

Administrative Amendments to Reserve Fund Accounts No. 2

Date:	September 12, 2007
To:	Executive Committee
From:	Deputy City Manager and Chief Financial officer
Wards:	All
Reference Number:	P:\2007\Internal Services\Cf\ec07038Cf – et (AFS #5011)

SUMMARY

This report recommends (a) the establishment of seven reserve funds which have been identified since the last report on this topic which was adopted by Council in September 2006, and (b) refines criteria associated with a few other accounts which results from the operational needs of Divisions with respect to the administration of reserves and reserve funds. Where appropriate the purpose for each account is identified in its respective appendix.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

- (1) the reserve funds or reserve fund accounts as set out in Appendix A1-2 and B1-5 be established for the purposes set out in the respective Appendices, and Municipal Code Chapter 227, Reserves and Reserve Funds, be amended by adding the reserve funds or reserve fund accounts to their respective schedules as set out in the respective appendix;

- (2) the reserve fund accounts indicated in Appendix C1 be amended accordingly; and
- (3) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto; and that leave be granted for the introduction of any necessary bills in Council.

Financial Impact

In order to receive funds, in some cases, the recommended accounts need to be established according to the criteria set out by Council. As well the purposes of some accounts are changing to make the accounts more appropriate to the original intent. Otherwise there are no direct financial implications as a result of this report.

DECISION HISTORY

At its meeting of October 26, 27, 28, and 31, 2005, Council adopted Clause 30 of Report No. 9 of the Policy and Finance Committee from the Deputy City Manager and Chief Finance Officer entitled ‘ Administrative Amendments to Reserve Fund Accounts’ which (1) realigned the beneficiary programs for reserve/reserve fund accounts based on the City’s new organizational structure, (2) refined the criteria and delegation of authority for the establishment of reserve and reserve fund accounts, and (3) properly established a number of reserve funds which had been identified since the Consolidation of Reserve Funds report had been adopted by Council in May 2004. Additional administrative amendments to Municipal Code No. 227 – Administration of Reserves and Reserve Funds - were most recently approved by Council through Policy and Finance Committee Report No. 7 Clause 75 on September 25, 26, 27, 2006.

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/pof7rpt/cl075.pdf>

<http://www.toronto.ca/legdocs/2005/agendas/council/cc051026/pof9rpt/cl030.pdf>

COMMENTS

From time to time the City has an opportunity to receive funds which require the setting up of reserve funds, for example, funds received from the Province to fund TTC capital projects. As well, in the course of business, divisions may determine that the purposes/titles previously set out by Council for the operation of a reserve fund are more restrictive than the current needs would dictate. The following reflects the need to create new obligatory reserve funds to hold funds received, or about to be received, by the City and amendments to existing accounts requested by Divisions/Programs to clarify the use of funds.

For new reserves and reserve funds, each account requires a statement of the Council’s criteria for creation which are set out in Appendix A1 through A2 and B1 through B5.

Exhibition Place

At its meeting of March 5, 6, 7, and 8, 2007 Council adopted the report entitled 'Financial Assessment of Proposed Conference Centre Development at Exhibition Place' which included a recommendation:

5. direct the Board of Governors of Exhibition Place to place the revenues from the Direct Energy Centre naming rights agreement and any revenues from any future naming rights agreement for the new conference centre into a single-purpose interest bearing City reserve account from which any shortfalls in the City loan payments can be directly funded;

The Exhibition Place Board has proposed that any shortfalls in the project revenues be funded using revenues derived from the Board's \$7 million Direct Energy Centre naming rights agreement and any naming rights agreement reached for the conference centre. The Direct Energy Centre naming rights revenues are currently allocated by the Board to environmental sustainability initiatives at Exhibition Place. Reconstruction of the Automotive Building to "LEEDS Gold" energy efficiency standards as part of the proposed conference centre development has been deemed to be an environmental sustainability initiative by the Board.

Therefore, since this is a requirement of the agreement, it is necessary for Council to set up a reserve fund which will be called the Exhibition Place Conference Centre Reserve Fund with criteria as set out in Appendix A1.

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-03-05-cc03-dd.pdf>

Theatre Passe Muraille – Culture

At its meeting of July 16, 17, 18, 2007, Council adopted Economic Development Committee Report No. 3 Clause No. 6 entitled 'Theatre Passe Muraille – City Acquisition of 16 Ryerson Avenue' recommending among other things that

3. "the City deposit \$0.200 million of the proceeds from the sale of the building into a City Reserve Fund to provide security against any future failure to comply with the capital maintenance requirement during the tenancy and the Deputy City Manager, Chief Financial Officer report the details in the upcoming Report on Reserve Funds".

Therefore, it is necessary for Council to set up a reserve fund which will be called the 16 Ryerson (Theatre Passe Muraille) Capital Maintenance Reserve Fund with criteria as set out in Appendix A2.

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-07-16-cc11-dd.pdf>

Toronto Transit Commission

Over the course of the past several years, the City has been in a position to receive funds from both the Ontario and Federal Governments in support of the Toronto Transit Commission. In some cases the City has entered into agreements in order to receive these funds and in some cases the Province has provided funding without such agreements. In either case the funds can be received and spent over several years. As a consequence, it is more appropriate for the City to hold these funds as reserve funds in its books as obligatory reserve funds. Therefore, it is being recommended that the following funds be created in the Third Party Agreements Reserve Fund based on the criteria as outlined in Appendices B1 to B5: – Canada Strategic Infrastructure Reserve Fund, Public Transit Capital Trust Reserve Fund, Ontario Bus Replacement Program Reserve Fund, Transit Technology Infrastructure Program Reserve Fund, Public Transit Capital Trust Reserve Fund, and Ontario Rolling Stock Infrastructure Reserve Fund. As noted below the funding for three of these accounts results from the following three agreements adopted by Council:

a) Canada-Ontario-Toronto-TTC Canada Strategic Infrastructure Fund

At its meeting of December 8, 9, and 12, 2005, Council adopted, as part of the 2006 Capital Budget and 2007-2010 Preliminary Capital Plan, the recommendation that:

“the Mayor, the Deputy City Manager and Chief Financial Officer and the City Clerk be authorized to execute the Canada-Ontario-Toronto-TTC Canada Strategic Infrastructure Fund Agreement between the City of Toronto, the TTC, Her Majesty in Right of Ontario and Her Majesty in Right of Canada in accordance with the terms described herein”.

<http://www.toronto.ca/legdocs/2005/agendas/committees/bud/bud051124/agenda.pdf>

It is being recommended that funds that have been received under this agreement be placed in the Canada Strategic Infrastructure Reserve Fund - Appendix B1.

b) Public Transit Capital Trust

At its meeting of April 25, 26 and 27, 2006, Council adopted Motion J(13) to enter into an agreement to transfer funds from the Public Transit Capital Fund which recommended that:

“Council ratify the Agreement between Her Majesty in Right of Canada (“Canada”), Her Majesty in Right of the Province of Ontario (“Ontario”), the Association of Municipalities of Ontario (“AMO”) and the City of Toronto (“Toronto”), dated March 30, 2006 which provides the framework for the transfer of federal public transit funds for the fiscal year 2005-6”.

[http://www.toronto.ca/legdocs/2006/agendas/council/cc060425/nomj\(13\).pdf](http://www.toronto.ca/legdocs/2006/agendas/council/cc060425/nomj(13).pdf)

It is being recommended that funds that have been received under this agreement be placed in the Public Transit Capital Trust Reserve Fund - Appendix B2.

c) Ontario Bus Replacement Program

At its meeting of May 23 and 24, 2007, Council adopted the report entitled ‘Authority to Execute a Letter of Agreement with the Government of Ontario for Ontario Bus Replacement Program Funding’ which recommended that:

“the Mayor and the Deputy City Manager and Chief Financial Officer be authorized to execute the Letter of Agreement under the Ontario Bus Replacement Program (OBRP) between the City of Toronto and the Her Majesty the Queen in right of the Province of Ontario, represented by the Minister of Transportation for the Province of Ontario, generally in accordance with the terms set out in Appendix A, and to the satisfaction of the Deputy City Manager and Chief Financial Officer and the City Solicitor”.

<http://www.toronto.ca/legdocs/mmis/2007/ex/agendas/2007-04-30-ex08-ar.pdf>

It is being recommended that funds that have been received under this agreement be placed in the Ontario Bus Replacement Program Reserve Fund - Appendix B3.

As well, the City has received funding from the Province under the Transit Technology Infrastructure Program and funds to replace rolling stock. It is being recommended that reserve funds be set up for these two sources of funding respectively (see Appendix B4 and B5).

Adjustments to Some Accounts Previously Approved by Council

For operational reasons, there needs to be minor modifications to certain reserve fund accounts administered under Municipal Code 227 – Reserves and Reserve Funds as noted in Appendix C1.

Change in Purpose:

It is being recommended that the purpose of the Police Central Sick Pay Reserve Fund be changed to be consistent with its current use and recent contract negotiations whereby the funds are available to support both uniform and civilian staff and senior management.

Change in Title:

It is being recommended that the titles of the Racquet Sport Reserve Fund and Design Exchange Maintenance Reserve Fund be slightly modified to clarify their use - in the case of Racquet Sport to Scarborough to reflect the origin of the funds and in the case of the Design Exchange to clarify that the use of the funds is for capital projects.

CONTACT

N. Donald E. Altman, Manager, Corporate Financial Strategies
Phone: (416) 397-4220, Fax: (416) 397-4555; E-mail: daltman@toronto.ca

Len Brittain, Director, Corporate Finance
Phone: (416) 392-5380, Fax: (416) 397-4555; E-mail: lbrittai@toronto.ca

SIGNATURE

Joseph P. Pennachetti
Deputy City Manager and Chief Financial Officer

ATTACHMENTS

Appendix 'A1'	- Exhibition Place Account
Appendix 'A2'	- Theatre Passe Muraille Account
Appendix 'B1- B5'	- TTC Accounts
Appendix 'C1'	- Administrative Amendments to Various Accounts

J:\TFS\PROJECTS\Reserves\Reports\Drafts\clean up\R3\Reserve clean r#3-5.doc

Appendix A1

Exhibition Place Conference Centre Reserve Fund

- (a) Location within the Consolidated Reserve Fund Schedule

Account within Schedule #14– Third Party Agreements Reserve

- (b) Statement of Purpose

This account will be used to provide a source of funding for any shortfalls in loan payments to the City from Exhibition Place for the new conference centre.

- (c) Service Area or Beneficiary Program

Deputy City Manager and Chief Financial Officer shall have primary responsibility for the account.

- (d) Initial Contribution:

\$334,000, after rebranding expenses, is available from naming rights revenue in 2006.

- (e) Contribution Policy

Net cash flow derived from Exhibition Place's existing \$7,000,000 Direct Energy Centre naming rights and any naming rights agreement reached for the conference centre will be provided annually when cash is received. The naming rights generate \$350,000 in years one and two; \$900,000 in years three to nine; and \$0 in year ten before payment of commissions and any rebranding expenses.

- (f) Withdrawal Policy:

Funds may be withdrawn by the Deputy City Manager/Chief Financial Officer should there be a funding short fall in loan payments to the City from Exhibition Place on an as needed basis.

- (g) Review Cycle

The account will be reviewed in five years or more often if requested by the Chief Executive Officer of Exhibition Place. Should the experience dictate at that time, that there is sufficient cash generated to pay the City loan from the conference centre operations, then the purpose of the fund could be expanded to include the original purpose to which these funds were to be directed namely environmental sustainability initiatives at Exhibition Place.

Appendix A2

16 Ryerson (Theatre Passe Muraille) Capital Maintenance Reserve Fund

- (a) Location within the Consolidated Reserve Fund Schedule

Account within Schedule #13– State of Good Repair Obligatory Reserve Fund

- (b) Statement of Purpose

This account will be used to provide security against any future failure to comply with the capital maintenance requirement during the tenancy of Theatre Passe Muraille at 16 Ryerson Ave.

- (c) Service Area or Beneficiary Program

Economic Development, Culture and Tourism shall have primary responsibility for the account.

- (d) Initial Contribution:

\$200,000 will be provided from the sale of 16 Ryerson Ave.

- (e) Contribution Policy

As a condition of the lease the tenant - Toronto Artscape Inc. - is to contribute a minimum of \$20,000 annually

- (f) Withdrawal Policy:

Funds may be withdrawn through the Economic Development, Culture and Tourism capital budget. The fund should never have a balance less than \$200,000.

- (g) Review Cycle

The account will be reviewed in ten years at the expiration of the lease and before the execution of the first option to renew. The second review will be at the end of the first option to renew period (assuming it was exercised) and before the execution of the second option to renew.

Appendix B1

Canada Strategic Infrastructure Reserve Fund

- (a) Location within the Consolidated Reserve Fund Schedule

Account within Schedule #14 – Third Party Agreements Reserve Fund

- (b) Statement of Purpose

The Canada Strategic Infrastructure Fund will be a repository for funds received from the Federal and Provincial governments under the Canada Strategic Infrastructure Fund (CSIF) to support the TTC's state of good repair, Ridership Growth Strategy and subway expansion programs as set out in the TTC's Ten-Year Capital Plan, as well as an integrated ticketing system.

- (c) Service Area or Beneficiary Program:

For accounting purposes the Toronto Transit Commission shall have primary responsibility for the Reserve Fund.

- (d) Initial Contribution:

\$275.6 million received on March 29, 2007 from the Provincial government under CSIF.

- (e) Contribution Policy:

A further contribution (of \$46.7 million or as otherwise approved) will be received from the Provincial government as the GTA Farecard project received approval and moves forward. As well, a contribution or contributions will be received from the Federal government after a Federal/City Contribution Agreement is signed

- (f) Withdrawal Policy:

Funds will be withdrawn from the reserve fund to be applied as source funding for the TTC expenditures on applicable capital projects and as consistent with the City's normal capital budget processes.

- (g) Review Cycle:

It is expected that the funds in the Canada Strategic Infrastructure Fund will be fully depleted within 5 years. When the funds have been depleted, the reserve fund will be closed.

Appendix B2

Public Transit Capital Trust Reserve Fund

- (a) Location within the Consolidated Reserve Fund Schedule

Account within Schedule #14 – Third Party Agreements Reserve Fund

- (b) Statement of Purpose

The Public Transit Capital Trust Fund will be a repository for funds received through the Provincial government under the Public Transit Capital Trust (PTCT) to support public transit in Toronto.

- (c) Service Area or Beneficiary Program:

For accounting purposes the Toronto Transit Commission shall have primary responsibility for the Reserve Fund.

- (d) Initial Contribution:

\$222.6 million received on March 29, 2007 from the Provincial government under PTCT.

- (e) Contribution Policy:

The initial contribution will be the sole contribution to this fund.

- (f) Withdrawal Policy:

Funds will be withdrawn from the reserve fund to be applied as source funding for the TTC expenditures on applicable capital projects and as consistent with the City's normal capital budget processes.

- (g) Review Cycle:

It is expected that the funds in the Public Transit Capital Trust Fund will be fully depleted within 5 years. When the funds have been depleted, the reserve fund will be closed.

Appendix B3

Ontario Bus Replacement Program Reserve Fund

- (a) Location within the Consolidated Reserve Fund Schedule

Account within Schedule #14 – Third Party Agreements Reserve Fund

- (b) Statement of Purpose

The Ontario Bus Replacement Program Fund will be a repository for funds received from the Provincial government under the Ontario Bus Replacement Program (OBRP) for conventional and specialized transit.

- (c) Service Area or Beneficiary Program:

For accounting purposes the Toronto Transit Commission shall have primary responsibility for the Reserve Fund.

- (d) Initial Contribution:

\$16.7 million will be received from the Provincial government in 2007 upon the signing, by the City, of the 2007 OBRP Contribution Agreement.

- (e) Contribution Policy:

Approximately \$17 million will be received each year from the Provincial government under OBRP for the annual allocations.

- (f) Withdrawal Policy:

Funds will be withdrawn from the reserve fund to be applied as source funding for the TTC expenditures on applicable capital projects and as consistent with the City's normal capital budget processes.

- (g) Review Cycle:

Ontario Bus Replacement Program Fund will be reviewed in 2011 and every five years thereafter to assess the appropriateness of the account, and the conditions, if any, on which the reserve fund may be closed.

Appendix B4

Transit Technology Infrastructure Program Reserve Fund

- (a) Location within the Consolidated Reserve Fund Schedule

Account within Schedule #14 – Third Party Agreements Reserve Fund

- (b) Statement of Purpose

The Transit Technology Infrastructure Program Fund will be a repository for funds received from the Provincial government under the Transit Technology Infrastructure Program (TTIP) for the expansion of park and ride facilities, roadway improvements, station and operational improvements to encourage inter-regional transit use.

- (c) Service Area or Beneficiary Program:

For accounting purposes the Toronto Transit Commission shall have primary responsibility for the Reserve Fund.

- (d) Initial Contribution:

\$31.1 million received on March 29, 2007 from the Provincial government under TTIP.

- (e) Contribution Policy:

The initial contribution will be the sole contribution to this fund.

- (f) Withdrawal Policy:

Funds will be withdrawn from the reserve fund to be applied as source funding for the TTC expenditures on applicable capital projects and as consistent with the City's normal capital budget processes.

- (g) Review Cycle:

It is expected that the funds in the Transit Technology Infrastructure Program Fund will be fully depleted within 5 years. When the funds have been depleted, the reserve fund will be closed.

Appendix B5

Ontario Rolling Stock Infrastructure Reserve Fund

- (a) Location within the Consolidated Reserve Fund Schedule

Account within Schedule #14 – Third Party Agreements Reserve Fund

- (b) Statement of Purpose

The Ontario Rolling Stock Infrastructure Fund will be a repository for funds received from the Provincial government to fund Toronto's unique rolling stock requirements including transit vehicle replacement and refurbishment for 2006, 2007 and 2008.

- (c) Service Area or Beneficiary Program:

For accounting purposes the Toronto Transit Commission shall have primary responsibility for the Reserve Fund.

- (d) Initial Contribution:

\$150 million received in March 2007 from the Provincial government for rolling stock funding.

- (e) Contribution Policy:

The initial contribution will be the sole contribution to this fund.

- (f) Withdrawal Policy:

Funds will be withdrawn from the reserve fund to be applied as source funding for the TTC expenditures on applicable capital projects and as consistent with the City's normal capital budget processes.

- (g) Review Cycle:

It is expected that the funds in the Ontario Rolling Stock Infrastructure Fund will be fully depleted within 5 years. When the funds have been depleted, the reserve fund will be closed.

Appendix C1

Administrative Amendments to Various Accounts

Change in Purposes:

Account	Purpose	
	From	To
Police Central Sick Pay	Provides funding for additional sick pay benefits to members of the Police Association(uniform staff) whose regular sick leave credits have been exhausted, due to disability while in service	Provides funding for additional sick pay benefits to members of the Police Service whose regular sick leave credits have been exhausted, due to disability while in service

Change in Title:

Account	Revised title
Racquet Sport	Racquet Sport - Scarborough
Design Exchange Maintenance Reserve Fund	Design Exchange Capital Maintenance Reserve Fund