

CORPORATE POLICY



Policy Title: **Reserves and Reserve Funds Policy**
 Policy Category: **Financial Control**
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 Department: Corporate Services
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 Author: Julie Koppeser
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 Municipal Act, 2001
 Key Word(s): Reserve

POLICY STATEMENT:

Council approval is required for any transactions outside of the approved budget or Reserve and Reserve Fund policies that impact a Reserve Fund or Reserve. In addition, any changes to the established policy or use of an individual Reserve or Reserve Fund require Council approval.

PURPOSE:

The primary objective of the Reserves and Reserve Funds Policy is to ensure that monies are set aside for the long term goals of the municipality and that those funds will be available when needed.

Reserves and Reserve Funds are important long-term financial planning tools for municipalities, and are used to set aside funds for a future purpose. Many of the Reserve Funds and Reserves have funding included in the Operating Budget, and are the main funding sources of the Capital Budget. There are a number of instances where using Reserves or Reserve Funds is appropriate, including:

- To facilitate long term financial planning (Capital Reserve Fund)
- To smooth tax rate impacts (Tax Rate Stabilization Reserve, Winter Control Reserve)
- To plan for the impact and financing of major capital projects over time (Library Expansion Reserve Fund)
- To absorb the cost of one-time expenses not included in the operating budget (Council's Budget Contingency Reserve)
- To provide for the cost of equipment or facility replacements (Protective Services Reserve Fund)

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: September 25, 2015

Corporate Management Team, Review Date: October 7, 2015

- To fund known future obligations (RIM Park Investment Reserve)

DEFINITIONS:

Reserve Fund: Monies set aside for a specific purpose as required by provincial legislation, a municipal by-law, or agreement. Reserve Funds receive an annual interest allocation based on the average annual balance. The City of Waterloo has both Obligatory and Discretionary Reserve Funds

Obligatory Reserve Fund: Monies set aside and legally restricted by provincial legislation, a municipal by-law, or agreement. The funds are raised for a specific purpose and cannot be used for any other purpose. The main Obligatory Reserve Funds are the Development Charges Reserve Funds that are regulated by the Development Charges Act.

Discretionary Reserve Fund: Monies set aside for a specific purpose by Council and legislated by municipal by-law. If Council should decide to spend the money for purposes other than what it was originally intended for, then a new by-law must be passed under section 417(4) of the Municipal Act.

Reserve: Monies set aside by approval of Council and not restricted by legislation. Reserves can be related to projects that are of a nature prescribed and managed by approval of Council. Reserves do not receive an annual interest allocation.

SCOPE:

The Reserves and Reserve Funds Policy applies to all Reserves and Reserve Funds established by the City of Waterloo.

POLICY COMMUNICATION:

The Reserves and Reserve Funds Policy will be posted on the City of Waterloo's Intranet to be accessible to all staff.

POLICY:

Under section 417(1) of the Municipal Act, municipalities have the authority to provide for Reserve Funds in annual budgets for any purpose for which it has the authority to spend money.

The following individual Reserves and Reserve Fund policies have been established with approval of Council. Council approval is required for any transactions outside of the approved budget or Reserve and Reserve Fund policies, as well as any changes to the established policy or use of a Reserve or Reserve Fund.

RESERVE FUNDS:

**BUILDING PERMIT RESERVE FUND (BLD)
(Obligatory)
860030**

POLICY:

The Building Standards division must report their surpluses and deficits to the industry as a separate entity as the Building Code Act states that the fees collected are to be used to administer the Act; surpluses cannot be used to fund general City expenditures, and deficits should be funded from a Reserve Fund and not from the City funds. For this reason, the Building Permit Reserve Fund was established to provide for capital expenditures and revenue stabilization, as building permit activity is highly cyclical.

Revenues

Revenues to the Building Permit Reserve Fund are an annual budgeted allocation from Building Permit revenues, as well as additional revenues added from Building Permit surplus as it occurs. Contributions and balances associated with building permits should be reviewed every 5 years.

Expenditures

Expenditures from the Building Permit Reserve Fund are to stabilize the building permit revenue line in the Operating Budget and to fund Building Standards division capital expenditures.

Council Approved Target Level

The Building Reserve Fund balance is to maintain a minimum equal to 12 months of projected operating expenses, to mitigate the sharp cyclical drops experienced, or when the economy faces a recessionary period, and to protect against building activity down turns.

**CAPITAL RESERVE FUND (CRF)
(Capital Out of Operating)
(Discretionary)
860001**

POLICY:

The Capital Reserve Fund provides a source of financing for general capital projects, as defined under the Definition of Capital Policy.

Revenues

The Capital Reserve Fund receives an annual operating budget allocation. The Capital Reserve Fund also receives an allocation of 20% of Assessment Growth.

Expenditures

The Capital Reserve Fund provides the majority of the funding for capital projects.

Council Approved Target Level

The Capital Reserve Fund balance will remain in a positive position and should be sufficient to provide for the planned capital projects included in the 10 year capital forecast.

**CAPITAL INFRASTRUCTURE REINVESTMENT RESERVE FUND (CIRRF)
(Discretionary)
860035**

POLICY:

The Capital Infrastructure Reinvestment Reserve Fund provides for expenditures associated with the rehabilitation or replacement of existing capital infrastructure such as roads, including sidewalks and related infrastructure, and facilities. The Capital Infrastructure Reinvestment Reserve Fund may be used to assist in meeting the funding requirements of matching programs developed by senior levels of government for rehabilitation or replacement of existing capital infrastructure.

Revenues

The Capital Infrastructure Reinvestment Reserve Fund receives an annual allocation of 20% of Assessment Growth. Any new infrastructure revenues associated with the rehabilitation of roads or facilities from the Provincial or Federal Governments, not including Gas Tax Funding, will also be allocated to this Reserve Fund. Additionally, an annual allocation of surplus is contributed to this Reserve Fund, as outlined in the Surplus Allocation Policy.

Expenditures

Expenditures from the Capital Infrastructure Reinvestment Reserve Fund are for the rehabilitation or replacement of capital infrastructure. Energy management related expenditures are also eligible to be funded from this Reserve Fund, as are costs resulting from emergency infrastructure failure or impending failure. This Reserve Fund may also be used to assist in meeting the unbudgeted funding requirements of government matching programs.

Council Approved Target Level

The Capital Infrastructure Reinvestment Reserve Fund will remain in a positive position.

**CEMETERY RESERVE FUND (CEM)
(Discretionary)
860090**

POLICY:

The Cemetery Reserve Fund provides a source of funding for the purchase, replacement and expansion of capital items related to Cemetery operations.

Revenues

Revenue to the Cemetery Reserve Fund is provided through an annual allocation from the operating budget. Additionally, 100% of the Cemetery year end operating budget surplus, if any, is allocated to this Reserve Fund.

Expenditures

Expenditures funded from the Cemetery Reserve Fund are for capital items related to Cemetery operations. This includes both replacement and expansion items.

Council Approved Target Level

The Council approved target level for the Cemetery Reserve Fund is a minimum of \$50,000 to mitigate the impact of an unbudgeted or emergency capital requirement.

**COMMERCIAL PROPERTY RESERVE FUND (CCM)
(Discretionary)
860006**

POLICY:

The Commercial Property Reserve Fund provides funds to be used for renovations of the City Centre building.

Revenues

The Commercial Property Reserve Fund receives an annual allocation from the operating budget. Also, any balance above the target level in the Commercial Property Vacancy Reserve Fund is transferred to this Reserve Fund. In addition, the revenue generated from the issuance of City Centre lot parking permits to non-City Centre tenants is allocated to this Reserve Fund.

Expenditures

Expenditures from the Commercial Property Reserve Fund are for capital items related to the City Centre building, and are approved annually in the capital budget. In addition, an annual allocation to operating is also made from this Reserve Fund.

Council Approved Target Level

The approved target level for the Commercial Property Reserve Fund is \$500,000.

**COMMERCIAL PROPERTY VACANCY RESERVE FUND (CVAC)
(Discretionary)
860007**

POLICY:

The Commercial Property Vacancy Reserve Fund was established as part of the By-law authorizing the purchase of the City Centre. The Reserve Fund provides funding for minor fluctuations in lease revenue from City owned commercial property.

Revenues

An annual allocation of 10% of gross rent from City Centre leases is transferred to the Commercial Property Vacancy Reserve Fund. Once the maximum level of the Reserve Fund is reached, the excess is transferred to the Commercial Property Reserve Fund.

Expenditures

Expenditures from the Commercial Property Vacancy Reserve Fund include offsetting the impact of tenant vacancy, the acquisition of new tenants, and related leasehold improvements.

Council Approved Target Level

The maximum annual ending balance should be \$175,000. This amount would lessen the impact from the loss of lease revenue and provide an allowance for tenant inducements.

**CONSOLIDATED DEVELOPMENT CHARGES RESERVE FUNDS (DC)
(Obligatory)
Summary of Combined Funds**

POLICY:

The Development Charges Reserve Funds provide financing for growth related projects undertaken by the City as detailed in the Development Charges (DC) Background Study and By-law. The Development Charges Reserve Funds include 860040-DC Roads, 860041-DC Water & Sewer, 860042-DC Stormwater, 860043-DC Parks & Indoor Rec, 860044-DC Fleet/Works/Parking, 860045-DC Library, 860046-DC Cemeteries, 860047-DC Fire, and 860048-DC Studies. For all Development Charges Reserve Funds:

- Annual debt repayments will be made first from the DC Reserve Funds once the Capital Budget is approved by Council
- DC Reserve Funds activity will be tracked quarterly
- Projects \$200,000 and under will automatically be funded, as per current City policy.
- Projects greater than \$200,000 brought forward for capital funding consideration when the Reserve Fund balance is in a positive position, will only be recommended if there is sufficient funding and revenues are at least 75% of the cumulative target outlined in the current approved DC Background Study
- Projects greater than \$200,000 brought forward for capital funding consideration when the Reserve Fund balance is in a negative position or will become negative with the project, will only be recommended if revenues are at least 85% of the cumulative target outlined in the current approved DC Background Study
- Projects failing to meet these requirements will be subject to a Management Review.

Revenues

DC legislation took effect in 1991. A charge is imposed and collected prior to the issuance of a building permit on new development and redevelopment that will result in the demand for hard and soft services.

Expenditures

Projects being funded from DC are restricted to those that were included in calculating the rate and are listed in the approved DC Background Study and By-law.

An eligible project can be defined as a project that would benefit new development during the term of the by-law. Projects that arise during the term of the approved DC Background Study and By-law, that were not originally included, may still be eligible for DC funding. Such projects must be for growth and a Management Review is

required. Council must then approve that the projects are for growth and direct that any recoveries be incorporated into the next DC Background Study and Bylaw.

Council Approved Target Level

The Reserve Funds balances should cover projected expenditures and debt charges in the current approved DC Background Study and By-law.

**ENVIRONMENTALLY SENSITIVE LANDS RESERVE FUND (ESL)
(Discretionary)
860008**

POLICY:

The Environmentally Sensitive Lands Reserve Fund provides for the acquisition and purchase of environmentally sensitive lands to ensure protection, preservation and maintenance.

Revenues

Revenues to the Environmentally Sensitive Lands Reserve Fund are provided through an annual allocation from the operating budget, as per the capital budget policy.

Expenditures

Land is targeted for purchase as per the Environmental Lands Acquisition Strategy, and purchases are approved annually in the capital budget.

Council Approved Target Level

The balance should not drop below \$40,000 and should be sufficient to purchase targeted lands as they become available over the 10 year capital forecast.

**GAS TAX REBATE RESERVE FUND (GTR)
870034**

POLICY:

The Gas Tax Rebate Reserve Fund provides funding for investments in Environmentally Sustainable Municipal Infrastructure (ESMI) Projects and Capacity Building Projects as per the Agreement for the Transfer of Federal Gasoline Tax Revenues.

Revenues

The City of Waterloo receives a semi-annual allocation of funds from the AMO on behalf of the Federal Government per the Agreement for the Transfer of Federal Gasoline Tax Revenues.

Expenditures

Expenditures from the Gas Tax Rebate Reserve Fund are to be used to support environmentally sustainable municipal infrastructure to help ensure cleaner air, cleaner water, and reduced greenhouse gas emissions. Eligible project categories are; public transit, water, wastewater, solid waste, community energy systems, local roads, bridges, tunnels, active transportation infrastructure, capacity building, disaster mitigation, broadband connectivity, brownfield redevelopment, cultural, tourism, and sport and recreation infrastructure. The Transfer of Federal Gasoline Tax Revenues Agreement sets out Eligible projects/categories as well as terms & conditions in further detail.

Council Approved Target Level

The balance of the Gas Tax Rebate Reserve Fund should not drop below \$0 and should be monitored regularly to make best use of the opportunity available to the City of Waterloo.

**INSURANCE RESERVE FUND (INS)
(Discretionary)
860002**

POLICY:

The Insurance Reserve Fund provides for insurance premiums, claim deductibles, and self-insurance.

Revenues

Revenue to the Insurance Reserve Fund is provided by the annual surplus for insurance expenses from operating, if any.

Expenditures

Expenditures from the Insurance Reserve Fund are made to offset any deficit for insurance expenses in the operating budget.

Council Approved Target Level

The minimum Insurance Reserve Fund balance is \$75,000.

**LIBRARY EXPANSION RESERVE FUND (LXP)
(Discretionary)
860026**

POLICY:

The Library Expansion Reserve Fund contributes to future library expansion.

Revenues

Beginning in 2013, annual allocations are currently projected for the Library Expansion Reserve Fund to be used towards East Side Library expansion. There is no ongoing revenue source for this Reserve Fund.

Expenditures

Expenditures from the Library Expansion Reserve Fund are to be used for East Side Library expansion.

Council Approved Target Level

The balance of the Library Expansion Reserve Fund should not fall below \$0.

**OMB HEARINGS RESERVE FUND (OMB)
(Discretionary)
860003**

POLICY:

The OMB Hearing Reserve Fund provides for the cost of Ontario Municipal Board hearings that may be launched against the City for various legal reasons.

Revenues

An operating budget allocation is transferred annually to maintain the OMB Hearings Reserve Fund.

Expenditures

Expenditures from this Reserve Fund are legal or administrative in nature. In addition, the OMB operating account is closed to this Reserve Fund annually.

Council Approved Target Level

The OMB Hearings Reserve Fund balance should not drop below \$500,000.

**ONTARIO COMMUNITY INFRASTRUCTURE RESERVE FUND (OCIF)
(Discretionary)
860034**

POLICY:

The Ontario Community Infrastructure Reserve Fund provides funding for projects approved as eligible under the Ontario Community Infrastructure Fund Agreement. The Ontario Community Infrastructure Fund was established by the Government of Ontario to assist small communities in addressing road, bridges, water and wastewater core infrastructure needs. Funds are not to be used for growth-related expansion projects.

Revenues

The City of Waterloo receives an annual provision of funds from the Government of Ontario as outlined in the Agreement, paid in three installments throughout the year. The current agreement provides for annual funding from 2015-2017.

Expenditures

Expenditures from the Ontario Community Infrastructure Reserve Fund are to be used for capital projects and capital maintenance for the renewal, rehabilitation and replacement of core infrastructure assets. Eligible project categories include: Paved and Unpaved Roads, Street Lighting as part of a Roads project, Bridges and Culverts, Water Treatment, Water Distribution/Transmission, Wastewater Treatment & Disposal, Sanitary Sewer Systems and Storm Water Systems, subject to restrictions. The development and implementation of asset management plans for core infrastructure assets are also eligible. The Agreement sets out the eligible projects/categories as well as the terms & conditions in further detail.

Funds are not to be used for growth-related expansion projects.

Council Approved Target Level

The balance of the Ontario Community Infrastructure Reserve Fund should remain in a positive position and should be monitored regularly to make the best use of the opportunity available to the City of Waterloo.

**PARKING RESERVE FUND (PKG)
(Discretionary)
860020**

POLICY:

The Parking Reserve Fund was originally established in 1999 to provide for the ongoing maintenance of the City's Uptown Parkade and Surface Lots. On May 12, 2008, City Council approved the Uptown Parking Strategy, which identified the need for additional parking infrastructure and a resulting shift in emphasis from maintenance to future increased parking infrastructure, and on May 25, 2009 the Parking Reserve by-law 09-062 was established.

Revenues

The Parking Reserve Fund shall be funded through the following sources:

- a) an annual contribution from the Regional Municipality of Waterloo pursuant to the Agreement to Amend the Master Agreement for the Waterloo Regional Health and Social Services Building, dated July 10, 1992;
- b) Net revenues from the City's parking program as follows:
 - (i) 25% beginning on January 1, 2011;

- (ii) 50% beginning on January 1, 2012;
 - (iii) 75% beginning on January 1, 2013; and
 - (iv) 100% of all net parking program revenue beginning on January 1, 2014;
- c) any monies obtained by the City as a result of entering into an agreement exempting an owner/occupant from the City's parking requirements pursuant to section 40 of the Planning Act, as amended; and
- d) any net proceeds from the sale of City owned parking lot property.

Expenditures

The Parking Reserve Fund shall be used for the:

- a) purchase and capital maintenance of any City parking infrastructure and related components, including parking-related technology;
- b) design and construction of new City parking infrastructure and the purchase of associated land, including financing costs;
- c) costs associated with parking-related studies, analysis, policy or strategy development, including those involving external consultants; and
- d) operating deficit incurred by the City's Parking Program, if any.

Council Approved Target Level

The minimum balance for the Parking Reserve Fund is \$500,000 to mitigate risk as Parking operations continues to move towards operating under an enterprise model.

PARKLAND DEDICATION RESERVE FUND (PUB) (Obligatory) 860010

POLICY:

The Parkland Dedication Reserve Fund provides for the purchase and development of parkland in developing areas and redeveloping areas and/or supports the upgrading of existing parks/facilities (neighbourhood, community or city-wide) provided the need to upgrade is due to intensification of the surrounding neighbourhood. This Reserve Fund is a legislative requirement of the Planning Act. A staff team comprised of Finance and Directors of Integrated Planning & Public Works and Community Services will determine which proposed capital projects meet the objectives to receive funding from this account, prioritize timing of projects within the budget, allocate appropriate funding amounts, and ultimately provide their recommendations as part of the Capital budget process for Council approval.

Revenues

Under Section 42, 51.1 & 53(13) of the Planning Act municipalities are given the authority to request the conveyance of land to the City for parks at a rate of 5% for residential development and 2% of industrial and commercial development.

Cash in lieu of parkland can be taken at the discretion of the municipality consistent with the City of Waterloo Parkland Dedication By-law 2011-024 and Policies, enacted by Council on March 28, 2011. Cash in lieu payments populate this Reserve Fund. The source of revenue for this Reserve Fund is dependent on overall development and redevelopment. It is anticipated that this Reserve Fund will continue to grow.

Expenditures

The use of the Reserve Fund will be prioritized as follows:

1. Land acquisition for additional parks in developing areas or redeveloping areas.
2. To fund the development of the newly acquired lands.
3. To support the redevelopment of existing parks (not new parkland) IF the need for the redevelopment of the park is due to redevelopment/intensification of the immediate neighbourhood served by that park. This would include parks defined as neighbourhood, Community and City parks as defined in the approved 2008 Recreation and Leisure Services Master Plan.
4. Additions to facilities to support growth where the need is due to growth.
5. The non-growth component of growth-related capital projects for Parks Development and Recreation Facilities identified in the City's Development Charges Background Study

Council Approved Target Level

The funding level should be sufficient to purchase and develop new parkland opportunities and to provide funding for the upgrade of parks/facilities in areas undergoing intensification as required.

**PROTECTIVE SERVICES RESERVE FUND (PRO)
(Discretionary)
860011**

POLICY:

The Protective Services Reserve Fund provides for the replacement of existing protective services equipment. The purchase of expansion equipment is funded by Development Charges or the Capital Reserve Fund.

Revenues

Revenues to the Protective Services Reserve Fund are provided through an annual allocation from the operating budget

Expenditures

Expenditures from the Protective Services Reserve Fund are to replace existing equipment assigned to Protective Services.

Council Approved Target Level

The Protective Services Reserve Fund balance should be sufficient to cover the replacement of fire equipment according to the approved Capital Budget and Capital Forecast. The Protective Services Reserve Fund balance should not drop below \$50,000.

**SICK LEAVE & VACATION LIABILITY RESERVE FUND (SL&V)
(Discretionary)
860004**

POLICY:

The Sick Leave & Vacation Liability Reserve Fund provides financing for the accumulated sick leave benefit payable to eligible employees upon retirement, termination, or death.

Revenues

Revenues to this Reserve Fund are provided by 100% of the difference between Fire salary budget and actual, less 50% of vacancy related savings for Fire positions. In addition, the yearly increase in vested sick leave liability for Municipal Building Officers I, II, and III, (MBO's) and fire inspectors is contributed to this Reserve Fund.

Expenditures

This payout benefit is only for Staff Association and CUPE members who began prior to 1985 and any member of the fire union (firefighters, MBO'S, inspectors) with 10 years or more of service. In addition, the Reserve funds a retirement stipend from banked sick leave for CUPE staff hired after June 1, 1985 who are voluntarily retiring and who meet the eligibility criteria.

Council Approved Target Level

The Sick Leave & Vacation Liability Reserve Fund balance should be sufficient to cover 25% of the liability for both Sick Leave and Vacation, as well as projected presumptive claims. The balance should also be sufficient to cover payouts over a three year period.

**UPTOWN DEVELOPMENT RESERVE FUND (UPT)
(Discretionary)
860024**

POLICY:

The Uptown Development Reserve Fund provides for expenditures associated with development and redevelopment in the Uptown area.

Revenues

The Uptown Development Reserve Fund receives an annual operating budget allocation. In addition, when actual Waterloo North Hydro dividend/investment income exceeds budget, the surplus is transferred to the Uptown Development Reserve Fund.

Expenditures

The Uptown Development Reserve Fund expenditures are for the development or redevelopment of the uptown core.

Council Approved Target Level

The balance should not fall below \$0.

RESERVES:

**COMPREHENSIVE BUSINESS LICENSING RESERVE (BUS)
870042**

POLICY:

The Comprehensive Business Licensing Reserve was established to fund any annual deficit and collect any annual surplus from the Comprehensive Business Licensing Program approved by Council on August 11, 2014, with report COM2014-021. The Comprehensive Business Licensing Program has been developed as a full cost recovery enterprise system.

Revenues

Revenues to the Comprehensive Business Licensing Reserve result from any surplus earned by the Comprehensive Business Licensing Program.

Expenditures

Expenditures from the Comprehensive Business Licensing Reserve are to fund the Comprehensive Business Licensing Program expense lines in the Operating Budget and to fund capital expenditures.

Council Approved Target Level

The balance in the Comprehensive Business Licensing Reserve should not fall below \$0.

**COMPUTER EQUIPMENT & PHOTOCOPIER REPLACEMENT RESERVE (COMP)
870004**

POLICY:

The Computer Equipment & Photocopier Replacement Reserve provides an ongoing funding source for unbudgeted replacement of the City's computer equipment and to accumulate the internal net revenue stream from photocopiers to fund their future replacement.

Revenues

The Reserve receives an annual allocation in the operating budget. Also, the photocopier charges to the business units based on usage, net of expenses are accumulated here.

Expenditures

The Computer Equipment & Photocopier Replacement Reserve funds the unbudgeted replacement costs of the City's existing computer and photocopier equipment, through an annual allocation that is made to the Computer Equipment Replacement capital project. Any repairs not covered under a maintenance contract are also funded from this Reserve.

Council Approved Target Level

The Reserve balance should be adequate to fund annual fluctuating expenditure levels, and should remain positive. The reserve cap has been established at \$500,000. Any dollars above the established reserve cap will be transferred to the Capital Reserve Fund at year end.

**CONSOLIDATED UTILITIES
(WAT, SEW and SWM)
899011, 899021 & 899041**

POLICY:

The Water, Sanitary Sewer, and Stormwater Retained Earnings Reserves fund the entire Utilities day to day operations, as well as capital projects. They are also used to assist in the gradual introduction of Utility rate increases as required. These Reserves are consolidated into one Consolidated Utilities Reserve for reporting purposes.

Revenues

Consolidated Utilities revenues are generated from fees charged to external customers by the Utilities group as approved in the Fees & Charges By-law. Any surplus after expenses that have been processed by the Utilities group would be directed to this Reserve.

Expenditures

The Consolidated Utilities Reserve funds the entire Utility operation, both operating and capital. A deficit incurred by the Utilities group would be funded through this Reserve.

Council Approved Target Level

The minimum approved target level for the Consolidated Utilities Reserve is \$4,000,000 in order to provide an appropriate contingency based on current combined Utilities Operating and Capital budgets.

**COUNCIL’S COMMUNITY PRIORITY and CONTINGENCY RESERVE (CCPC)
870002-10464**

POLICY:

Council’s Community Priority and Contingency Reserve was established in 2009 to provide for expenses that are not a part of the approved budget but that Council determines to be necessary or of considerable merit.

Revenues

The Council’s Community Priority and Contingency Reserve receives an annual contribution from Operating.

Expenditures

This Reserve provides funding for unforeseen expenditures that may occur within a year. It is used for unbudgeted or new expenditures of considerable merit.

Council Approved Target Level

The Reserve should not drop below \$0.

**ECONOMIC DEVELOPMENT RESERVE (ECDEV)
870040**

POLICY:

The Economic Development Reserve is to provide one-time funding for opportunities to enhance the business environment within the City of Waterloo, and to create a catalyst to stimulate and support continued economic growth within the City of Waterloo.

Revenues

The Economic Development Reserve is funded from year end surplus, if any, as outlined in the Allocation of Surplus Policy, approved by Council on April 16, 2012.

Expenditures

The Reserve provides funding to the Economic Development Division to implement various economic development related initiatives that provide lasting and sustainable economic benefit that are supported by a business case including metrics as follows:

- initial financial support to attract financial contributions or commitment from other levels of government or the private sector;
- implement initiatives as planned through Council's Strategic Plan, Economic Development Strategy, or any related Economic Development Strategies/priorities;
- provide incentives to retain or attract businesses to the City of Waterloo and maintain a positive business environment

In addition the reserve provides funding to position the City to respond quickly to new opportunities for economic growth and development and transfer annually \$75,000 to the Economic Development Operating Budget.

Prior to submission to Council all reports, funding requests, or budget allocations related to the Economic Development Reserve are subject to review by the Executive Director of Economic Development or designate.

This Reserve is not intended to provide funding for permanent on-going expenses such as permanent staff.

Council Approved Target Level

The Economic Development Reserve balance is to remain positive.

**ELECTIONS RESERVE (ELEC)
870006**

POLICY:

The Elections Reserve was established to amortize the cost of a municipal election over 4 years, rather than expensing the entire amount in the year of the election.

Revenues

The Elections Reserve received an allocation from the operating budget.

Expenditures

Expenditures from the Elections Reserve are to be for election related expenses.

Council Approved Target Level

The Elections Reserve balance should not drop below zero.

**EMPLOYEE DEVELOPMENT and CAPACITY BUILDING RESERVE (EMPDV)
870032****POLICY:**

The Employee Development and Capacity Building Reserve is used to accumulate corporate savings from staffing vacancies to support employee-based initiatives. When a vacancy occurs for a regular position, it shall be left vacant for a minimum of 8 weeks, unless otherwise specified in a collective agreement, from the date of vacancy or creation. Eight weeks represents on average the natural gap that occurs when a position becomes vacant.

Revenues

- Vacancy savings for all regular positions, including all Management positions and all regular positions governed by CUPE, Staff Association, and Waterloo Professional Fire Fighter Association agreements will be transferred to this Reserve. For existing positions that become vacant, vacancy management savings/transfers are calculated based on a minimum of eight (8) weeks of vacancy. If actual gapping is greater than 8 weeks, the savings resulting between weeks 9-16 remain within the division to provide flexibility in managing the annual budget. If the actual gapping is greater than 16 weeks, the savings/transfers beyond the 16th week revert back to this Reserve.
- For terminations at least 16 weeks of vacancy is required to be contributed to the Reserve as outlined in the Termination Funding Policy.
- A position may be exempted from the application of the policy with approval from the Commissioner of the department and the CAO.
- Maternity leave positions, CUPE seasonal positions, contract positions, and temporary (casual) part time positions are exempt.

Expenditures

This Reserve funds employee-based initiatives, including staff development, leadership development, employee recognition, reorganization/restructuring implementation, employee wellness initiatives, City initiated terminations, as outlined in By-Law #2014-076, a by-law to define the duties of the office of the Chief Administrative Officer, and any successor by-laws, and other employee-related initiatives determined by CMT. This Reserve is also an approved funding source for back filling staff on extended sick leave, if funds are not available in the business unit. Space planning is funded from this Reserve as well.

Council Approved Target Level

The Reserve balance should be sufficient to cover one year's worth of expenses.

**ENVIRONMENTAL CLEAN UP RESERVE (ENV)
870030****POLICY:**

The Environmental Clean-up Reserve provides a source of funding for unanticipated environmental issues such as soil or groundwater contamination.

Revenues

The Environmental Clean-up Reserve currently receives annual funding from the operating budget, as per the capital budget policy.

Expenditures

Expenditures from the Environmental Clean-up Reserve are unexpected environmental issues such as soil or groundwater contamination, as well as the replacement of any failed tree plantings under the tree warranty program.

Council Approved Target Level

The balance in the Environmental Clean-up Reserve is not to fall below \$350,000 and is to be capped at \$1,000,000. The annual funding is not to exceed \$200,000.

**FACILITIES MAINTENANCE RESERVE (FMR)
870019****POLICY:**

The Facilities Maintenance Reserve provides funding for emergency maintenance requirements at Corporate Facilities not funded through the Capital Reserve Fund.

Revenues

- The Facilities Maintenance Reserve receives an annual allocation from the operating budget. This allocation is split 70% to this Reserve, and 30% to the Recreation & Facility Services-Facilities Operations Reserve.
- An annual allocation is also applied of 50% of parking revenues generated from the sale of Permits for the WMRC parking lot.
- Operational savings realized from the implementation of new energy management will be split 25% to the Facility Maintenance Reserve energy management program number and 75% to assist in offsetting utilities costs (e.g. electricity).
- Savings from energy management grants will also be allocated to the energy management program number of the Facilities Maintenance Reserve.

Expenditures

The Facilities Maintenance Reserve provides funding for emergency maintenance requirements at any corporate facilities which are not funded from the Capital Reserve Fund. The dollars in the Energy Management program number in the Facilities Maintenance Reserve can be used as a funding source for capital projects that are projected to result in future energy savings.

Council Approved Target Level

The Reserve balance should be adequate to fund expenditures for building repairs and maintenance identified and projected by the Facility Condition Assessments. The approved cap (maximum level) for this Reserve is \$750,000.

**FLEET EQUIPMENT RESERVE (ER)
870017****POLICY:**

The Fleet Equipment Reserve provides a source of funding for the replacement of vehicles and equipment, as outlined in the Finance Fleet policy. Where expansion is necessary and where DC funding cannot be applied, this Reserve is to provide a source of funding for the purchase of such fleet/equipment. Each request for expansion funded from the Reserve must be made clear during the capital budget process and in the purchase report to Council.

Revenues

Revenues for the Fleet Equipment Reserves are generated through the application of an annual Capital Cost Recovery charge. Units repay the Reserve over the useful life of the unit, including a 25% markup factor as per the Fleet Financial Policy.

Expenditures

Expenditures from the Reserves are for the replacement of vehicles and equipment.

Council Approved Target Level

The Reserve balance should be adequate to replace existing equipment on a replacement schedule based on estimated life span of the equipment. The Council approved target level of the Reserve is \$1,500,000.

**HERITAGE RESERVE (HER)
870024**

POLICY:

The purpose of the Heritage Reserve is to fund expenditures related to the management of Waterloo's heritage, which includes the City's heritage collection, heritage programming, and built heritage conservation efforts.

Revenues

Revenue sources of the Heritage Reserve include:

- Donations made with or without a specified purpose
- Proceeds received from fundraising activities
- Budgeted contributions
- Grants or subsidies
- Insurance payments received for historical property loss, damage, or theft
- Proceeds from the sale of City-owned designated properties
- Proceeds from the de-accessioning of artifacts

Expenditures

The Heritage Reserve funds:

- Costs of artifact acquisitions, loans, and restorations
- Capital costs related to program delivery for the City of Waterloo's Museum and built heritage conservation
- Studies to further the City of Waterloo's heritage conservation and the City of Waterloo Museum's development

Council Approved Target Level

The Heritage Reserve will remain in a positive position.

**INNOVATION RESERVE (INN)
870003**

POLICY:

The Innovation Reserve provides a funding source to departments for projects which possess potential for revenue generation or expense reduction that have a payback of less than 5 years.

Revenues

The Innovation Reserve has no ongoing funding source. The Reserve has historically been funded from year end surplus, as needed.

Expenditures

The Innovation Reserve provides funding for eligible capital projects which are considered to have the ability to generate additional revenues or to reduce expenditures. Projects applying for this source of financing must be supported through a business case approved by CMT or Council.

Council Approved Target Level

The Innovation Reserve cap is \$750,000 based on historical expenditures and anticipated use of this Reserve.

PUBLIC ART RESERVE (ART) 870012

POLICY:

The Public Art Reserve provides funding to acquire artistic works to be sited on or staged in municipally owned public spaces, as identified by the Public Art Master Plan, and in accordance with the City of Waterloo Public Art Policy.

Revenues

Revenue sources of the Public Art Reserve include:

- 1% of the City's contribution to the total budgeted non-land costs of applicable capital projects over \$1 million, as defined in the City of Waterloo Public Art Policy, to a maximum of \$300,000
- Developer contributions, as outlined in the Official Plan, through Section 37 of the Planning Act
- Private sector and community donations
- Proceeds from the de-accessioning of artistic works

Expenditures

The Public Art Reserve funds expenditures related to designing, fabricating, installing and documenting public works or community art projects chosen through an objective juried selection process, allowing for the strategic inclusion of artistic works in public spaces.

The Interdepartmental Public Art Team may also recommend this Reserve as a funding source for extraordinary costs associated with the conservation or repair of artistic works that exceed the annual operating maintenance budget.

Council Approved Target Level

The Public Art Reserve will remain in a positive position.

**RECREATION & FACILITY SERVICES- FACILITIES OPERATIONS RESERVE (FOR)
870039****POLICY:**

The Recreation & Facility Services-Facilities Operations Reserve provides funding to support ongoing equipment replacement and enhancement at recreation Facilities.

Revenues

The Recreation & Facility Services-Facilities Operations Reserve (FOR) receives an annual allocation from the operating budget. An additional operating budget allocation is also received, split 30% to this Reserve, and 70% to the Facilities Maintenance Reserve (FMR). This same split is also applied to an annual allocation of half of WMRC Parking permits sales. In addition, the FOR receives an annual allocation of a percentage of Special Event Rental Fees as negotiated by contract. Finally, the annual Leash Free Dog Park operating transfer is made to a separate program number within this Reserve.

Expenditures

The Recreation & Facility Services-Facilities Operations Reserve expenditures are for recreational facility related equipment needs.

Council Approved Target Level

The Recreation & Facility Services-Facilities Operations Reserve balance should remain positive, and should not exceed \$300,000.

**REGIONAL ROAD MAINTENANCE AGREEMENT RESERVE (RRMA)
870037****POLICY:**

The Regional Road Maintenance Agreement (RRMA) began on January 1, 2010. This Reserve provides funding for summer and winter maintenance as per the RRMA in the event of a deficit in the Regional Road Maintenance Operating Budget. The Reserve aids in minimizing the financial implications resulting from extreme weather conditions.

Revenues

This Reserve is funded from the surplus from the annual Operating Budget for summer Regional Road Maintenance, if any.

For summer maintenance, the City receives a flat rate per lane kilometre. The City can keep any surplus or must fund any deficit. The service level must be maintained, however, as per the agreement.

For winter maintenance, the City receives 100% cost recovery up to the 5 year baseline average. The first 5% in cost over-runs is to be funded by the City, and

any amount over the 5% is fully cost recovered from the Region. Additionally, new for 2015 is the introduction of a monthly minimum winter payment. Each winter month, the City's winter payment will be equal to or greater than 65% of the monthly baseline average. This monthly minimum clause has been added to the contract in an effort to recognize the City's fixed cost associated with performing this winter work and may lead to a winter surplus.

Any surplus generated from summer or winter maintenance can be used to offset any deficits generated by summer or winter maintenance.

Expenditures

This Reserve provides additional funding for Regional Road Maintenance summer and winter expenditures in the event of a deficiency in the Operating Budget amount for summer and winter Regional Road Maintenance.

Council Approved Target Level

The Reserve should not drop below \$0. There is no upset limit imposed by the RRMA.

**RESIDENTIAL RENTAL HOUSING RESERVE (RHR)
870038**

POLICY:

The Residential Rental Housing Reserve was established to fund any annual deficit and collect any annual surplus for the Residential Rental Housing Program approved by Council on May 9, 2011, with report PS-BL2011-016.

Revenues

Revenues to the Residential Rental Housing Reserve result from any surplus earned by the Rental Housing Program.

Expenditures

Expenditures from the Residential Rental Housing Reserve are to fund the Residential Rental Housing Program expense lines in the Operating Budget and to fund capital expenditures.

Council Approved Target Level

The approved target level from 2011 to 2016 is \$0, with surplus intended to grow the balance beyond 2016.

**RIM PARK INVESTMENT RESERVE (RIM)
870033**

POLICY:

The RIM Park Investment Reserve was established to offset the lease liability of RIM Park.

Revenues

The RIM Park Investment Reserve receives an annual operating budget allocation, as well as an annual allocation from year end surplus, if any.

Expenditures

Expenditures from the RIM Park Investment Reserve are to offset the lease payments from the operating budget related to RIM Park.

Council Approved Target Level

The balance in the RIM Park Investment Reserve should be sufficient to cover lease payments until 2031.

**STORM EVENT RESERVE (STORM)
870041**

POLICY:

The Storm Event Reserve aids in funding the costs of clean-up after significant storm events which cannot be accommodated in the operating budget. The Reserve is intended to assist in future-proofing the City of Waterloo against the costs resulting from extreme weather conditions, minimizing the financial implications.

Revenues

The Storm Event Reserve is funded by a one-time transfer from Tax Rate Stabilization Reserve. There is currently no ongoing funding source for the Reserve.

Expenditures

This Reserve provides additional funding for expenditures relating to significant storm events that do not fall within the scope of the Winter Control Reserve Policy, and that cannot be accommodated in the Operating Budget.

Council Approved Target Level

The minimum balance of the Storm Event Reserve is \$300,000 to mitigate costs related to major storm events that would negatively impact the operating budget.

**TAX RATE STABILIZATION RESERVE (TRS)
870008**

POLICY:

The Tax Rate Stabilization Reserve provides a contingency for unforeseen events that might put pressure on the tax rate. It is also used as a source of working capital.

Revenues

The Tax Rate Stabilization Reserve revenues are the annual step gapping for Staff Association and Management. Step gapping is the difference between a position's salary and benefits budget and the actual level the position is paid at. Utilities and Building Standards step gapping is exempted from this policy. In addition, this Reserve receives an allocation from year end surplus, as outlined in the Surplus Allocation Policy.

Expenditures

The Tax Rate Stabilization Reserve is to be used for unforeseen expenditures of a one-time nature.

Council Approved Target Level

This Reserve should have a minimum balance equal to the Core Consumer Price Index.

**WINTER CONTROL RESERVE (WC)
870016**

POLICY:

The Winter Control Reserve funds winter maintenance in the event of a shortfall in the Winter Control Operating Budget. The Reserve aids in minimizing the financial implications resulting from extreme winter weather conditions.

Revenues

The Winter Control Reserve is funded from the surplus from the annual Operating Budget for winter control, if any.

Expenditures

This Reserve provides additional funding for winter maintenance expenditures on City Roads in the event of a deficiency in the Operating Budget amount for winter control.

Council Approved Target Level

The Winter Control Reserve balance is recommended to be equal to 25% of the 5-year average winter maintenance costs or a minimum of \$250,000.

**WORKPLACE SAFETY AND INSURANCE RESERVE (WSIB)
870010**

POLICY:

In 1996 the City moved to a self-insured position to fund work related injuries. The Workplace Safety and Insurance Reserve is to cover any significant potential future claims.

Revenues

The Workplace Safety and Insurance Reserve does not currently have an on-going funding source.

Expenditures

This Reserve is to fund a major work related injury.

Council Approved Target Level

The minimum balance for the Workplace Safety and Insurance Reserve is \$500,000. \$500,000 is also the highest potential charge per incident by the Ministry of Labour under the Occupational Health & Safety Act, section 66.

COMPLIANCE:

In cases of policy violation, the City may investigate and determine appropriate corrective action.