

# The Corporation of the City of Kawartha Lakes

## Council Report

Report Number CORP2019-029

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**Meeting Date:** December 10, 2019  
**Title:** Reserve Transfers  
**Description:** Transfer of various items to reserve  
**Ward Number:** All  
**Author and Title:** Carolyn Daynes, Treasurer

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### Recommendation(s):

**That** Report CORP2019-029, **2019 Reserve Transfers**, be received;

**THAT** a reserve called “Norland Dam Reserve” be created, and;

**THAT** the monies received from the license agreement in relation to the Norland Dam for 2018 (\$7,725), 2019 (\$7,956.70) and all future years be put to this newly created reserve to be used for community projects in Norland, and;

**THAT** the surplus money from the Eastern Ontario Regional Network’s(EORN) cell project of \$81,072.27 be transferred to the Contingency Reserve committed to the EORN project, and;

**THAT** a reserve called “Capital Contingency Reserve” be created, and that all monies utilized for surplus and deficits of capital projects (approximately \$3.3Million) be transferred there and that the current Capital Reserve (1.32045) be used for the financial plan dollars to fund future Tax Levy Capital Budgets, and;

THAT the 2019 surplus in the Community Service Special Projects for 322 Kent Street Relocation and the 12 Peel Street Staging Space be transferred to the Contingency Reserve and committed to these projects. The funding will be brought out in 2020 in order for these operating projects to be completed.

**Department Head:**\_\_\_\_\_

**Financial/Legal/HR/Other:**\_\_\_\_\_

**Chief Administrative Officer:**\_\_\_\_\_

## **Background:**

In preparation for the 2019 year end there are various reserve transfers that need to be approved by Council. The reserve transfers being considered in this report include the following:

- Norland Dam revenues
- Eastern Ontario Regional Network expenditures
- Name change on the Capital Reserve
- Community Services Special Projects

## **Rationale:**

### **Norland Dam Revenue:**

In March 2009 Council learned of a hydro project being considered at the Norland Dam. On March 29, 2009 the members of the Timber Run Hydropower project attended Council to discuss the use of a small piece of City-owned property to erect a small building to store their equipment and to use the City-owned parking lot as a staging ground during the construction phase of the hydro dam project. It was anticipated that there would be enough hydro power generated to service 400 households. Council made the following resolution after their presentation:

***Moved by Councillor Yeo, seconded by Councillor Campbell,***  
***RESOLVED THAT*** Timber Run Hydropower be allowed to pursue the approvals necessary to develop a hydropower station at Norland Dam, Lot 6, Concession 11, Laxton Township;  
***THAT*** Timber Run Hydropower be granted site access to carry out the studies and surveys necessary to obtain the required approvals;  
***THAT*** Timber Run Hydropower be given first rights to negotiate a definitive license and / or lease agreement with the City of Kawartha Lakes for use of land adjacent to Norland Dam for the placement of hydropower station infrastructure, subject to review by City technical staff for any impact on City services and subject to the successful review and negotiation of the completion of the Environmental Assessment process and that the proponents be given first right to develop the site; and  
***THAT*** these negotiations involve any revenue to be paid to the City and their disbursement in the community of Norland for local improvements and projects, namely the expansion and development of Ward Park.

***Moved by Councillor Campbell, seconded by Councillor Villemaire,***  
***RESOLVED THAT*** the question be divided.

**DEFEATED**

A recorded vote on the original motion was requested by Councillor Yeo.

<b>Member</b>	<b>In Favour</b>	<b>Against</b>
Councillor Elmslie	X	
Councillor Campbell		X
Councillor Robinson		X
Councillor Strangway	X	
Councillor Warren	X	
Councillor James	X	
Councillor Robertson	X	
Councillor O'Reilly		X
Councillor Cziraky	X	
Councillor Marsh		X
Councillor McGregor	X	
Councillor Luff		X
Councillor Yeo	X	
Councillor Ashmore	X	
Councillor Villemaire		X
Councillor Hodgson	X	
Mayor McGee	X	
	11	6

**CARRIED CR2009-256**

The last part of the resolution is relevant in this report. That is the following:

**THAT** these negotiations involve any revenue to be paid to the City and their disbursement in the community of Norland for local improvements and projects, namely the expansion and development of Ward Park.

As this resolution did not specifically speak to putting money away in a reserve for community events in Norland this has not been set up or acted upon by Treasury Staff. Therefore the Norland license agreement revenue should be transferred to a reserve, given the resolution above, and it should be used for various community projects in Norland.

The license agreement for the Norland Dam began in 2018. In the past two years the following revenue has been earned and recorded to Realty Services revenue:

2018	\$7,725.00
2019	\$7,956.70

It is proposed that this revenue be put to a reserve called “Norland Dam Reserve”. In addition all future lease agreement revenue, relating to the Norland Dam, be transferred to this reserve.

### **Eastern Ontario Regional Network (EORN) Project:**

The Eastern Ontario Regional Network (EORN) is undergoing a project, in partnership with the Federal and Provincial governments, to attempt to achieve 99% coverage of the eastern Ontario region for cell call service levels, invest in increased capacity and 5G network enhancements in high density, high network utilization areas, as per the Municipal Contribution Agreement. There is a requirement for a minimum contribution from the municipalities forming part of the EOWC (Eastern Ontario Wardens Caucus) of which the City of Kawartha Lakes is a member, and the EOMC (Eastern Ontario Municipal Caucus). The total contribution to be shared by these two bodies and their member municipalities is \$10,141,188. The federal and provincial government is contributing \$142,000,000 and the remainder of the funding for the \$213 Million project will come from the private sector participants in the project.

City staff initially were told that the City’s contribution would be approximately \$900,000 over a three year period and therefore included \$300,000 in the budget for the 2019 budget. The actual cost came in at \$915,710.92 for the entire City share and this is payable over a four year period. Therefore the City will have the following payments in the future:

2019	\$178,927.73
2020	\$178,927.73
2021	\$178,927.73
2022	\$178,927.73

The City included \$300,000 in the 2019 budget and has only paid \$178,927.73, which is the City’s share of the EORN initiative described above, as well as \$40,000 for the Cell and CRTC Gap Analysis that is the background for the EORN cell coverage work. Therefore there is a surplus of \$81,072.27 in this line item in the 2019 budget.

Staff are recommending that this surplus of \$81,072.27 be transferred to the Contingency Reserve in 2019 and committed to the EORN initiative. This \$81,072.27 would then be used to fund the 2020 contribution of \$178,927.73. This payment is included in the 2020 Operating budget under Special Projects and in the Administration category. The total cost of \$179,000 is included in the listing however only \$97,927 of tax levy is needed to fund this payment as Staff are utilizing the \$81,073 surplus from 2019 as a reserve contribution.

### **Name change of the Capital Reserve:**

Prior to the financial plan of 2017 the City had only one Capital Reserve. This capital reserve was increased and decreased based on surpluses and deficits in the capital projects that were approved by Council. Each capital project is assigned an estimated cost at the time of the budget deliberations. The actual cost to the City is not known until the project work is tendered in the competitive market. Sometimes that results in a lower than budget cost and therefore a surplus will result upon completion of the project. Other times the tender process results in a higher than budget cost and therefore a deficit will result upon completion. It is these ups and downs that are funded by the Capital Reserve.

The financial plan of 2017 recommended an infusion of \$25,000,000 of debenture dollars to be held in a Capital Reserve and used to fund the Capital budget going forward. Staff finds it very confusing to determine if Council makes a motion to the Capital Reserve whether it is referencing the monies set aside for the Financial Plan or the monies set aside for the surpluses and deficits of projects.

Therefore Staff are recommending that the Financial Plan dollars be left in the Capital Reserve. The remaining amounts that are used to fund surpluses and deficits will be moved to a reserve called "Capital Contingency". This name lends itself more to what the reserve is actually used for. If the actual cost is over the budget it has a "contingency" to fall back on.

At the time of this report the following balances exist in the current Capital Reserve:

Capital Reserve – Financial Plan	\$2,124,618
Capital Reserve – Related to Contingency	\$3,271,669

Staff are recommending that the amount of \$3,271,669 (as well as activity from November 1st to the date of the Council meeting) be transferred to the newly created "Capital Contingency Reserve", and that the remaining amount of \$2,124,618 remain in the Capital Reserve (1.32045) for future tax levy capital budgets.

### **Community Services Special Projects:**

The Community Services Operating Budget includes 2 projects related to staff movements to 322 Kent Street and use of 12 Peel Street as a staging space. Both projects are delayed due to scheduling adjustments of the 68 Lindsay St project being completed and Human Services staff moving into that location. The actual move of Human Services staff to 68 Lindsay occurred on October 15<sup>th</sup>, 2019. This was much later than anticipated and thus has delayed these two

special projects. The projects have begun and final renovations will be completed and staff move-ins from 12 Peel to 322 Kent St by the end of Q1, 2020. The bulk of the remaining work includes renovation of space to allow for staff relocations. This includes structural and electrical work. Final documents have been completed and physical work is due to start in late Q4 2019. The carry-over of the funds (which are approved as earmarked for this project) are required for completion next year. The money estimated to be left in each Special Project, as of November 21<sup>st</sup>, 2019 is as follows:

<b>Project Description</b>	<b>Approved Budget 2019</b>	<b>Total Spending</b>	<b>Remaining Budget</b>
322 Kent Street Relocation	\$150,000.00	\$66,945.69	\$83,054.31
12 Peel St. Staging Space	\$ 30,000.00	\$7,200.54	\$22,799.46

Staff are requesting that both project surpluses at the end of 2019 be transferred to the Contingency Reserve, committed to Community Services Special Projects and that these funds be used to finish both of these projects in 2020. Both projects currently have Purchase Orders attached to them and these expenses are included in the Total Spending Column. The surplus at November 21<sup>st</sup>, 2019 is illustrated above and it is expected that the amount transferred to the reserve will be approximately the amount in the “Remaining Budget” column.

### **Other Alternatives Considered:**

Various alternatives could be considered to each of the resolutions in this report.

#### **Norland Dam Revenue:**

The revenue earned from the licensing agreement could be left in Realty Services and fall to the bottom line of the corporation. This is not recommended as Council has already resolved that any revenue earned should be utilized for the benefit of the Norland community.

#### **EORN project:**

The surplus in the 2019 budget of \$81,072.27 could be left in 2019 and flow to the bottom line of the Corporation. This is not recommended as this was specific to the EORN initiative and now the option to pay the project contribution over four years instead of three years has allowed a reduction in the 2020 Special Project budget.

#### **Name Change of the Capital Reserve:**

The portion of the capital reserve that deals with ups and downs of capital projects throughout the year could remain in the Capital Reserve. This is not

recommended as there is already confusion about various resolutions and reserves should be specific in purpose. The Capital Reserve should be retained for future capital budget financing and the new "Capital Contingency" Reserve will be used as a contingency for project overages and underages.

### **Community Services Operating Projects:**

Council could decide to not transfer the surpluses in the two Special Projects and leave the surplus in the Community Service area to fall to the bottom line of the Corporation. This is not recommended as the reason for the surplus is due to the delay of the 68 Lindsay Street completion. The work is needed in order to accommodate the staff moving into 322 Kent Street.

### **Financial/Operation Impacts:**

There are various financial impacts to each of the resolutions in this report:

#### **Norland Dam Revenue**

The transfer to reserve of this licensing revenue was not included in the 2019 budget so therefore this is an additional pressure on the year end operating results in the amount of \$7,956.70. As well the 2018 year end has already been closed and therefore the 2019 year end will take a further expense of \$7,725.00. Therefore there is a \$15,681.70 reduction in the 2019 year end results due to this resolution.

#### **EORN Project**

There is no financial impact to the 2019 year end results as the total budget of \$300,000 was specifically for the EORN project. This is simply moving the dollars to a reserve to be used in future years.

#### **Name Change of the Capital Reserve**

There is no financial impact of this request for a name change.

### **Community Services Operating Projects:**

There is no financial impact to the 2019 year end results as the total budget of \$180,000 was specifically for these two Special projects. This is simply moving the dollars to a reserve to be used in future years.

## **Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:**

These staff recommendations assist in achieving the Strategic Enabler goal. This Reserve report enables Council to see that revenues and expenditures are being recorded in the most fiscally responsible manner. This illustrates responsible fiscal resource management.

## **Consultations:**

Realty Services Division  
Council  
Director of Community Services

## **Attachments:**

None

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