



REPORT

REPORT TO: Mayor Bonnette and Members of Council

REPORT FROM: Amy Prueter, Senior Financial Analyst

DATE: August 13, 2018

REPORT NO.: CORPSERV-2018-0040

RE: Halton Hills Reserves, Reserve Funds, Deferred Revenue and Trust Funds as at June 30, 2018

RECOMMENDATION:

THAT Report No. CORPSERV-2018-0040 dated August 13, 2018 regarding Reserves, Reserve Funds, Deferred Revenue and Trust Funds as at June 30, 2018 be received.

BACKGROUND:

This report is presented to inform Council of the status of the various funds held by the Town of Halton Hills as at June 30, 2018.

COMMENTS:

The attached schedules A to D report a summary of the reserves, reserve funds, and trust funds held by the Town. The opening balances as at January 1, 2018, the activity from January to June 2018, un-booked commitments against the funds, and any inter-fund borrowing are reported for each separate fund.

The opening balance column reflects the balance of the reserves, reserve funds, and trust funds that were held in the published financial statements. It does not include any unrecorded amounts or inter-fund loans.

The activity from January to June 2018 identifies the interest that has been earned on the reserves, reserve funds or trust funds during the period and movements in and out of the funds.

Schedule A represents a summary of the detailed Schedules B to D. Schedule B lists the Town's reserves, Schedule C lists the obligatory, discretionary and other reserve funds, and Schedule D shows the trust funds that the Town administers.

General Reserve and Reserve Fund Policy

On July 17, 2018 Council approved changes to the General Reserve and Reserve Fund Policy, POLICY-2018-0004 through Report no. CORPSERV-2018-0030. Changes included the consolidation of various existing reserves, the addition of new reserves, and clarification around the intent and usage of reserves. Staff will present the balances of reserves, reserve funds and trust funds under this new reserve structure with the upcoming third quarter (September 30th) report. This report reflects the reserve structure which was in place as of the June 30, 2018 reporting date.

Development Charges and Inter-fund Borrowing

The governing legislation that permits a municipality to borrow for capital projects is the Municipal Act. Specific restrictions with respect to inter-fund borrowing for growth-related capital projects, is set out in section 36 of the Development Charges Act, 1997. Section 36 states that a municipality may borrow money from a reserve fund.

Inter-fund borrowing is required when the Town needs to pay for growth-related capital works in the short-term. Repayment relies on cash inflows from future development charges (DC), which are dependent upon the realization of projected population increases and the timing of other capital requirements. The intent of using development charge funds to pay for growth-related projects is to ensure the burden is on the developer not the taxpayer.

Borrowing from a reserve or reserve fund may occur only when an analysis of the reserve has determined that excess funds are available and that the use of these funds will not adversely affect the intended purpose of the reserve.

The Town has currently borrowed \$13,143,824 from reserves to interim finance growth-related capital projects where cash inflow has not yet been received into the development charge funds as follows:

<u>DC</u>	<u>Borrowed From</u>	<u>\$</u>
Recreation & Parks	SILR	10,283,603
Storm Water Management	SILR	971,200
Library Services	SILR	155,921
Fire Protection	Fire Services	1,081,856
Parking	Capital Replacement Reserve	651,244
		<u>13,143,824</u>

It is anticipated a further inter-fund loan of \$1,502,009 will be required from reserves at December 31, 2018 to maintain a positive balance in the Development Charges reserve funds and to comply with legislation. The actual amount required will be reported to Council once the 2018 actual reserve and reserve fund balances are finalized.

The Development Charges Act also permits borrowing between development charges, and the Town currently has two loans totaling \$220,408 as follows:

<u>DC</u>	<u>Borrowed From</u>	<u>\$</u>
Municipal Parking Services DC	Roads & Related DC	123,166
Library Services DC	Roads & Related DC	97,242
		<u>220,408</u>

Interest on Inter-fund Borrowing

If a municipality borrows money from a reserve fund, the amount must be repaid plus interest at a rate not less than the prescribed minimum interest rate (the Bank of Canada rate on the day the by-law came into force or, if specified in the by-law, the first business day of each quarter).

In compliance with this legislation, staff applies interest to inter-fund loans each month based on the monthly blended interest rates of the Town's total investments. This percentage is reported annually to Council in the Investment and Cash Management Report.

Repayment of Inter-fund Loans

The repayment of inter-fund loans should not exceed the life of the asset to which the borrowing relates. A 10-year term is used for inter-fund loans at the Town.

RELATIONSHIP TO STRATEGIC PLAN:

This report is related to the 2014-2018 Strategic Action Plan priority 1 Municipal Service Delivery: Effective, efficient and economical delivery of the Town's existing services.

FINANCIAL IMPACT:

Section 36 of the Development Charges Act, 1997 allows a municipality to borrow money from reserve funds to temporarily cover any gaps resulting from delays in the timing of receipt of development charge revenue.

CONSULTATION:

The report was compiled based on data held within the financial accounting system.

PUBLIC ENGAGEMENT:

There is no public engagement impact for this report.

SUSTAINABILITY IMPLICATIONS:

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life.

The recommendation outlined in this report is not applicable to the Strategy's implementation.

COMMUNICATIONS:

There is no communications impact for this report.

CONCLUSION:

The information provided in this report is to inform Council of the status of the reserves, reserve funds, deferred revenue and trust funds held by the Town of Halton Hills as at June 30, 2018.

Reviewed and Approved by,



Moya Jane Leighton, Manager of Accounting and Town Treasurer



Laura Lancaster, Acting Commissioner of Corporate Services



Brent Marshall, CAO