

## Reserve and Reserve Fund Balance Forecast

On November 19, 2013, the Finance and Administration Committee was provided with a forecast of the City's Reserve and Reserve Funds, as of December 31, 2013 and December 31, 2014.

The following chart is a summary of the balances:

	<b>December 31/12 (Audited)</b>	<b>Forecasted 2013 (unaudited)</b>	<b>Forecasted 2014 (Forecasted 2013 plus forecasted transactions during 2014)</b>
Reserves (non interest bearing) (Schedule 1)	\$8.5 M	\$7.2 M	\$6.2 M
Reserve Funds (interest bearing) (Schedule 2)	\$145.7 M	\$141.1 M	\$124.3 M
Total Reserve and Reserve Funds	\$154.2 M	\$148.3 M	\$130.5 M

The City has over 90 Reserves and Reserve Funds set aside for specific purposes. More than half of these Reserves and Reserve Funds are set aside for capital projects. Details of individual fund balances are included in Schedule 1 and 2.

### Decrease forecasted from 2012 to 2013

Finance is in the process of reconciling the reserve and reserve funds and recording the remainder of the 2013 transactions. Based on the analysis completed to November, the Reserve and Reserve Funds balances are forecasted to be approximately \$148.3 million, which is a decrease of \$5.9 million from the balance at December 31, 2012. The estimated balances have decreased primarily due to:

- Funds spent on previously approved capital projects:
  - Purchase of CP Rail property for Farmer's Market
  - Communication Infrastructure project
  - Various Road projects (Lasalle/Notre Dame, MR 4, and Niemi Road)
  - Various Water and Wastewater projects (ie. Sudbury WWTP – Headhouse, and New Sudbury Trunk sewer main repairs, Regent/Bouchard/Southview watermain project)
- 2013 forecasted deficit in Winter Control
- Above reductions are offset by development charges estimated to be received by the end of this year.

Final 2013 balances will change subject to timing of capital expenditures, unanticipated transactions and future Council approvals.

**Decrease forecasted from 2013 to 2014**

Overall, by the end of 2014, it is forecasted that the reserve and reserve fund balances will decrease by \$17.8 million. This is subject to change based on timing of capital expenditures, unanticipated transactions, and future Council approvals. The balances are forecast to decrease primarily due to:

- Completion of capital projects approved in prior year Capital Budgets (such as W/WW projects, Roads projects, Fire SCBA equipment, etc)
- One time contributions from Reserves to fund 2014 Capital Budget (\$13.8 million)
- Above reductions are offset by development charges estimated to be received and earned during 2014

**HISTORICAL TRENDS**

The following tables illustrate the trends in reserve and reserve funds over the past five years:

	2009	2010	2011	2012 (reclass)
CGS Reserves	\$6,620	\$9,481	\$9,884	\$8,473
CGS Reserve Funds	73,874	80,749	103,112	145,746
Total CGS Reserves & Reserve Funds	\$80,494	\$90,230	\$112,996	\$154,219

Lower and Single Tier Municipalities	2009	2010	2011	2012
Reserves as a % of Taxation	38.6%	41%	46%	55.7%
BMA Study – Median	65%	60%	60%	TBD
BMA Study – Low	21%	4%	9%	TBD
BMA Study – High	224%	220%	200%	TBD

As outlined in the BMA study, reserves and reserve funds are a critical component of a municipality’s long-term financing plan. The purpose for maintaining reserves, as outlined in the report, is to:

Provide stability of tax rates in the face of variable and uncontrollable factors (consumption, interest rates, unemployment rates, changes in subsidies)

- Provide financing for one-time or short term requirements without permanently impacting tax and utility rates
- Make provisions for replacements/acquisitions of assets/infrastructure that are currently being consumed and depreciated
- Avoid spikes in funding requirements of the capital budget by reducing their reliance on long-term debt borrowings

- Provide a source of internal financing
- Ensure adequate cash flows
- Provide flexibility to manage debt levels and protect the municipality's financial position
- Provide for future liabilities incurred in the current year but paid for in the future

Reserves offer liquidity which enhances the municipality's flexibility, both in addressing unplanned operating requirements and in permitting the municipality to temporarily fund capital projects internally. The level of reserves and reserve funds is a key measure of the financial health of a municipality. Compared to other municipalities in Ontario, the City is below the median as it pertains to reserves and reserve funds as a percentage of total taxation, as identified in the 2012 BMA municipal study which is based on statistics for 2011.

### Deferred Revenue - Obligatory Reserve Funds

The City receives certain sub divider contributions and other revenues under the authority of federal and provincial legislation. These funds, by their nature, are restricted in their use and, until applied to specific expenditures are recorded as deferred revenue. As of December 31, 2013 the forecasted balance is \$35.3 million, which are forecasted to increase by \$1.3 million by December 31, 2014 to \$36.6 million (see Schedule 3 for details). The reason for the increase includes timing of capital expenditures that are funded by Federal Gas Tax and Provincial Gas Tax revenues.

Development charges collected are recorded as obligatory reserve funds when received. At year end, these funds are earned to fund growth related capital projects that were identified in the Development Charge Background Study.

#### Schedule 1- Reserves (non interest-bearing) Forecast for December 31, 2013 and December 31, 2014

Account Name	Dec 31, 2012 Audited	Dec 31, 2013 Forecasted	Dec 31, 2014 Forecasted
<b>RESERVES</b>			
Land Reclamation Reserve	(711,850)	(711,850)	(587,038)
Various Expenditures	(1,522,384)	(621,589)	(377,817)
Ontario Works	(340,150)	(534,150)	(340,150)
Organizational Development	(622,463)	(548,763)	(548,763)
Future D/C Study	(15,788)	-	-
Tax Rate Stabilization	(3,532,392)	(3,356,283)	(3,356,283)
Tax Rate Stabilization - Committed	(1,086,589)	(751,237)	(622,567)
Vector Bourne Disease	(107,000)	(107,000)	(107,000)
Auditor General	(264,030)	(264,030)	(264,030)
Accessibility	(269,927)	(269,927)	-
<b>Total Reserves</b>	<b>(8,472,573)</b>	<b>(7,164,829)</b>	<b>(6,203,648)</b>

**Schedule 2 - Reserve Funds (interest bearing)**  
**Forecast for December 31, 2013 and December 31, 2014**

Account Name	Dec 31, 2012 Audited	Dec 31, 2013 Forecasted	Dec 31, 2014 Forecasted
<b>RESERVE FUNDS</b>			
<b>General Reserve Funds</b>			
Greater City Sick Leave	(2,848,659)	(2,926,177)	(3,253,803)
Police - Sick Leave	(2,206,152)	(2,417,214)	(2,575,837)
Post Employment Benefits	(129,636)	(132,662)	(135,714)
Police Part 65 Benefits	(440,972)	(451,269)	(461,648)
Human Resources Management	(5,328,069)	(5,342,067)	(5,538,223)
H.R. Committed - Succession Planning	(1,879,945)	(1,701,022)	(1,639,472)
H.R. Committed	(4,945,441)	(5,485,438)	(5,548,402)
WSIB Schedule 2	(4,584,219)	(6,698,494)	(7,339,740)
Election	(930,348)	(1,106,820)	(438,277)
Insurance	(1,502,024)	(1,380,826)	(1,450,905)
Land Acquisition	(2,597,165)	(1,172,132)	(1,514,091)
Land Acquisition - Committed	-	(235,000)	(5,405)
Parking Improvements	(1,525,142)	(2,077,324)	(2,662,801)
Parking Improvements - Committed	(1,331,000)	(148,193)	(151,601)
Pioneer Manor Donations	(109,371)	(48,706)	(56,326)
Social Housing Capital	(7,044,660)	(7,213,816)	(7,379,733)
Social Housing Capital - Committed	(200,000)	(200,000)	(4,600)
Industrial Park	(1,723,566)	(1,798,772)	(2,030,144)
Regional Industrial - Committed	(1,289,621)	(1,397,821)	(1,429,971)
Community Initiatives	(130,232)	(133,273)	(136,338)
Regional Business Centre	(605,988)	(523,334)	(441,709)
Communications Infrastructure	(215,612)	(255,702)	(261,583)
Communications Infrastructure - Committed	(3,282,205)	-	-
Roads Winter Control	(3,818,117)	(3,307,266)	(3,383,333)
VETAC	(4,656)	(4,765)	(4,875)
Drainage and Stormwater Management	(534,229)	(921,474)	(1,220,479)
Drainage and Stormwater Management - Committed	(1,518,611)	(3,836,532)	(3,374,772)
Police Services Donations	(111,414)	(114,015)	(116,637)
Police Services Board	(50,785)	(51,971)	(53,166)
Library & Citizen Service Centre	(90,152)	(143,229)	(183,500)
Library & Citizen Service Centre - Committed	(14,910)	(14,910)	(15,253)
Cemeteries	(109,260)	(353,339)	(343,018)
Cemeteries - Committed	(165,403)	(25,000)	(575)
Economic Development	(192,810)	(202,435)	(207,091)
Economic Development - Committed	(452,301)	(217,661)	(222,667)
Larch Street Reserve Fund	(189,515)	(375,849)	(76,235)
<b>Subtotal General Reserve Funds</b>	<b>(52,102,190)</b>	<b>(52,414,506)</b>	<b>(53,657,925)</b>

**Chart 2 - Reserve Funds (interest bearing)**  
**Forecast for December 31, 2013 and December 31, 2014**

<b>Account Name</b>	<b>Dec 31, 2012 Audited</b>	<b>Dec 31, 2013 Forecasted</b>	<b>Dec 31, 2014 Forecasted</b>
<b>Capital Financing Reserve Funds</b>			
Cap Fin R/F Information Technology	(3,654,623)	(3,445,024)	(3,141,702)
Cap Fin R/F Information Technology - Committed	(227,018)	(387,764)	(299,741)
Equipment & Vehicle Replacement - Fleet	(2,505,580)	(2,089,434)	(1,764,310)
Equipment & Vehicle Replacement - Fleet - Committed	(3,191,641)	(2,345,179)	(53,939)
Equipment & Vehicle Replacement - Police	-	(594,303)	(544,372)
Equipment & Vehicle Replacement - Police - Committed	(1,900,955)	(1,696,998)	(887,530)
Cap Fin R/F Transit	(872,542)	(172,525)	(223,010)
Cap Fin R/F Transit - Committed	(197,461)	(76,952)	(1,770)
Equipment & Vehicle Replacement - Fire	(15,446)	-	-
Equipment & Vehicle Replacement - Fire - Committed	(176,237)	-	-
Recycling Equipment	(945,975)	(844,940)	(744,502)
Equipment & Vehicle Replacement - Parks	-	(100,091)	(123,669)
Equipment & Vehicle Replacement - Parks - Committed	(180,407)	(113,179)	(47,875)
Cap Fin R/F Environmental Services	(1,663,775)	(1,233,324)	(1,044,950)
Cap Fin R/F Environmental Services - Committed	(1,912,217)	(1,043,698)	(147,486)
Cap Fin R/F CLELC	(197,816)	(268,084)	(337,805)
Capital Financing R/F General	(2,956,397)	(3,398,461)	(1,976,626)
Capital Financing R/F General - Committed	(7,509,843)	(6,167,602)	(3,221,072)
Cap Fin R/F Peoplesoft / ERP	-	(928,037)	(949,382)
Cap Fin R/F Planning	-	(240,078)	(264,349)
Cap Fin R/F Administrative	(2,596)	(14,283)	(12,026)
Cap Fin R/F Administrative - Committed	(602,200)	(560,568)	(573,461)
Cap Fin R/F Public Works Buildings	(29,272)	(233,947)	(228,197)
Cap Fin R/F Public Works Buildings - Committed	(826,165)	(612,753)	(603,795)
Cap Fin R/F Police Services	(2,352,119)	(2,399,223)	(2,764,217)
Cap Fin R/F Police Services - Committed	(1,583,123)	(1,734,998)	(1,249,341)
Cap Fin R/F Roads	(5,802,540)	(9,967,986)	(10,165,443)
Cap Fin R/F Roads - Committed	(14,764,166)	(14,368,954)	(12,257,051)
Cap Fin R/F Wastewater	(5,740,596)	(3,732,945)	(4,260,581)
Cap Fin R/F Wastewater - Committed	(12,663,835)	(10,040,412)	(5,359,740)
Cap Fin R/F Water	(4,864,908)	(5,686,877)	(5,934,425)
Cap Fin R/F Water - Committed	(9,586,298)	(7,281,754)	(5,488,280)
Cap Fin R/F Health and Social Services	(206,942)	(218,824)	(223,857)
Cap Fin R/F Health and Social Services - Committed	(301,935)	(157,316)	(16,316)
Cap Fin R/F Fire	(76,887)	(195,775)	(100,278)
Cap Fin R/F Fire - Committed	(30,140)	-	-
Cap Fin R/F Emergency Medical Services	(1,519,630)	(2,351,102)	(2,099,491)
Cap Fin R/F Emergency Medical Services - Committed	(1,864,596)	(490,154)	(344,398)
Cap Fin R/F Leisure Services - Committed	(1,396,469)	(1,426,369)	(1,483,176)
Cap Fin R/F Leisure Services	(1,321,355)	(2,110,214)	(1,656,714)
<b>Subtotal Capital Financing Reserve Funds</b>	<b>(93,643,706)</b>	<b>(88,730,123)</b>	<b>(70,594,875)</b>
<b>Total Reserve Funds</b>	<b>(145,745,895)</b>	<b>(141,144,629)</b>	<b>(124,252,800)</b>
<b>Total Reserves and Reserve Funds</b>	<b>(154,218,468)</b>	<b>(148,309,458)</b>	<b>(130,456,448)</b>

**Schedule 3 - Obligatory Reserve Funds (interest bearing)**  
**Forecast for December 31, 2013 and December 31, 2014**

<b>Account Name</b>	<b>Dec 31, 2012</b>	<b>Dec 31, 2013</b>	<b>Dec 31, 2014</b>
	<b>Audited</b>	<b>Forecasted</b>	<b>Forecasted</b>
Federal Gas Tax	(12,513,437)	(11,038,862)	(10,992,754)
Provincial Gas Tax	(1,097,220)	(897,767)	(2,162,326)
Stormwater Management	(1,049,804)	(1,121,595)	(1,227,391)
Sewer & Water Payments	(435,731)	(449,998)	(460,348)
Roads Deposits	(558,461)	(534,615)	(406,912)
Parks (Section 50)	(818,283)	(959,388)	(831,454)
Subdivision Deposits (Asphalt Resurfacing)	(4,279,228)	(4,050,606)	(4,093,770)
S.P.A. Deposits (Sidewalks)	(706,800)	(726,987)	(743,708)
Tree Planting	(868,386)	(836,998)	(796,389)
Building Permit Rev Stabilization	(7,819,130)	(7,900,155)	(7,787,491)
Children's Services	-	(6,031,190)	(6,169,907)
DC Fire	(459,423)	(616,742)	(772,844)
DC Ambulance	(79,210)	(106,707)	(133,991)
<b>Total Obligatory Reserve Funds</b>	<b>(30,685,114)</b>	<b>(35,271,609)</b>	<b>(36,579,284)</b>