



REPORT

REPORT TO: The Chair and Members of the Community and Corporate Affairs Committee

REPORT FROM: Amy Prueter, Senior Financial Analyst

DATE: March 20, 2019

REPORT NO.: CORPSERV-2019-0011

RE: Reserves, Discretionary Reserve Funds, Obligatory Reserve Funds and Trust Funds as at December 31, 2018

RECOMMENDATION:

THAT Report No. CORPSERV-2019-0011 dated March 20, 2019 regarding Reserves, Discretionary Reserve Funds, Obligatory Reserve Funds and Trust Funds as at December 31, 2018 be received;

AND FURTHER THAT Council authorize an interim loan of \$1,000,000 to the Recreation & Parks Services DC Reserve Fund from the New Capital Reserve;

AND FURTHER THAT Council authorize an interim loan of \$330,000 to the Library Services DC Reserve Fund from the New Capital Reserve.

BACKGROUND:

The Reserves, Discretionary Reserve Funds, Obligatory Reserve Funds and Trust Funds report outlines the status of the various funds held by the Town of Halton Hills as at December 31, 2018.

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 has presented the balances of reserves, reserve funds and trust funds for the fourth quarter under this new reserve structure.

COMMENTS:

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

the Reserve Policy requiring amalgamation due to the new reserve structure are recorded under the reserve amalgamation column.

The opening balance column reflects the balance of the reserves, discretionary reserve funds, obligatory reserve funds and trust funds that were reported in the published financial statements. This amount includes the final distribution of the 2017 operating surplus of \$1,486,670 and it does not include any unrecorded amounts or inter-fund loans.

The activity from January to December 2018 includes the interest that has been earned on the reserves, reserve funds, and trust funds during the period and movements in and out of the funds. The December 31, 2018 balance does not include the 2018 annual operating surplus distribution. Reserve balances will be adjusted to reflect the final operating budget surplus once the audit is complete.

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

The Treasurer has reviewed the estimated December 31, 2018 Reserve and Reserve Fund balances and determined that they are consistent with the Long Range Financial Plan assumptions for that same time period.

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 DC 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 \$14,273,829 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	11,421,260
Storm Water Management	SILR	934,181
Library Services	SILR	485,377
Fire Protection	Fire Services	1,095,886
Parking	Capital Replacement Reserve	337,126
		<u>14,273,829</u>

The current balance reported includes two new inter-fund loans as a result of 2018 activity. A loan to the Recreation Services DC of \$1,000,000 to be funded from the New Capital reserve is required to ensure the overall DC reserve balance remains positive. Recreation Services was chosen for the inter-fund loan due to the capital requirements for 2018 exceeding the reserve balance. A loan to the Library Services DC of \$330,000 to be funded from the New Capital reserve is also required to ensure the Library Services DCs maintain a positive balance for financial reporting purposes.

The Development Charges Act permits borrowing between development charge funds, and the Town currently has one such loan in the amount of \$96,857 as follows:

<u>DC</u>	<u>Borrowed From</u>	<u>\$</u>
Library Services DC	Roads & Related DC	96,857
		<u>96,857</u>

Inter-fund loans are managed in accordance with the Inter-Fund Loans – Development Charge Reserve Fund Policy, Policy CORP-2019-0005.

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 December 31, 2018.

Reviewed and Approved by,



Moya Jane Leighton, Manager of Accounting and Town Treasurer



Jane Diamanti, Commissioner of Corporate Services



Brent Marshall, Chief Administrative Officer