



Report
Staff Report
The Corporation of the City of Brampton
5/24/2023

Date: 2023-04-27

Subject: 2022 Year-End Reserve Report

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Report Number: Corporate Support Services-2023-397

Recommendations:

1. That the report titled “**2022 Year-End Reserve Report**” to the Committee of Council Meeting of May 24th be received;

Overview:

- For the year-ended December 31st 2022, the Corporation maintained a fund balance of \$1.3 billion, offset by commitments of \$633 million, leading to a net balance available of \$677 million.
- Of the projected year-end net reserve balance available of \$677 million, \$343 million is considered discretionary in nature, while \$337 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 prior 3 fiscal periods, the year-end net reserve balance available ended in \$548 million for 2019, \$591 million for 2020 and \$690 million for 2021.
- The 2022 year-end net reserve balance of \$677 million, in comparison to the prior 3 fiscal cycles, demonstrates stability and predictability over time, healthy balances available to address future requirements and prudent management of taxpayer funding throughout the recent economic challenges.
- Schedule A – Reserve and Reserve Fund Balances, provides an itemized list of the Corporations Reserves, including individual reserve fund

balances, commitments, year-end projections and historical comparisons.

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 2022, the Corporation maintained a fund balance of \$1.3 billion, offset by commitments of \$633 million, leading to a net balance available of \$677 million.

Of the projected year-end net reserve balance available of \$677 million, \$343 million is considered discretionary in nature, while \$337 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.

As illustrated below, the year-end net reserve balance available ended in \$548 million for 2019, \$591 million for 2020 and \$690 million for 2021.

	Net Balance Available			
	Year-End	Year-End	Year-End	Net Balance Available
	2019	2020	2021	Q4 2022
Discretionary Reserve Funds	288,284	262,790	322,506	339,986
Obligatory Reserves Funds	259,927	328,413	367,406	337,097
Total Reserve Funds	548,211	591,203	689,911	677,083

The 2022 year-end net reserve balance of \$677 million, in comparison to the prior 3 fiscal cycles, demonstrates stability and predictability over time, healthy balances available to address future requirements and prudent management of taxpayer funding throughout the recent economic challenges.

Schedule A – Reserve and Reserve Fund Balances, provides an itemized list of the Corporations Reserves, including individual reserve fund balances, commitments, year-end net balance available and historical comparisons.

RESERVE HIGHLIGHTS

The Reserve Highlights section provides details and context around several of the Corporations materially significant reserves.

Stormwater Reserve Fund

In the 2020 Operating Budget, the Stormwater Fund was established to manage the recently 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 the City's \$1.2 billion of stormwater infrastructure.

The Stormwater Charge provides annual funding in the amount of approximately \$24 million, with the option to escalate at the rate of inflation. The balance as at December 31, 2022 is currently \$20.2 million, net of commitments.

Debt Repayment Reserve

The Debt Repayment Reserve established in 2018, maintains a balance of \$12.7 million, as at December 31, 2022.

The 2022 Operating Budget included approval of \$2.8 million in annual debt repayments, as follows;

- \$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 the City's behalf 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.

Development Charge Reserve Funds

Development charges (DCs) are one-time fees levied on new growth to pay for growth-related City infrastructure. The current DC bylaws 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 development charges 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 surplus position of \$69.6 million, net of commitments, as at December 31, 2022.

Building Rate Stabilization Reserve Fund

As at December 31, 2022, the balance in the Building Rate Stabilization Reserve Fund was \$42.5 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 at December 31, 2022, there was a balance in the Cash in Lieu of Parkland of \$124.4 million. Staff continues to work on strategies to secure and expedite the acquisition of strategic parkland to meet the future needs of residents.

Land Proceeds Reserve

As at December 31, 2022, there was a negative balance in the Land Proceeds Reserve of \$32.3 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.

General Rate Stabilization Reserve (GRS)

Council has established a GRS reserve balance target at 10% of the annual approved operating budget. The approved 2022 Operating Budget is \$785.0 million, resulting in a GRS reserve target of \$78.5 million.

The General Rate Stabilization reserve (GRS) balance as at December 31, 2022 was \$94.5 million net of commitments. Within this balance is \$22.8 million of relief funding remaining; \$8.6 million for Municipal Stream and \$14.2 million for Transit stream. Once this amount is excluded, the GRS will have a balance of \$71.7 million which is \$6.8 million less than the Council approved target of \$78.5 million.

As per the 2022 Year End Operating Budget Report, a deficit of \$5.3 million is required to be funded from the GRS, as per Budget Policy FIN-140. This transaction has been reflected in the balances provided in this report.

Interest Rate Stabilization Reserve Fund

As at December 31, 2022, the Interest Rate Stabilization Reserve Fund (IRS) has a \$9.7 million balance.

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, from Reserve #3 – Workers’ compensation fund and Reserve #19 – Employee Ben. Prem. Rate Stabilization, as part of the 2022 Budget and that the annual budget adjustments are made over an 8-year period to permanently eliminate the deficit between budgeted vs actual investment income.

The 2023 budget included an adjustment to achieve the elimination of the investment income deficit by 2030, as approved by Council.

Strategic Reserves

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

As at December 31, 2022, the combined uncommitted balance available in the strategic reserves is \$136.1 million. After accounting for future commitments that have been endorsed by Council, the amount available in strategic reserves is \$92.3 million.

Schedule B: Strategic Reserves Status 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 \$222.7 million in external and internal interest revenue since the inception of the fund. Of this, \$186.3 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

This report achieves the Strategic Plan priority of Good Government by practicing proactive effective management of finances, policies and service delivery.

Living the Mosaic – 2040 Vision

This report has been prepared in full consideration of the overall visions that the people of Brampton will ‘Live the Mosaic’.

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:

Schedule A: Reserve and Reserve Fund Balances and Year-End Projection

Schedule B: Status of Strategic Reserves