

# Reserves Review Update

July 17, 2019

## Today

- Present
  - updated Reserves Review Report
  - updated Reserves Policy
- Seek Council's approval of the Reserve Policy
  - to be reflected in preparation of the next Five Year Financial Plan,
  - or receive further direction
- Begin preparation of related bylaws for Council's review and approval

## Reserves Overview

- Total reserves at December 31, 2018 (excluding DCCs) - \$41 million
- Minimize property tax and user fee increases
  - City investment levels/total projects vary year to year
- Financial resiliency
- Prudent long-term financial management
- Utilization
  - 86% of total contributions to reserves were used to fund investment during the past ten years

## Reserves Review Presentation to Council March 11, 2019

- Presented:
  - Draft Reserves Review Report
  - Draft Reserves Policy
- Purpose of Reserves:
  - Long-term financial management
  - Risk mitigation
  - Infrastructure/Equipment renewal and investment
  - Strategic initiatives and investment

## Reserves Review Presentation to Council March 11, 2019

- Reserves Review
  - Does the City have the right reserves?
  - Do the reserves have the right balances?
- Reserves Framework utilized to help clarify, communicate and evaluate effectiveness of the City's reserves

Framework
Financial Stability Reserves
Equipment Reserves
Infrastructure Reserves
Parking Reserves
Property Reserves
Strategic Reserves
Other Reserves

## Reserves Review Presentation to Council March 11, 2019

- Recommendations:
  - Establish new Financial Stability Reserves
  - Establish new Statutory Reserves and transfer balances from Operating Reserve to new corresponding Statutory Reserve
  - Eliminate specific reserves
  - Establish target minimum balances for specific reserves
  - Approve new Reserve Policy
  - Annual reporting to Council

## Update Council Direction and Further Review

- Added new Emission Reduction Reserve and elimination of the Regional Reduction Reserve
- Updated reserves information to reflect the City's completed 2018 financial statements
- Confirmed calculations for minimum target balances
- Confirmed transfers between reserves and to new reserves
- Review by the City's external auditors

## Update Appendix 1 - Current Reserve Summary

Current Reserves detail:

- Reserve Type – Operating or Statutory
- Primary Purpose
- Projected Balance at December 31, 2019
  - \$76 million (excludes DCC reserves)

## Update

### Appendix 2 - Target Balances

- Targets established according to GFOA best practices
- Minimum Target Balances recommended for:
  - Financial Stability Reserves
  - Equipment Reserves
  - Key Infrastructure Reserves
  - Strategic Infrastructure Reserve
- Minimum Target Recalculation Frequency
  - Annually
  - Every 3 Years
  - Every 5 – 10 Years/Update of 20 Year Investment Plan

## Update

### Appendix 3 - New Reserves Summary

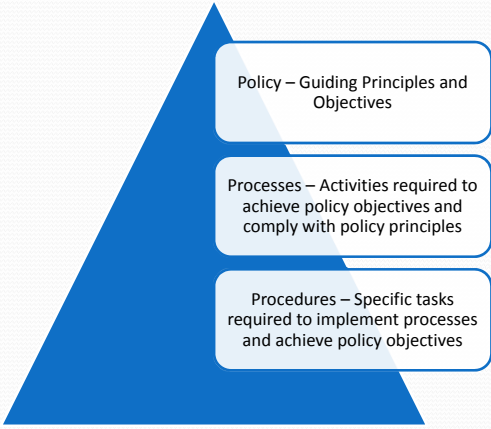
Proposed Reserves Framework detail:

- Primary Purpose
- Reserve Type – Operating or Statutory
- Annual Contribution Source



# Reserve Policy

## Policy, Processes, Procedures



Policy – Guiding Principles and Objectives

Processes – Activities required to achieve policy objectives and comply with policy principles

Procedures – Specific tasks required to implement processes and achieve policy objectives

## Reserve Policy

### Purpose

- Establish responsible governance for the City's reserves
- Establish roles and responsibilities
- Define principles and objectives for Reserves management
- Ensure the City's Reserves management is compliant with statutory and legal requirements and in accordance with Canadian public sector accounting standards

## Reserve Policy

### Principle Statements and Objectives

Reserves shall be established, maintained and used in accordance with the following principles and objectives:

- Affordability
- Long-Term Financial Sustainability and Resiliency
- Transparency and Accountability
- Statutory and Legal Requirements
- Accounting Standards

## Reserve Policy Administration – Key Processes

- Interest allocation for Reserve Funds
- Minimum or maximum reserve balances may be established for a reserve
- Annual allocation of Operating Funds (General, Sewer, Water) will prioritize replenishment of reserves with minimum target balances
- Repayment Period for Target Minimum Balances will be specified
- Annual reporting to provide decision makers with all relevant reserves information

## Reserve Policy Administration – Key Processes

- Reserve Framework groups reserves by common purposes and guidelines:
  - Financial Stability Reserves
  - Equipment Reserves
  - Infrastructure Reserves
  - Parking Reserves
  - Property Reserves
  - Strategic Reserves
  - Other Reserves
- Policy reviewed every four years



