



## Council Report

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**Report Number:** CORP2022-009  
**Meeting Date:** June 21, 2022  
**Title:** Consolidation of Reserves  
**Description:** Reserve Consolidation  
**Author and Title:** Carolyn Daynes, Treasurer

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### Recommendation(s):

**That** Report CORP2012-009, Consolidation of Reserves, be received; and

That Council approve the renaming of the Public Works Fleet Reserve to Fleet Reserve; and

That Council approve the transfer of the balance in the Pits and Quarries Reserve, Forestry and Trail Reserve and the Cemetery Capital Reserve to the Capital Contingency Reserve and be shown as commitments in that reserve; and

That Council approve the creation of a General Tax Rate Stabilization Reserve and that the balance of the Working Capital Reserve be transferred to this reserve; and

That the Working Capital Reserve Category be eliminated from the current structure of reserves; and

That the OPP Rate Stabilization and the Kawartha Lakes Police Contingency Reserve be transferred to the Area Rate Stabilization Reserve; and

That Council approve the formation of a Human Services Rate Stabilization Reserve and that the balances in the Doctor Recruitment Reserve, the Social Service Program Reserve and The Children's Service Reserve be transferred to this reserve and be shown as commitments; and

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

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

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

That the balance in the Employee Recognition Reserve be transferred to the Human Resource Rate Stabilization Reserve and be shown as a commitment; and

That the balance in the Debt Stabilization Reserve be transferred under the Rate Category to the General Tax Rate Stabilization Reserve as a commitment, and

That Council approve the creation of a City Heritage Reserve, under the Other Category, and that the Public Art commitment within the Contingency Reserve be transferred to this reserve; and

That the balance in the Lindsay Heritage Reserve (LACAC) and the Anne Langton Reserve be transferred to this newly created City Heritage Reserve; and

That the balance in the Amalgamation debt retirement reserve fund be transferred to the General Tax Rate Stabilization Reserve, and committed to Debt Stabilization.

## **Background:**

The Reserve strategy, which will be presented later in the year, is a key part of the Long Term Financial Plan. The Reserve Strategy will recommend new reserves, optimal reserve balances and the future funding sources of all reserves. It will also address the disposition of future operating surpluses and the handling of deficits, to make it in line with the overall Long Term Financial Plan. In preparation of this strategy Staff have committed to consolidating various reserves in order to reduce the administrative time of the Treasury department as well as make it simpler to provide updates to Council.

This report addresses that goal of reducing the number of reserves reported on.

## **Rationale:**

### **Reserves**

Reserves are created by council resolution. Reserve accounts can only increase or decrease by council resolution. Currently the City has 36 reserves divided amongst 7 categories. A complete list of reserves can be found in Attachment A. The categories were approved by Council in 2005 and include the following:

- Infrastructure Reserves – related to capital financing
- Rate Reserves – to be used to assist financing of operating expenditures
- Contingency – to be used to financed unforeseen events
- Economic Development Reserves – to be used to finance economic development initiatives
- Working Capital Reserves – to be used to provide a buffer in the event of a deficit in the operating fund
- Former Municipal Reserves – Still remain from amalgamation and are committed to a certain area of the City of Kawartha Lakes
- Other Reserves – Catch all for all reserves that don't fit into the categories above.

### **Infrastructure Reserve Category**

Currently the Infrastructure Reserve Category has 8 reserves. They are as follows:

<b>Reserve Name</b>	<b>Balance at Dec 31, 2021</b>
Asset Management Reserve	\$ 3,847,199
Public Works Fleet Reserve	3,818,983
Sewer Infrastructure Reserve	7,523,188
Water Infrastructure Reserve	9,151,861
Capital Contingency Reserve	3,319,395
Pits and Quarries Gravel Reserve	317,039
Cemetery Capital Reserve	57,151
Forestry and Trail Reserve	191,521
<b>Total Infrastructure Reserve</b>	<b>\$ 28,226,337</b>

### **Infrastructure Reserves – No Change Recommended**

The Asset Management reserve is the reserve that funds the annual capital budget. Tax Levy funding goes into the reserve and is then transferred out to capital projects.

Sewer and Water Infrastructure reserve fund Water and Wastewater capital. User rate revenue is transferred annual to these reserves.

Capital Contingency Reserve is the reserve where project surplus/deficits are funded to and from over the course of the year. It has many commitments, authorized by Council, and Staff are going to recommend that a few of the reserves above be transferred to this reserve as commitments.

### **Changes to Infrastructure Reserves**

The Public Works Fleet Reserve provides funding for the fleet capital budget for public works, fire and paramedics. Staff recommend that this reserve undergo a name change to Fleet Reserve and then Public Works, Fire and Paramedic would be commitments under that reserve. At December 31, 2021 the balance in the Fleet Reserve is:

<b>Fleet Reserve Commitment</b>	<b>Balance at Dec 31, 2021</b>
Public Works	\$ 1,636,387
Fire	2,162,103
Paramedic	20,493
<b>Total Fleet Reserve</b>	<b>\$ 3,818,983</b>

The Pits and Quarries Reserve increases by the use of the City’s gravel pits for City capital and operating projects. The funds are used for maintenance of the City’s gravel pits. For ease of administration this separate reserve should be combined with the Capital Contingency Reserve and shown as a commitment.

The Cemetery Reserve increases by revenue received from the sale of columbariums. The funds are used to construct new columbariums in the City of Kawartha Lakes. For ease of administration this separate reserve should be combined with the Capital Contingency Reserve and shown as a commitment.

The Forestry and Trail Reserve increases by revenue realized by the sale of timber and is used for various capital initiatives in the Forestry and Trail area. For ease of administration this separate reserve should be combined with the Capital Contingency Reserve and shown as a commitment.

If Council approves this transfer the Capital Contingency Reserve will have the following commitments:

<b>Capital Contingency Commitment</b>	<b>Balance, Dec 31, 2021</b>
Uncommitted	\$ 2,467,994
Paramedics	14,079
Community Services	27,251
Information Technology	430
Haul Routes	(148,996)
Victoria Manor	151,814
Public Works	5,500
Utility Billing	90,000
Land Acquisition – Legal	711,325
Pits and Quarries	317,039
Cemetery Capital	57,151
Forestry and Trail	191,521
<b>Total Commitments</b>	<b>\$ 4,034,104</b>

**Rate Reserve Category**

Currently the Rate Reserve Category has 15 separate reserves. They are as follows:

<b>Reserve Name</b>	<b>Balance at Dec 31, 2021</b>
Employee Recognition	\$ 79,635
OPP Rate Stabilization	605,671
Human Resource Rate Stabilization	343,805
911 Atlas Reserve	16,135
Airport Surplus Reserve	-
Kawartha Lakes Police Contingency Reserve	708,489
Election Reserve	314,498
Area Rate Stabilization Reserve	1,125,648
Doctor Recruitment Reserve	174,000
Social Service Program Reserve	37,833
Children’s Service Reserve	1,322,514
Building Reserve	1,492,386
Property Development Reserve	781,675
Library Reserve	980,621
<b>Total Rate Reserves</b>	<b>\$ 7,982,910</b>

The reserves in this category need to be consolidated under the following reserves:

Area Rate Stabilization Reserves – The OPP and KLPS Contingency Reserve need to be consolidated into this reserve as this reserve should represent all area rate surpluses used to fund future deficits.

Human Resource Rate Stabilization Reserves – The Employee Recognition reserves needs to be consolidated into this reserve and committed to employee recognition.

Human Services Rate Stabilization Reserve – This reserve needs to be created and the Doctor Recruitment Reserve, the Social Services Program Reserve and the Children’s Services Reserve balances need to be transferred to it. All of this relate to divisions within the Human Services department and they can be separate commitments under this one reserve.

All other reserves need to remain under this category. However, a new reserve called the General Tax Rate Stabilization Reserve needs to be created and it can be funded by surpluses in each year that will offset tax rate increases in future years. Presently we put money towards the contingency reserve for this purpose but a rate stabilization reserve would be more appropriate. Staff is recommending that the Working Capital Reserve Category be collapsed into this newly formed General Tax Rate Stabilization Reserve.

### **Contingency Reserve Category**

The Contingency Reserve is the only reserve under this category. The following commitments exist under this reserve:

<b>Contingency Reserve Commitment</b>	<b>Balance at Dec 31, 2021</b>
Uncommitted	\$ 2,713,608
Million Dollar Makeover	513,892
Grants-Pandemic, other	4,155,669
Employee Survey	24,429
Sumac Ridge	192,720
Seniors	46,778
WSIB Contingency	900,000
Insurance Contingency	1,061,949
Planning Contingency	160,000
Winter Control Contingency	3,131,473
Public Art	25,000
Agriculture Land Leases	98,484
Study Contingency	194,717
<b>Total Commitments</b>	<b>\$ 13,971,280</b>

A few of these reserves belong in other categories. The Debt Stabilization Reserve should be transferred to the General Tax Rate Stabilization Reserve, which was newly created under the Rate Category. Under the Other Category below, Staff are recommending the creation of a Heritage Reserve and the Public Art Commitment of \$25,000 should be transferred to that reserve. Some of the reserves in the table above have been committed to the 2022 Special Project Budget and the 2022 Operating Budget. These would be the Grants and Study Contingency.

### **Economic Development Reserve Category**

There are no changes being recommended for this category. Both the Tourism Info Centre Reserve and the Business Incubator Reserve were transferred to the Council Economic Development Reserve in 2021, as per Council resolution.

### **City Working Capital Reserve Category**

There is only one reserve under this category and it is called the City Working Capital Reserve. This reserve was created upon amalgamation from all Victoria County Municipalities as all of them had this type of Reserve. At that time there was \$7,000,000 put into this reserve. Council has used this reserve for various projects over the years and the balance in this reserve is currently \$115,051. Staff are

recommending that this balance be transferred to the newly created General Tax Rate Stabilization Reserve in the Rate Category. The purpose of this reserve is to fund operating deficits which is the purpose of the new reserve. The City Working Capital Reserve category will be eliminated as well.

**Former Municipal Reserve Category**

There are no former municipal reserves yet however there are three reserve funds remaining that are committed to the Bobcaygeon Library, the Forbert Pool and the Somerville Heritage Park. A review will be done of these in the 2023 budget to ensure that the funds are utilized.

**Other Reserve Category**

There are 9 reserves in the other reserve category. They are as follows:

<b>Reserve Name</b>	<b>Balance at Dec 31, 2021</b>
Fenelon Falls Powerlink Reserve	\$ 841,897
Norland Dam Reserve	32,319
Social Committee Reserve	9,852
Lindsay Heritage Reserve (LACAC)	8,930
Anne Langton Reserve	1,429
Social Housing staff benefits reserve	140,490
KLH HC Reserves	2,637,115
<b>Total Other Reserves</b>	<b>\$ 3,672,031</b>

Staff are recommending that a City Heritage Reserve be created under this category and that the Lindsay Heritage Reserve (LACAC) and the Anne Langton Reserve be consolidated under this reserve. They both relate to Heritage in the City of Kawartha Lakes and each will be shown as commitments under the reserve. There is a commitment under the Contingency Reserve called "Public Art" that should be transferred to this reserve, as well. This Public Art Reserve has a balance of \$25,000 at the end of 2021.

**Reserve Funds:**

Reserve funds are created by legislation. They are called obligatory reserves or deferred revenue as well. They can only be used for specific purposes as stated within the legislation that created them. Examples of reserve funds are Development Charges, Parkland In Lieu, Legacy CHEST and both the Infrastructure and Transit Gas Tax Reserves. There are no recommendations as to the consolidation of these reserve

funds as they are very specific in nature. A listing can be found in Attachment B to this report.

There is a reserve fund under Attachment A called the "Amalgamation debt retirement reserve fund" and it has a balance of 329.00. It was created at amalgamation from funds from the Town of Lindsay to be used to pay debt on Lindsay assets that were outstanding at the time. There is no debt left from the Town of Lindsay outstanding, at this time, as all debt is City of Kawartha Lakes related. Staff is recommending that these funds be transferred to the General Tax Rate Stabilization Reserve, committed to the Debt Stabilization portion of that reserve.

### **Other Alternatives Considered:**

Council could choose to do nothing and let the reserves remain as presented in Attachment A. This is not recommended as these proposed revisions assist Staff in administering and reporting the City reserves.

### **Alignment to Strategic Priorities:**

The Consolidation of Reserve report supports the strategic goal of Good Government. This report details the efficient use of financial resources by reducing the administrative burden on Staff.

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

There is no financial impact of the consolidation of reserves. All reserves are moving within the reserve structure and will have not effect on the bottom line.

### **Servicing Implications:**

Not applicable.

### **Consultations:**

Director of Corporate Services

### **Attachments:**

Attachment A – List of Reserves at December 31, 2021



Attachment A.pdf

Attachment B – List of Reserve Funds at December 31, 2021



Attachment B.pdf

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