



Report
Staff Report
 The Corporation of the City of Brampton
 11/27/2024

Date: 2024-10-31

Subject: **2024 Third Quarter Reserve Report**

Contact: Nash Damer, Treasurer, Finance

Report number: Corporate Support Services-2024-948

RECOMMENDATIONS:

1. That the report from Mark Medeiros, Chief Budget Officer, Finance to the Committee of Council Meeting of November 27, 2024, re: **2024 Third Quarter Reserve Report**, be received;
2. That surplus funding in Reserve #200 - Debt Repayment Reserve in the amount of \$13,594,000 be transferred to Reserve 4 - Asset Replacement Reserve, including any interest accrued on these funds prior to transfer.

OVERVIEW:

- **This Term of Council has made considerable progress in Community Building, advancing key strategic initiatives with minimal tax increases. These key initiatives include the new Transit Facility, Embleton Recreation Centre, Chris Gibson Recreation Centre, Howden Recreation Centre, Victoria Park, Automated Speed Enforcement, Williams Pkwy, Goreway Drive and Riverwalk Flood Mitigation Infrastructure.**
- **In order to accomplish the above, the City has strategically utilized its Reserves with over \$1.4 Billion of capital funding approved in the last 2 years, thus ensuring that funding received from taxpayers, developers and other levels of government are immediately invested into tangible community benefits.**
- **Going forward, the City will continue to focus on maximizing the use of capital infrastructure funding along with funding from other levels of government annually, to closely align community building with the receipt of funds for that purpose. As part of this strategy, staff will also utilize dormant funding in Reserve #200 – Debt Repayment Reserve and will be identifying surplus funding to be transferred to Reserve #4 – Asset Repair and Replacement for use in future infrastructure projects.**

- **This report provides Council with an update on the status of the City's reserves, along with projected year-end cash balances and balances net of committed funds.**
- **As of September 30, 2024, the Corporation maintained a fund balance of \$1.39 billion, offset by commitments of \$1.14 billion, leading to a net balance available of \$253 million. The Corporation is forecasting a year-end net available balance of \$119 million.**
- **The total Q3 reserve fund balance of \$1.39 billion continues to be invested and generate rates of return that are in-line with the industry benchmark, as per the City's Investment Policy FIN-210.**
- **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:

This Term of Council has made considerable progress in Community Building, advancing key strategic initiatives with minimal tax increases. These key initiatives include the new Transit Facility, Embleton Recreation Centre, Chris Gibson Recreation Centre, Howden Recreation Centre, Victoria Park, Automated Speed Enforcement, Williams Pkwy, Goreway Drive and Riverwalk Flood Mitigation Infrastructure.

In order to accomplish the above, the City has strategically utilized its Reserves with over \$1.4 Billion of capital funding approved in the last 2 years, thus ensuring that funding received from taxpayers, developers and other levels of government are immediately invested into tangible community benefits.

Going forward, the City will continue to focus on maximizing the use of capital infrastructure funding along with funding from other levels of government annually, to closely align community building with the receipt of funds for that purpose. As part of this strategy, staff will also utilize dormant funding in Reserve #200 – Debt Repayment

Reserve and will be identifying surplus funding to be transferred to Reserve #4 – Asset Repair and Replacement for use in future infrastructure projects.

As of September 30, 2024, the Corporation maintained a fund balance of \$1.39 billion, offset by commitments of \$1.14 billion, leading to a net balance available of \$253 million. The Corporation is forecasting a year-end net available balance of \$119 million.

The total Q3 reserve fund balance of \$1.39 billion continues to be invested and generate rates of return that are in-line with the industry benchmark, as per the City's Investment Policy FIN-210.

The following table highlights the historical trends in year-end reserve balances from 2021 to 2024:

	Reserve and Reserve Fund Balance			
	Year-End	Year-End	Year-End	Q3
	2021	2022	2023	2024
Funds Committed	529,619	633,463	686,902	\$1,140,326
Funds Uncommitted (or Net Balance Available)	689,911	677,083	582,919	\$252,902
Total Reserve and Reserve Fund Balance	1,219,530	1,310,546	1,269,820	\$1,393,228

As per the table above, committed funds have increased from \$687 million at year-end 2023 to \$1.1 billion for 2024, demonstrating this Term of Council's commitment to Community Building.

The following table highlights large key investments approved by Council in 2024:

Key Projects in 2024		
Reserve	Project	Amount
Res # 135 - DC: Transit	New Transit Facility	108,220
Res # 134 - Recreation DC's & Res # 4 - Asset Replacement	Embleton Community Centre	103,800
Res # 46 - Stormwater Charge	Riverwalk	58,822
Res # 91 - Canada Community-Building Fund & Res # 134 - Recreation DC's & Res # 4 - Asset	Howden Recreation Centre	34,000
Res # 137 - DC:Roads & Engineering	Lagerfeld Drive	18,582
Res # 91 - Canada Community-Building Fund	Williams Parkway	18,400
Res # 134 - Recreation DC's & Res # 4 - Asset Replacement	Victoria Park Arena & Sports Hall of Fame	14,650
Res # 24 - Housing Accelerator Funding	Housing Project (Non Profit Pilot)	14,000
Res # 4 - Asset Replacement	Traffic Intersection Cameras	10,248
Res # 137 - DC:Roads & Engineering	Rivermont Road	9,226
Res # 4 - Asset Replacement	Fire Station 215	6,500
	Total	396,448

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 balance 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 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 recently approved by Council in 2024, 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 are currently in a deficit position of \$87.2 million, net of commitments, as at September 30, 2024, with a projected year-end net balance available of \$200.8 million deficit. The deficit is primarily due to approvals of the New Transit Facility and the Embleton Recreation Centre.

In terms of managing this deficit, staff monitor the Corporation's cash flows on a daily basis to ensure sufficient liquidity is available to cover City expenses and at this time the City has sufficient funds to cash flow the DC deficit. Should additional liquidity be recommended to manage future cash flows, staff will prepare recommendations for long-term external debt for Council's consideration.

It is important to note that deficits in reserves, such as the DC deficit, are charged interest at a rate of return equal to what the City is achieving in the open market. This ensures that the investment income lost by other sources used to cash flow a given deficit, is recouped appropriately to reserves that maintain positive balances and charged back to the respective reserves that are in deficit.

Building Rate Stabilization Reserve Fund

As of September 30, 2024, the balance in the Building Rate Stabilization Reserve Fund was \$32.3 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 September 30, 2024, there was a balance in the Cash in Lieu of Parkland Fund of \$63.4 million, net of commitments. Staff continue 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 has been approved at \$912.5 million, resulting in a Council approved GRS reserve target of \$91.2 million.

The General Rate Stabilization Reserve (GRS) balance as at September 30, 2024 and forecasted net year-end balance is \$89 million or 98% of the Council approved target.

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 \$25.6 million per year from the Stormwater Charge, growing at the rate of inflation. The balance as at September 30, 2024 is currently a deficit of \$27.4 million, net of commitments, with a year-end projection of \$19 million in deficit.

The Stormwater Fund deficit is primarily driven by the Riverwalk project, which is approved at \$122.4 million, with \$82.6 million currently funded from the Stormwater Reserve.

On September 3, 2024, the Provincial government announced funding of \$29.8 million for Riverwalk from the Housing-Enabling Water Systems Fund. Staff are currently finalizing the details of this announcement and will incorporate this funding in the 2025 Budget, which will result in a funding amendment for the Riverwalk project to substitute stormwater reserve funding for the recently announced provincial funds. Subsequent to this funding amendment the Stormwater Reserve is projected to be in a surplus position of \$10.8 million by Q1 2025.

Debt Repayment Reserve

The Debt Repayment Reserve established in 2018, for the purposes of supporting annual cash flow requirements associated with the issuance of debt and currently has an accumulated surplus balance of \$13.6 million, as at September 30, 2024.

This surplus is due to debt repayments for the Fire and Emergency Service Campus and the Transit Maintenance and Storage Facility being approved at the time of establishing this Reserve Fund in 2018, despite no borrowing taking place for several years. This led to an accumulation of \$13.6 million in dormant funding that currently exists in this reserve. Staff are recommending to transfer this surplus funding to the Asset Replacement Reserve to fund future infrastructure related projects.

With respect to currently approved external debt, the 2024 Operating Budget includes \$2.8 million in annual debt repayments related to the following:

- \$1.8 million related to a 25-year debenture of \$26 million, for the Fire and Emergency Services Campus, which enhances community safety.
- \$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 to enable improved Transit service delivery. This is based on a 30-year debenture of \$20 million.

Land Proceeds Reserve

As at September 30, 2024, there was a deficit in the Land Proceeds Reserve of \$32.8 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 at September 30, 2024, the Interest Rate Stabilization Reserve Fund (IRS) has a net balance available of \$9.2 million, with a year-end forecasted net balance available of \$8.2 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 are made over an 8-year period to permanently eliminate this deficit.

The Council approved 2024 budget included an adjustment to achieve the elimination of the investment income deficit by 2030. 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 to enable greater homeownership for Brampton residents. This Fund will provide an annual contribution \$28.6 million between 2024 and 2027, amounting to a total of \$114.5 million. This fund has already enabled key housing investments including Housing Brampton, Habitat for Humanity, Home Opportunities and Amargh House.

As at September 30, 2024, the fund is in a deficit position of \$14.1 million net of commitments with a projected year-end net balance available of \$14.9 million.

Municipal Accommodation Tax Fund

Effective July 1, 2023, Council approved a 4% Municipal Accommodation Tax for paid overnight accommodations at hotels, motels, campgrounds, short term rental units (including online home sharing platforms) and bed and breakfasts operating in the City of Brampton. The tax revenue collected will support the hospitality and tourism industry, as well as programs and services that visitors take advantage of when visiting Brampton.

The Fund is projected to receive approximately \$1.2 million per year from the tax revenue collected through Municipal Accommodation Tax implementation. The balance as at September 30, 2024 is currently at \$1.2 million with a projected year-end balance of \$1.6 million.

Pledge to Peel Memorial Centre for Integrated Health and Wellness Dedicated Tax Levy

In 2022, Brampton City Council approved an additional increase to the tax levy to fund the City's contribution to the development of Brampton's second hospital. The city committed up to \$125 million to cover 50% of the expenses. As of September 30, 2024, the balance is \$81.1 million.

Strategic Reserves

The City's Strategic Reserves are comprised of Reserve #100 - Legacy Fund and Reserve #110 - Community Investment Fund. As at September 30, 2024, the combined uncommitted balance available in the strategic reserves is \$39.9 million. After accounting for future commitments that have been endorsed by Council, the amount available in strategic reserves is \$63.3 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 \$230 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 as at December 31, 2023. For 2024, the interest generated as of September 30, 2024 is \$2.67 million. The annual interest earned is transferred to the operating budget at the end of the year.

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