

Reserves and Reserve Funds



Reserves and reserve funds are a critical financial tool for increasing the City's sustainability and flexibility while reducing vulnerability, and are a key component of the City's long-term financial strategy. They provide options to respond to unexpected issues, phase-in funding impacts over-time as well as reduce reliance on debt. The City's General Reserve and Reserve Fund Policy guides the use of these funds, establishes sufficiency targets and dictates spending authority. The City has 68 reserve and reserve funds however this can change with legislative requirements and special programs. For the most effective and efficient management of funds, the City tries to minimize the number of reserves where possible, taking a whole-city corporate approach rather than department-specific funds.

The 2021 operating budget and 2022–2024 forecast leverages reserves and reserve funds to smooth the impact of one-time expenditures, provides for informal inter-reserve borrowing to mitigate debt requirements and continues to build funds towards policy targets.

2021 activity

Tax operating contingency

- \$245K base transfer into the reserve
- \$608K to be transferred in 2021, 2022 and 2023 to phase-in the future South End Community Centre operating budget
- \$350K transferred out for emergency grant programs that support community non-profit organizations across all sectors to respond to the effects of COVID-19.
- \$350K transferred out to support tourism and hospitality sector businesses and ensure the safe reopening of travel and tourism in our community
- \$125K transferred out for municipal service assessments in response to COVID
- \$115K transferred out for continued work on Council Composition Review
- \$191K transferred to Paramedic Services to mitigate tax rate impacts caused by one-year delay in provincial grant timing

Compensation contingency

- \$138K transferred out for extension of the HR data and compensation analyst for a third year
- \$79K transferred out for staff resources related to the upcoming election

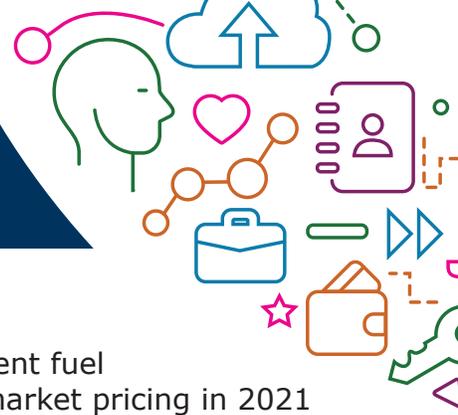
Community investment

- \$360K to be transferred out in 2021 to offset program costs identified by the 2019 Community Investment Strategy. The balance in the reserve will be significantly depleted by 2023 as outlined in the September 23, 2019 Staff Report PS-2019-20 Revised Community Investment Strategy

Strategic initiatives

- \$100K base transfer into the reserve
- \$149.6K transferred out for continued community plan and strategic plan work

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Environment and utility contingency

- \$138K transferred in relating to partial savings derived from current fuel price decline; mitigation strategy for potential quick rebound in market pricing in 2021

Court Services operating contingency

- \$38K transferred in from red light camera fine revenue

Stormwater operating contingency

- \$175K transferred in to build contingency balance to target levels

Redevelopment incentives

- \$3.2M transferred in as base transfer to fund the Community Improvement Plan incentive program
- \$3.4M transferred out to fund contractual tax-based increment grant incentive payments

Corporate Capital Reserve Funds

- \$997K transferred to Wastewater Capital Reserve Fund to repay internal borrow for the LED street lighting project, full report to come to Council regarding repayment in early 2021
- All other transfer activity relates to the capital funding strategies as follows:
 - [Infrastructure Renewal Strategy](#)
 - [Growth Strategy](#)
 - [City Building Strategy](#)
 - [Contaminated Sites Strategy](#)
 - [100RE Strategy](#)

Development Charge (DC) Reserve Funds

- Projected DC collections are \$28.6M in 2021, which is approximately 78 percent of the collections identified in the DC Background Study and reflective of pre-COVID-19 actual pace of growth
- Investment in growth-related capital infrastructure will total \$106.45M in 2021; key projects include the Main Branch Library and South End Community Centre

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Table 1 – Forecasted Reserve and Reserve Fund activity and balances from 2021 to 2024

Reserve and Reserve Fund Types	2020 Year-end Uncommitted Balance	2021 Transfers In	2021 Transfers Out	2021 Projected Year-end Uncommitted Balance	2022 Net Transfers	2023 Net Transfers	2024 Net Transfers	2024 Projected Year-end Uncommitted Balance
Tax Supported Corporate Contingency Reserves	18,545,010	1,121,847	(1,528,905)	18,137,952	1,728,000	1,728,000	1,728,000	23,321,952
Tax Supported Program Specific Reserves	16,882,225	872,075	(500,000)	17,254,300	(343,712)	379,969	384,035	17,674,592
Tax Supported Strategic Reserves	(16,146,115)	3,775,000	(4,026,024)	(16,397,139)	(1,487,587)	221,899	278,945	(17,383,892)
Tax Supported Program Specific Reserve Funds	3,577,606	5,111,900	(3,130,600)	5,558,906	2,667,170	2,668,470	992,870	11,887,416
Tax Supported Corporate Capital Reserve Funds	18,098,792	37,189,071	(48,878,960)	6,408,903	(13,860,497)	(4,921,569)	(1,463,156)	(13,836,319)
Non-Tax Supported Program Specific Reserves	4,802,584	213,070		5,015,654	200,000			5,215,654
Non-Tax Supported Capital Reserve Funds	57,884,084	40,023,377	(42,668,565)	55,238,896	(23,085,032)	(13,519,752)	(11,456,491)	7,177,621
Obligatory Corporate Reserve Funds	13,518,822	12,762,160	(9,144,298)	17,136,684	(542,503)	10,183,533	(6,047,600)	20,730,114
Development Charge Reserve Funds	54,884,718	28,606,800	(55,255,564)	28,235,954	(39,099,961)	125,109	4,381,998	(6,356,900)
Total	172,047,726	129,675,300	(165,132,916)	136,590,111	(73,824,122)	(3,134,351)	(11,201,399)	48,430,239

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Table 1 shows the City’s planned activity and forecasted balances of reserves and reserve funds by the end of 2024. Notable context and assumptions for the ending forecasted position is as follows:

- Tax Supported Corporate Contingency Reserves—the City is forecasting a stable balance which is due in large part to the \$12M in Safe Restart Emergency Grant funding provided by the Federal and Provincial governments in 2020 to offset the impacts of COVID-19 on City operations. Given the long-term financial effects of COVID-19 expected, this group of reserves will likely be relied upon through the forecast period; however an estimate could not be made, or included at this time.
- Tax Supported Strategic Reserves—the projected deficit is due to the Industrial Land Reserve which was used to fund land development at the Hanlon Creek Business Park (HCBP). As per Council direction, the City is currently working to sell Phase 3 of the HCBP, as well as continue to sell land inventory in Phase 1. Current expectations are that these activities will result in sale proceeds sufficient to replenish the reserve deficit position. This revenue is not reflected in Table 1 due to uncertainty of timing.
- Tax Supported Corporate Capital Reserve Funds—the projected deficit by 2024 is due to the impact of the unfunded City Building Strategy. Staff is seeking Council approval to develop a new, plan that would address this concern before the 2022 capital budget development.
- Non-Tax Supported Capital Reserve Funds—as Water, Wastewater and Stormwater Services continue with implementing their asset renewal plans, the reserve fund balances are forecasted to decrease by \$50.7 million between 2021 and 2024. Updates to associated master plans will inform long-term funding required to return to sustainable balances over time.
- DC Reserve Funds—there is \$209M of growth-related capital spending planned between 2021 and 2024. Debt will need to be issued as a financing tool in order to align the cost with DC revenue collection. Table X shows the reserve fund balances net of debt outstanding in each year. Further work will be done in 2021 through the update of the DC Bylaw, to ensure forecasted DC reserve fund spending is consistent with the pace and requirements for growth.