

## Committee of the Whole (1) Report

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**DATE:** Tuesday, September 14, 2021

**WARD(S):** ALL

**TITLE:** CONSOLIDATED RESERVE POLICY UPDATE

**FROM:**

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

**ACTION:** DECISION

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**Purpose**

To seek approval of the City of Vaughan's Consolidated Reserve and Reserve Fund Policy No. 12.C.10.

**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.
- This Consolidated Reserve and Reserve Fund policy establishes consistent guidelines and standards, which govern the use and management of reserves and reserve funds.
- The policy was updated to provide flexibility in administering and managing RRFs, allow the City to be more strategic in the use of RRFs, and ensure the City's RRFs remain healthy and a key ongoing tool of the Long-Range Fiscal Plan.

**Recommendations**

1. That the City of Vaughan's Consolidated Reserve and Reserve Fund Policy No. 12.C.10 as contained in Attachment 1, be approved; and

2. That the Consolidated Reserve and Reserve Fund Policy No. 12.C.10 replace Policy No. FPDF – 004 Consolidated Reserve Policy.

## **Background**

The Consolidated Reserve and Reserve Fund policy establishes financial guidelines and controls for the administration of reserves and reserve funds for the City of Vaughan. This policy provides principles and guidelines on the objectives, standards of care, reporting requirements, and responsibilities for the creation and management of reserves and reserve funds.

A key component of sound financial management and the Long-Range Fiscal Plan requires regular reviews and updates to fiscal policies to ensure they remain relevant and continue to guide and support the City's financial health and long-term sustainability. The Consolidated Reserve Policy was last updated in June 2013.

## **Previous Reports/Authority**

Not applicable.

## **Analysis and Options**

The City is committed to maintaining healthy reserve and reserve fund balances which are funded through various means (i.e. development charges, contributions, dedications, taxation, etc.). Adequately funded reserves and reserve funds (RRFs) allow the City to:

- Provide for future expenditures and/or liabilities;
- Ensure funding is set aside to meet legislated and contractual obligations;
- Provide for major capital expenditures;
- Smooth out expenditures which would otherwise cause fluctuations in the operating budget and tax levy;
- Take advantage of opportunities that may arise;
- Mitigate the impacts of economic downturns, disasters, pandemics and other negative unanticipated events;
- Provide liquidity; and
- Provide for emergencies.

The Consolidated Reserve and Reserve Fund Policy recognizes the vital role of RRFs in the financial health of the City. It provides the general framework, and guiding principles and standards, which govern the use and management of reserves and reserve funds.

Proposed changes to the Policy were developed based on the City's Sustainable Fiscal Framework Guiding Principles endorsed by Council, the Municipal Finance Officers' Association of Ontario's (MFOA) comprehensive guidelines and best practices on establishing and managing RRFs, the City's current and future practices and a jurisdictional scan of other municipalities (York Region, City of Toronto, City of Mississauga, etc.). The policy was updated to provide flexibility in administering and managing RRFs, allow the City to be more strategic in the use of RRFs, and ensure the City's RRFs remain healthy and a key ongoing tool of the Long-Range Fiscal Plan.

### **Highlights of the proposed changes to the Policy:**

1. Language, terms and definitions have been updated to reflect the current situation, names of RRFs and the structure of the organization.
2. Criteria for some RRFs have been amended to reflect changing needs of departments to allow funding from RRFs to meet surges in demand for services / programs and stabilize tax levies.
3. Hard targets for RRFs changed to "Recommended Targets" in the event the City can no longer maintain targets without significantly raising taxes.
4. Recommended targets for some RRFs updated to provide flexibility and improve efficiency in managing RRFs; resources can be allocated to priority areas and where there is a need.
5. Funding sources updated to reflect current situation / practices – broadened sources for contributions to RRFs to include multiple sources.
6. The Chief Financial Officer (CFO) has the authority to redirect funding between discretionary reserves, with some limitations.
7. The CFO has authority to direct all or a portion of the year-end operating surplus to any discretionary RRF, including Tax Rate Stabilization Reserve and Working Capital Reserve.
8. Conversely, if there is an operating deficit, a transfer from the Tax Rate Stabilization Reserve is made to balance year-end results.
9. The CFO can authorize the use of undesignated discretionary reserve(s) to fund emergencies.

The "Policy Appendix" provides detailed guidance related to specific reserves organized by reserve category and type of reserve.

All reserves and reserve funds will continue to be managed in accordance with provincial legislation, i.e. provisions of the Municipal Act, 2001 (the Act).

### **Financial Impact**

There is no financial impact directly associated with this report.

## **Broader Regional Impacts/Considerations**

Not applicable.

## **Conclusion**

The Consolidated Reserve and Reserve Fund Policy supports the City's commitment to financial sustainability by providing a principle-based approach to fiscal planning promoting stewardship of public funds. The updated policy provides flexibility and allows the City to be more strategic in the use of RRFs, while ensuring they remain healthy and a key ongoing tool of the Long-Range Fiscal Plan. Upon approval by Council, the updated Consolidated Reserve and Reserve Fund Policy No. 12.C.10 will replace Policy No. FPDF – 004 Consolidated Reserve Policy as of October 1, 2021.

**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

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## **Approved by**



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

## **Reviewed by**



Nick Spensieri, City Manager