

Committee of the Whole (2) Report

DATE: Tuesday, December 10, 2024

WARD(S): ALL

TITLE: 2024 REVIEW OF RESERVES AND RESERVE FUNDS

FROM:

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

ACTION: DECISION

Purpose

To report on the 2024 review of the City's reserves and reserve funds, and seek approval to execute the closure, consolidation and changes in scope of existing reserves and reserve funds, and creation of a new reserve as recommended in this report.

Report Highlights

- Twenty-nine reserves proposed for closure have either fulfilled the intended purposes or are no longer deemed necessary, resulting in the redistribution of \$5.4 million to other reserves and Council Strategic Priorities.
- The Winterization Reserve will be renamed to "*Snow and Grounds Maintenance Reserve*" to reflect proposed scope changes to the purposes and uses of funds.
- Proposed changes to the sources of funds in the Tree Replacement reserve will result in the transfer of \$1.2 million from deferred revenues into the reserve.
- The previously approved creation of the *Non-Conventional Stormwater Offset Fees* reserve, and *Vaughan Metropolitan Centre Parking* reserve, will be added to Appendix A in the Reserves and Reserve Fund Policy.
- The creation of a new reserve is recommended to support the administration of the Automated Speed Enforcement Program.

Recommendations

1. That Council approve the recommended closure of twenty-nine reserves and repeal of the associated by-laws, and balances transferred to other reserves outlined in the report;
2. That Council approve the proposed scope changes to the Winterization reserve and renaming it to “*Snow and Grounds Maintenance Reserve*”;
3. That Council approve the proposed scope changes to the Tree Replacement reserve;
4. That Council approve the creation of the Automated Speed Enforcement reserve; and
5. That Council approve the updated Consolidated Reserve and Reserve Fund Policy, substantially in the form as attached, to reflect the recommendations noted above.

Background

Reserves and Reserve Funds (RRFs) consist of funding collected through taxation, development charges, user fees, service charges, rate-supported charges, grants from other levels of government and contributions from strategic partnerships. These funds are set aside to acquire, build, renew and replace capital assets and infrastructure; sustain operations and service levels; smooth-out fluctuations in non-tax revenues and/or program costs, and pay for special purpose initiatives and future liabilities for the City of Vaughan. This fundamental fiscal practice is key to the overall financial health and long-term financial sustainability of the City.

Reserves are categorized into obligatory reserves and discretionary reserves. Obligatory reserves are funds that are segregated for specific purposes in accordance with provincial statutes or other legal agreements. Discretionary reserves provide the City with financial flexibility to ensure that funds are available to finance a future expenditure or liability, manage cyclical expenditures, and plan for contingencies.

The administration of RRFs is guided by the Consolidated Reserves and Reserve Fund Policy. The Policy was last updated in November 2023 and assigns overall responsibility for managing RRFs to the Chief Financial Officer (CFO), including reviewing the adequacy of reserves, and reporting findings and recommendations to Council. The Policy includes an Appendix A which provides detailed descriptions and guidance on the reserve funds, such as the purposes of reserves, intended uses, annual withdrawal and transfer recommendations, funding sources, supporting legislations and references, and recommended reserve minimum and maximum targets, where applicable.

According to the Policy, RRFs that have fulfilled their intended purpose and/or are no longer required for future use are reported to Council with recommendations for closure, the treatment of reserve balances, and any necessary amendments to applicable reserve by-laws.

As of June 30, 2024, the City of Vaughan had a total of 105 RRFs (62 obligatory, 43 discretionary) with a total balance before commitments of approximately \$1.3 billion (\$804.4 million obligatory, \$467.6 million discretionary).

2024 Review of Reserves and Reserve Funds

In consultation with City Departments, a comprehensive review of 105 reserves and reserve funds was conducted. The primary goals of the review were to:

- Streamline the administration of reserves;
- Identify opportunities to merge reserves that over time have formed overlapping purposes, legislations, or funding sources;
- Close reserves that are no longer necessary due to completed objectives or changed circumstances; and
- Assess the continuing relevance and accuracy of the details for each RRF as listed in Appendix A of the Consolidated Reserve and Reserve Fund Policy.

Previous Reports/Authority

[Consolidated Reserve Policy and Recommendations](#)

Item 2, Report No. 11 of the Finance and Administration Committee, November 20, 2012

[Updates to the Consolidated Reserves and Reserve Fund Policy](#)

Item 3, Report No. 46 of the Committee of the Whole, November 14, 2023

Analysis and Options

The results of the review grouped RRFs into four categories:

- Redundant
- Consolidate
- Amend – Council Approval
- Amend - Administrative and No Adjustment Required

RRFs identified as Redundant or Consolidate are recommended to be *Closed*, while the rest are identified as to '*Continue*'. Table 1 provides a summary of the number of RRFs in each category recommended for closure, to continue and newly created reserves with balances as of 30 June, 2024.

Table 1: Summary of Recommendations

Category	Close		Continue		Total	
	# Reserves	\$M	# Reserves	\$M	# Reserves	\$M
Redundant	19	5.2			19	5.2
Consolidate	10	0.2			10	0.2
Amend - Council Approval			2	6.9	2	6.9
Amend - Administrative			36	750.0	36	750.0
No Adjustment Required			38	509.7	38	509.7
Newly Created Reserves					3	0
Total	29	5.4	76	1,266.6	108	1,272.0

Reserves Recommended for Closure (Redundant and to be Consolidated)

The *redundant* and *consolidated* classifications represent the twenty-nine reserves identified for closure, further organized below into six broad headings based on similarity in attributes:

1. Area-Specific Development Charges (13 Reserves)
2. Sewer Camera Inspection (1 Reserve)
3. Woodbridge Expansion Area (2 Reserves)
4. State of Good Repair (3 Reserves)
5. Provincial Grant (2 Reserves)
6. Other Inactive (8 Reserves)

1. Area-Specific Development Charges (ASDC) Reserves

Thirteen ASDC reserves were originally established to fund water distribution mains, sewage collection trunks, and stormwater drainage-related infrastructure projects resulting from developments at specific locations within Vaughan. The reserves are now deemed inactive due to the expiration of the governing by-laws, as well as no further development charge collections, outstanding encumbrances and obligations on these reserves.

It is recommended that these thirteen ASDC reserves be closed, and the associated by-laws repealed due to completion of the purposes for which they were created. The remaining balances totaling \$2.3 million will be transferred to the City-Wide Development Charges Engineering reserve to support various capital infrastructure projects across the City that align with the original purposes of the closed ASDC reserves.

Below are the thirteen ASDC reserves recommended for closure and a summary of the redistribution of the remaining balances:

Rationale	Disposition of Remaining Balance		Amount
	Transfer from	Transfer to	
Redundant	D2-Clarence St. Sanitary	Not Applicable	-
	D3-P.D.# 6 Watermain		-
	D4-Wstrn Maple Sanit. Trunk		-
	D5-Wstrn Maple Sub Trunk		-
	D6-Maple Collector		-
	D11-Langstaff Rd. Watermain		-
	D16-Concord Trunk (Seg. 1)		-
	D17-Concord Trunk(Seg. 2)		-
Redundant	D18-PD#6 W. Major Mac. Water	CWDC - Engineering	9,680
	D19-PD#6 E. Rutherford Water		52,775
	Pressure District 7 Watermain West		1,923,330
	D23-Dufferin/Teston Sanitary		100,648
	D24-Ansley Grove Sanitary		252,502
			2,338,935

2. Sewer Camera Inspection Reserve

The reserve was created to hold deposits collected from new development agreements for sewer camera inspections. Following a reconciliation of the reserve and to comply with appropriate accounting treatment, going forward, the funds collected will reside in a deferred revenue account instead of the reserve fund.

It is recommended that the existing balance of \$2.3 million be treated as follows:

- Approximately \$1.1 million be recognized as operating revenue. This represents deposits collected against developments where sewer camera inspections have been completed.
- The remaining approximately \$1.2 million of the reserve balance will be transferred to a deferred revenue account for pending sewer inspections prior to subdivision assumption.

Below is the Sewer Camera Inspection reserve recommended for closure and how the remaining balances will be redistributed:

Rationale	Disposition of Remaining Balance		Amount
	Transfer from	Transfer to	
Redundant	Sewer Camera Inspection Reserve	Operating Revenue	1,116,696
		Deferred Revenue	1,172,070
			2,288,765

3. Woodbridge Expansion Area (WEA) Reserves

Two WEA reserves were created to collect through fees from specific development projects aimed towards the WEA. The funds were intended to fund greenway routes for cyclists and pedestrians, as well as to provide open spaces and accessible areas for public enjoyment. Given the considerable passage of time since the WEA has been developed, the reserves are now deemed inactive.

It is recommended that these two reserves be closed due to completion of the purposes for which they were created. The remaining balances totaling \$541 thousand will be transferred to the General Working Capital reserve.

Below are the two WEA reserves recommended for closure and how the remaining balances will be redistributed:

Rationale	Disposition of Remaining Balance		Amount
	Transfer from	Transfer to	
Redundant	Greenways: Woodbridge Expansion Area	General Working Capital	526,060
	Open Space: Woodbridge Expansion Area		15,286
			541,346

4. State of Good Repair Reserves

Three State of Good Repair reserves were established to provide funding for unplanned or emergency repairs to water, wastewater, and stormwater infrastructure through operating surpluses from the respective rate program. These reserves are in duplicate of other existing Water, Wastewater, and Stormwater reserves in terms of both purposes and funding sources.

It is recommended that these three State of Good Repair reserves be closed due to the stated duplications. The remaining balance of \$82 thousand in the State of Good Repair reserve – Water will be transferred to the Water reserve.

Below are the three State of Good Repair Reserves recommended for closure and how the remaining balances will be redistributed:

Rationale	Disposition of Remaining Balance		Amount
	Transfer from	Consolidate & Transfer to	
Consolidate	State of Good Repair Reserve- Water	Water Reserve	82,292
	State of Good Repair Reserves- Wastewater	Wastewater Reserve	-
	State of Good Repair Reserves-Stormwater	Stormwater Reserve	-
			82,292

5. Provincial Grant Reserves

Two provincial grant-funded reserves were originally established to receive one-time, time-limited provincial grants for restricted use. The Main Street Revitalization Reserve was grant-funded as part of the 2018 Ontario Main Street Revitalization Initiative, with a requirement that funds be expended by March 31, 2020. The Ontario Municipal Commuter Cycling (OMCC) Program Grant was a joint provincial/municipal initiative introduced in 2017 to support provincial goals to implement new or expanded commuter cycling infrastructure.

It is recommended that these two provincial grant reserves be closed due to completion of the purposes for which they were created between 2020 and 2021. The remaining balances totaling (\$391) will be transferred to the General Working Capital reserve.

Below are the two Provincial Grant Reserves recommended for closure and how the remaining balances will be redistributed:

Rationale	Disposition of Remaining Balance		Amount
	Transfer from	Transfer to/from	
Redundant	Main Street Revitalization	General Working Capital	13
	Ontario Municipal Commuter Cycling Program		(404)
			(391)

6. Other Inactive Reserves

Industrial Development

The reserve was created to collect net proceeds from the acquisition and redevelopment of industrial lands during the City’s shift into an urban landscape. Since approximately 2005, there have been no commitments against, or revenue contributions to the reserve. The reserve balance of approximately \$33 thousand will be transferred to the General Working Capital reserve.

Catch Basin Repairs Reserve

The reserve was created in the early 2000s to hold funds collected from subdivision assumptions for the repair of catch basins. Considerable time has passed since its establishment and the funds were last utilized. The reserve is recommended for closure due to duplication as catch basin repairs are now funded by the Stormwater reserve. The reserve balance of approximately \$78 thousand will be transferred to the Stormwater reserve.

Suggestion Program

The reserve was established to set aside funds for awards to employees as outlined in an Employee Suggestion Program. Due to duplication, the reserve balance of approximately \$33 thousand will be transferred to the Management By-Law reserve and continue to support employee development programs.

Debenture Reserve Fund

The reserve was established to smooth out the operating impact of new debenture annual payments. The reserve was last used in 2012, and its intended function is now performed through the Debenture Payment reserve.

Garnet A. Williams C.C. Reserve

The reserve was established to provide funds for ongoing repair and maintenance associated with the Garnet A. Williams Community Centre's daycare area. The reserve was last used in 2012, and its function has since been absorbed within the Building & Facilities Infrastructure reserve.

City-Wide – Park Development (DC)

The reserve was established to provide capital funds to support growth-related park development and facilities. The reserve has never been used, and its purpose overlaps with that of the Community Services (DC) reserve.

City-Wide – Library Materials (DC)

The reserve was established to provide capital funds to support growth-related library resource materials as outlined in development charges studies. The reserve was last used in 2012, and its intended function is now performed within the City-Wide (DC) – Library reserve.

City-Wide – Roads (100% DC eligible)

This reserve was created to provide capital funds to support growth-related engineering services, including roads, as outlined in development charges studies. The reserve has never been used, and its purpose overlaps with that of the City-Wide (DC) - Engineering reserve.

Below is a summary of the eight inactive reserves recommended for closure and how the remaining balances will be redistributed:

Rationale	Disposition of Remaining Balance		Amount
	Transfer from	Consolidate & Transfer to	
Redundant	Industrial Development	General Working Capital	33,226
Consolidate	Catch Basin Repairs	Stormwater reserve	78,250
	Suggestion Program	Management By-Law reserve	33,302
	Debenture Reserve Fund	Debenture Payment reserve	-
	Garnet A. Williams C.C. Reserve	Building & Facilities Infrastructure	-
	City-Wide – Park Development (DC)	Community Services (DC) reserve	-
	City-Wide – Library Materials (DC)	City-Wide (DC) – Library reserve	-
	City-Wide – Roads (100% DC eligible)	City-Wide (DC) - Engineering reserve	-
			144,778

Reserve Amendments That Require Council Approval

Tree Replacement Reserve

The Tree Replacement reserve funds new and replacement tree plantings, as well as canopy growth, in line with the City's broader urban forestry strategy. Currently, there are two separate sources of funds designated for tree planting and replacement:

- Tree Replacement reserve - which is a repository for funds collected from developers unable to accommodate trees on development sites, and
- Deferred Revenue account - which holds funds collected from private tree agreements with homeowners, corporations or other public entities.

It is recommended that the deferred revenue account balance of \$1.2 million collected from private tree agreements/permits be transferred to the Tree Replacement reserve to consolidate all funds marked for further administration of the urban parks and forestry management tree replacement plan. The merging of the two revenue streams will be accompanied by a new naming protocol within the Tree Replacement reserve to ensure continuous tracking of the separate sources of funds for reporting purposes.

Winterization Reserve

The Winterization reserve was originally established to offset unanticipated cost impacts of severe winter conditions. A revision to the scope of the reserve became necessary due to instances in the past when cost fluctuations resulted from higher-than-usual rainfall and grass-cutting expenditures. The proposed modification seeks to expand the use of funds to include unbudgeted costs resulting from increased grass-cutting due to higher-than-normal amounts of precipitation / occurrences of heavy rain, the reserve will be renamed to *Snow and Grounds Maintenance Reserve*.

Reserves to be Retained (Administrative Amendments and Continue)

There are 38 reserves with no recommended changes, and 36 reserves with administrative amendments within the CFO's authorization. These administrative changes do not alter the original purpose of the reserves. They are being made to further clarify the existing scope of use, update by-law references, refine wording regarding purpose and/or funding source, and/or add missing details.

Details of these changes are provided in Attachment 1 - Administrative Reserve Amendments and will be reflected in Appendix A of the Consolidated Reserves and Reserve Fund Policy.

Addition of Newly Created Reserves

Automated Speed Enforcement Reserve

Automated Speed Enforcement (ASE) will be used to promote compliance with displayed speed limits, in order to reduce speeds and collisions in school and

community safety zones. Following a provincial amendment to the *Highway Traffic Act* to allow ASE to become enforceable under Administrative Penalties, a Members Resolution in favour of the implementation of ASE was unanimously supported by City Council on September 28, 2022. The “Automated Speed Enforcement (ASE) Implementation Plan” in the City of Vaughan was adopted by Council on [December 12, 2023, Item 1, Report 50](#), authorizing staff to implement the use of ASE in the city through an Administrative Monetary Penalty System, including all necessary by-laws, policies and agreements, and in parallel with other MoveSmart initiatives.

It is recommended that an Automated Speed Enforcement Reserve be created to hold and manage the net proceeds from ASE. The reserve would support the City’s ASE program and other traffic safety initiatives. On approval, the ASE reserve will be added to Appendix A of the Consolidated Reserves and Reserve Policy.

VMC - Parking Reserve

“Vaughan Metropolitan Centre (VMC) Parking Pilot Update and Recommendations” report tabled before the VMC Sub-Committee on October 30, 2024 (anticipated to be adopted by Council on December 17, 2024) authorizes staff to create a reserve to manage funds collected towards future enhancement initiatives for other modes of transportation in the VMC.

Details pertaining to this reserve will be added to Appendix A of the Consolidated Reserves and Reserve Policy.

Non-Conventional Stormwater Reserve

On [June 25, 2024, Item 1, Report No. 24](#), Council approved the creation of a reserve to collect Offset Fees from developers for Non-Conventional Stormwater Management Facilities. This reserve will be used to fund the inspection, monitoring, and maintenance of these facilities.

Details pertaining to this reserve will be added to Appendix A of the Consolidated Reserves and Reserve Policy.

Financial Impact

The comprehensive review of the City’s RRFs resulted in recommendations to close 19 RRFs which have served their purposes and no longer required, and the consolidation of another 10 RRFs, unlocking approximately \$5.4 million to be redirected as outlined above.

Operational Impact

The comprehensive review of the City's RRFs was a collaborative effort between City departments and Financial Planning and Development Finance. The review is consistent with the Financial Sustainability Guiding Principles, ensuring they are funded, used and managed appropriately. Staff will continue to review the City's RRFs regularly to determine if some RRFs are still required and identify opportunities to streamline and use them more strategically and efficiently.

Broader Regional Impacts/Considerations

None

Conclusion

The proposed changes from the review of reserves and reserve funds supports the City's commitment to excellence in the governance of municipal assets. The recommendations in this report will further streamline the administration of existing reserves, redistribute funds to areas that are in line with Mayor and Council priorities, and ensure that the Reserve and Reserve Fund Policy remains up to date with the City's current operational and financial environments, as well as with relevant provincial, federal legislations and agreements.

For more information, please contact:

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Attachments

1. Administrative Reserve Amendments
2. Consolidated Reserve and Reserve Fund Policy 12.C.10
3. Appendix A to the Consolidated Reserve and Reserve Fund Policy 12.C.10

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