



Report
Staff Report
 The Corporation of the City of Brampton
 5/22/2024

Date: 2024-04-16

Subject: **2023 Year End Reserve Report**

Contact: Nash Damer, Treasurer, Finance

Report number: Corporate Support Services-2024-360

RECOMMENDATIONS:

1. That the report from Nash Damer, Treasurer, Finance to the Committee of Council Meeting of May 22, 2024, re: **2023 Year End Reserve Report**, be received.

OVERVIEW:

- For the year ended December 31st, 2023, the Corporation maintained a fund balance of \$1.2 billion, offset by commitments of \$687 million, leading to a net balance available of \$583 million.
- Of the projected year-end net reserve balance available of \$583 million, \$302 million is discretionary in nature, while \$281 million is obligatory. The usage of discretionary reserves is solely determined by the direction of Council, while obligatory reserves are required to abide by legislative and/or contractual requirements.
- Over the past three fiscal years, the net reserve balance available at year end was \$591 million for 2020, \$690 million for 2021 and \$677 million for 2022.
- On October 20th, 2023, The City of Brampton and the federal government announced a partnership to fast-track building of more than 24,000 new homes, through the Housing Accelerator Fund. This fund will provide \$114 million to the City of Brampton. The City received \$28.8 million in 2023 which was allocated to the new Housing Accelerator Reserve.
- Attachment 1 – Reserve and Reserve Fund Balances provides an itemized list of the Corporation’s reserves, including individual reserve fund balances, commitments, year-end projections, and historical comparisons.

- **Attachment 2 – Status of Strategic Reserves provides a detailed continuity schedule of the strategic reserves, including the original beginning balance, amounts and initiatives that have utilized these reserves to date, and any known future commitments.**

BACKGROUND:

The City's financial management policies require staff to provide Council with periodic status updates related to the City's finances. This report is focused on updating Council on the status of the City's reserves.

CURRENT SITUATION:

For the year ended December 31st, 2023, the Corporation maintained a fund balance of \$1.2 billion, offset by commitments of \$687 million, leading to a net balance available of \$583 million.

Of the projected year-end net reserve balance available of \$583 million, \$302 million is discretionary in nature, while \$281 million is obligatory. The usage of discretionary reserves is solely determined by the direction of Council, while obligatory reserves are required to abide by legislative and/or contractual requirements.

The 2023 year-end net reserve balance of \$583 million has declined from prior years due to strategic investments in parkland and buildings, to meet the future needs of residents. These investments were funded through strategic reserves and Cash in Lieu of Parkland. The following table highlights the year-end reserve balances from 2020 to 2023.

	Net Balance Available (\$000s)			
	Year-End	Year-End	Year-End	Year-End
	2020	2021	2022	2023
Discretionary Reserve Funds	\$ 262,790	\$ 322,506	\$ 339,986	\$ 301,936
Obligatory Reserves Funds	328,413	367,406	337,097	280,983
Total Reserve Funds	\$ 591,203	\$ 689,911	\$ 677,083	\$ 582,919

The General Rate Stabilization Reserve (GRS) balance as of December 31, 2023, is at the target balance of \$91.2 million net of commitments, based on the 2024 Council adopted budget, subject to Council approval of the recommendations in the 2023 Year-End Operating Budget Report.

Attachment 1 – Reserve and Reserve Fund Balances provides an itemized list of the Corporation’s reserves, including individual reserve fund balances, commitments, year-end net balances available and historical comparisons.

Attachment 2 – Status of Strategic Reserves provides a detailed continuity schedule of the strategic reserves, including the original beginning balance, amounts and initiatives that have utilized these reserves to date, and any known future commitments.

RESERVE HIGHLIGHTS

This section provides details and context around several of the Corporation’s materially significant reserves.

Obligatory Reserve Funds

Development Charges Reserve Funds

Development charges (DCs) are one-time fees levied on new growth to pay for growth-related City infrastructure. The current DC By-laws were approved by Council in 2019, and inputs into the DC Study were based on various master servicing plans and departmental input into how they would meet the needs of servicing new growth.

The use of DCs to fund growth-related capital projects is legislated by the *Development Charges Act, 1997*. DC funding of capital projects is evaluated on an annual basis through the City’s budget process, to ensure that the funds are utilized for the purposes for which they were collected. DC reserve funds were in a surplus position of \$68.3 million, net of commitments, as of December 31, 2023.

Building Rate Stabilization Reserve Fund

As of December 31, 2023, the balance in the Building Rate Stabilization Reserve Fund was \$32.1 million, which provides assurance against a future short-term downturn in building activity. The City is obligated to transfer any surplus resulting from building-related operations to this reserve fund in accordance with the requirements of Bill 124 (*Building Code Statute Law Amendment Act, 2002*).

Cash In Lieu of Parkland

As of December 31, 2023, there was a balance in the Cash in Lieu of Parkland Fund of \$45.9 million, net of commitments. Several sizeable investments were made in 2023 towards acquiring parkland and park improvements totaling more than \$83 million, as per the defined uses for Cash in Lieu of Parkland funding. Staff continues to work on strategies to secure and expedite the acquisition of strategic parkland to meet the future needs of residents.

Discretionary Reserve Funds

General Rate Stabilization Reserve (GRS)

Council has established a GRS reserve balance target at 10% of the annual approved operating budget. The 2024 Operating Budget was adopted by Council at \$912.5 million, resulting in a Council-approved GRS reserve target balance of \$91.2 million.

The General Rate Stabilization reserve (GRS) balance as of December 31, 2023, was at the target balance based on the 2024 budget of \$91.2 million net of commitments.

Stormwater Reserve Fund

In the 2020 Operating Budget, the Stormwater Fund was established to manage the approved stormwater charge. The charge became effective on June 1, 2020, and is collected through the Region of Peel water/wastewater bill in response to the City's maintenance, renewal, replacement, and Asset Management Plan for its \$1.2 billion of stormwater infrastructure.

The Stormwater Fund is projected to receive approximately \$24.4 million per year from the Stormwater Charge, growing at the rate of inflation. The balance as of December 31, 2023, was \$25.7 million, net of commitments, including the approved 2023 Capital Budget.

Debt Repayment Reserve

The Debt Repayment Reserve established in 2018, had a balance of \$13.3 million, as of December 31, 2023.

The 2023 Operating Budget included approval of \$2.8 million in annual debt repayments:

- \$1.8 million related to a 25-year debenture of \$26 million, for the Fire and Emergency Services Campus
- \$1.1 million as part of a phased-in approach to align tax-supported debt repayments with the expected project delivery of the Transit Maintenance and Storage Facility. This is based on a 30-year debenture of \$60.1 million.

To date, the Region of Peel has issued debentures on behalf of the City in the amount of \$46 million to meet cash flow requirements for the construction of the Fire and Emergency Services Campus and Transit Maintenance & Storage Facility.

Land Proceeds Reserve

As of December 31, 2023, there was a negative balance in the Land Proceeds Reserve of \$33.7 million. This reserve serves as a cash flow-through fund to support strategic opportunities under the Real Estate Modernization Strategy. As projects are developed to utilize the properties purchased through this strategy, permanent funding sources will be recommended to Council to replenish the Land Proceeds Reserve.

Interest Rate Stabilization Reserve Fund

As of December 31, 2023, the Interest Rate Stabilization Reserve Fund (IRS) had a balance of \$9.1 million.

At the December 8th, 2021 Special Council Meeting, Council approved the report “Interest Rate Stabilization Reserve Status Update”, which recommended \$13.3 million be transferred to the Interest Rate Stabilization Reserve, as part of the 2022 Budget and that annual budget adjustments be made over an 8-year period to permanently eliminate the structural investment income deficit in the operating budget.

Staff will continue to closely monitor the Interest Rate Stabilization Reserve each quarter and ensure that the 8-year plan approved by Council achieves the intended goal.

Housing Accelerator Fund

On October 20th, 2023, the City of Brampton and the federal government announced a partnership to fast-track building of more than 24,000 new homes, through the Housing Accelerator Fund. This fund will provide \$114 million to the City of Brampton. The City received \$28.8 million in 2023 which was allocated to the new reserve established to manage these funds. As of December 31, 2023, the balance, net of commitments, was \$22.8 million.

Strategic Reserves

The City’s strategic reserves are comprised of Reserve #100 – Legacy Fund and Reserve #110 – Community Investment Fund.

As of December 31, 2023, the combined uncommitted balance available in the strategic reserves was \$59.0 million. After accounting for future commitments and internal loan repayments that have been endorsed by Council, the year-to-date uncommitted balance is \$62.6 million.

Attachment 2 – Status of Strategic Reserves provides a detailed continuity schedule of the strategic reserves, including the original beginning balance, amounts and initiatives that have utilized these reserves to date, and any known future commitments.

To date, the strategic reserves have generated \$228.3 million in external and internal interest revenue since the inception of the fund. Of this, \$189.2 million has been transferred to the operating fund to offset tax levy requirements and the balance was transferred to the Interest Rate Stabilization Reserve Fund.

CORPORATE IMPLICATIONS:

N/A

STRATEGIC FOCUS AREA:

This report fulfills the Government & Leadership strategic focus area through strict adherence to effective financial management policies by ensuring sustainable financial operations.

CONCLUSION:

To improve transparency and provide forward-looking guidance related to reserves and reserve funds, staff will continue to monitor the reserve and reserve funds as part of the quarterly financial reports.

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Attachments:

- Attachment 1 – Reserve and Reserve Fund Balances
- Attachment 2 – Status of Strategic Reserves