



AUDIT COMMITTEE AGENDA

Audit Committee Meeting
Tuesday, June 4, 2019
Tom Davies Square - Council Chamber

COUNCILLOR DEB MCINTOSH, CHAIR

Mike Jakubo, Vice-Chair

2:00 p.m. AUDIT COMMITTEE MEETING
COUNCIL CHAMBER

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DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

PRESENTATIONS

1. Report dated May 10, 2019 from the General Manager of Corporate Services regarding 2018 Audit Findings Report. **4 - 20**
(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)
 - Oscar Poloni, KPMG

(This report provides the audit findings with respect to the 2018 year-end.)
2. Report dated May 13, 2019 from the General Manager of Corporate Services regarding 2018 Annual Report including Consolidated Financial Statements. **21 - 24**
(ELECTRONIC PRESENTATION) (RESOLUTION PREPARED)
 - Lorraine Laplante, Manager of Accounting/Deputy Treasurer

(This report recommends that the Consolidated Financial Statements of the City of Greater Sudbury and the Financial Statements of the City of Greater Sudbury Trust Funds for the year ended December 31, 2018 be adopted by Council.)

MEMBERS' MOTION

CORRESPONDENCE FOR INFORMATION ONLY

- I-1. Report dated May 17, 2019 from the General Manager of Corporate Services regarding 2018 Operating Budget Variance Report - December. **25 - 33**
(FOR INFORMATION ONLY)

(This report provides a year end projection based on expenditures and revenues to the end of December, 2018.)
- I-2. Report dated May 21, 2019 from the General Manager of Corporate Services regarding Reserves and Reserve Funds Balances as of December 31, 2018. **34 - 51**
(FOR INFORMATION ONLY)

(This report advises of the balances in the Reserves and Reserve Funds at December 31, 2018.)

ADDENDUM

CIVIC PETITIONS

QUESTION PERIOD

ADJOURNMENT

For Information Only

2018 Audit Findings Report

Presented To:	Audit Committee
Presented:	Tuesday, Jun 04, 2019
Report Date	Friday, May 10, 2019
Type:	Presentations

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to Responsive, Fiscally Prudent, Open Governance: Focus on openness, transparency and accountability in everything we do.

Report Summary

Audit standards require auditors to communicate specific information to an Audit Committee. The City's external auditors will be presenting their findings and statutory communications for the 2018 year-end.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

Christina Dempsey
Co-ordinator of Accounting
Digitally Signed May 10, 19

Manager Review

Lorraine Laplante
Manager of Accounting
Digitally Signed May 10, 19

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets
and Fleet
Digitally Signed May 13, 19

Financial Implications

Jim Lister
Manager of Financial Planning and
Budgeting
Digitally Signed May 14, 19

Recommended by the Department

Kevin Fowke
General Manager of Corporate
Services
Digitally Signed May 14, 19

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed May 15, 19

Background

The City of Greater Sudbury has public accountability therefore auditing standards require auditors to communicate specific information to the City's Audit Committee. The City's external auditors, KPMG LLP, will be presenting their Audit Findings Report with respect to the 2018 year-end which will include the following:

- Audit, fraud and other risks and results
- Financial Statement presentation and disclosure
- Adjustments and differences
- Control observations

In addition to reporting that the City's financial transactions appropriately followed Generally Accepted Accounting Principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, management also has a responsibility to apply their best judgment at the time in preparing accounting estimates and/or disclosures in the financial statements.

The auditors apply the concept of materiality in determining whether or not the statements are considered to be fairly stated. Materiality includes both qualitative and quantitative factors which are assessed in the light of whether or not they may influence the decisions made by persons relying on the financial statements. The external auditors have confirmed that there are no material unadjusted financial statement misstatements.

A further requirement of any audit is to obtain sufficient understanding of internal controls and to test those internal controls so that the external auditors can place reliance on them as part of the audit. As outlined in the Audit Findings Report there were no observed weaknesses in the City's system of internal controls and financial reporting processes.

The presentation will communicate a summary of any significant findings and other matters which our external auditors believe should be brought to your attention, thereby assisting the Audit Committee with respect to their review and recommendation to Council for approval of the City of Greater Sudbury's 2018 Consolidated Financial Statements.

Attached is the complete Audit Findings Report prepared by the external auditors.



City of Greater Sudbury

**Audit Findings Report
For the year ended December 31, 2018**

KPMG LLP

June 4, 2019

kpmg.ca/audit



The contact at KPMG in connection with this report is:

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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a Member of the Audit Committee (the “Committee”), in your review of the results of our audit of the financial statements of the City of Greater Sudbury (the “City”) as at and for the year ended December 31, 2018.

We appreciate the assistance of management and staff in conducting our audit. We hope this audit findings report is of assistance to you for the purpose above, and we look forward to discussing our findings and answering your questions.

Changes from the Audit Plan

There have been no significant changes in our planned approach as designed by KPMG and dated January 22, 2019.

Audit risks and results

Based on our audit procedures, including discussions with management, we have not identified any significant financial reporting risks that would impact the City’s financial reporting.

Adjustments and differences

We did not identify differences that remain uncorrected.

Corrected audit differences are identified in our representation letter.

Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing any required communications with the City;
- Obtaining evidence of the City’s approval of the financial statements.
- Obtaining the signed management representation letter.

We will update you on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

The conclusion of our audit is set out in our draft auditors’ report attached to the draft financial statements. Our auditors’ report will be dated upon the completion of any remaining procedures.

*This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary

Audit Materiality

We determined materiality by using prior year audited revenues as a benchmark and applying 2%, resulting in a materiality of \$12.1 million. The audit misstatement posting threshold was set at \$605,000.

Using year-end actual revenues did not result in a significant change to the materiality level determined above.

Fraud and other risks and results

See Page 7.

We discussed with you some considerations over fraud risks as required by professional standards.

Control and other observations

As a result of our audit procedures, we have not identified any matters relating to weaknesses in the City's system of internal controls or financial reporting processes.

Critical accounting estimates

Overall, we are satisfied with the reasonability of the accounting estimates taken. Accounting estimates are disclosed in Note 1 to the financial statements.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention. The significant accounting policies selected by the City are presented in the notes to the financial statements. The City has applied these policies consistently throughout the year ended December 31, 2018.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are in accordance with the City's relevant financial reporting framework, which is Canadian public sector accounting standards.

There were no misstatements, including omissions, if any, related to disclosure or presentation items.

Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls. We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

Significant financial reporting risks	Why	Our response and significant findings
Revenue recognition	Revenue recognition has been identified as a potential audit risk due to the conditional nature of certain funding received by the City, which may impact their financial statement presentation.	<p>We have tested management's calculations of revenues, including:</p> <ul style="list-style-type: none"> • Agreeing revenue to supporting documentation; • Assessing the reasonableness of revenue recognition for conditional revenue sources; and • Assessing the appropriateness of accounts receivable recorded at year-end. <p>Based on the results of our audit procedures, we have not identified any audit differences related to revenues, other than those that are trivial in nature.</p>
Tangible capital assets	Capital expenditures have been identified as a potential audit risk due to the significant level of capital investment undertaken by the City and the potential subjectivity with respect to whether a betterment exists.	<p>We performed the necessary audit procedures over the City's tangible capital assets, including:</p> <ul style="list-style-type: none"> • Testing a sample of capital asset additions, including agreeing expenditures to supporting documentation and verifying that the expenditure represented a betterment • Ensure the appropriateness of cut-off for capital expenditures at year-end; and • Testing associated revenue for capital expenditures, including government grants and development charges. <p>Based on the results of our audit procedures, we have not identified any audit differences related to tangible capital assets.</p>
Employee related accruals	Employee-related accruals have been identified as a potential audit risk due to the quantum of the potential liability and the degree of uncertainty with respect to the determination of the liability amount.	<p>We performed the necessary audit procedures over management's estimates, including assessing the reasonableness of key assumptions and performing a retrospective review of prior year's estimates. Employee-related liabilities addressed by our audit procedures included pay equity, unsettled contracts and year-end accruals.</p> <p>Based on the results of our procedures, we did not identify any audit differences with respect to employee related accruals.</p>

Audit risks and results

Significant financial reporting risks	Why	Our response and significant findings
Assessment appeals	Municipalities are exposed to potential liabilities with respect to assessment appeals, which often involve multiple years and require management to make estimates of the potential liability.	We performed the necessary audit procedures over management's estimates, including assessing the reasonableness of key assumptions and performing a retrospective review of prior year's estimates. Based on the results of our procedures, we did not identify any audit differences with respect to accruals relating to assessment appeals.

Fraud and other risks and results

We identified fraud risks for in our discussion with you in the Audit Plan.

Significant findings from the audit regarding fraud risks are as follows:

Other areas of focus	Why	Our response and significant findings
Fraud risk from revenue recognition	This is a presumed fraud risk. Management may have the incentive to overstate in order to achieve the intended financial results.	Our audit procedures test for potential overstatement of revenues through: <ul style="list-style-type: none"> • Testing of journal entries; • Agreeing recorded revenues to supporting documentation; and • Assessing the appropriateness of management's revenue recognition assumptions. Based on the results of our audit procedures, no audit misstatements were identified.
Fraud risk from management override of controls	This is a presumed fraud risk. Management may override internal controls in order to perpetrate or conceal fraud.	As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments, performing a retrospective review of estimates and evaluating the business rationale of significant unusual transactions, as well as other procedures as considered appropriate by us.
Contravention of City policies and procedures	This is a potential reputational risk in the event that public funds are used for personal purposes.	We selected a sample of expense reports for members of City Council as well as senior management to assess the extent of compliance with City policies. We also selected a sample of procurements in order to assess instances of non-compliance with the City's procurement policies. Based on the results of our review, we did not identify any instances of non-compliance with the City's policies.
Immaterial transaction streams	Immaterial transaction streams may, by virtue of their size, not be subjected to audit. As a result, potential internal control and other risk factors may not be identified through the course of our regular audit procedures.	We undertook value-stream mapping of the City's processes for the receipt and recording of cash from bus fares and parking meters. The results of our analysis as well as suggestions for potential enhancements to the City's system of internal controls, have been communicated to management.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the City's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

We also highlight the following:

Form, arrangement, and content of the financial statements	<p>The form, arrangement and content of the financial statements has been reviewed as part of our audit procedures as is considered to be adequate.</p> <p>The financial statements contain note disclosure, including continuity information, for significant financial statement items.</p>
Application of accounting pronouncements issued but not yet effective	<p>New accounting pronouncements in the current year that had a significant impact on the City's financial statements are disclosed in the notes to the financial statements.</p> <p>No concerns are identified at this time regarding future implementation of accounting pronouncements.</p>

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences. Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

No adjustments were made to the internal financial records of the City as a result of our audit procedures.

Uncorrected differences

Based on the results of our audit procedures, we have not identified any uncorrected differences considered to be other than clearly trivial.

Control observations

In accordance with professional standards, we are required to communicate to the Audit Committee any control deficiencies that we identified during the audit and have determined to be significant deficiencies in internal control over financial reporting.

Based on the results of our audit procedures, we did not identify any significant deficiencies in internal controls over financial reporting.

Appendices

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Background and professional standards

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report [attached to the draft financial statements / as attached]
- **Management representation letter** – In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee.
- **CPAB Big Four Firm Public Report (November 2017)** – Please refer to <http://www.cpab-carc.ca/Documents/News%20and%20Publications/2017%20Big%20Four%20Report%20EN.pdf>

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

- Other controls include:
 - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
 - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
 - Assignment based on skills and experience;
 - Rotation of partners;
 - Performance evaluation;
 - Development and training; and
 - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

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Presented To:	Audit Committee
Presented:	Tuesday, Jun 04, 2019
Report Date	Monday, May 13, 2019
Type:	Presentations

Request for Decision

2018 Annual Report including Consolidated Financial Statements

Resolution

THAT the City of Greater Sudbury accepts the Consolidated Financial Statements for the City of Greater Sudbury and the City of Greater Sudbury Trust Funds, for the year ended December 31, 2018 as outlined in the report entitled "2018 Annual Report including Consolidated Financial Statements" from the General Manager of Corporate Services, presented at the Audit Committee meeting on June 4, 2019.

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to Responsive, Fiscally Prudent, Open Governance: Focus on openness, transparency and accountability in everything we do.

Report Summary

In accordance with the Municipal Act, 2001, section 294.1, annual financial statements must be prepared and approved in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board.

Financial Implications

This report has no financial implications.

Signed By

Report Prepared By

Christina Dempsey
Co-ordinator of Accounting
Digitally Signed May 13, 19

Manager Review

Lorraine Laplante
Manager of Accounting
Digitally Signed May 13, 19

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets and Fleet
Digitally Signed May 13, 19

Financial Implications

Jim Lister
Manager of Financial Planning and Budgeting
Digitally Signed May 14, 19

Recommended by the Department

Kevin Fowke
General Manager of Corporate Services
Digitally Signed May 14, 19

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed May 15, 19

Background

The City's draft 2018 Annual Report describes the city's financial and non-financial accomplishments for the fiscal year. The Annual Report includes the Consolidated Financial Statements of the City of Greater Sudbury for the year ended December 31, 2018. These financial statements have been drafted by Finance in accordance with generally accepted accounting principles as established by the Public Sector Accounting Board and have been audited by KPMG, LLP. The Independent Auditor's Report expresses an unqualified audit opinion.

The Consolidated Financial Statements include the following entities which are owned or controlled by the City:

- Greater Sudbury Housing Corporation
- Greater Sudbury Police Services Board
- Downtown Sudbury
- Flour Mill Business Improvement Area
- Greater Sudbury Public Library Board

The financial results of these entities include the assets, liabilities, revenues and expenses of these entities. Any inter-organization transactions have been eliminated.

In addition, the City invests in two Government Business Enterprises (GBEs):

- Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc.
- Sudbury Airport Community Development Corporation

These investments are accounted for by the modified equity method, therefore, these investments are recorded as assets in the Consolidated Statement of Financial Position and their net earnings are recorded as revenues in the Consolidated Statement of Operations and Accumulated Surplus. Inter-organization transactions and balances are not eliminated.

The Consolidated Financial Statements include the following components:

Name	Purpose	Comments
Consolidated Statement of Financial Position	Provides a summary of the City's consolidated: <ul style="list-style-type: none">• financial assets,• financial liabilities,• non-financial assets and• accumulated surplus	Major components include: <ul style="list-style-type: none">• Investment in GBE• Investments• Accounts payable and accrued liabilities• Employee benefit obligations• Long term liabilities• Tangible Capital Assets

Name	Purpose	Comments
Consolidated Statement of Operations and Accumulated Surplus	<p>Provides a summary of the City's consolidated:</p> <ul style="list-style-type: none"> • Revenues (includes operating, capital funding and contributions from reserves and reserve funds, GBE net earnings) • Expenses, • accumulated surplus 	<p>Major components include:</p> <ul style="list-style-type: none"> • Government Transfers (operating and capital) • Taxation • User charges • Expenses categorized by: <ul style="list-style-type: none"> ▪ Function (Service area) and ▪ Object (Types of expenses)
Consolidated Statement of Change in Net Financial Assets	<p>Provides a summary of the change in the City's consolidated net financial assets as a result of operations, tangible capital asset transactions and changes in other non-financial assets.</p>	<p>This statement indicates the whether the City has the ability to generate sufficient net revenues to fund it's capital and non-financial needs.</p>
Consolidated Statement of Cash Flow	<p>Provides the City's consolidated cash position and changes that affected the cash position.</p>	<p>Major components include:</p> <ul style="list-style-type: none"> • Adjustments for non-cash transactions • Financial activities (i.e. long term debt transactions) • Capital activities (i.e. Tangible Capital Asset transactions) and • Investing activities (i.e. purchase / sale of investments)
Notes	<p>Provides additional information regarding the City's significant accounting policies and additional information to supplement the statements above.</p>	<ul style="list-style-type: none"> • Revenue recognition policies • Summary of GBE activities • Long term debt information • Accumulated Surplus details • Budget reconciliation

Subsequent to Council ratification (June 11, 2019), the following financial reports for the year ended December 31, 2018 will be available on the City's website:

- Annual Report including the Consolidated Financial Statements of the City of Greater Sudbury
- Financial Information Return for the Consolidated City of Greater Sudbury
- Financial Statements of the City of Greater Sudbury Trust Funds
- Financial Statements of the Sudbury Airport Community Development Corporation
- Consolidated Financial Statements of Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc.
- Financial Statements of Downtown Sudbury
- Financial Statements of the Greater Sudbury Housing Corporation
- Financial Statements of the City of Greater Sudbury Community Development Corporation
- Financial Statements of the Sudbury and District Health Unit

Summary

The draft City of Greater Sudbury Annual Report for 2018 including the draft consolidated financial statements of the City of Greater Sudbury and draft financial statements of the City of Greater Sudbury Trust Funds including the respective draft auditor's reports have been presented to the Audit Committee, to be subsequently approved by Council.

The annual report will be emailed prior to or tabled at the June 4th, 2019 Audit Committee meeting.

For Information Only

2018 Operating Budget Variance Report - December

Presented To:	Audit Committee
Presented:	Tuesday, Jun 04, 2019
Report Date	Friday, May 17, 2019
Type:	Correspondence for Information Only

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

This report provides Council with an analysis of the City's year-end position. The 2018 year end deficit is approximately \$2.1 Million. The deficit will be funded from the Roads Winter Control Reserve Fund, Tax Rate Stabilization Reserve, and Capital Financing Reserve Fund - General, in accordance with the Reserve and Reserve Fund by-law.

Financial Implications

There are no financial implications associated with this report.

Signed By

Report Prepared By

Liisa Lenz
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Digitally Signed May 17, 19

Manager Review

Jim Lister
Manager of Financial Planning and Budgeting
Digitally Signed May 17, 19

Division Review

Ed Stankiewicz
Executive Director of Finance, Assets and Fleet
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Financial Implications

Jim Lister
Manager of Financial Planning and Budgeting
Digitally Signed May 17, 19

Recommended by the Department

Kevin Fowke
General Manager of Corporate Services
Digitally Signed May 20, 19

Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed May 22, 19

2018 Year End Operating Budget Variance Report

Executive Summary

This report provides Council with an analysis of the City's year end financial position. The 2018 year end deficit is \$2.1 Million. The deficit will be funded partially from the Roads Winter Control Reserve Fund and the remainder will be funded equally from Tax Rate Stabilization Reserve and General Capital Financing Reserve Fund – General in accordance with the Reserves and Reserve Funds By-Law.

Background

The purpose of this report is to provide Council with an overview of year end variances. The monitoring and reporting of variances has been conducted in accordance with the Operating Budget Policy. Council is provided with a variance report after each quarter end. This report is an update from the year end forecast provided to Council in December 2018 and the projections included in the 2019 budget binder.

In accordance with the Reserves and Reserve Funds By-law, certain service areas that experienced a net under expenditure may retain this under expenditure if it does not put the municipality in a deficit position or increase the deficit; these areas include Information Technology, Pensioners, Land Reclamation Services, Social Housing Services, Libraries, and Police Services. The total net under expenditures for these areas was approximately \$700,000, however these areas did not retain their respective surpluses for 2018 as a result of the overall year end deficit.

Attached is an additional schedule that reflects the annual net budget (Appendix 1), year end position and variance for each area. In accordance with the Operating Budget Policy, the following explanations relate to areas where a variance of greater than \$200,000 resulted within a division or section.

Variance Explanations

1) Revenue Summary

This area is reflecting a net over expenditure of \$630,000 relating to property taxes as follows:

- Increase in tax write off expenses of \$975,000.
- Over expenditure in vacancy rebates of \$165,000.
- Unbudgeted transitional property tax mitigation funding for Non-Profit Long-Term Care Homes of \$225,000.
- Increase in supplemental taxation revenue of \$265,000.
- Decrease in revenue for payment in lieu of taxes, and right of way levy of \$150,000.
- Increase in user fee revenue for minimum property tax bill of \$35,000.

2) Other Revenues and Expenses

This area is reflecting a net under expenditure of \$700,000 as follows:

- Reduction in estimated legal liability relating to legal actions pending against the City in the amount of \$250,000.

- Over expenditures related to the Junction project totaling \$220,000 primarily due to salaries and benefits.
- Increase in investment income of \$610,000.
- Increase in revenue from interest added to current tax arrears of \$245,000.
- Decrease in aggregate resource funding of \$45,000.
- Reduction in anticipated slot revenue of \$25,000.
- Unbudgeted funding provided to the Sudbury Symphony Orchestra of \$50,000.
- Over expenditure in miscellaneous costs including legal, credit/debit charges of \$65,000.

3) Security & By-Law

This area is reflecting a net over expenditure of \$270,000 as follows:

- Under expenditure in Animal Control services of \$120,000 due to higher than anticipated user fee revenues, and an under expenditures in salaries and benefits and operating expenses.
- Lower than anticipated revenues for parking fines of \$140,000.
- Over expenditure in salaries and benefits of \$190,000 as a result of job evaluations and re-classifications of positions.
- Over expenditure in parking enforcement contract costs of \$30,000 for winter control enforcement.
- Over expenditure in miscellaneous materials and purchased services of \$30,000 for fuel, cell phones, and office expenses.

4) Finance, Assets and Fleet

The year end net under expenditure of approximately \$220,000 due to under expenditures in Finance as follows:

- Increased tax administration user fees of \$130,000.
- Under expenditure in salaries and benefits due to vacancies totaling \$90,000.

5) Housing Services

This area is reflecting a net under expenditure of \$920,000 due to recovery of prior year surpluses from Greater Sudbury Housing Corporation.

6) Long Term Care

This area is reflecting a net over expenditure of \$740,000 as follows:

- Over expenditure of \$1,300,000 in salaries and benefits due to modified work, overtime and the WSIB New Experimental Experience Rating.
- An unanticipated reduction in the Case Mix Index funding (CMI) resulting in a funding reduction of \$290,000.
- Under expenditures in energy costs of \$330,000 as a result of reduced consumption from converting to LED lighting, as well as significant rebates for being a multi-unit residential facility.
- Additional funds for high intensity needs subsidy of \$340,000.
- Additional user fee revenue of \$60,000 for preferred accommodations.
- Under expenditure of \$30,000 as a result of the new Nurse Call system and a reduction of battery usage.
- Under expenditure in software costs of \$17,000.
- Under expenditures in medical supplies and infection control totaling \$34,000.

- Under expenditures of \$27,000 for consultants and office equipment as a result of delaying costs to offset the net over expenditure.
- Various under expenditures totaling \$12,000.

7) Social Services

This area is reflecting a net under expenditure of \$560,000 as follows:

- Under expenditure of \$200,000 in salaries and benefits due to staff absences and vacancies in year.
- Under expenditure of \$55,000 in office expenses as a reduction of social services discretionary expenses.
- Under expenditure of \$40,000 in professional development as a reduction of social services discretionary items.
- Under expenditure of \$100,000 for a reduction in purchased and contracted services such as employment programs administered by third parties.
- Under expenditure of \$55,000 for a reduction in and Learning, Earning, and Parenting (LEAP) supports and incentives.
- Under expenditure of \$70,000 as a result of funding the syringe pickup program from CHPI.
- Under expenditure of \$40,000 in homelessness initiatives.

8) Leisure - Recreation

This is reflecting a net over expenditure of \$690,000 as follows:

- A shortfall in user fee revenue of \$350,000 primarily for ice rentals (\$246,000), fitness centres (\$42,000), community halls (\$38,000), and ski hills (\$24,000).
- Over expenditures of salaries and benefits of \$310,000 due to job evaluations and increase in PT wages to backfill for absences at arenas and pools.
- Miscellaneous over expenditures totaling \$30,000 primarily a result of building and equipment repair and maintenance costs.

9) Transit

This area is reflecting a net over expenditure of \$1.05 million as follows:

- Over expenditure in transit maintenance, vehicle repairs and shop supplies totaling \$730,000.
- Over expenditure of \$175,000 in salaries and benefits primarily due to bus operator unscheduled overtime due to road conditions, bus breakdowns, construction & unanticipated supervisor training costs.
- Over expenditure in utility costs of \$430,000 due to increased fuel prices.
- Increase in user fee revenue of \$285,000 due to higher than expected sales of monthly bus passes more than offsetting reductions in farebox revenues.

10) Infrastructure Capital Planning

This area is reflecting a net under expenditure of \$550,000 as follows:

- An under expenditure in salaries and benefits of \$380,000 due to vacancies.
- Under expenditures of \$150,000 in drain maintenance including consultants due to timing and implementation the municipal drainage contract which was not finalized until late fall.

- Under spent \$20,000 in materials, professional and other areas which is directly related to vacancies.

11) Engineering Services

This area is reflecting a net under expenditure in salaries and benefits of \$490,000 resulting from in year vacancies.

12) Linear Infrastructure Maintenance

This area is reflecting a net over expenditure of \$1.42 million as follows:

- The net over expenditure of \$2,390,000 in roads winter maintenance is a result of record setting snowfalls. In accordance with the Reserves and Reserve Funds By-law, this over expenditure may be funded from the Roads Winter Control Reserve Fund.
- Under expenditure in roads summer maintenance of \$740,000 due to a conscious effort to offset over expenditures from winter control, as well as a shortened season due to a late spring and the early snowfall.
- Under expenditure in streetlighting of \$110,000 due to lower hydro costs.
- Under expenditure in Public Works Depots of \$120,000 primarily due to lower expenditures in contract services.

13) Environmental Services

This area is reflecting a net over expenditure of \$380,000 as follows:

- A shortfall in revenues of \$410,000, primarily related to sale of recyclables net of cost sharing due to the downturn in global markets for blue box recyclables.
- Under expenditure in operating costs of \$30,000 is due to reduced contract costs for processing blue box recyclables, under expenditures in waste collection, and staff vacancies, offset by increases contract costs for household hazardous waste program, fuel costs, and processing increased quantity of leaf and year trimmings.

14) Fire Services

This area is reflecting a net over expenditure of \$1.1 million as follows:

- Salaries and benefits are anticipated to be \$990,000 over budget primarily due to increased overtime costs as a result of modified work and WSIB legislation changes, offset by vacant positions.
- Increase in revenues from Fire Marquee net of commission costs of \$130,000.
- Unbudgeted water rescue training at a cost of approximately \$85,000.
- Over expenditure in utility costs of \$70,000 specifically for diesel fuel and water.
- Over expenditure in uniforms and protective clothing costs of \$50,000 for repair, replacement, inspection & cleaning costs for various personal protective equipment, including bunker gear, helmets, gloves, boots, and others.
- Over expenditure in training tower repairs of \$35,000 for wiring issues.

Non Tax Levy Supported Areas:

In addition to the operating variances reported above, there are a number of areas which are not funded by the municipal tax levy, and therefore any over or under expenditures result in increased contributions to or from Reserves. The chart below

indicates the variances between the budgeted and actual contributions to reserve for these areas.

Area	Budgeted Contribution to Reserve	Actual Contribution to Reserve	Increase in Contribution to Reserve
Parking Services	\$765,700	\$817,325	\$51,625
Cemetery Services	\$134,725	\$208,409	\$73,684
Water / Wastewater	\$0	\$1,688,802	\$1,688,802

Area	Budgeted Contribution (from) Reserve	Actual Contribution (from) Reserve	Decrease in Contribution from Reserve
Building Services	(\$888,353)	(\$558,281)	\$330,072
RBC Business Centre	(\$144,316)	(\$85,844)	\$58,472

Building Services

This section experienced a net under expenditure of \$330,072. In accordance with Bill 124, revenues generated from building permits are to be used to support the Building Services department. Therefore any surplus is contributed to the reserve to fund future deficits. In 2018 the Building Services budget included a draw from reserve of \$888,353 to balance the budget, however a slight increase in building permit revenues as well as a decrease in salaries and benefits due to vacancies in year resulted in a lesser draw than anticipated.

Water Wastewater Services

- User fee revenues were under budget by \$870,000 as actual billed consumption was 13.43 million cubic metres while the budget for 2017 was 13.675 million cubic metres.
- Other revenues were over budget by \$280,000 due to increased volumes of hauled liquid waste received at the Sudbury wastewater treatment plant.
- Salaries and benefits were under budget by \$1,250,000 due to staffing vacancies in the management and operations level.
- Materials and operating expenses were over budget by \$205,000 due to increased volumes of chemicals used in both water and wastewater treatment processes offset by inventory consumption adjustments.
- Energy costs were under budget by \$240,000 due primarily to energy savings realized at the Sudbury Wastewater plant as a result of participation in the Industrial Conservation Initiative program.
- Purchased and Contract Services were under budget by \$1,000,000 due primarily to the fact City crews were responsible for performing emergency repairs to its linear infrastructure. There were savings in certain aspects of the purchased service accounts, but there were additional expenses related to rented equipment, cold patching repairs and the fact that some repair work was performed by external contractors due to the size and complexity and unavailability of City crews. There was an under expenditure of \$745,000 in linear

repair related purchased service accounts. Locate costs were under budget by \$340,000 due to decreased activity and the ability of staff to limit the amount of locates performed by contractors.

- In summary, total revenues were under budget by \$600,000 and total expenditures were under budget by \$2.3 million resulting in a net under expenditure of \$1.688 million in Water and Wastewater Services for 2018. Water had an net under expenditure of \$1,753,000 which was contributed to the Capital Financing Reserve Fund – Water in accordance with the Reserves and Reserve Funds By-Law. Wastewater had a net over expenditure of \$65,000 which was funded by a contribution from the Capital Financing Reserve Fund- Wastewater in accordance with the By-Law.

Summary

As per the attached schedule, the City's net year end deficit of \$2.1 million is funded from the Roads Winter Control Reserve Fund, Tax Rate Stabilization Reserve, and Capital Financing Reserve Fund – General, in accordance with the Reserves and Reserve Funds By-Law.

City of Greater Sudbury
Net Revenue and Expenditure Projection
For the year ended December 31, 2018



	Annual Budget	YE Position	Surplus (Deficit)	Notes
Corporate Rev and Exp Summary				
Revenue Summary	(290,148,543)	(289,519,952)	(628,591)	1
Other Revenues and Expenses	27,215,606	26,514,532	701,074	2
TOTAL CORPORATE REVENUES	(262,932,937)	(263,005,420)	72,483	
Executive and Legislative				
Office of the Mayor	636,160	640,044	(3,884)	
Council Memberships & Travel	77,187	60,002	17,185	
Council Expenses	1,028,674	1,019,953	8,721	
Auditor General	370,138	379,246	(9,108)	
Office of the C.A.O. Summary	2,973,598	2,966,202	7,396	
Executive and Legislative	5,085,757	5,065,447	20,310	
Corporate Services				
Corporate Services -GM Office	514,171	501,489	12,682	
Legal & Clerks Services	1,593,248	1,415,094	178,154	
Security and By-Law	581,144	854,792	(273,648)	3
Information Technology	(106,121)	(294,252)	188,131	
Human Resources and O.D.	0	144,766	(144,766)	
Finance, Assets and Fleet	12,176,150	11,953,478	222,672	4
Corporate Services	14,758,592	14,575,367	183,225	
Economic Development Summary				
Economic Development	5,086,362	5,028,625	57,737	
Economic Development Summary	5,086,362	5,028,625	57,737	
Community Development Services				
G.M. Office	890,072	767,019	123,053	
Housing Services	20,421,434	19,503,138	918,296	5
Long Term Care-Senior Services	4,196,750	4,938,310	(741,560)	6
Social Services	5,260,628	4,702,536	558,092	7
Children and Citizen Services	9,747,453	9,716,238	31,215	
Leisure-Recreation	19,773,175	20,458,343	(685,168)	8
Transit	12,940,353	13,992,952	(1,052,599)	9
Community Development Services	73,229,865	74,078,536	(848,671)	
Growth and Infrastructure				
Growth I.S. Other	205,882	216,381	(10,499)	
Inf Capital Planning	6,235,362	5,684,413	550,949	10
Engineering Services	2,118	(463,646)	465,764	11
Water - Wastewater	3,785,001	3,785,000	1	
Linear Infr Maintenance	36,478,149	37,899,602	(1,421,453)	12
Environmental Services	12,597,459	12,979,622	(382,163)	13
Planning and Development	4,671,713	4,677,774	(6,061)	
Treatment & Compliance	0	0	0	
Building Services	1,975	0	1,975	
Growth and Infrastructure	63,977,659	64,779,146	(801,487)	
Community Safety				

City of Greater Sudbury
Net Revenue and Expenditure Projection
For the year ended December 31, 2018



	Annual Budget	YE Position	Surplus (Deficit)	Notes
C.S. G.M.'s Office	0	0	0	
Emergency Management	619,468	425,556	193,912	
CLELC Section	(26,609)	(49,689)	23,080	
Emergency Medical Service	10,592,711	10,530,960	61,751	
Fire Services	24,841,409	25,954,493	(1,113,084)	14
Community Safety	36,026,979	36,861,320	(834,341)	
Outside Boards				
Outside Boards Other	7,004,002	7,002,963	1,039	
Police Services	57,763,721	57,763,721	0	
Outside Boards	64,767,723	64,766,684	1,039	
TOTAL EXPENDITURES	262,932,937	265,155,125	(2,222,187)	
TOTAL	\$0	\$2,149,705	(\$2,149,705)	

Total Deficit	2,149,705
Funding from Winter Control Reserve Fund	(191,355)
Funding from Tax Rate Stabilization Reserve	(979,175)
Funding from Capital Financing Reserve Fund - General	(979,175)
	<u>0</u>

For Information Only

Reserves and Reserve Funds Balances as of December 31, 2018

Presented To:	Audit Committee
Presented:	Tuesday, Jun 04, 2019
Report Date	Tuesday, May 21, 2019
Type:	Correspondence for Information Only

Resolution

For Information Only

Relationship to the Strategic Plan / Health Impact Assessment

This report refers to operational matters.

Report Summary

The purpose of this report is to provide Council with the balances in the reserves and reserve funds as of December 31, 2018.

Financial Implications

This report has no financial implications.

Signed By

Report Prepared By

Apryl Lukezic
Co-ordinator of Budgets
Digitally Signed May 21, 19

Manager Review

Jim Lister
Manager of Financial Planning and Budgeting
Digitally Signed May 21, 19

Division Review

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Executive Director of Finance, Assets and Fleet
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Financial Implications

Jim Lister
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Recommended by the Department

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General Manager of Corporate Services
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Recommended by the C.A.O.

Ed Archer
Chief Administrative Officer
Digitally Signed May 22, 19





The Importance of Reserves and Reserve Funds

Maintaining adequate reserve and reserve funds is essential to a municipality's capacity to maintain service levels in current and future periods without incurring significant changes in annual taxation levels or unwelcome breaks in services. Reserves and reserve funds are a critical component of a municipality's long-term financing plan. The purpose for maintaining reserves 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 used to deliver services, and are wearing out
- Avoid sudden tax or debt increases to address capital funding requirements
- Provide flexibility to address unanticipated investment opportunities or to finance unplanned expenditures
- Manage the municipality's daily cash requirements without relying on short-term borrowing
- Support the concept of intergenerational equity by setting funds aside now for liabilities incurred in the current period but that are not payable until some future period

Reserve Fund Guiding Principles

Since amalgamation, the City of Greater Sudbury has considered the following principles to support its financial and service delivery planning:

Principle	Status
1. Plan for the replacement of infrastructure through the use of life cycle costing and the development of replacement reserves.	
2. Undertake regular reviews of remaining life and condition of assets and determine required annual reserve contributions sufficient to ensure that 90% of approved infrastructure rehabilitation / replacement schedules can be met at the required time.	
3. Facility, equipment and infrastructure replacement reserves should be established and funded to ensure that 90% of approved infrastructure rehabilitation / replacement schedules are met (long-term).	
4. Establish a Stabilization Reserve for programs that are susceptible to significant annual expenditure fluctuations (ie. Winter Maintenance). Program budgets should be based on a moving five year historical average of program spending. In years when surplus funds occur in these programs, surpluses should be reserved, provided an overall City surplus	

exists. Where the City's overall surplus is less than the program surplus, funds should only be reserved up to the level of the overall City surplus.	
5. Establish reserves to provide funding for future liabilities (ie. sick leave, post-employment benefits, WSIB). Contributions to these reserves should be set, at a minimum, at an amount sufficient to ensure the liability does not increase.	✓

As this report illustrates, these principles have not been consistently applied each year. These principles will be updated in a revised Reserves and Reserve Funds Policy and By-Law that will be presented for Council's approval during 2019. In January and April 2019, Council has approved the creation and funding of three Holding Accounts, as well as consolidation of the uncommitted Capital Financing Reserve Fund through approval of the revised Capital Budget Policy. The three Holding Account Reserves (Capital, Water, and Wastewater) will be funded from capital project surpluses and be used to fund project deficits. The City will continue to make progress and address these guiding principles through action from the Asset Management Plan and Long-Term Financial Plan.

The City has established stabilization reserve funds such as Winter Control, Tax Rate Stabilization, Water and Wastewater. However, the Winter Control Reserve Fund balance has been depleted in order to fund deficits in this area for the past few years. In addition, the balance in Tax Rate Stabilization Reserve has decreased due to funding of projects/programs as approved by Council, as well as the annual operating deficit for the past few years, in order to minimize the impact on the annual property tax levy.

2018 Reserves and Reserve Funds Balances

The City of Greater Sudbury has reserves and reserve funds in the amount of \$147.4 million as of December 31, 2018 (2017 - \$142.8 million).

In summary, the following are the highlights:

(in millions)	2018
Balance: January 1, 2018	\$142.8
Add: Interest earned	3.1
Less: Net transfers from Operating	7.7
Net transfers to Capital	(6.3)
Balance: December 31, 2018	147.4

A sample of the investments made during 2018 from reserve funds include:

- Maley Drive Extension \$8.5M
- Tom Davies Square Parking Garage Roof & Courtyard Renovation \$800K
- Tandem Multi-Function Winter Control Vehicles \$1.1M
- Tom Davies Square Elevator Replacement \$856K
- St. Joseph's Parking Lot Redevelopment \$701K

A major change to the capital budget policy and approach to capital project management resulted in the contribution of \$15.3 million to reserves funds from capital projects that were in progress but exceeded the maximum allowable timeframe for project completion under the new policy.

The balance consists of:

(in millions)	2017	2018
Reserves	6.6	4.2
General Reserve Funds	51.6	52.6
Capital Financing and other Capital Reserve Funds	84.6	90.6
Total Reserve and Reserve Funds	\$142.8	\$147.4

The main difference between a reserve and a reserve fund is that a reserve does not earn interest, whereas a reserve fund is in a separate fund and is credited, on a monthly basis, with the interest it has earned.

Please see Appendix A for tables illustrating the trends in reserve and reserve funds over the past five years.

Please see Appendix B and C which provides a more detailed explanation of each of the City's reserves and reserve funds as well as examples of projects within the committed balances at the end of 2018. Some balances in 2018 are higher than 2017 as the 2019 Budget was approved in February 2019, whereas the 2018 Budget was approved in December 2017 and the commitments from reserve funds were recorded for the 2017 year end.

Of the total balance of \$147.4 million, there are reserves and reserve funds which are included in a "committed" reserve fund for a specific project or program which accounts for approximately \$56.8 million (2017 was \$83.5 million). Refer to Appendix B and C which provides additional information on these committed reserve funds.

The annual operating and capital budgets as approved by Council include draws from reserves and reserve funds in order to fund various expenses such as capital projects, which are completed over several years or funds set aside for significant capital projects to be completed in the future, or deductibles for insurance claims, sick leave payouts and so on.

The funds remain in committed reserve funds as approved by Council in the annual budgets (or supplemental Council reports throughout the year) until the expenses have been paid, which may occur over several years. Any capital projects that have reserve funds identified as a funding source that are cancelled at a later time, would be uncommitted in order to use for future capital projects/expenses or used to fund over-expenditures in other capital projects in accordance with the existing Capital Budget Policy. The primary difference between the 2018 forecast and actual year end results is

the result of timing differences associated with actual project deliverables compared to plan.

Comparison to Other Municipalities

The City's level of reserve funds is low in comparison to other municipalities in Ontario. The comparison used is the "Reserves and Reserve Funds as a Percentage of Total Taxation (excluding Water/Wastewater)" as taken from the 2018 BMA Municipal Study. This ratio is a key measure of the financial health of a municipality and illustrates the municipality's capacity for asset renewal, reduces reliance on external debt, helps manage annual tax levy changes, and managing unplanned expenditure requirements. The City's rate of discretionary reserves as a percent of taxation is 39%. This is lower than the last available average of 69% for municipalities with a population over 100,000 as illustrated on Appendix D or median of 68% of all municipalities within the study as shown on Appendix A.

The City has pressures in comparison to other municipalities in Ontario where it has a significant quantity of mature capital assets that require asset renewal, rehabilitation and replacement on a relatively low taxation base. When taking into consideration that a significant portion of reserve funds are committed to existing projects that are currently underway, the importance of incorporating a plan to sustain reserves and reserve funds at minimum levels becomes clear.

The Reserve Fund Guiding Principles are examples of "best practice" guidance that will be part of planned revisions to the Reserves and Reserve Funds Policy & By-Law. These will be presented to Council in 2019. Similarly, the application of these principles will be illustrated in recommendations that support the implementation of the Long Term Financial Plan and Asset Management Plans.

The effect of insufficient reserves and reserve funds is to increase reliance on other funding sources, such as increases to the property tax levy or external debt financing. Alternatively, service levels could be adjusted and plans could be more tightly controlled to reduce the financial impacts of unplanned projects.

Long Term Financial Plan

The long-term financial plan recommends the following change relating to reserve and reserve funds:

"While the City has established minimum and maximum amounts for some reserve and reserve funds, consideration could be given to undertaking a detailed reserve and reserve fund review that will establish minimum amounts for all reserve funds so as to ensure the sufficiency of these funds. This review would include a re-evaluation of reserves and reserve funds where minimum and maximum amounts have already been established."

This plan highlights the need for the City to strengthen reserve fund levels and increase its capacity to manage the risk that a future significant event(s) creates an unfavourable impact on the annual property tax levy. Specifically, this will include recommended minimums and maximum reserve levels, and changes to the number and scope of applicable reserves for different service areas.

The Effect of Asset Management Plans on Reserves and Reserve Funds

The condition assessments included in Asset Management Plans will clarify understanding about asset renewal requirements, their timing, and alternatives to address service level expectations. This marks a change from prior periods, since it anticipates more consistent and routine preventive maintenance activities will be used to maximize each asset's expected service capacity.

In addition, the City's efforts to strengthen asset condition information will assist in management of asset renewal, maintenance and replacement decisions with a focus on keeping desired service levels in place. With changes to capital budgeting processes that will increase the assurance capital funding is applied to the city's highest priority needs, it is reasonable to anticipate more reserve funding will be desirable. This further reinforces the need for a review of the City's reserves and reserve funds.

A capital levy recommended in the long-term financial plan was described as follows:

"Practically, the City will be unable to generate the necessary level of incremental funding for capital expenditures due to constraints from an affordability and debt capacity perspective. However, in order to ensure sufficient financing for future capital expenditures, the City may wish to consider expanding the level of available capital funding through the implementation of a multi-year capital levy. Similar to the 10 year series of water and wastewater rate increases implemented by the City in 2001, this strategy would involve a recurring increase in the City's budget specifically allocated to capital purposes, including capital expenditures, debt servicing costs or reserve fund contributions."

Staff believe a greater allocation to capital budgets will be required to sustain service levels and address asset management requirements. A capital levy is one way this could be addressed in future budgets.

Overall, the city's evolving asset management plans illustrate funding requirements for asset renewal/replacement that exceed our ability to fund them. Building reserves and reserve funds for anticipated renewal and replacements are important to sustain service levels and manage the effect of annual taxation changes on taxpayers.

Revised Capital Budget Policy and Prioritization Tool

Staff developed a revised Capital Budget Policy that was presented to Council in January 2019 and was used in the development of the 2019 Capital Budget. It is based on one contribution to capital (instead of former multiple capital envelopes by area such as Roads, Leisure, Buildings, Fire, etc) being used as a funding source for capital projects. The selection of projects funded for the 2019 Capital Budget was based on staff's completion of the new capital prioritization tool. The goal is to fund the highest priority projects for the overall organization to the benefit of the City and its citizens. Once the prioritization is complete, staff provides funding sources and make appropriate recommendations.

The focus of the prioritization process is well aligned with the Long-Term Financial Plan and Asset Management Plans. These changes in capital budgeting result in a more streamlined approach to capital financing reserve funds and reflect the approach in the Capital Budget Policy to invest in the highest order capital priorities enterprise wide with one capital funding source. Further refinements to the Reserves and Reserve Fund By-law for Council's approval in 2019 will include additional streamlining of operating and capital related reserve funds. The streamlined capital reserves will be an integral part of a more transparent and more easily understood overall financing strategy for capital investments by the City.

The following tables are a summary of the uncommitted Capital Financing Reserve Funds after consolidation and funding of various commitments from the 2019 budget as well as the three Holding Account Reserves which were approved by Council during 2019.

These amounts represent funding available for future capital projects to rehabilitate and replace existing capital assets which have significant infrastructure requirements, as well as any in-year investments or emergencies required. In addition, when there is an operating budget deficit, it is funded equally by the Tax Rate Stabilization Reserve as well as the Capital Financing Reserve Fund – General.

In early 2019, challenges and pressures are emerging that may require allocations from reserve and reserve funds such as:

- Capital construction tenders are coming in higher than budgeted.
- Provincial government budget changes are still being understood but are very likely to result in unbudgeted costs. If the municipal portion of costs will increase without an appropriate funding source, this may result in an operating deficit for 2019 that will be funded equally from the Tax Rate Stabilization Reserve as well as the Capital Financing Reserve Fund – General.
- At time of writing this report, Council is reviewing options for Development Charges rates. If development charges rates are reduced, it may impact the annual operating budget as assessment growth may be directed to growth related capital projects as opposed to increased operating costs to provide services to new development. In addition, the development charge revenues collected will be lower than calculated that may impact the available amount of reserve funds for

future capital projects.

These pressures will impact 2020 and future operating and capital budgets as funding from reserve funds may not be available.

Capital Related Reserves and Reserve Funds	Amounts Available as of April 2019
Capital General Holding Account Reserve	\$4,000,000
Capital Financing Reserve Fund – General	\$8,816,871
Total	\$12,816,871

Water & Wastewater Reserves/Reserve Funds	Amounts Available as of April 2019
Water Rate Holding Account Reserve	\$1,500,000
Wastewater Rate Holding Account Reserve	\$1,500,000
Capital Financing Reserve Fund – Water	\$9,940,507
Capital Financing Reserve Fund – Wastewater	\$7,121,166
Total	\$20,061,673

Appendix E provides further details on the uncommitted capital financing reserve funds along with Council approved commitments during 2019 relating to the Budget as well as consolidation into the Capital Financing Reserve Fund – General and funding of the three respective Holding Account Reserves.

Conclusion

This report describes the City's reserves and reserve fund balances and their importance in managing the City's financial condition. The City would benefit from more robust reserve and reserve fund levels so that it can minimize the risk of service interruptions due to asset failure, fund anticipated asset management investments that have not previously been a routine part of the city's annual budgets and maintain its preparedness for unanticipated in-year funding requirements. Therefore, staff will present recommended revisions to the Reserves and Reserve Funds Policy & By-Law for Council's approval in 2019.

Appendices

Appendix A – Historical Trend in Reserves and Reserve Funds

Appendix B – Reserves (Non-Interest Bearing)

Appendix C – Reserve Funds (Interest Bearing)

Appendix D – Tax Discretionary Reserves (less WWW) as % of Taxation for Municipalities with over 100,000 Population

Appendix E – Creation of Holding Account Reserves and Consolidation of Capital Financing Reserve Funds

Appendix A: Historical Trend in Reserves and Reserve Funds (000's)

The following table illustrate the trends in Reserve and Reserve Funds over the last 5 years:

	2014	2015	2016	2017	2018
CGS Reserves	\$5,551	\$8,166	\$7,144	\$6,616	\$4,211
CGS Reserve Funds	150,674	156,747	152,129	136,283	143,232
Total CGS Reserves & Reserve Funds	156,225	164,913	159,273	142,899	147,443
Less W/WW Reserves Funds	(31,830)	(30,839)	(33,194)	(31,848)	(45,874)
Total CGS Reserves & Reserve Funds excl W/WW	\$125,022	\$142,762	\$126,079	\$111,051	\$101,569

Tax Discretionary Reserves (Less W/WW) as % of Taxation

	2014	2015	2016	2017	2018*
Reserves and Reserve Funds as a % of Taxation	54.0%	57.0%	52.0%	44.0%	39.0%
BMA Study – Median	63.0%	70.0%	64.0%	68.0%	N/A
BMA Study – Low	-12.0%	-5.0%	-17.0%	-33.0%	N/A
BMA Study – High	193.0%	207.0%	192.0%	208.0%	N/A

* 2018 BMA results are not available, therefore the percentage is calculated with no comparables for 2018.

Appendix B - Reserves (Non-Interest Bearing)
As at December 31, 2017 and December 31, 2018

Reserves Account Name	Description / Explanation	Dec 31, 2017 Audited	Dec 31, 2018 Audited
Land Reclamation Reserve	This Reserve has been created from surpluses due to net under expenditures in Land Reclamation over the years. It is used to offset fluctuations in the cost of purchasing seedlings each year, which eliminates fluctuations in operating costs.	535,537	514,300
Reserve for Various Expenses	This Reserve was created through resolution of Council, to allow funds budgeted in a current year to be carried forward to the following year to pay for certain items. The majority of these funds will be spent within the next few years. Spending from this reserve is restricted to programs/projects for which the funds had been reserved. These funds are set aside for security measures/upgrades (\$227,000), development charges background study (\$58,000), finance budget videos (\$4,000), and Valley East Youth Centre building/capital assessments (\$48,000).	624,626	338,145
Ontario Works Reserve	Established to be used as a buffer for such instances as the Province increasing benefits to recipients mid-year when no budget provision had been made. The decrease is result of the commitment for emergency shelters is now within the Tax Rate Stabilization Reserve.	534,150	340,150
Human Resources Organizational Development Reserve	This Reserve shall be funded from any annual under expenditures in training related accounts, and shall be used to fund training and development of City staff.	341,012	341,012
Tax Rate Stabilization Reserve	One half of any annual operating surplus or deficit is contributed to or funded from this reserve. This reserve provides for year-to-year variances in the Operating Budget. During 2018, \$96,000 was committed for Household Hazardous Waste, \$52,000 for Sudbury Symphony, \$175,000 for the Library/Art Gallery/Performance Centre, \$20,000 for Cambrian Theatre and \$979,174 to fund the 2018 year end Operating deficit. These expenditures were offset by \$329,000 from various previously committed projects now uncommitted (e.g. Pandemic Funds and Event Centre Replenishment of \$130,000).	1,941,088	1,077,620
Tax Rate Stabilization Reserve - Committed	Represents funds committed by Council for a number of one-time projects. The balance includes all of Council's decisions up to December 31, 2018. Balance consists of committed projects including: TDS Elevator Upgrades (\$404,000), The Junction (Library/Art Gallery/Performance Centre \$204,000), Lightning Protection at LEL Centre (\$137,000), Emergency Shelter (\$194,000); Whitson River Trail (\$56,000); and Development of Top Soil By-Law (\$43,000).	2,131,017	1,155,125
Vector Borne Disease Reserve	Established to fund the City's share of Vector Borne Disease expenditures that may be incurred and levied by the Health Unit. This Reserve was uncommitted during 2018 and transferred to Tax Rate Reserve Uncommitted. If levied by the Health Unit in the future, the funding will be drawn from the Tax Rate Stabilization Reserve Uncommitted.	107,400	-
Auditor General Reserve	This Reserve shall be used to fund initiatives in support of the mandate of the Office of the Auditor General or for related audit projects.	245,874	239,169
Accessibility Reserve	This Reserve is used in consultation with the Accessibility Advisory Panel for transformative projects which change how the community perceives accessibility. As part of the annual operating budget, \$50,000 is contributed to this reserve.	155,507	205,507
Total Reserves		6,616,212	4,211,029

Appendix C - Reserve Funds (Interest Bearing)
As at December 31, 2017 and December 31, 2018

General Reserve Funds		Dec 31, 2017	Dec 31, 2018
Account Name	Description / Explanation	Audited	Audited
Greater City Sick Leave Reserve Fund	Annual contributions from Operating Budget to be used to pay out accumulated sick leave credits. Employees in Fire Services and Pioneer Manor accumulate 1.5 days per month of sick leave and comprise the majority of the liability. There is a small portion that relates to employees that predate amalgamation as the City of Greater Sudbury provides weekly indemnity and long term disability. Employees with sick leave credits are entitled to a payout of 50% of these credits, to a maximum of 6 months pay, when they retire. Total CGS liability at the end of 2018 is \$4.4 million.	4,106,494	4,432,711
Police Sick Leave Reserve Fund	This Reserve Fund is used to pay sick leave and other related payments to retiring Greater Sudbury Police Service Board employees in accordance with policies. Total Police liability at the end of 2018 is \$4.7 million.	2,532,318	1,920,530
Post Employment Benefits Reserve Fund	Funded from the Pensioners cost centre, balance in this Reserve Fund are to be used to fund post employment expenses. The total liability at the end of 2018 is \$34.5 million.	1,564,003	1,118,896
Police Services Post 65 Employment Benefits Reserve Fund	Police Services have set up this Reserve Fund to provide for retirees' benefits past the age of 65. This Reserve Fund can be funded from net expenditures in the Police Operating Budget or budgeted contributions.	515,602	483,256
Human Resources (HR) Management Reserve Fund	Balance in fund indicates favourable claims experience. To be used to fund claims and absorb fluctuations in benefit costs. Can also be used for any initiatives targeted to reduce or control expenses to the benefit plans and sick leave Reserve Fund. In addition, an unfunded liability of \$34.5 million at the end of 2018 relating to other post-employment benefits exists. The increase is due in part to a surplus in health benefits during 2018 as there was an increase in billed premiums with minimal change in claims paid.	3,509,357	4,586,492
H.R. Committed - Succession Planning Reserve Fund	Approved by Council for succession planning and outreach recruitment.	660,432	490,803
H.R. Committed Reserve Fund	Approved by Council for claims e-recruit implementation, CPTED (Crime Prevention Through Environmental Design) and the employee rewards and recognition program.	2,388,545	2,161,770
WSIB (Workers Safety Insurance Board) Reserve Fund	Established through contributions from operating by assessing 'premiums' on payroll. The Reserve Fund is used to pay invoices from WSIB and to pay rehabilitation expenses. The Reserve Fund ensures there is no detrimental impact on the Operating Budget. The balance in this Reserve Fund should be maintained and fully committed as there is a WSIB related liability at the end of 2018 of \$6.5 million. Pioneer Manor employees are classified under Schedule 1 where all other City employees are classified under Schedule 2 and thus self insured. The decrease is mainly due to higher WSIB claim costs relating to Post-Traumatic Stress Disorder (PTSD) for Police/Fire/EMS, chronic mental health (for all employees) and presumptive cancer claims for firefighters, as well as a rise in rehabilitation costs.	2,188,823	1,764,792
WSIB Committed Reserve Fund	Amount set aside as a contingency for catastrophic events.	4,242,557	4,242,557
Election Reserve Fund	This Reserve Fund is replenished, between Elections, through an annual contribution to the fund which spreads the costs across the four years between elections. The fund is also used for the Inauguration, Recounts, By-Elections, Ward Boundary Reviews and Election Compliance Audit Costs.	1,486,758	1,274,039
Insurance Reserve Fund	Funded through contributions from the Operating Budget and used to fund adjuster expenses and the deductible portion of claims. There are many outstanding claims, with the deductible portion of most claims being \$50,000. The fund is required to ensure that claims can be covered with no impact on the Operating Fund. If deductible limit or claims experience should increase, the annual contributions to this Reserve Fund may also have to be increased. The decrease in 2018 from 2017 is funding costs relating to the summer storm cleanup (\$896,190).	1,713,837	838,869
RF - Healthy Community Initiative Fund	This Reserve Fund has been established for seed funding (or matching funding) for capital projects where senior levels of government require a financial contribution by the City for projects within the HCI Policy. The cap amount of \$24,000 has been established as the desired level for this Reserve Fund.	-	9,073
Land Acquisition Reserve Fund	Funded from net proceeds of sale of surplus property and used to fund purchases of any required property as approved by Council. The increase is due to the reversal of a long-term liability relating to assets	2,655,685	3,506,640

General Reserve Funds		Dec 31, 2017	Dec 31, 2018
Account Name	Description / Explanation	Audited	Audited
Parking Improvements Reserve Fund	Funded from net proceeds of parking facilities in excess of the net operating budget, and to be used on improvements or expansions to parking facilities. As part of the 2019 Capital Budget \$270,000 was committed for projects including on-street pay-by-plate machines, TDS underground lighting, and TDS underground garage fans. During 2017, Council approved an additional \$2.31 million from this reserve fund for the TDS Parking Garage Roof/Courtyard Project. The annual payments are \$330,000 until 2023 from future parking surpluses, of which \$1.65 million is still to be funded.	-	467,086
Parking Improvements - Committed	Approved by Council for parking lot improvements.	783,502	259,452
Pioneer Manor Donations Reserve Fund	Funded through fund raising activities and to be used for projects deemed to be beneficial to residents of Pioneer Manor.	67,159	75,191
Social Housing Capital Reserve Fund	Used to fund Social Housing Capital Projects authorized by Council. Operating surpluses in this section are to be credited to this Reserve Fund if the City is in an overall surplus position. Deficits may be funded from this Reserve Fund. This fund is capped at \$10 million.	7,635,833	7,823,628
Social Housing Capital - Committed	Approved by Council from the Operating Budget for contingencies as well as the Housing Portfolio Revitalization Study.	400,000	300,000
Industrial Reserve Fund	Established from net proceeds of land sales in the Industrial Park and to be used for the expansion or creation of Industrial Parks or to fund the City's share for upgrading of City related infrastructure relating to Industrial Park Land Development and/or Development Cost Sharing Policy for Industrial Parks. Increase in reserve is due to net proceeds on sale of industrial land \$644,388 and uncommitted funds for Walden Industrial Park and Industrial Land Assessment \$678,000. As part of the 2019 Capital Budget, \$380,309 was committed for Coniston Industrial Park Watermain Upgrades.	2,361,367	3,399,723
Industrial - Committed	The committed amount was approved in 2018 by Council towards the watermain improvements at the Coniston Industrial Park. During 2018, the previous funds set aside for the Walden Industrial Park and Industrial Land strategy have been uncommitted and transferred to the Industrial Reserve Fund.	678,185	380,308
Community Initiatives Reserve Fund	Funded through contributions from Operating Budget with Council approval for community projects with the funds being either conditional or required at a later time.	8,106	16,475
Community Initiatives - Committed	The prior year balance related to funds committed as part of the 2017 Budget for contribution towards the Place des arts building.	350,000	-
Business Centre Reserve Fund	Originally established by the former Regional Municipality of Sudbury from the Industrial Reserve Fund, this Reserve Fund has continued through contributions from partners in the Business Centre. The balance therefore is not completely attributable to the City. The Business Centre was created to help businesses become established and viable. Surpluses and deficits in the Business Centre are credited to or debited from this fund.	527,308	453,787
Communications Infrastructure Reserve Fund	Annual budgeted amounts are contributed to this Reserve Fund for the replacement of Communication Infrastructure/Public Safety. This Reserve Fund is used to fund the remaining annual debt repayments (\$950,640 per year for years 2019 to 2021) relating to the Communication Infrastructure project completed a few years ago. As part of the 2019 Capital Budget, \$350,000 was approved for Next Generation 911 equipment (2019 - \$250,000, 2020 - \$100,000) and \$105,000 was approved for Police Communication Tower Repairs.	576,281	523,401
Communications Infrastructure - Committed	The prior year balance in this Reserve Fund was for Backup Generators at communication tower sites.	11,171	-
Roads Winter Control Reserve Fund	Established in 2003 in accordance with Long Term Financial Plan recommendations as a stabilization reserve. May be used to offset Winter Control over expenditures. This Reserve Fund is capped at \$5 million. The decrease was result of partially funding the 2018 year end winter control deficit.	186,986	0
Vegetation Enhancement Technical Advisory Committee (VETAC) Reserve Fund	Funded through donations and to be used for projects recommended by the Vegetation Enhancement Technical Advisory Committee, as authorized by Council.	5,165	5,286
Drainage and Stormwater Management	This Reserve Fund is funded through the annual Operating Budget and from excess capital funds from drains and stormwater management capital projects and can be used to fund any net over expenditures in the Drains Operating Budget. These funds are also used to fund the municipal share of the construction costs of new drains or drainage and stormwater management capital projects. The increase represents net under expenditure in the Agricultural Drains operating budget, interest earned from committed reserve fund, as well as surpluses from closed capital projects.	339,794	1,655,419

General Reserve Funds		Dec 31, 2017	Dec 31, 2018
Account Name	Description / Explanation	Audited	Audited
Drainage and Stormwater Management Committed	Funds set aside for Capital Projects to be completed in future years, as previously approved by Council. The balance in this Reserve Fund is committed for Paquette Whitson Drain, Mountain Street, Watershed Studies, Green Avenue Stormwater, Countryside and Facer Street Stormwater projects.	7,898,406	7,788,449
Police Services Donations Reserve Fund	Under control of the Police Services Board and to be used for crime prevention initiatives, initiatives supporting community-oriented policing that involves a co-operative effort on the part of the Greater Sudbury Police Service and youth in the community, initiatives benefitting children and/or youth and/or their families, initiatives addressing violence prevention or prevention of repetition of violence or the root causes of violence, initiatives that focus on marginalized or underprivileged youth, and sponsorship of educational events.	150,365	173,120
Police Services Board Reserve Fund	Funded from the Greater Sudbury Police Services (GSPS) annual Board Auction, as well as interest earned from investments, and monies recovered as a result of seized property. This Reserve Fund is to be used for charitable or other events the Board deems suitable including any purpose that GSPS considers in public interest in accordance with Section 132/133 of Police Services Act.	33,275	35,431
Library & Citizen Service Centres Reserve Fund	When the City is in a surplus position overall, any Library Operating Budget surplus is contributed to this reserve fund, and deficits may be funded from this reserve fund. In addition, any excess funds from capital projects is contributed to this reserve fund. The increase in 2018 is mainly due to funds from the cancelled radio frequency project (\$200,000).	134,934	408,158
Library & Citizen Service Centres - Committed	The 2017 balance was the remaining funds set aside for The Junction (Art Gallery/Library).	5,939	-
Cemeteries Reserve Fund	This Reserve Fund is funded from any annual cemetery operating surplus and excess funds from cemetery capital projects. This fund is to be used only to fund cemetery operating deficits and cemetery capital projects. A portion of these funds will be committed in 2019 towards the remaining loan repayments of \$135,000 (2020-2022) for the Civic Cemetery Mausoleum Phase 5.	132,766	353,276
Cemeteries - Committed	Funds approved from Capital Budgets for various projects such as niche walls at cemetery in Valley East, roof and HVAC repairs at the Civic Cemetery, as well as Maplecrest Cemetery Landscaping. This balance does not include the amount of funding required for the annual debt repayments for Phase 5 of the Civic Cemetery Mausoleum in the amount of \$45,000 per year from 2019 to 2022	232,174	141,586
Economic Development Reserve Fund	Authorization of Council is required to contribute to or expend from this Reserve Fund for economic development projects.	18,092	21,575
Economic Development - Committed	Committed funds for various projects as approved by Council including the Town Centre Community Improvement Plans and Economic Leverage.	130,930	130,930
199 Larch Street Building	Established at time of purchase of the 199 Larch Street building, with annual contributions from the operating surplus of this building. To be used to fund major capital repairs, thus preventing a substantial impact on the operating budget. Surpluses in this section shall be credited to the reserve fund and deficits are to be funded from this reserve fund. Entire balance is committed for Capital Projects approved by Council from previous Capital Budgets along with borrowing from the Capital Financing Reserve Fund - General when needed in relation to timing of capital projects to be funded from future revenues of 199 Larch Street building. As part of the 2019 Capital Budget, \$557,500 was committed for fire alarm system, of which \$214,500 is to be spent in 2019 and \$363,000 is to be spent in 2020. Also part of the 2019 budget was security system and lighting, where total of \$94,050 was committed, of which \$61,050 is to be spent in 2019 and \$33,000 is to be spent in 2020.	1,416,857	1,405,089
Total General Reserve Funds		51,649,006	52,647,799

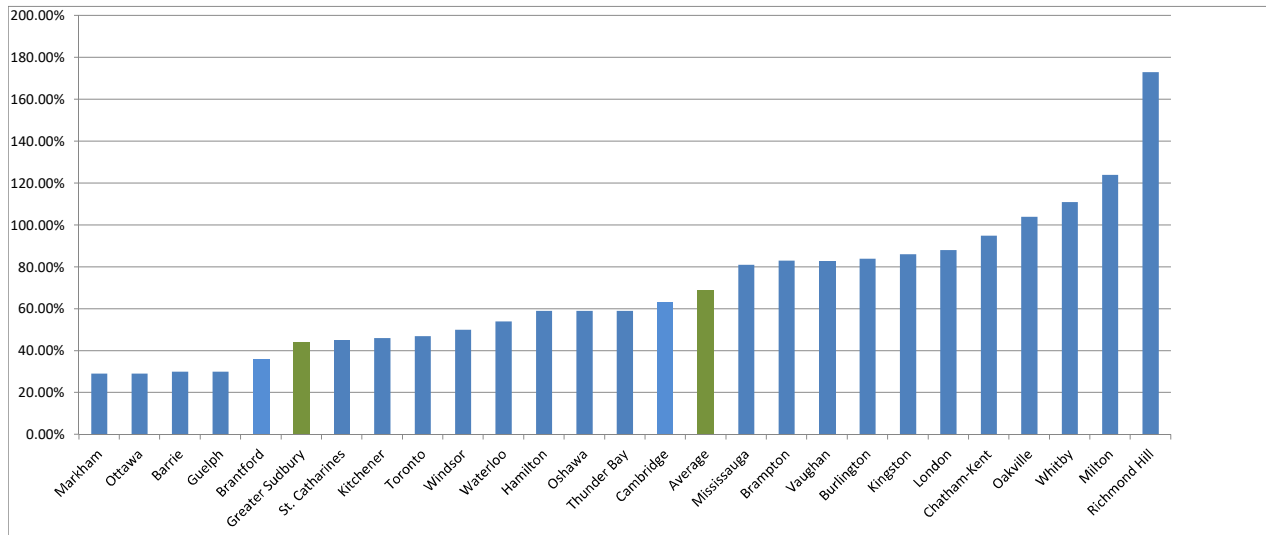
Appendix C - Reserve Funds (Interest Bearing)
As at December 31, 2017 and December 31, 2018

Capital Financing Reserve Funds		Dec 31, 2017	Dec 31, 2018
Account Name	Description / Explanation	Audited	Audited
CFRF - Information Technology	Funded from any under expenditures in the Information Technology section, if the City is in an overall surplus position. Also funded from excess funds in related capital projects. To be used for information technology capital projects.	2,510,194	2,599,813
CFRF - Information Technology - Committed	2018 committed funds are for Microsoft products, Business Applications, GIS, and City Web Content Editor.	979,691	516,847
Equipment & Vehicle Replacement Reserve Fund	Funded through contributions from the annual operating budget from equipment credits. Proceeds from sale of vehicles and equipment are also credited to this account. This Reserve Fund is used for capital replacement of City fleet vehicles and equipment. As part of the 2019 Capital Budget, \$3,335,000 was approved for a variety of Fleet purchases.	44,112	1,882,056
Equipment & Vehicle Replacement - Committed	Committed funds are to be used to purchase fleet equipment and vehicles as authorized by Council from the 2018 Capital Budget.	2,974,147	477,849
Police Equipment & Vehicle Replacement Reserve Fund	Funded through contributions from the annual Police operating budget and excess funds from Capital Projects. This Reserve Fund is controlled by the Police Services Board and is planned to be fully utilized based on the planned replacements and necessary equipment. As part of the 2019 Capital Budget, \$752,200 was committed for a variety of Police vehicle/equipment purchases.	523,544	1,437,461
Police Equipment & Vehicle Replacement - Committed	Committed funds are to be used to purchase new Police equipment and vehicles as determined by the GSPS Board and approved in the 2018 Capital Budget.	692,955	59,318
CFRF - Transit	Funded through excess funds from capital projects and the proceeds from the sale of used Transit equipment. This Reserve Fund shall be used for Transit Capital Projects as authorized by Council.	40,020	44,090
CFRF - Transit - Committed	Committed funds spent for garage improvements and terminal shelter improvements.	171,054	89,471
Recycling Equipment Replacement Reserve Fund	Funded through annual contributions from the operating budget. The current recycling equipment purchased in 2006 is aging and is fully amortized. It is anticipated that the equipment will have to be replaced within the next few years, and the full balance of this fund will be required. In 2018, a capital lease purchase for a Baler which is partially funded from this Reserve Fund until 2023.	764,400	758,570
Parks Vehicle & Equipment Replacement Reserve Fund	Funded through an annual contribution from the operating budget, from excess funds from capital projects, and proceeds from the sale of used parks equipment. This Reserve Fund is to be used on replacement of parks related equipment/vehicles. As part of the 2019 Capital Budget, \$130,000 was committed for the purchase of ride-on lawn equipment, a trimmer, and a utility tractor.	157,516	296,660
Parks Vehicle & Equipment Replacement - Committed	Funds committed for the purchase of Parks equipment mainly from the 2018 Capital Budget.	202,035	55,848
CFRF - Environmental Services	Funded from excess funds in Environmental Services Capital Projects. To be used only for Environmental Services Capital Projects. The balance of this Reserve Fund is required for projects identified in the approved Certificate of Approval for the landfill sites. The post-closure liabilities amounted to \$14.3 million at the end of 2018.	67,210	84,572
CFRF - Environmental Services - Committed	Represents funds approved towards projects at two landfill sites from earlier capital budgets.	594,020	92,436
CFRF - CLELC	Funded through excess capital funds in Lionel E. Lalonde Centre Capital Projects. This fund will be used for future capital projects.	143,212	210,039
CFRF - General	One half of any annual operating surplus or deficit is contributed to or funded from this Reserve Fund. It also includes revenue from Solar Panels to replenish the reserve fund from the initial capital costs. As part of 2018 year end review on projects with no activity in past 24 months, \$2.7 million was uncommitted and returned to this Reserve Fund. In addition, this Reserve Fund provided partial funding for the 2018 year end deficit in the amount of \$979,000. Also, as part of the 2019 Budget approved by Council, funding from the cancelled capital projects as part of the 24 month no activity capital review was allocated to fund \$920,000 of business cases relating to Transit Universal Fee Structure (\$230K in 2019; \$650K in 2020) and for Junction Creek Stewardship Funding Request (\$40K). On May 7, 2019, Council approved \$800K towards the Whitson River Trail in Chelmsford.	-	1,822,269

Capital Financing Reserve Funds		Dec 31, 2017	Dec 31, 2018
Account Name	Description / Explanation	Audited	Audited
CFRF - General - Committed	Represents funds committed by Council for a number of one-time capital projects. The balance reflects the transfer of uncommitted projects of \$2.7 million as reflected in the above Reserve Fund. The balance at 2018 represents funds committed towards the completion of Solar Panel project at Pioneer Manor, Farmer's Market as well as Fire Record Management System.	3,996,840	1,064,586
CFRF - PeopleSoft / ERP	Funded from excess funds in related capital projects. To be used only for PeopleSoft / ERP capital projects. The increase is due to cancellation of some funding relating to the Training and MMMS ERP capital projects (\$959,000), this was offset by an approved transfer for the PerfectMind project (software for Leisure Services booking/scheduling of \$275,000).	1,032,493	1,743,827
CFRF - PeopleSoft / ERP - Committed	Funds committed from annual Capital Budgets for future PeopleSoft / ERP Capital Projects including PerfectMind.	133,096	360,545
CFRF - Planning	Funded from excess funds in related capital projects. To be used only for Planning related Capital Projects. In 2018, the former remaining funding (capital envelope) from the growth related projects were uncommitted and transferred to this Reserve Fund. The 2019 Capital Budget committed \$442,046 for Silver Hills Phase 2.	268,162	649,775
CFRF - Planning - Committed	Balance consists of funds committed for Azilda Koskineimi WM (growth related cost sharing project), Whitson River Trail Chelmsford Community Improvement Plan, and Montrose Avenue as approved by Council in 2017 and in 2018.	1,018,248	570,775
CFRF - Corp Infrastructure	Funded from any under expenditures in related capital projects. To be used only for corporate infrastructure (e.g. telephone systems, Council Chambers/Committee Rooms, etc.).	3,876	5,098
CFRF - Corp Infrastructure - Committed	Represents funds committed by Council from the 2017 Capital Budget for telephone upgrades.	48,404	48,404
CFRF Administration Infrastructure	Any excess funds from Corporate Infrastructure (e.g. furniture, security, upgrades, etc) capital projects are credited to this Reserve Fund. In 2018, the surplus from the central mailing equipment was transferred to this Reserve Fund.	-	212,494
CFRF Buildings	Funded from excess funds in related capital projects. To be used only for building projects excluding Community Development buildings. In 2018, \$292,021 was transferred as a result of under expenditures from capital projects and \$175,979 for Natural Gas Boiler repair was uncommitted and transferred to this reserve.	27,509	520,244
CFRF Buildings - Committed	Funds committed for Brady Street exterior stair repairs, St. Clair roof repairs, Energy Savings initiatives, Public works repairs and depot remediation.	1,040,908	527,821
CFRF - Emergency Management	Funded from excess funds in related capital projects. To be used to fund capital projects for emergency management. This balance is the result of surplus from the Emergency Operation Centre renewal project.	-	67,749
CFRF - Police Services	Funded from excess funds of Police capital projects and from net under expenditures in the Police Services operating budget provided the City is in a surplus position. Will be used to fund any Police Services operating budget over expenditures or Police Services capital projects. This Reserve Fund is under the control of the Police Services Board. The balance increased in 2018 mainly due to additional tax levy funding contributions for future annual debt repayments for the new Police building. This was offset by in-year approvals by the Board for equipment purchases. As part of the 2019 Capital Budget, \$1.5 million has been committed for various fleet/equipment purchases.	1,390,225	1,942,302
CFRF - Police Services - Committed	Committed funds for various projects from previous Capital Budgets, mostly for building/leasehold renovations and various other projects such as communications and automation.	4,896,206	3,495,953
CFRF - Roads	Funded from excess funds in related capital projects. To be used only for Roads capital projects. The increase relates to under expenditures and surplus from various capital projects (including projects funded with DCs collected in 2018). The 2019 Capital Budget, \$259,174 has been committed towards the Silver Hills Phase 2 project, as well as \$1,376,667 towards additional surface treatment and large asphalt patches.	1,286,850	6,344,820
CFRF - Roads - Committed	Balance consists of funds committed from 2018 and earlier Capital Budgets for capital projects which are currently in progress. Funding set aside for capital projects include: Maley Drive, Lorne Street, Whitson Paquette Drain, Cycling Infrastructure, Capreol CIP, Depot Upgrades, Property Acquisition, Frappier Lake Road, Silver Hills Phase 2, and several bridges including William Avenue Bridge and Bowlands Bay Bridge.	21,565,106	10,844,676

Capital Financing Reserve Funds		Dec 31, 2017	Dec 31, 2018
Account Name	Description / Explanation	Audited	Audited
CFRF - Wastewater	Funded from excess funds in related capital projects. In addition, surpluses and deficits in Wastewater operations are contributed to or funded from this Reserve Fund. To be used only for Wastewater capital projects including any project necessitated by the Ministry of the Environment. Used to address any emergency upgrades which may be required, upon authority of Council. Balance has increased due to various cancelled projects and excess funds/surpluses from various wastewater capital projects totaling \$6.3 million, as well as transfer from the committed reserve fund of \$1.2 million for completed capital projects with surplus funds. As part of the 2019 Capital Budget \$2 million was committed for Lift Station Upgrades.	5,807,815	13,440,507
CFRF - Wastewater - Committed	Balance consists of funds committed from 2018 and earlier Capital Budgets including Meatbird Transfer Station, Preventative Plumbing Subsidy, Sewer annual rehabilitation, Valley East WWTP Upgrades, Azilda WWTP Upgrades, Chelmsford WWTP Upgrades, Sudbury WWTP Blower, Former Transit Depot Garage Renovations, Depot remediation, as well as Upgrades to Primary Lagoons. Also, the committed reserve fund has an amount set aside as stabilization funding for the annual operating budget which is based on 10% of revenues.	9,864,204	8,606,975
CFRF - Water	Funded from excess funds in related capital projects. In addition, surpluses and deficits in the Water operations are contributed to or funded from this Reserve Fund. To be used only for Water capital projects including any projects necessitated by the Ministry of the Environment. Used to address any emergency upgrades which may be required, upon authority of Council. Balance increased due to excess funds/surpluses from various water capital projects of \$5.8 million, the 2018 operating surplus in Water of \$1.75M, transfer from the committed Reserve Fund of \$967,000 relating to surplus/excess funds for capital projects, as well as from interest income. As part of the 2019 Capital Budget, \$920,000 has been committed for the Watermain Priority Replacement and Rehabilitation Project, as well as \$2,523,333 for various Water capital projects in relation to the removal of the Fire Protection Levy.	3,575,162	12,064,499
CFRF - Water - Committed	The balance contains funds committed from 2018 and earlier Capital Budgets including the Automatic Meter Reading (AMR) Water Meters, Maley Drive, Former Transit Depot Garage Renovations, Depot Remediation, Concrete Pressure Pipe, Lorne Street and MR 35. Also, the committed reserve fund has an amount set aside as stabilization funding for the annual operating budget which based on 10% of revenues.	12,600,634	11,761,721
CFRF - Health and Social Services	Funds for future capital projects for Pioneer Manor and other Health and Social Services initiatives. Funded from excess funds in related capital projects.	170,710	426,305
CFRF - Health and Social Services - Committed	This amount represents previously approved funds for health initiatives within the Operating Budget.	69,642	42,250
CFRF - Fire	Funded from excess funds in related capital projects. To be used only for Fire Services capital projects.	186,786	388,870
CFRF - Fire - Committed	Prior year balance was for pumper equipment in the Operating Budget approved by Council in 2014 that was uncommitted in 2018.	35,189	-
CFRF - Emergency Medical Services	Funded through annual contributions from the Operating Budget and net proceeds from sale of equipment/vehicles. Must be used for EMS related capital projects including all vehicles, equipment and stations. May be subject to having to return funds to Province if not used for projects specific to EMS. As part of the 2019 Capital Budget, \$846,000 has been committed for purchase of three ambulances, two emergency response unit vehicles, medical equipment and for technology related costs.	2,437,178	2,707,455
CFRF - Emergency Medical Services - Committed	Balance contains committed funds for various projects including vehicles, stretchers, medical supplies and technology related purchases.	690,604	465,831
CFRF - Leisure Services - Committed	Balance consists of funds committed mainly for the following projects: Adanac Ski Lift Upgrades (\$358,000), Elgin Greenway (\$200,000) & Former Barrydowne Arena improvements (\$73,500).	2,004,296	690,874
CFRF - Leisure Services	Funded from excess funds in related capital projects and development charges (which causes surplus in capital projects). Also includes revenue from solar panels installed on Gerry McCrory Countryside Arena to replenish this Reserve Fund for the capital costs to install the panels. Funds to be used for Leisure related capital projects.	620,096	1,162,685
Total Capital Financing and other Capital Reserve Funds		84,634,343	90,584,340

Appendix D: Tax Discretionary Reserves (less WWW) as % of Taxation for Municipalities with over 100,000 Population



Appendix E - Creation of Holding Account Reserves and Consolidation of Capital Financing Reserve Fund:

Reserve Name	Balance as at December 31, 2018	Committed for 2019 Capital Budget	Amount Committed for 2020-2023 Capital Budget	Amount Committed in 2019 Operating Budget	Amount Committed for 2019 Business Cases	2019 Capital Budget Amendments	Council Approved Funding for Whitson Trail in Chelmsford	Consolidated into CFRF General	Funding into Capital General Holding Account	Funding into Water Rate Holding Account	Funding into Wastewater Rate Holding Account	Adjusted Balance
CFRF Information Technology	2,599,813							(2,599,813)				-
CFRF Transit	44,090							(44,090)				-
CFRF Recycling Equipment	758,570			(56,128)				(702,442)				-
CFRF Environmental Services	84,572							(84,572)				-
CFRF CLELC	210,039							(210,039)				-
CFRF General	1,822,269	(535,174)	(396,000)	(128,000)	(2,106,667)		(800,000)	14,960,444	(4,000,000)			8,816,871
CFRF Peoplesoft / ERP	1,743,827			(102,380)				(1,641,447)				-
CFRF Planning	649,775			(100,000)				(549,775)				-
CFRF Corporate Infrastructure	5,098							(5,098)				-
CFRF Administration Infrastructure	212,494							(212,494)				-
CFRF Public Works Building	520,244							(520,244)				-
CFRF Emergency Management	67,749							(67,749)				-
CFRF Roads	6,344,820							(6,344,820)				-
CFRF Wastewater	13,440,507	(2,000,000)									(1,500,000)	9,940,507
CFRF Water	12,064,499	(920,000)				(2,523,333)				(1,500,000)		7,121,166
CFRF Health & Social Services	426,305							(426,305)				-
CFRF Fire	388,870							(388,870)				-
CFRF Leisure Services	1,162,685							(1,162,685)				-
	42,546,227	(3,455,174)	(396,000)	(386,508)	(2,106,667)	(2,523,333)	(800,000)	0	(4,000,000)	(1,500,000)	(1,500,000)	25,878,545