

Committee of the Whole (2) Report

DATE: Tuesday, November 7, 2023

WARD(S): ALL

TITLE: **UPDATES TO THE CONSOLIDATED RESERVE AND RESERVE FUND POLICY**

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To seek approval to revise the existing Consolidated Reserve and Reserve Fund policy.

Report Highlights

- Reserves and Reserve Funds (RRFs) are important tools in the planning and management of the City's financial resources and provide a strong indicator of the City's overall financial health.
- The proposed changes include guidelines on surplus and deficit management and flexibility for strategic decision-making around RRFs.
- Contributions to infrastructure renewal reserves are included as options to allocate year-end surpluses.

Recommendations

1. That the proposed amendments to the Consolidated Reserve and Reserve Fund policy 12.C.10 be approved.

Background

The Consolidated Reserve and Reserve Fund policy provides guidance for the administration of reserves and reserve funds (RRFs) for the City of Vaughan. The policy outlines monitoring and reporting controls for establishing, contributing to and withdrawing from RRFs, as well as the roles of municipal officials.

Operating surpluses, based on the current policy have been allocated primarily to the General Working Capital reserve and Tax Rate Stabilization reserve. The current policy also requires Council approval for all withdrawals from and transfers between reserves, except for withdrawals from revolving reserves or undesignated reserves in emergency situations.

In accordance with best practices in financial management and the City's commitment to excellence in municipal governance, regular policy reviews are conducted to ensure continuous alignment with the changing municipal operating and financial environment, as well as regulatory requirements. The last update to this policy occurred in October 2021, and changes are required to provide more flexibility in administering reserves and reserve funds and allow staff to strategically manage the City's resources, respond to changing fiscal realities and direct resources to priorities and areas requiring additional funds.

Previous Reports/Authority

[Consolidated Reserve Policy Update, Item 3, Report No. 39, September 27, 2021](#)

Analysis and Options

This policy review focuses on enhancing the guidelines on surplus or deficit management and extending in-year flexibility for decision-making. Proposed changes were developed based on a jurisdictional scan comparing RRFs policies of other municipalities with Vaughan's policy to establish current practices in the allocation of surpluses. The municipalities examined include Toronto, Markham, Newmarket, Mississauga, Caledon, and Brampton, as well as York region. Findings indicate that it is common practice for municipalities to prioritize contributions to reserves designated for managing property tax volatility and preserving funds for capital infrastructure renewal and maintenance.

The proposed policy updates for consideration are as follows:

Surplus and Deficit Management

- A. Documented the current practice of allocating unspent funds for initiatives that qualify to be transferred to the Year-End Expenditure Reserve as requested by departments and as approved by the Chief Financial Officer.
- B. Included options to allocate year-end surplus to infrastructure renewal reserves considering expected future pressures on infrastructure renewal reserves.

- C. Introduced new guidelines on deficit management. The current policy does not include guidelines to address operating deficits.

Financial Flexibility and Oversight

- A. Provided the CFO authorization to transfer funds between rate-supported reserve funds given their operational relatedness.
- B. Provided the CFO authorization to withdraw from RRFs to fund unanticipated operating expenses that are consistent with business objectives and support Council strategic priorities up to \$250,000 per incident up to an annual maximum of \$1 million. Withdrawals will be reported to Council semi-annually.

Financial Impact

There is no financial impact directly associated with this report.

Operational Impact

The policy updates will provide more flexibility in administering reserves and reserve funds and allow staff to strategically manage the City's resources, respond to changing fiscal realities and direct resources to priorities and areas requiring additional funds.

Broader Regional Impacts/Considerations

The impact of the decision is confined to the City of Vaughan.

Conclusion

The Consolidated Reserve and Reserve Fund policy supports the City's commitment to financial sustainability by providing a principle-based approach to long range fiscal planning. The proposed changes promote stewardship around public funds and the necessary flexibility for strategic decision-making to address the current and future needs of the City. Upon approval by Council, the updated Consolidated Reserve and Reserve Fund Policy 12.C.10 will become effective.

For more information, please contact:

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Attachments

1. City of Vaughan Consolidated Reserve and Reserve Fund policy 12.C.10
2. Reserve and Reserve Fund policy 12.C.10 – Appendix A

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Approved by



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Reviewed by



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