

**Date:** 2023-09-06

**Subject:** 2023 Second Quarter Reserve Report

**Contact:** Nash Damer, Treasurer, Finance

**Report Number:** Corporate Support Services-2023-777

**Recommendations:**

1. That the report from Nash Damer, Treasurer, Finance to the Committee of Council Meeting of September 20<sup>th</sup>, re: **2023 Second Quarter Reserve Report**, be received;

**Overview:**

- As at June 30<sup>th</sup> 2023, the Corporation is projecting a fund balance of \$1.5 billion, offset by commitments of \$908 million, leading to a net balance available of \$549 million.
- Forecasted transactions for the second half of the year amount to an increase of \$96 million, resulting in a projected year-end net reserve balance available of \$644 million.
- Of the projected year-end net reserve balance available of \$644 million, \$346 million is considered discretionary in nature, while \$298 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.
- Attachment 1 – Reserve and Reserve Fund Balances, provides an itemized list of the Corporation 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:

As at June 30<sup>th</sup> 2023, the Corporation is forecasting a fund balance of \$1.5 billion, offset by net projected commitments of \$908 million, leading to a net balance available of \$549 million.

Forecasted transactions for the second half of the year amount to an increase of \$96 million, resulting in a projected year-end net reserve balance available of \$644 million.

Of the projected year-end net reserve balance available of \$644 million, \$346 million is considered discretionary in nature, while \$298 million is obligatory. The change in Obligatory Reserve Funds compared to the budget is driven primarily by a reduction in balance for the Cash in Lieu Reserve Fund due to several in-year acquisitions of strategic parkland to meet the future needs of residents. 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.

	Net Balance Available				
	Year-End	Year-End	Year-End	Q2 Net Balance Available	YE Projection Net Balance Available
	2020	2021	2022	Q2 2023	2023
Discretionary Reserve Funds	262,790	322,506	339,986	320,658	346,080
Obligatory Reserves Funds	328,413	367,406	337,097	228,010	298,266
<b>Total Reserve Funds</b>	<b>591,203</b>	<b>689,911</b>	<b>677,083</b>	<b>548,668</b>	<b>644,347</b>

Attachment 1 – 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.

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

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 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 Fund is projected to receive approximately \$24.4 million per year from the Stormwater Charge, growing at the rate of inflation. The balance as at June 30, 2023 is currently at \$10.8 million, net of commitments, including the approved 2023 capital budget, with a year-end net balance available projection of \$25.1 million.

### Debt Repayment Reserve

The Debt Repayment Reserve established in 2018, has a balance of \$13.0 million, as at June 30, 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 \$20 million as part of a total \$60.1 million planned borrowing for this project.

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 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 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 \$44.9 million, net of commitments, as at June 30, 2023.

#### Building Rate Stabilization Reserve Fund

As at June 30, 2023, the balance in the Building Rate Stabilization Reserve Fund was \$33.9 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 June 30, 2023, there was a balance in the Cash in Lieu of Parkland of \$83.9 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 June 30, 2023, there was a negative balance in the Land Proceeds Reserve of \$34.0 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 2023 Operating Budget has been approved at \$845.0 million, resulting in a Council approved GRS reserve target of \$84.5 million.

The General Rate Stabilization reserve (GRS) balance as at June 30, 2023 is \$92.4 million net of commitments, which includes \$22.8 million of Federal-Provincial Safe Restart Funding.

The balance of the Safe Restart Funding remains unchanged in 2023. There is currently a fulsome review being completed on the utilization of the remaining funds. Staff will share the results of the review with Council in a future report.

#### Interest Rate Stabilization Reserve Fund

As at June 30, 2023, the Interest Rate Stabilization Reserve Fund (IRS) has a balance of \$9.8 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.

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.

### Strategic Reserves

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

As at June 30, 2023, the combined uncommitted balance available in the strategic reserves is \$128.8 million. After accounting for future commitments that have been endorsed by Council, the amount available in strategic reserves is \$93.5 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 \$223.7 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

### **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.

Authored by:

---

Mark Medeiros, Senior Manager,  
Financial Planning and Analytics,  
Finance

Reviewed by:

---

Nash Damer, Treasurer, Finance

Approved by:

---

Alex Milojevic, Commissioner,  
Corporate Support Services

Approved by:

---

Marlon Kallideen, Chief Administrative  
Officer

**Attachments:**

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