



REPORT

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

REPORT FROM: Dana Stanescu, Accounting Supervisor
Jinsun Kim, Financial Consultant

DATE: January 2, 2020

REPORT NO.: CORPSERV-2020-0002

RE: Reserves, Discretionary Reserve Funds, Obligatory Reserve Funds and Trust Funds as at September 30, 2019

RECOMMENDATION:

THAT Report No. CORPSERV-2020-0002 dated January 2, 2020 regarding Reserves, Discretionary Reserve Funds, Obligatory Reserve Funds and Trust Funds as at September 30, 2019 be received as information.

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 September 30, 2019.

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, 2019, the activity from January to September 2019, un-booked commitments against the funds, reallocation of reserve balances between reserves, and any inter-fund borrowing are reported for each separate fund.

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.

Reserves, Reserve Funds, and Trusts

The opening balance column reflects the balance of the reserves, discretionary reserve funds, obligatory reserve funds and trusts that were reported in the 2018 published financial statements. This amount includes the final distribution of the 2018 operating surplus of \$1,538,052; it does not include any unrecorded amounts or inter-fund loans.

The activity from January to September 2019 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.

In accordance with Council approval of report CORPSERV-2018-0045, the Treasurer can authorize the reallocation of funds between reserves to meet the needs identified in the Long Range Financial Plan and the Town's capital program. There have been no reallocation funds between reserves in 2019.

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 (DCA), 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. 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. Repayment, including interest, relies on cash inflows from future DCs, which are dependent upon the realization of projected growth.

The intent of using DC funds to pay for growth-related projects is to ensure the burden is on the developer not the taxpayer. The province has amended the DCA through Schedule 3 of Bill 108, More Homes More Choice Act and this was proclaimed on January 1, 2020. Staff will continue to review the resulting financial impacts, including those related to inter-fund borrowing and the repayment of DCs, and will report back to Council.

The Town has currently borrowed \$14,426,463 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	11,757,562
Storm Water Management	SILR	864,192
Library Services	SILR	459,051
Fire Protection	Fire Services	1,036,414
Parking	Capital Replacement Reserve	309,244
		<u>14,426,463</u>

The DCA permits borrowing between DC funds, and the Town currently has one such loan in the amount of \$91,374 as follows:

<u>DC</u>	<u>Borrowed From</u>	<u>\$</u>
Library Services DC	Roads & Related DC	91,374

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

With respect to DC recoveries, the Town's DC collections up to September 30, 2019 amount to \$639,977, which represents 17% of the total \$3.7 million projected for the year based on the LRFP. This lower anticipated DC collection is primarily due to slower than expected uptake of development in south Georgetown and Georgetown infill areas. The LRFP estimated that the inter-fund loan would grow by a net of \$3.6 million to a total of \$17.8 million in 2019. In consideration of the slow DC collections and the implementation needs of the approved capital program, it is currently expected that an additional inter-fund loan of \$2.5 million would be required, which will bring the total loan amount to \$20.3 million. Staff will work with the Development Review division to monitor the status of anticipated developments, and make adjustments to the LRFP accordingly. The level of borrowing will be confirmed as part of the year-end process based on total available DC funds, needs for the reserves/reserve funds and the implementation of capital programs.

Financial Indicators

Based on the above, the following are the financial indicators estimated for 2019 in comparison to the measures projected in the LRFP. Overall, the Town's financial sustainability indicator (i.e. total reserves as a % of municipal expenditures) of 63.3% places the Town well within a low risk category of the provincial standard, which calls for a ratio above 20%. With respect to the internal indicators, although trending closely in line with the LRFP, the measures are slightly lower than projected in the LRFP, due to the higher level of borrowing expected from the reserves to support DC shortfalls.

Internal Indicators	Actual		2019 Estimated		Sensitivity Target	Estimated Y-E Variance fr LRFP	
	2017	2018	As per LRFP	As at Sep. 30		\$	%
Total Reserves & Discretionary Reserves as a % of Municipal Expenses	48.3%	47.1%	40%	37.2%	40%	n/a	-2.7%
Cash Reserves per Capita	\$ 582	\$ 580	\$ 522	\$ 486	\$ 559	\$ (35)	-6.8%
Development Charge Collections (\$000's)	\$ 5,105	\$ 2,185	\$ 3,719	\$ 955	n/a	\$ (2,764)	-74.3%
Development Charge Cash Balance (\$000's)	\$ 3,609	\$ 84	\$ 293	\$ 38	n/a	\$ (256)	-87.1%
Interfund Loan (cumulative \$000's)	\$ 10,160	\$ 14,274	\$ 17,846	\$ 20,326	n/a	\$ 2,480	13.9%
Cash Reserves at Year-end (\$000's)	\$ 34,132	\$ 35,472	\$ 32,784	\$ 30,568	n/a	\$ (2,216)	-6.8%
Provincial Indicators							
Total Reserves & Discretionary Reserves as a % of Municipal Expenses	65.5%	67.7%	62.2%	63.3%	20% +	n/a	1.2%

It should be noted that these indicators represent the best estimates as of September 30, 2019. The final measures will be confirmed as part of the annual year-end process.

RELATIONSHIP TO STRATEGIC PLAN:

This report supports the Strategic Plan priority with regard to the 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.

Overall, the Town's financial sustainability as represented by total reserves as a percentage of expenditures is considered healthy and a low risk as per provincial standards. With respect to the internal indicators, although trending closely in line with the LRFP, the measures are slightly lower than projected, due to higher level of borrowing from the reserves to support DC shortfalls. Staff will continue to closely monitor the status of anticipated development and make adjustments to the LRFP as appropriate.

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 September 30, 2019.

Reviewed and Approved by,

A handwritten signature in black ink, appearing to read "M. J. Leighton".

Moya Jane Leighton, Manager of Accounting and Town Treasurer

A handwritten signature in black ink, appearing to read "Jane Diamanti".

Jane Diamanti, Acting Chief Administrative Officer