

## **Administrative Amendments to Reserve Fund Accounts - 2008**

<b>Date:</b>	November 13, 2008
<b>To:</b>	Budget Committee
<b>From:</b>	Acting Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2008\Internal Services\Cf\Bc08035Cf – et (AFS #7329)

### **SUMMARY**

---

This report (a) recommends the establishment of ten reserve funds/reserve fund accounts which have been identified since the last report on the administration of reserve funds which was adopted by Council in February 2008, and (b) refines criteria associated with 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 Acting Deputy City Manager and Chief Financial Officer recommends to Council that:

1. An amount of \$848,250 be transferred from the North District Local Development Parkland Acquisition Reserve Fund to the Ward 9 Parkland Reserve Fund.
2. Council authorize the Deputy City Manager and Chief Financial Officer to transfer funds from the Strategic Infrastructure Partnership Reserve Fund to the:
  - Energy Conservation Reserve Fund up to a limit of \$42,000,000
  - Green Energy Reserve Fund up to a limit of \$20,000,000
  - Home Energy Loan Reserve Fund up to a limit of \$9,000,000
  - Environment Protection Reserve Fund up to a limit of \$87,000,000,

consistent with the approved 2009 Capital and Operating Budgets and subsequent budget approvals.

3. Any funds remaining in the Winter Control Stabilization Reserve be transferred to the new Transportation Services Extreme Weather Reserve, the Winter Control Stabilization Reserve be closed and it be deleted from Municipal Code Chapter 227, Reserves and Reserve Funds.
4. Due to reorganizations, the minor amendments set out in Appendix C be made to the Vehicle and Equipment Reserve Group in Schedule #1 of Municipal Code Chapter 227 and that the schedule as set out in the Appendix replace any existing list of accounts.
5. The Deputy City Manager and Chief Financial Officer be authorized to reallocate funds within the Vehicle and Equipment Replacement Reserve Group in Schedule #1 of Municipal Code Chapter 227 in accordance with Appendix C.
6. The purpose of the Arbitration and Legal Awards Reserve be changed 'to provide funding for the costs of, or receive funds from, arbitration, awards and legal claims'.
7. The names of reserve funds for the three theatres be changed from North York Centre for the Performing Arts Capital Maintenance Reserve Fund, Hummingbird Centre Capital Improvement Reserve Fund and the St. Lawrence Centre for the Arts Reserve Fund to the North York Centre for the Performing Arts Improvement Reserve Fund, Sony Centre Improvement Reserve Fund and St. Lawrence Centre for the Arts Improvement Reserve Fund respectively, all three funds be housed in Schedule #14 – State of Good Repair Obligatory Reserve Funds – of Municipal Code Chapter 227 with the same purpose namely to provide funding to finance major and minor repairs, replacements and improvements, and further Municipal Code Chapter 227 be amended accordingly.
8. The new reserve funds or reserve fund accounts as set out in Appendices A1-A11 be established per Council directive for the purposes set out therein.
9. (1) The reserve funds set out in Appendices B1 and B2 be established with Schedule 12 – Planning Act Reserve Funds - of Municipal Code Chapter 227 for the purposes set out therein;  
  
(2) The funds in reserve funds as set out in Appendix B3 be transferred to the Section #37 or Section #45 Reserve Funds respectively;  
  
(3) The reserve funds as set out in Appendix B3 be closed; and  
  
(4) The funds associated with the section #45 decisions as set out in Appendix B4 be transferred into the Section #45 Reserve Fund.

10. Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, be amended in accordance with Recommendations 2 – 9.
11. 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**

There are no direct financial implications on the operating or capital budgets as a result of this report, which recommends the establishment of new reserve fund accounts to receive funds according to the criteria set out by Council, as well as other administrative matters concerning reserve funds.

On September 7, 2007 the City entered into an agreement with the Ontario Power Authority (OPA) for the purpose of delivering conservation and demand management programs. Under this agreement the City will receive funds on a periodic basis from the OPA, which are expected to be up to \$12 million by the end of 2008 and total \$36 million by 2010.

When funds are requested from the appropriate reserve fund account for the respective purpose, the withdrawal will be approved through the budget process and in accordance with the recommended 2009 Capital Budget and 2010 – 2018 Capital Plan and Forecast.

## **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 Financial 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, Executive Committee Report No. 12 Clause No. 5 ‘Administration Amendments to Reserve Fund Accounts No. 2’ on October 1, 2007, and Executive Committee Report No. 17 Clause No. 2 ‘Investment Earnings Policy and the Administration of Reserve Accounts’ on February 6, 2008.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc051026/pof9rpt/cl030.pdf>  
<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/pof7rpt/cl075.pdf>

<http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-6995.pdf>  
<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-10354.pdf>

## **COMMENTS**

### **1. New Reserve Fund Accounts**

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 purpose/title previously set out by Council for the operation of a reserve fund is more restrictive than the current needs would dictate. Such circumstances create a 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. Each new reserve and reserve fund account requires a statement of Council's criteria for creation which are set out in Appendix A1 through A9.

The following are the new reserve funds and reserve fund accounts being recommended by this report:

#### a) Parks, Forestry and Recreation

##### **Ward 9 Parkland Reserve Fund (Appendix A1)**

At its meeting of June 14, 15, and 16, 2005 Council adopted North York Community Council Report No. 5 Clause 38 entitled 'Request for Direction Report – Zoning By-law Amendment Application – TB ZBL 2003 0002 – Draft Plan of Subdivision – TB SUB 2003 0001 – Weston Consulting Group Inc. – Hunt Design Inc. – 0 Beffort Road' which included a recommendation:

“Further be it resolved that the required cash-in-lieu of parkland dedication for this development be directed towards the improvements to parkland within Ward 9 to the satisfaction of the General Manager, Parks, Forestry and Recreation Division, in consultation with the Ward Councillor.”

The required payment of \$848,250 has been received by the City and has been temporarily deposited into the North District Local Development Parkland Acquisition Reserve Fund pending the creation of the required reserve fund within Schedule 10 - the Parkland Acquisition / New Development Reserve Funds to hold these funds. Therefore, it is recommended that Council establish a reserve fund called 'the Ward 9 Parkland Reserve Fund' with criteria as set out in Appendix A1 and transfer the funds accordingly. <http://www.toronto.ca/legdocs/2005/agendas/council/cc050614/ny5rpt/cl038.pdf>

##### **Alternative Parkland Dedication Reserve Fund (Appendix A2)**

At its meeting of April 12, 13, and 14, 2005 Council adopted Planning and Transportation Committee Report No. 3 Clause 16 entitled 'Proposed Partial Settlement of Appeals of the New Official Plan and Full Settlement of General Appeal of the Development Charges By-law - 003011'. At its meeting of December 11, 12, 13, 2007 Parks and Environment Committee Item 11.3 entitled 'Alternative Parkland Dedication By-law' which was incorporated into City By-law 1420-2007, a part of which said:

h) any payment of cash-in-lieu of land to be conveyed through the alternative rate provision in excess of 5 per cent of the site area will be used to acquire parkland that is accessible to the area in which the development is located or to improve parks in the vicinity of the development; and

i) this alternative parkland dedication will not be applied by the City until January 1, 2008. For any complete building permit application that complies with applicable zoning, received prior to January 1, 2008, the City will apply the alternative parkland dedication of the predecessor municipal Official Plan. A complete building permit application is considered to be an application submitted to the Chief Building Official for an above grade building permit which substantially complies with all technical requirements of the Building Code Act and includes the payment of all applicable fees. Any Alternative Parkland Dedication By-law enacted by the City prior to January 1, 2008 will conform to these transition policies.”

Funds under these provisions are expected and there is a need to provide the appropriate account. Therefore, it is recommended that Council establish a reserve fund which will be called the Alternative Parkland Dedication Reserve Fund with criteria as set out in Appendix A2 as part of Schedule #10 - Parkland Acquisition / New Development Reserve Funds.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050412/plt3rpt/agendain.pdf>  
<http://www.toronto.ca/legdocs/mmis/2007/pe/bgrd/backgroundfile-8852.pdf>

b) Facilities and Real Estate

**Conservation Management Reserve Fund (Appendix A3)**

At its meeting of June 27, 28, and 29, 2006, Council adopted Policy and Finance Committee Report No. 5 Clause No. 20 entitled 'Status Report on the Energy Plan of Toronto - Update' recommending among other things that:

“5) City Manager, or her designate, be authorized to negotiate and enter into agreements for the identification, development, funding, financing, implementation, monitoring, evaluation and reporting of conservation and demand management programs and projects, which are in support of the 300 Megawatt target for conservation and demand management by 2010, jointly with major stakeholders, namely the Ontario Power Authority, Toronto Hydro Corporation, the Toronto Atmospheric Fund and other third-party proponents, as appropriate, including, but not limited to:

- a. agreements that may include non-negotiable terms in accordance with the requirements of the Ontario Power Authority;
- b. agreements that may include non-negotiable terms in accordance with the requirements of the Provincial Government or its Agencies;
- c. agreements that may include terms that are consistent with Ontario Energy Board requirements;
- d. confidentiality agreements relating to the protection of any confidential City of Toronto's Divisions, Agencies, Boards, Commissions and Corporations information provided for the purposes of preparing the Energy Plan, or submitting conservation and demand management programs and projects to the Ontario Power Authority and Toronto Hydro-Electric System Limited in order to fulfill their future Ontario Energy Board requirements; and,
- e. agreements including Letters of Intent and related documents with Toronto Hydro-Electric System Limited, Toronto Hydro Energy Services Inc., and other proponents with respect to participation on conservation and demand programs and projects;”

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060627/pof5rpt/cl020.pdf>

On September 7, 2007, the City entered into an agreement with the Ontario Power Authority (OPA) for the purpose of delivering conservation and demand management programs.

The conservation program is to be implemented through:

- new construction projects, delivering, in the aggregate, approximately 25 MW of conservation; and
- existing buildings projects, delivering, in the aggregate, approximately 45 MW of conservation.

The objectives of the program are to:

- reduce electricity demand and consumption attributable to new construction and existing buildings in the City of Toronto;
- provide programs to increase the energy efficiency of new construction and existing buildings;
- where appropriate, provide programs in conjunction with other building improvement and energy programs;
- be compatible with other programs offered by the OPA (other than in its capacity as signatory to this Agreement), the City of Toronto (other than in its capacity as Program Manager), the Building Owners and Managers Association of Toronto (GTA) and Toronto Hydro-Electric System Limited;
- implement a marketing and communication strategy to promote the conservation program to the new construction and existing building sectors and to increase participation rates across such sectors;

- contribute to the improvement of the reliability of the electricity system, as a priority, within the City of Toronto, but also within the Province of Ontario; and,
- promote a culture of conservation among building owners, tenants and managers.

As a consequence the City will be receiving funds on a periodic basis from the OPA for the purpose of disbursing financial incentives to eligible conservation program participants. Periodic receipt of funds from the OPA may be up to \$12 million by the end of 2008 and may total \$36 million by the end of 2010. Therefore, it is prudent for Council to set up a reserve fund which will receive the OPA funds so that monies can be withdrawn in future years. Accordingly, it is recommended that Council establish a reserve fund be called the Conservation Management Reserve Fund with criteria as set out in Appendix A3.

### **Climate Change Reserve Fund Group (Appendices A4-7)**

At its meeting of July 16, 17, 18 and 19, 2007 Council adopted Report 10.3 from the Executive Committee, “Climate Change, Clean Air and Sustainable Energy Action Plan”. <http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-5052.pdf>

Recommendations 2 a) and 2 b) of the Plan stated that Council:

“Endorse the creation of a \$42 million Toronto Energy Conservation Fund, to provide support for energy conservation initiatives in City facilities and buildings in the Municipal, Academic, Social Services and Health entities (MASH sector) and not-for-profit sector in Toronto, with implementation to commence in 2008; and,

Endorse the creation of a \$20 million Toronto Green Energy Fund to provide support for renewable energy installations in Toronto, with implementation to commence in 2008.”

At its meeting of December 11, 12 and 13, 2007, Council adopted Report EX15.8 from the Executive Committee, “Implementation of the Sustainable Energy Funds”, which recommended the goals and objectives, as well as the financial, eligibility and administrative guidelines, for the Toronto Energy Conservation Fund (TECF) and the Toronto Green Energy Fund (TGEF), known together as the Sustainable Energy Funds. <http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-8809.pdf>

The purpose of the Sustainable Energy Funds is to provide low-interest financing for projects which increase the energy efficiency of buildings, or generate renewable energy. Both types of projects will assist Council in meeting its goals of reducing greenhouse gas emissions by 6% by 2012; 30% by 2020; and 80% by 2050, as well as its goal of a 20% reduction target for locally generated smog causing pollutants from 2004 levels by 2012 for the Toronto urban area.

The source of funds for the Sustainable Energy Funds is the ‘Strategic Infrastructure Partnership Reserve Fund’, which Council created in 2006 to fund the City’s major tax-supported strategic infrastructure projects in partnership with other orders of government and major strategic tax-supported environmental capital projects conditional on external funding partners. Partnership funding for the Sustainable Energy Funds are provided by the Ontario Power Authority through an agreement with the City as outlined previously in this report. The cash flows will be approved through the Capital Budget process.

As well, included in the 2009 Recommended Capital Budget for Sustainable Energy Plan is a new program to finance sustainable energy retrofits in single family and small commercial building sectors across the City. The City will provide a lower interest rate on loans to homeowners than can be obtained from a financial institution. This new program called the Home Energy Loan Program will assist the City in its goals of reducing greenhouse gas emissions and improving air quality by reducing dependence on energy derived from the use of fossil fuels. Similarly a reserve fund is recommended to be established to hold the \$9 million that is being recommended be transferred from the ‘Strategic Infrastructure Partnership Reserve Fund’ to the Home Energy Loan Reserve Fund.

It is recommended that a reserve fund group be established called the ‘Climate Change Reserve Fund Group’. It is further recommended that three reserve fund accounts be established within this Climate Change Reserve Fund Group - the Energy Conservation Reserve Fund, Green Energy Reserve Fund and Home Energy Loan Reserve Fund (with criteria as set out in Appendices A4 through A7).

c) Toronto Environment Office/Energy Efficiency Office

At its meeting of July 15, 16 and 17, 2008, Council adopted Report PE16.1 from the Parks and Environment Committee, “Climate Change Adaptation Strategy”, which recommended the following, amongst other things:

“4. the Deputy City Manager and Chief Financial Officer report back on a funding strategy for climate change adaptation planning and actions, including the creation of an Extreme Weather Reserve, the purpose of which is to mitigate the expenditure impacts arising from the extreme weather conditions by providing funding at the end of the year to offset wholly or partly a budget shortfall resulting from the unbudgeted and uninsured extreme weather-related costs incurred during the year.

6. the Director of the Toronto Environment Office establish a process for the development of a longer-term, comprehensive adaptation strategy, that: identifies key vulnerabilities to climate change of the City, including financial vulnerability; prioritizes risks; identifies, assesses and implements adaptation actions that will reduce vulnerability; and takes advantage of opportunities presented by a changing climate”

<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-07-15-cc23-dd.pdf>



## **Environment Protection Reserve Fund (Appendix A8)**

In regards to Recommendation #6 of the Climate Change Adaptation Strategy cited above, the City has a number of emerging initiatives of a capital and operating nature that require funding such as the Toronto Environment Office; Toronto Water; Parks, Forestry and Recreation and Transportation Services capital and operating budgets as well as programs to enhance and maintain tree canopy.

The City has set aside funds from the monetization of the Toronto Hydro investment in the Strategic Infrastructure Partnership Reserve Fund, the purpose of which is to provide funding for the City's major tax-supported strategic infrastructure programs (such as Spadina Subway Extension or rail transit elsewhere in the City, and Waterfront Redevelopment, in partnership with other orders of government, and major strategic tax-supported environmental capital projects with external funding partners). Therefore, it is being recommended that the funds slated for the environment as per above be set aside in a separate account called the Environment Protection Reserve Fund so that they can be put to a wider purpose as noted by the criteria in Appendix A8.

Due to the timing of cash flows into Strategic Infrastructure Partnership Reserve Fund, the capital and operating requirements of the Toronto Environment Office, and Energy Efficiency Office and capital and operating requirements of other environmental initiatives including enhancing the tree canopy, it is being recommended that the Council delegate authority to the Deputy City Manager and Chief Financial Officer to transfer funds up to \$87 million as it becomes available from the Strategic Infrastructure Partnership Reserve Fund to the Environment Protection Reserve Fund.

The reserve fund will be used to finance the following environmental protection measures:

- Deep Lake Water Cooling Project (\$9 million)
- City Facilities Energy Upgrades (\$13 million)
- Climate Change Action Plan (\$17 million)
- Enhancement and protection of the City's tree canopy (\$48 million).

As noted in the 2009 Capital Budget and 2010 to 2018 Capital Plan and Forecast report from the Budget Committee funds that were previously budgeted for tree plantings in the capital budget will henceforth be budgeted in the operating budget. The \$48 million set aside for tree canopy protection and enhancement will be used over the next five years to finance the transition of this activity toward full funding in the tax supported operating budget. A similar situation obtains for the \$17 million set aside for the Climate Change Action Plan.

## **Extreme Weather Reserves (Appendices A9-A11)**

In regards to Recommendation #4 of the Climate Change Adaptation Strategy cited above, there is a request to consider an extreme weather reserve to mitigate the

consequences of severe weather events that cause the City significant non-budgeted over-expenses.

As a consequence of the severe thunderstorm in August 2005 a significant amount of damage was done to the tree canopy, and parks and transportation infrastructure. Since then there have been other storms which have impacted the tree canopy, parks infrastructure and winter road maintenance costs.

To address extreme snow events Transportation Services has access to the Winter Control Stabilization Reserve which provides support to its operating budget in years in which the cost of dealing with snow is greater than the funds provided annually in its operating budget. At the moment this reserve cannot be accessed for any other weather related over-expenditure or unbudgeted expenditure such as the destruction of a road due to flooding. No other City service has a reserve similar to Transportation Services for any extreme weather related event. For the 2008 budget cycle Forestry originally requested \$5 million for funds to catch up on tree canopy maintenance backlog. A survey of City programs indicated that Parks could also make use of a similar reserve to compensate for additional costs associated with extreme weather.

Therefore, it is being recommended that a reserve group be created within Schedule #3 – Stabilization Reserves called the Extreme Weather Reserve Group.

It is further being recommended that a new reserve called the ‘Transportation Services Extreme Weather Reserve’, residing in the Extreme Weather Reserve Group be established for the purpose of ‘mitigating the financial impacts arising from extreme weather conditions on the operating and capital budgets of Transportation Services by providing funding at the end of the year to offset partly a budget deficit resulting from unbudgeted and uninsured weather-related costs incurred during the year’ (Appendix A10). Thus, this report recommends that any funds remaining in the Winter Control Stabilization Reserve be transferred to the Transportation Services Extreme Weather Reserve, the Winter Control Stabilization Reserve be closed and that it be deleted from Municipal Code, Chapter 227.

In addition, it is being recommended that a new reserve be established in the Extreme Weather Reserve Group to be named the Corporate Extreme Weather Reserve (Appendix A11) to which Parks and Forestry would have access as would any other program which currently does not have a stabilization reserve. The reserve would be funded as funds become available by the Deputy City Manager and Chief Financial Officer as part of his authority under the Surplus Management Policy.

The criteria for the new Extreme Weather Reserve Group and one of its members – the new Transportation Services Extreme Weather Reserve and the new Corporate Extreme Weather Reserve are found in Appendices A10 and A11.

#### **d) Planning Act Reserve Funds (Appendices B1-4)**

At its meeting of March 3, 4, and 5, 2008, Council adopted Executive Committee Report EX17.2 entitled 'Investment Earnings Policy and the Administration of Reserve Accounts' which recommended among other things that:

5. the Deputy City Manager and Chief Financial Officer be authorized to establish accounts as required with balances on hand within the Planning Act Reserve Fund so that Section #37 and #45 funds will become reserve funds;
6. Council waive the current requirement for each account to be established within the Planning Act Reserve Funds via a by-law in order to expedite the creation of the necessary accounts as noted in Recommendation No. 7;
7. authority be delegated to the City Solicitor to periodically submit bills to amend Municipal Code 227 – Administration of Reserves and Reserve Funds – as future accounts are created, in order to include these accounts within the Planning Act Reserve Funds;

<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-10354.pdf>

It is being recommended that two new reserve funds be established with Schedule 12 – Planning Act Reserve Funds namely the Section #37 Reserve Fund and the Section #45 Reserve Fund as set out in Appendices B1 and B2. The tracking of these funds by development benefit can be accomplished through SAP 'orders' (i.e. subaccounts) instead of individual reserve funds.

Furthermore it is being recommended that the funds in each of the existing reserve funds in Schedule 12 – Planning Act Reserve Funds as set out in Appendix B3 be transferred respectively to either the Section #37 or Section #45 Reserve Funds. It is further recommended that the funds held for each of the projects listed in Appendix B4 be transferred to the Section #45 Reserve Fund. As well, it is being recommended that the funds listed in Appendix B3 be closed and then deleted from the Municipal Code Chapter 227.

#### **2. Reserve Fund Accounts to be Deleted**

##### **a) Vehicle and Equipment Replacement Group (Appendix C)**

The changes recommended in Appendix C are required to streamline various vehicle and equipment replacement accounts as described below.

## Solid Waste Management:

Currently Solid Waste Management has three accounts within the Vehicle and Equipment Replacement Reserve Group within the Corporate Reserve account – (1) vehicles and related equipment, (2) replacement of equipment and (3) replacement of commercial garbage bins (Vehicle Reserve - Solid Waste Compactors). With the change in the delivery of waste services, the City will no longer own the large commercial garbage bins and there is no longer a need to ‘deposit’ a portion of the annual fee to an account for the replacement of such bins.

Therefore, it is recommended that any balance in Vehicle Reserve - Solid Waste Compactors account be transferred to the Waste Management Reserve Fund and then the compactors account be closed.

## Police Services:

The Police Services Board has had two major components to its vehicle and equipment replacement program – (1) vehicles and related equipment and (2) equipment related to information technology. Within the City’s Vehicle and Equipment Replacement Reserve Group within the Corporate Reserve account, two accounts have been set up for these purposes. However, no funds have ever been deposited in the Vehicle Reserve – Police Equipment, as contributions and withdrawals for both purposes solely utilize the other account.

Therefore, it is being recommended that the Vehicle Reserve – Police Equipment account be closed.

### **3. Change in Purpose**

The following changes in purpose for various reserve accounts are recommended to improve the application of funds held:

#### a) Arbitration and Legal Awards Reserve

The Arbitration and Legal Awards Reserve was created in 1998 as an amalgam of similar accounts in the various former municipalities. The purpose was established as: ‘provides funding for the costs of arbitration, awards and legal claims’. The purpose does not allow for the rare situation whereby the City is successful in an action for damages and there is an inflow of funds. Therefore, it is being recommended that the purpose be amended to read ‘provides funding for the costs of, or receives funds from, arbitration, awards and legal claims’.

#### b) Theatres

All three theatres - the North York Centre for the Performing Arts, the Sony (Hummingbird) Centre and the St. Lawrence Centre for the Performing Arts have reserve

fund accounts in Schedule 14 – State of Good Repair Obligatory Reserve Funds for which funds are currently restricted to the use for capital purposes only. The theatre managers have suggested that more flexibility is required in the use of all these funds in that often requirements do not strictly meet the City’s definition of capital. As well it would make sense if all three funds had the same purpose at their respective locations since they have similar needs. Therefore it is being recommended that the names of the reserve funds be changed to North York Centre for the Performing Arts Improvement Reserve Fund, Sony Centre Improvement Reserve Fund and St. Lawrence Centre for the Arts Improvement Reserve Fund, respectively all to be included within Schedule 14 – State of Good Repair Obligatory Reserve Funds, with the same purpose namely ‘to provide funding to finance major and minor repairs, replacements and improvements’.

#### **4. Minor Amendments to Municipal Code 227**

As a result of reorganizations within the civil service it is necessary to modify some of criteria associated with already existing accounts; therefore, it is being recommended that the following minor amendments be made to Municipal Code Chapter 227:

##### a) Vehicle and Equipment Reserve Group in Schedule #1 – Corporate Reserves

- change name of WES Support Services to PPF&A;
- change name of Finance to Revenue Services;
- create a Toronto Animal Services account,
- create a Purchasing and Materials Management account
- create a IT- Vehicle account; and,
- delete CNS, UDS, Support Services, Business Support, Finance and Treasurer so that the Vehicle and Equipment Replacement Group is as per Appendix C.

In order to reorganize the Vehicle Reserve it is necessary to authorize the Deputy City Manager and Chief Financial Officer to reallocate certain accounts as per the accounting system as follows: CNS between Shelter, Support & Housing Admin and Long-Term Care Homes & Services (formerly HFA), Public Health between Public Health and Toronto Animal Services, UDS between MLS and Toronto Buildings and Finance between Revenue Services and Purchasing and Materials Management.

## **CONTACT**

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

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

## **SIGNATURE**

---

Cam Weldom  
Acting Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

- |                |  |
|----------------|--|
| Appendix 'A1'  | - Ward 9 Parkland Reserve Fund                               |
| Appendix 'A2'  | - Alternative Parkland Dedication Reserve Fund               |
| Appendix 'A3'  | - Conservation Management Reserve Fund                       |
| Appendix 'A4'  | - Sustainable Energy Reserve Fund Group                      |
| Appendix 'A5'  | - Energy Conservation Reserve Fund                           |
| Appendix 'A6'  | - Green Energy Reserve Fund                                  |
| Appendix 'A7'  | - Home Energy Loan Reserve Fund                              |
| Appendix 'A8'  | - Environment Protection Reserve Fund                        |
| Appendix 'A9'  | - Extreme Weather Reserve Group                              |
| Appendix 'A10' | - Transportation Services Extreme Weather Reserve            |
| Appendix 'A11' | - Corporate Extreme Weather Reserve                          |
| Appendix 'B1'  | - Section #37 Reserve Fund                                   |
| Appendix 'B2'  | - Section #45 Reserve Fund                                   |
| Appendix 'B3'  | - Accounts to be deleted from the Planning Act Reserve Funds |
| Appendix 'B4'  | - Orders to be added to Section #45 Reserve Fund             |
| Appendix 'C'   | - Adjustments to Vehicle and Equipment Reserve Group         |

## **Appendix A1**

### **Ward 9 Parkland Reserve Fund**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule #10 – Parkland Acquisition / New Development Reserve Funds

2. Statement of Purpose

This account will be used to provide a source of funding for parkland improvements within Ward 9 to the satisfaction of the General Manager, Parks, Forestry and Recreation and the Ward Councillor

3. Service Area or Beneficiary Program

The General Manager, Parks, Forestry and Recreation shall have primary responsibility for the account.

4. Initial Contribution

\$848,250 – cash-in-lieu payment as a result of a zoning amendment for properties on Beffort Road.

5. Contribution Policy

No additional funds are expected.

6. Withdrawal Policy

Funds may be withdrawn to support the Parks, Forestry and Recreation Capital Budget for capital projects within Ward 9.

7. Review Cycle

The account will be closed when the funds are exhausted.

## **Appendix A2**

### **Alternative Parkland Dedication Reserve Fund**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule #10 – Parkland Acquisition / New Development Reserve Funds

2. Statement of Purpose

This account will be used to provide a source of funding to acquire parkland that is accessible to the area in which the development is located or to improve parks in the vicinity of the development.

3. Service Area or Beneficiary Program

The General Manager, Parks, Forestry and Recreation shall have primary responsibility for the account.

4. Initial Contribution

NA

5. Contribution Policy

A cash payment in lieu of land conveyance through an alternative rate provision in excess of 5 per cent of the site area for a development under City By-law 1420-2007

6. Withdrawal Policy

Funds may be withdrawn to support the Parks, Forestry and Recreation Capital Budget.

7. Review Cycle

The account will be closed when the funds are exhausted.



## **Appendix A3**

### **Conservation Management Reserve Fund**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule #15 – Third Party Agreements Reserve Funds

2. Statement of Purpose

The account will be used to receive funds on a periodic basis from the Ontario Power Authority (OPA) for the purpose of disbursing financial incentives to eligible conservation program participants in the Better Buildings Partnership – Existing Buildings and Better Buildings Partnership – New Construction Programs.

3. Service Area or Beneficiary Program

The Executive Director of Facilities and Real Estate shall have primary responsibility for the account.

4. Initial Contribution (2008)

Depending on up-take of the program, the City could receive up to \$12 million by the end of 2008.

5. Contribution Policy

The City will be receiving funds on a periodic basis from the OPA for the purpose of disbursing financial incentives to eligible conservation program participants. Periodic receipt of funds from the OPA may total \$36 million by the end of 2010.

6. Withdrawal Policy

Funds may only be withdrawn through the Facilities and Real Estate Operating Budget (Cost Centre FA2499 – OPA Program-EEO).

7. Review Cycle

The account will be reviewed at the end of the Master Program Agreement with Ontario Power Authority.

## **Appendix A4**

## **Climate Change Reserve Fund Group**

### **1. Location within the Consolidated Reserves/Reserve Funds Schedule**

This account will be included in Schedule #7 – Corporate Discretionary Reserve Funds.

### **2. Statement of Purpose**

The account will be used as a revolving loan fund for projects that improve energy efficiency in buildings, or generate renewable energy in Toronto.

### **3. Service Area or Beneficiary Program**

The Chief Corporate Officer shall have primary responsibility for the account.

### **4. Initial Contribution**

Initial contributions will depend on this criterion for each member of the Group.

### **5. Contribution Policy**

The policy will be established for each reserve fund within the Group.

### **6. Withdrawal Policy**

Funds to be withdrawn from the reserve accounts as required as part of the operating and/or capital budgets as approved by Council from time to time.

### **7. Review Cycle**

The account will remain open until further review by Council.

## **Appendix A5**

### **Energy Conservation Reserve Fund**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

This account will be included in Schedule #7 – Corporate Discretionary Reserve Funds as part of the Climate Change Reserve Fund Group.

2. Statement of Purpose

The account will be used as a revolving loan fund to support for energy conservation initiatives in City facilities and buildings in the Municipal, Academic, Social Services and Health entities (MASH sector) and not-for-profit sector in Toronto.

3. Service Area or Beneficiary Program

The Chief Corporate Officer shall have primary responsibility for the account.

4. Initial Contribution (2008)

\$2,200,000 from the Strategic Infrastructure Partnership Reserve Fund

5. Contribution Policy

The expected cash flow for original contributions into the Account is as follows with the repayments from the loans being deposited back into the Account:

<b>Year</b>	<b>Energy Conservation Fund</b>
2008	\$2,200,000
2009	\$12,800,000
2010	9,000,000
2011	9,000,000
2012	9,000,000
Total	\$42,000,000

These original contributions, as per the above table, will be transferred from the Strategic Infrastructure Partnership Reserve Fund

6. Withdrawal Policy

Funds may be withdrawn through the Sustainable Energy Plan Capital Budget.

## 7. Review Cycle

The account will remain open until further review by Council.

## **Appendix A6 Green Energy Reserve Fund**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

This account will be included in Schedule #7 – Corporate Discretionary Reserve Funds as part of the Climate Change Reserve Fund Group.

2. Statement of Purpose

The account will be used as a revolving loan fund to support for renewal energy installations in City facilities and buildings in the Municipal, Academic, Social Services and Health entities (MASH sector) and not-for-profit sector in Toronto.

3. Service Area or Beneficiary Program

The Chief Corporate Officer shall have primary responsibility for the account.

4. Initial Contribution (2008)

\$2,118,000 from the Strategic Infrastructure Partnership Reserve Fund

5. Contribution Policy

The expected cash flow for original contributions into the Account is as follows with the repayments from the loans being deposited back into the Account:

<b>Year</b>	<b>Green Energy Fund</b>
2008	\$2,118,000
2009	5,882,000
2010	5,000,000
2011	4,000,000
2012	3,000,000
<b>Total</b>	<b>\$20,000,000</b>

These original contributions, as per the above table, will be transferred from the Strategic Infrastructure Partnership Reserve Fund

6. Withdrawal Policy

Funds may be withdrawn through the Sustainable Energy Plan Capital Budget.

## 7. Review Cycle

The account will remain open until further review by Council.

## **Appendix A7**

### **Home Energy Loan Program Fund**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

This account will be included in Schedule #7 – Corporate Discretionary Reserve Funds as part of the Climate Change Reserve Fund Group.

2. Statement of Purpose

This account will be used to finance sustainable energy retrofits in single family and small commercial building sectors across the City. The City will provide a lower interest rate on loans to homeowners than can be obtained from a financial institution.

3. Service Area or Beneficiary Program

The Chief Corporate Officer shall have primary responsibility for the account.

4. Initial Contribution (2009)

\$500,000 from the Strategic Infrastructure Partnership Reserve Fund

5. Contribution Policy

The expected cash flow for original contributions into the Account is as follows with the repayments from the loans being deposited back into the Account:

Year	Home Energy Loan Program Fund
2009	\$500,000
2010	2,000,000
2011	3,000,000
2012	3,500,000
Total	\$9,000,000

These original contributions, as per the above table, will be transferred from the Strategic Infrastructure Partnership Reserve Fund

6. Withdrawal Policy:

Funds may be withdrawn through the Sustainable Energy Plan Capital Budget.

7. Review Cycle

The account will remain open until further review by Council.

## **Appendix A8**

### **Environment Protection Reserve Fund**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

This account will be included in Schedule #7 – Corporate Discretionary Reserve Funds as part of the Climate Change Reserve Fund Group.

2. Statement of Purpose

The purpose is to support:

- the development of a long-term, climate change adaption strategy
- funding the operating budget of the Environment Office and the capital and operating budget of the Energy Efficiency Office
- the funding of initiatives that will reduce the production of green house gas including:
  - deepwater cooling for City facilities
  - energy upgrades for City facilities
  - enhancement and protection of the City’s tree canopy.

3. Service Area or Beneficiary Program

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

4. Contribution Policy

Funding will be provided from the Strategic Partnership Reserve Fund as funds become available up to \$87 million.

5. Withdrawal Policy

Funds will be withdrawn either as part of the normal capital and operating budget process or through a specific report to Council authorizing the purpose and amount of the withdrawal.

6. Review Cycle

The account will be closed when the funds are exhausted.



## **Appendix A9**

### **Extreme Weather Reserve Group**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

This account will be included in Schedule #3 – Stabilization Reserves

2. Statement of Purpose

The purpose of the Group is to mitigate the financial impacts arising from extreme weather conditions on the operating and capital budgets of the City's programs and services, by providing funding at the end of the year to offset partly a budget deficit resulting from unbudgeted and uninsured weather-related costs incurred during the year.

3. Service Area or Beneficiary Program

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

4. Funding Target

Based on historic information of the frequency and severity of a variety of storm types – snow, ice, rain, wind - financial information to date would indicate that this reserve ought to have a floor of \$20 – 30 million.

5. Initial Contribution

The Transportation Services Extreme Weather Reserve and Corporate Extreme Weather Reserve will be the initial members of the Group.

6. Contribution Policy

Funding will be provided as appropriate from all allocations in the operating budget or year-end financial position as per Surplus Management Policy.

7. Withdrawal Policy

Funds may be withdrawn as per the Surplus Management Policy and as required to mitigate deficits in the operating and capital budgets of participating programs.

8. Review Cycle

The account will remain open until further review by Council.

## **Appendix A10**

### **Transportation Services Extreme Weather Reserve**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

This account will be included in Schedule #3 – Stabilization Reserves as part of the Extreme Weather Reserve Group.

2. Statement of Purpose

The account will be used to mitigate the financial impacts arising from extreme weather conditions on the operating and capital budgets of Transportation Services by providing funding at the end of the year to offset partly a budget deficit resulting from unbudgeted and uninsured weather-related costs incurred during the year.

3. Service Area or Beneficiary Program

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

4. Initial Contribution

Funds transferred from the Winter Control Stabilization Reserve.

5. Contribution Policy

Funding will be provided as appropriate from all allocations in the operating budget or year-end financial position as per Surplus Management Policy.

6. Withdrawal Policy

Funds may be withdrawn as per the Surplus Management Policy and as required to mitigate deficits in the operating and capital budgets of Transportation Services.

7. Review Cycle

The account will remain open until further review by Council.

## **Appendix A11**

### **Corporate Extreme Weather Reserve**

1. Location within the Consolidated Reserves/Reserve Funds Schedule

This account will be included in Schedule #3 – Stabilization Reserves as part of the Extreme Weather Reserve Group.

2. Statement of Purpose

The account will be used to mitigate the financial impacts arising from extreme weather conditions on the operating and capital budgets of the Parks, Forestry or any other City program which does not have a stabilization reserve of its own subject to the approval of the Deputy City Manager and Chief Financial Officer under the Surplus Management Policy, by providing funding at the end of the year to offset partly a budget deficit resulting from unbudgeted and uninsured weather-related costs incurred during the year.

3. Service Area or Beneficiary Program

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

4. Initial Contribution

The account is being created in anticipation of the City's financial circumstances allowing for mitigation of financial risks to programs, other than Transportation Services, that result from extreme weather events.

5. Contribution Policy

Funding will be provided as appropriate from all allocations in the operating budget or year-end financial position as per Surplus Management Policy.

6. Withdrawal Policy

Funds may be withdrawn as per the Surplus Management Policy and as required to mitigate deficits in the operating and capital budgets of participating programs.

7. Review Cycle

The account will remain open until further review by Council.

## **Appendix B1**

### **Section #37 Reserve Fund**

1. Location within the Consolidated Reserve Fund Schedule

Schedule #12 – Planning Act Reserve Funds

2. Statement of Purpose

To hold funds from the Section #37 agreements. Each community benefit of each agreement will be tracked by a separate account.

3. Service Area or Beneficiary Program

City Planning shall have primary responsibility for the account.

4. Initial Contribution

Any amounts as set out in a development agreement from the owner under Section #37 of the Planning Act.

5. Contribution Policy

Not applicable

6. Withdrawal Policy

Funds will be withdrawn either as part of the normal capital or operating budget process or through a specific report to Council authorizing the purpose and amount of the withdrawal.

7. Review Cycle

The need for this account will be reviewed every five years or closed when the account is depleted.

## **Appendix B2**

### **Section #45 Reserve Fund**

1. Location within the Consolidated Reserve Fund Schedule

Schedule 12 – Planning Act Reserve Funds

2. Statement of Purpose

To hold funds from the Section #45 (minor variance approval) decisions and agreements. Each community benefit of each minor variance decision will be tracked by a separate account.

3. Service Area or Beneficiary Program

City Planning shall have primary responsibility for the account.

4. Initial Contribution

Any amounts required to be submitted by owner by minor variance approval decisions under Section #45 of the Planning Act.

5. Withdrawal Policy

Funds will be withdrawn either as part of the normal capital or operating budget process or through a specific report to Council authorizing the purpose and amount of the withdrawal.

6. Review Cycle

The need for this account will be reviewed every five years or closed when the account is depleted.

## **Appendix B3**

### **Accounts to be Deleted from the Planning Act Reserve Funds**

The following accounts shall have their funds transferred to their respective new reserve funds and will be deleted from Municipal Code Chapter 227 in their own right

#### Section #37

<u>Account</u>	<u>Cost Centre</u>
Dundas ST W Improvement	XR1212
East of Bay & Vicinity Parks	XR2057
Bloor Street Transformation	XR2201
Jarvis Street Corridor	XR3017
University Theatre	XR3210
Davisville / June Rowlands Park	XR3301
Winchester Square	XR3201
Wychwood Car Barns Redevelopment	XR3203

#### Section #45:

<u>Account</u>	<u>Cost Centre</u>
247 Richmond Street East	XR3211
226 King Street East	XR3212

## **Appendix B4**

### **Adds to Section #45 Reserve Fund**

Authority to establish accounts for the following: Section #45 decisions is required:

- 10 Adelaide St. W. et. al.
- 33 Bay St.
- 770 Bay St.
- 825 Bay St.
- 558 Front St. W.
- 600 Jarvis St.
- 430 King St. W.
- 650 King St. W. et. al.
- 450 Lake Shore Blvd. W.
- 56 Lippincott St.
- 585 Queen St. W. et. al.
- 11 Ruddington Dr.
- 15 Viking Lane
- 500 Wellington St. W.

These accounts have the same criteria as the Section #45 Reserve Fund except that the initial contribution and the application of the funds would be different for each site.

## **Appendix C**

### **Adjustments to the Vehicle and Equipment Replacement Reserve Group**

City Council authorize the Deputy City Manager and Chief Financial Officer and the City Solicitor to take the following actions, make the following changes to the Vehicle and Equipment Replacement Reserve Group and amend the Municipal Code Chapter 227 accordingly [account nomenclature as per accounting system]:

#### **Actions:**

1. Create new accounts:
  - Purchasing and Materials Management
  - IT – Vehicle
  - Toronto Animal Services
  
2. Transfer funds:
  - Any remaining funds in Solid Waste Compactors be transferred to the Waste Management Reserve Fund
  
3. Reallocate funds for:
  - CNS between Shelter, Support & Housing Admin and Long-Term Care Homes and Services (formerly HFA )
  - Public Health between Public Health and Toronto Animal Services,
  - UDS between MLS and Toronto Buildings
  - Finance between Revenue Services and Purchasing and Materials Management.
  
4. Delete accounts:
  - Solid Waste Compactors [formerly Equipment]
  - Police Equipment
  - Support Services
  - City Planning
  - Business Support

#### **Changes:**

1. Change the names of existing accounts:
  - WES Support Services to PPF&A
  - Treasurer to Revenue Services – [formerly Finance]
  - CNS to Shelter, Support & Housing Admin – previously amended
  - UDS to Toronto Building - previously amended
  - IT Equipment to IT Sustainment



The following is a new schedule of accounts within the Vehicle and Equipment Replacement Reserve Group which replaces any other existing list for this Group:

Program	Account
Solid Waste	XQ1014
Transportation	XQ1015
Technical Services	XQ1016
Fire - Vehicle	XQ1017
E.M.S. - Vehicle	XQ1018
E.M.S.- Equipment	XQ1019
Fire – Equipment	XQ1020
Shelter , Support & Housing Admin [formerly CNS]	XQ1100
Public Health	XQ1101
Economic Development, Culture & Tourism [formerly Arts & Culture]	XQ1200
Parks, Forestry and Recreation [formerly Parks & Recreation]	XQ1201
Toronto Building [formerly UDS]	XQ1301
PPF&A	XQ1401
Facilities and Real Estate	XQ1502
Fleet	XQ1503
Clerks – Vehicle	XQ1504
Human Resources	XQ1505
Legal	XQ1506
Clerks - Equipment	XQ1507
IT – Sustainment	XQ1508
IT - vehicle	XQ1509
Revenue Services	XQ1600
Insurance Top Up	XQ1601
Library	XQ1700
Police	XQ1701
Exhibition Place	XQ1702
Zoo	XQ1703
Wheel-Trans	XQ1704
Arena Boards	XQ1705
Mayor's Office	XQ1800
Council	XQ1801
MLS	New
Long-Term Care Homes & Services	New
Purchasing and Materials Management	New
Toronto Animal Services	New