommitted Reserve Balance as of December 31, 2021		<u>\$ 8,779,590</u>		

City of St. Catharines - Reserves and Reserve Funds

Reserve Name	Purpose	Revenues	Expenditures	Reserve Balance	Commitments	Available Balance	Targeted Balance	Basis for Targeted Balance	Basis for Target Maximum Level of Funding
CAPITAL RELATED									
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	\$ 2,265,205	\$ -	\$ 2,265,205	\$ 9,933,999	- Maximum balance of 75% estimated replacement cost of major fire fighting equipment	- Maximum balance of 5 years worth 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	\$ 4,796,467	\$ 676,848	\$ 4,119,619	\$ 9,748,057	- Maximum balance of 75% of total estimated replacement cost of motor vehicle equipment owned by the City	- Maximum balance of 50% of total estimated replacement cost of motor vehicle equipment owned by the City Estimated replacement cost as at December 31, 2021: \$19,496,113 x 50% = \$9,748,057
Building Improvement	Provide for commitments to building improvement projects	- Annual operating budget contribution - Grants/rebates on building improvement expenditures	- Building improvement projects	\$ 2,604,029	\$ 1,992,656	\$ 611,373	\$ 49,564,240	- Maximum balance of 10% of total estimated replacement cost of buildings owned by the City	- Maximum balance of total estimated replacement cost of buildings
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	\$ 364,000	- Maximum balance of 25% of annual Cemetery revenues	- Maximum balance of total estimated replacement cost of cemetery capital assets
Infrastructure Levy Reserve	To support funding projects that are less suitable for debt funding, and to provide funding for components of projects that are ineligible for grant funding.	-Council has approved the infrastructure levy to be equal to one percent 1.5% (2016-2020 - 1%) of the City's portion of the current year tax levy. -The 1.5% established in 2020 will be revisited in conjunction with the Asset Management Plans that incorporate targeted service levels, which will be provided prior to the 2025 legislated deadline.	-as per Infrastructure levy policy	\$ 3,428,249	\$ 3,077,582	\$ 350,667	-No upper funding level as infrastructure gap is significant	-No upper funding level as infrastructure gap is significant	
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 without tax base support or debt financing	- 50% of the \$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	\$ 260,849	\$ 66,100	\$ 194,749	\$ 5,493,629	- Maximum balance of 10% of total estimated replacement cost of PAC less equipment \$54,936,287 x 10% = \$5,493,629	
FirstOntario Performing Arts Centre - Equipment Reserve	The purpose of the reserves is to ensure that the equipment remains in a good and modern state throughout its lifecycle without tax support or debt financing.	- 50% of the \$2 surcharge added to each ticket sold at the PAC	- Capital items used in PAC operations (replacement of equipment) - Unforeseen or unbudgeted/new equipment expenditures	\$ 106,935	\$ 91,527	\$ 15,408	\$ 74,051	- Maximum balance of 10% of total estimated replacement cost of PAC equipment \$740,511 x 10% = \$74,051	

Reserve Name	Purpose	Revenues	Expenditures	Reserve Balance	Commitments	Available Balance	Targeted Balance	Basis for Targeted Balance	Basis for Target Maximum Level of Funding
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	
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	\$ -	\$ 195,338	5,890,745	- Maximum balance of 10% of net facility assets. Net facility assets as at December 31, 2021: \$58,907,448 x 10% = \$5,890,745	
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	\$ 613,320	\$ 613,320	\$ -	1,500,000	- Projected cost of future mausoleum construction incorporating construction price index	- Projected cost of future mausoleum construction incorporating construction price index
Green Initiatives Reserve (New FMS-B004-2021)	The purpose of the reserve will be to provide partial funding to capital projects that incorporate enhanced energy efficiency attributes.	- 25% of Hydro dividends excess over budget (per FMS-B010-2021) - incentive rebates from completed projects and energy cost savings	- capital expenses related to the Energy Conservation and Demand Management Plan (CDMP)	\$ 371,553	\$ 371,553	\$ -	350,000	The target balance of \$350,000 reflects the intent to grow the reserve from the receipt of rebates and savings over time and will need to be re-evaluated based on actual experience.	
TOTAL CAPITAL RELATED				\$ 14,661,381	\$ 6,889,586	\$ 7,771,795			

Reserve Name	Purpose	Revenues	Expenditures	Reserve Balance	Commitments	Available Balance	Targeted Balance	Basis for Targeted Balance	Basis for Target Maximum Level of Funding
CONTINGENCY									
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	\$ 1,362,152	\$ 1,362,152	\$ -	\$ 6,075,000	\$6,075,000 - Total accumulated accrued vested & non-vested sick leave liability calculated at December 31, 2021	- Maximum balance sufficient to pay all accumulated sick leave for eligible employees
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.	\$ 9,745,147	\$ 9,745,147	\$ -	N/A	Fluctuates as Balance is dependent on obligations for which payment is outstanding at year end	- Total unspent dollars required to fund Council approved expenditures that have not yet been spent
Community Improvement Plan Reserve	To fund the City Community Improvement Plan	-Annual operating budget contribution	-Council Approved CIP projects	\$ 7,225,277	\$ 7,225,277	\$ -		No upper limit as this program is paid out over several years (3,5 or 10)	
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)	\$ 1,443,437	\$ -	\$ 1,443,437	\$ 2,271,667	- Maximum balance equating to 100% of the previous five year rolling average of Winter Control Program expenditures - Rolling average for 2017 to 2021 \$2,271,667 - Target Balance should be updated annually to the current rolling average of program expenditures	- Maximum balance of one year's worth of winter control expenditures - Sufficient to cover future potential winter control deficits
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	\$ 649,573	\$ 649,573	\$ -	\$ 650,000	-Target Balance represents the cost of the municipal election which occurs every four years. With internet voting option provided, the cost is up to \$650,000	
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	-unknown litigation matters and legal cost and claims below City's insurance premium deductible	\$ 739,481	\$ 205,070	\$ 534,411	\$ 900,000	-Target balance represents approximately 50% of the annual self-insurance; and legal & court cost expenditures; and potential OMB appeals	

Reserve Name	Purpose	Revenues	Expenditures	Reserve Balance	Commitments	Available Balance	Targeted Balance	Basis for Targeted Balance	Basis for Target Maximum Level of Funding
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	\$ -	\$ 229,997	\$ 150,000	-\$150,000 for event fund portion.	
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	\$ 0	- 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
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	\$ 981,782	\$ 847,556	\$ 134,226	\$ 5,954,454	- Maximum balance of 10% of total estimated replacement cost of parking infrastructure owned by the City	- Maximum balance of total estimated replacement cost of parking capital assets
Water & Wastewater Surplus Reserve	To support water and wastewater capital needs	- annual net water and wastewater account activity	- water and wastewater capital improvements	\$ 9,753,919	\$ 974,329	\$ 8,779,590	\$ 2,400,000,000	Upper limit based on 4% of the current estimated water replacement value of \$1,363M and wastewater replacement value of \$1,037M	
Welland Canal Fallen Workers Memorial Reserve (New FMS-B004-2021)	To provide supplementary dedicated funding for capital maintenance and preservation of the Memorial approved through annual budgeting processes.	- Surplus donation revenues collected for memorial project	- Emergency repairs deemed necessary that cannot be accommodated within the existing budgets and will be approved through existing emergency procurement processes	\$ 235,000	\$ -	\$ 235,000	\$ 235,000	The target balance of \$235,000 is based on 20% of the asset cost and will need to be re-evaluated based on actuals	
TOTAL CONTINGENCY				\$ 32,371,423	\$ 21,014,762	\$ 11,356,661			
DISCRETIONARY									
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	\$ 9,732,698	\$ 5,338,585	\$ 4,394,113	\$ 15,342,640	- Maximum balance of 2% of net City assets.	- Maximum balance of estimated replacement cost of major City facilities including: First Ontario Performing Arts Centre, Meridian Centre, Seymour Hannah, Kiwanis Aquatic Centre

Reserve Name	Purpose	Revenues	Expenditures	Reserve Balance	Commitments	Available Balance	Targeted Balance	Basis for Targeted Balance	Basis for Target Maximum Level of Funding
NON-DISCRETIONARY (OBLIGATORY)									
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)	\$ 3,242,537	\$ 319,900	\$ 2,922,637	\$ 2,944,098	- Maximum balance of one year's worth of building permit department's revenues. Balance represents 2021 budgeted revenues for Building & Plumbing department - Sufficient to cover future potential net building permit deficits	
Gas Tas 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	\$ 3,088,166	\$ 3,088,166	\$ -	- 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, 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 Canada Community-Building Fund (formerly Federal gas Tax Fund) Agreements	\$ 18,803,012	\$ 11,839,897	\$ 6,963,115	- 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.
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	\$ 3,562,412	\$ 184,205	\$ 3,378,207	- 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
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	\$ 1,372,497	\$ 17,493	\$ 1,355,004	- 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
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	\$ 900,032	\$ 900,032	\$ -	- 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

Reserve Name	Purpose	Revenues	Expenditures	Reserve Balance	Commitments	Available Balance	Targeted 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	\$ 4,069,799	\$ 1,263,690	\$ 2,806,109	N/A	- 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
TOTAL NON-DISCRETIONARY (OBLIGATORY)				\$ 35,038,454	\$ 17,613,383	\$ 17,425,071			
WORKING CAPITAL									
Hydro Funds	One time hydro funding source	-One time special dividend received from Hydro	-Operating Budget support	\$ 1,836,202	\$ 1,280,985	\$ 555,217	- N/A - One-time funding	- N/A - One-time funding. Usage to be determined by Council within this report	
TAX RATE STABILIZATION RESERVE									
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	\$ 4,283,848	\$ 3,272,846	\$ 1,011,002	\$ 11,469,000	- Maximum balance of 5% to 10% of annual total tax levies. 2022 budgeted tax levies: \$114,690,811 x 10% (maximum) = \$11,469,000	- Three years worth of inflation x total operating expenditures - Three years worth of total tax levy increases
TOTAL RESERVE AND RESERVE FUNDS				\$ 97,924,006	\$ 55,410,147	\$ 42,513,859			

Civic Project Fund Reserve
Activity from 2005 to 2021
In \$000's

	Year of transaction/s	Including 2021 Budget	Including 2021 Actuals	Variance
Inflows/Revenues:				
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	2016-2020	13	54	41
Interest income	2005-2021	12,090	12,351	261
Land sales and other	2008-2021	1,290	1,562	272
Total Inflows/Revenues		53,216	53,791	575
Uses/Expenditures:				
Operating related (recurring)				
Interest redirected to operating fund	2006-11&2014-17	5,571	5,406	165
Grants	2007-2021	797	586	211
Festivals, civic celebrations and receptions	2008-2021	1,280	851	429
Cultural investment program (SCCIP)	2007-2021	2,657	2,295	362
Physician recruitment	2007-2021	612	506	106
Culture	2007 & 2016-21	358	290	68
Total operating related		11,274	9,934	1,341
Capital related (one-time)				
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)
Safe Swimming Initiative at Sunset Beach	2019-2020	13	6	7
101 South Drive	2019-2021	130	123	7
Additional DC & CBC Background Studies, Inclusionary Zoning	2019-2020	175	-	175
Labyrinth Project	2019-2020	35	-	35
Needle Pick-up Program	2020	350	-	350
Other (includes GM Secondary Plan & Council SP Update)	2016-2020	191	104	87
Henly Rowing Course Building Permit Refund	2021	-	28	(28)
One-Time COVID-19 Related Support	2021	2,822	-	2,822
Total capital related & one-time		37,655	34,125	3,530
Total Uses/Expenditures		48,929	44,058	4,870
Reserve Ending Balance December 31,2020		\$ 4,287	\$ 9,733	\$ 5,446

Table 2
Uncommitted Civic Project Fund Balance
As at December 31,2021
in \$000's

	2021
Ending Balance December 31, 2021	\$ 9,733
Internal Loan for Seymour Hannah Complex	9,700
Less principal repayment	6,248
Outstanding principal amount	3,452
Less 2022 Budget & Council Approved Commitment	1,887
Forecast available reserve balance	\$ 4,394

Subject: Infrastructure Levy

Prepared by: Financial Management Services

Approved by: Budget Standing Committee

Issue Date: June 20, 2016

Review Date: March 28, 2022

Revision Date: June 30, 2025

Policy

To establish the parameters for the usage for the City's Infrastructure Levy. City Council, at the March 8, 2016 meeting, approved that a separate infrastructure tax rate be levied to help address the City's existing infrastructure deficit.

Purpose

An infrastructure levy is a tool that will help address the infrastructure deficit and demonstrate accountability and transparency to the taxpayers about how funds are allocated and for what purpose.

As reported in the City's 2021 Asset Management Plan (AMP) for core assets¹ there is an investment shortfall for tax-based expenditures of around \$20.8M annually to maintain the current condition of the assets that support stormwater, transportation and structures.² The AMP for non-core assets³ which will be completed prior to July 1 2023 will quantify the funding shortfalls for these assets. As a result, the City's infrastructure deficit continues to grow every year. The infrastructure levy is one tool that will help address this infrastructure deficit. For that reason, any funds not allocated in the year will be maintained in a reserve for use in future years for eligible projects.

Scope

Each year that this policy is in place, staff will include the infrastructure levy in the development of the annual operating budget. Currently the Budget Standing Committee recommended, and Council has approved the infrastructure levy to be equal to one percent 1.5% (2016-2020 - 1%) of the City's portion of the current year tax levy. The 1.5% established in 2020 will be revisited in conjunction with the Asset Management Plans that incorporate targeted service levels, which will be provided prior to the 2025 legislated deadline.

¹ Core Assets include rate supported Water and Wastewater and tax supported Stormwater, Transportation and Structures (bridges)

² Asset Management Plan for Core Assets 2021 page xii

³ Non-Core Assets includes City Facilities, Parks, Playgrounds, Information Technology Systems, Land Improvements, Trees, Vehicles, Machinery and Equipment

There is no upper funding level for the Infrastructure Levy Reserve. Any unspent funds will remain in the reserve for allocation in the following year's capital budget.

Application:

Eligible tax supported renewal and replacement projects to be funded from the infrastructure levy include:

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

The infrastructure levy will be utilized to fund projects that are less suitable for debt funding, and to provide funding for components of projects that are ineligible for grant funding.

Each year during the development of the City's annual capital budget and four-year forecast staff will identify projects to be funded from the infrastructure levy for Council's approval.