

For Information Only

Reserves and Reserve Funds Balances as of December 31, 2018

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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

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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

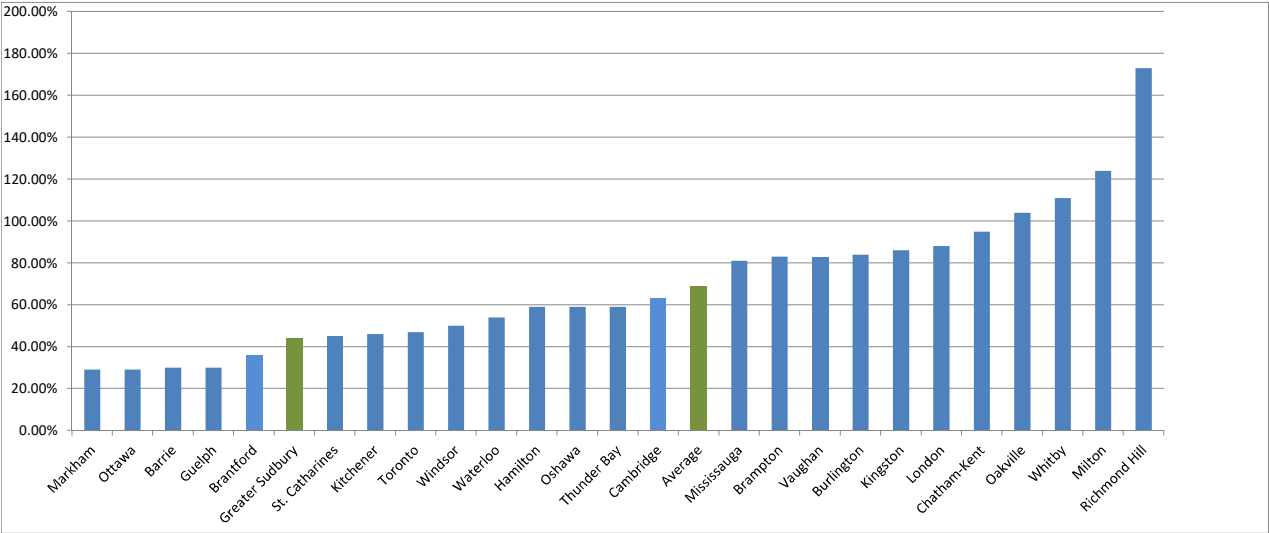
Appendix C - Reserve Funds (Interest Bearing)
As at December 31, 2017 and December 31, 2018

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 Koskiniemi 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