

Administrative Amendments to Reserve Fund Accounts - 2012

Date:	October 22, 2012
To:	Executive Committee
From:	Acting Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2012\Internal Services\Cf\Ec12027cf (AFS #16153)

SUMMARY

This report seeks Council's approval to implement a number of housekeeping amendments to the City of Toronto Municipal Code Chapter 227 (Chapter 227) – Administration of Reserves and Reserve funds. These amendments include the establishment of new reserve/reserve fund accounts, refining criteria including the change of purposes, and the deletion of some accounts which are no longer required. As well, it responds to a Council request with regard to the creation of an account for a specific purpose.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. City Council establish an obligatory reserve fund account called the 'North Linear Park Retaining Walls Maintenance Reserve Fund' in Schedule #14 of Chapter 227 the purpose of which is to function as an endowment to repair and maintain the Capreol Court and Dan Leckie Way retaining walls' with criteria as set out in Appendix 1.
2. City Council allocate investment earnings to the account created in recommendation #1 based on the later of the receipt of funds or January 1, 2012 whichever is the more recent.

3. City Council establish a discretionary reserve fund called 'Development Application Review Fees Reserve Fund' to provide funding for capital projects that support development activity' with criteria as set out Appendix #2.
4. City Council change the name of the current 'Vehicle Reserve – Police' in Schedule #1 of Chapter 227 to 'Vehicle and Equipment Reserve – Police' with an expanded purpose – to provide funding to purchase or acquire any vehicles or equipment including but not limited to IT hardware and major software, video equipment, furniture, and hand held devices for Toronto Police Service. Funding promotes efficiencies and provides budget stabilization by moderating large fluctuations in the annual replacement of vehicles and equipment.
5. City Council expand the purpose of the Police Legal Liabilities Reserve in Schedule #1 of Chapter 227 to provide a source of funding for (i) the indemnification of necessary and reasonable legal costs incurred by active and former officers where they have been investigated and charged, but not found guilty; (ii) the indemnification in criminal or statutory offences, civil actions or inquiries under the Coroners Act; (iii) funding settlement expenses and legal costs related to any grieved or arbitrated matter experienced by the Service, and (iv) all legal expenses incurred including legal defence, other than indemnification, and the hiring of outside prosecutors, as required to alleviate conflict of interest situations, for Police Services Act tribunals.
6. City Council move the Police Museum Reserve from Schedule #5 – Donations – to Schedule #3 – Stabilization – in Chapter 227 and the purpose of the Reserve be changed to 'provide and receive funding to stabilize the operation of the Police Museum'.
7. City Council change the purpose of the Exhibition Place Conference Centre Reserve Fund in Schedule #15 of Chapter 227 to: 'provides a source of funding, in the first instance, for any shortfalls in the loan payments to the City from Exhibition Place for the new conference centre, and this being provided for, to support any cash shortfalls with respect to capital funding required to maintain the Direct Energy Centre and the Allstream Centre in a state of good repair"'.
8. City Council transfer the funds in the following Development Charges Reserve Funds from 2004 to their respective 2009 accounts so that the 2004 accounts can be emptied and closed.

Transfer		
Balance (\$)	From	To
5	Development Charges (2004) SPUC Water	Development Charges (2009) Water
1,180	Development Charges (2004) Water Works	Development Charges (2009) Water
2,149	Development Charges (2004) Childcare	Development Charges (2009) Childcare

9. City Council close and delete the following accounts from Chapter 227 because they have or will have zero balances:

Zero Balances		
Reserve Funds	Beneficial Program	Schedule
Development Charges (2004) Libraries	Toronto Library	11
Development Charges (2004) Urban Development Services	City Planning	11
Development Charges (2004) SPUC Water	Toronto Water	11
Development Charges (2004) Water Works	Toronto Water	11
Development Charges (2004) Childcare	Children's Services	11
Neshama Playground	Parks, Forestry & Recreation	5
Otter Loop Park Improvements	Parks, Forestry & Recreation	5
Withrow Park Improvements	Parks, Forestry & Recreation	5

10. City Council amend Chapter 227 in accordance with Recommendations 1 – 9.
11. City Council grant leave 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.

DECISION HISTORY

Since the initial reorganization of Municipal Code Chapter 227 - Administration of Reserves and Reserve Funds – (Policy and Finance Committee Report No. 9 Clause 30) adopted by Council October 26, 27, 28, and 31, 2005), the Deputy City Manager and Chief Financial Officer has been reporting annually on updates to the Code as a result of Council actions, administrative requirements of DABC's and/or financial management considerations. The last such report was Executive Committee Item 11.5 'Administration Amendments to Reserve Fund Accounts – 2011' which was adopted by Council on October 24, 2011.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX11.5>

COMMENTS

1. New Reserve Fund Accounts
 - a. North Linear Park Retaining Walls Reserve Fund

On June 8, 2010, City Council adopted the report (Toronto East York Community Council item #34.71) entitled 'Railway Lands West – Subdivision Application – Assumption of Sections of Retaining Walls. The subdivision agreement between Concord Adex Developments and the City was amended to allow the conveyance of retaining walls at the south ends of Capreol Court and Dan Leckie Way as part of the conveyance of Northern Linear Park,(Railway Lands Subdivision, west of Spadina Avenue). The City has received \$101,115.00 as a maintenance endowment to be used for potential future costs for maintenance of the retaining walls. A reserve fund needs to be created to establish such an endowment. It is being recommended that a reserve fund be created as per the criteria in Appendix #1.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.TE34.71>

b. Development Application Review Fees Reserve Fund

As part of the 2012 Operating Budget, Council adopted a report entitled 'Development Application Review Fees' which among other things increased development application fees to fully cost recover the City's costs of delivering this service. Included in these costs is an anticipated contribution to a capital reserve for capital projects that support development activity. Therefore, it is being recommended that a new reserve fund be established as per criteria set out in Appendix 2 to receive such funds.

<http://www.toronto.ca/legdocs/mmis/2011/bu/bgrd/backgroundfile-42723.pdf>

2. Administrative Amendments to Existing Accounts

a. Vehicle Reserve – Police – name and purpose change

In 2008, the separate Equipment Reserve – Police was deleted from Chapter 227 on the understanding that there would be only one account for both vehicles and equipment. At that time the purpose of the Vehicle Reserve was changed to "provides funding to purchase or acquire any vehicles for Police. Funding promotes efficiencies and provides budget stabilization by moderating large fluctuations in annual replacement of equipment". Since then, the Toronto Police Service, in consultation with City Finance staff, has been contributing to the reserve for both vehicles and a variety of equipment and furniture. To dispel any ambiguity concerning the purpose and use of the fund, it is being recommended that:

- i) The name be changed to "Vehicle and Equipment Reserve – Police" and
- ii) The purpose be changed to "provides funding to purchase or acquire any vehicles or equipment including but not limited to IT hardware and major software, video equipment, furniture, and hand held devices for Toronto Police Service. Funding promotes efficiencies and provides budget

stabilization by moderating large fluctuations in the annual replacement of vehicles and equipment."

b. Police Legal Liabilities Reserve – change of purpose

The Police Legal Liabilities Reserve was established in 2010 to provide a source of funding for (i) the indemnification of necessary and reasonable legal costs incurred by active and former officers where they have been investigated and charged, but not found guilty, (ii) for the indemnification in criminal or statutory offences, civil actions or inquiries under the *Coroners Act*; and (iii) funding settlement expenses and legal costs related to any grieved or arbitrated matter experienced by the Service.

Funding from the reserve has allowed the Toronto Police Services Board and Toronto Police Service (Service) to better manage the annual expense and the high degree of variability associated with the costs from the above situations. However, the Service would like to expand the definition of the reserve to include all legal expenses incurred including legal defence other than indemnification, and the hiring of outside prosecutors, as required to alleviate conflict of interest situations, for *Police Services Act* tribunals.

c. Police Museum Reserve – change of schedule and purpose

This account was first created in 1991 with the purpose of providing funding for the development, construction and operation of the Police Museum. At that time the expectation was that funding would come from public donations and the net income of the Museum's gift shop after deducting salaries and other expenditures. In fact, almost all of the contributions to the reserve in the last few years have come from the gift shop sales. The public makes contributions to support the museum by putting funds in a 'contribution box' when they are visiting the museum but this is a very small proportion of the overall revenue.

The real intent and operation of the account is to stabilize the operation of the museum so that in years in which there is a surplus, funds are transferred to the reserve and in those rare years when there is a deficit funds would be withdrawn to bring the museum operating results to a break even position. Therefore, it is being recommended that the purpose of the reserve be changed to 'provide and receive funding to stabilize the operation of the Police Museum'. As well, since this account is not really receiving direct donations, it is more appropriately housed in the Stabilization Schedule (Schedule #3) of Chapter 227 rather than the Donation (Schedule #5

d. Exhibition Place Conference Centre Reserve Fund – change of purpose

In 2007, City Council created the Exhibition Place Conference Centre Reserve Fund (Executive Committee Item # 15.1, Recommendation #128 as adopted by

Council on December 11, 12, and 13, 2007) with the purpose of providing a source of funding for any shortfalls in loan payments to the City from Exhibition Place for the new conference centre – subsequently called the Allstream Centre. <http://www.toronto.ca/legdocs/mmis/2007/bu/bgrd/backgroundfile-8454.pdf>

As part of the approval of the City's 2010 Operating Budget, it was determined that because of a Council decision prohibiting guns in City facilities, the Toronto Sportsmen's Show will no longer be held at Exhibition Place's facility commencing in 2010. This loss of a major show has resulted in net revenue reductions of approximately \$0.873 million, and net budget pressures of \$0.473 million in 2010, \$0.300 million in 2011 and \$0.100 million in 2012. In order to mitigate the projected net losses, it was recommended that Exhibition Place use its Conference Centre Reserve Fund to temporarily support the Program's revenue shortfall over the next three years.

In response, City Council amended the purpose (Executive Committee Item EX42.1, Recommendation 62, as adopted by Council on April 15, 2010) to "Provides a source of funding for any shortfalls in loan payments to the City from Exhibition Place for the new conference centre or to support Exhibition Place's operating shortfalls between 2010 and 2012, to a maximum of \$0.900 million". <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.BU68.1>

Now that the Allstream Centre has been in operation for three years and the Direct Energy Centre has been in operation for fifteen years (together they form the convention facilities at Exhibition Place), there is a need once again to change the purpose of this reserve fund so that it is more general and suits the long term needs of Exhibition Place. It is being recommended that the purpose of the Exhibition Place Conference Centre Reserve Fund be changed to: 'provides source of funding, in the first instance, for any shortfalls in the loan payments to the City from Exhibition Place for the new conference centre, and this being provided for, to support any cash shortfalls with respect to capital funding required to maintain the Direct energy Centre and the Allstream Centre in a state of good repair'.

3. Deletion of Accounts

a. Certain Development Charges Reserve Funds – zero balances

Two development charges reserve funds – Development Charges (2004) – Libraries and Development Charges (2004) – Urban Development Services – have served their purposes and no longer hold any funds. These accounts, which relate to funds collected under the old (2004) development charges by-law, can be closed and deleted from the Chapter 227.

b. Certain Development Charges Reserve Funds – small balances

Accounts in the following table have small balances that are the residual investment earnings (interest) left in the accounts after the accounts have fulfilled their desired purposes. It is being recommended that the small balances in these older (2004) accounts be transferred to their respective 2009 accounts for the same development charge service. Once the transfers have been completed the accounts should be closed and deleted from the Chapter.

Small Balances		
Development Charges R.F.	Beneficial Program	Balance (\$)
(2004) SPUC Water	Toronto Water	5
(2004) Water Works	Toronto Water	1,180
(2004) Childcare	Children's Services	2,149

c. Donation Accounts for Parks Improvements

From time to time Council is approached by community groups who seek authority from the City to fund raise in the City's name in their community for parks improvements. The City obliges by setting up a donation reserve to receive and administer the funds. These accounts have a sunset requirement. The following accounts have passed their sunset period, have had no activity and should be closed and deleted from the Municipal Code:

- Neshama Playground
- Otter Loop Park Improvements
- Withrow Parks Improvements

4. Other

a. Special Rent Supplement Initiative Reserve Fund

In 2007, as part of the approval of a draft plan of subdivision application, official plan and zoning by-law amendment, and context plan for 100, 102, 110 & 125 Parkway Forest Drive, 120 & 130 George Henry Blvd., 32-50, 65 & 80 Forest Manor Road (North York Community Council Item NY7.42, adopted by Council on June 26, 2007), Council adopted the following recommendations:

- 1.f the applicant shall provide a cash-in-lieu contribution of \$1 million to be used towards a “special rent supplement initiative” to be implemented by the City and applied to existing eligible households in the Parkway Forest community; and,
- 2. e the General Manager of Shelter, Support and Housing Administration should report back on establishing a reserve fund for the purpose of implementing the “special rent supplement program”;

<http://app.toronto.ca/tmmis/viewAgendaltemHistory.do?item=2007.NY7.42>

In 2007, before the revamping of the administration of Section #37 and #45 funds, all the funds acquired through development agreements were either lumped into one reserve fund or there was a requirement to create a separate reserve fund for each agreement.

Under a new administrative arrangement such funds are now held in the Planning Act Reserve Fund, where all section #37 funds are now deposited so that the funds from each agreement are in a separate and unique sub-account which allows the funds to be distinguished and tracked separately from any other funds within the Section #37 Reserve Fund.

The City is now in possession of the \$1 million to be used for a special rent supplement initiative which it secured through a Section 37 agreement. The funds have been placed in a sub-account of the Planning Act Reserve Fund for that purpose.

Accordingly, there is no longer a need for Council to create a separate reserve fund for this contribution.

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SIGNATURE

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ATTACHMENTS

Appendix 1 - North Linear Park Retaining Walls Reserve Fund
Appendix 2 – Development Application Review Fees Reserve Fund

Appendix 1

North Linear Park Retaining Walls Reserve Fund

1. Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule #14 – State of good Repair Obligatory Reserve Funds
2. Statement of Purpose

This reserve fund is to be an endowment to repair and maintain the Capreol Court and Dan Leckie Way retaining walls
3. Service Area or Beneficiary Program

The General Manager of Parks, Forestry and Recreation shall have primary responsibility for the Reserve Fund.
4. Initial Contribution

An initial contribution of \$101,115 was received on November 28, 2011.
5. Contribution Policy

No further direct contributions are anticipated.
6. Withdrawal Policy

Only the investment earnings shall be withdrawn. When funds are to be withdrawn, this will be identified through the normal capital and/or operating budget processes.
7. Review Cycle

The funds are never to be depleted but the account should be reviewed after 10 years to determine whether this account is adequate to meet the intended requirement that it protect the City from additional expense with regard to maintaining these two retaining walls.

Appendix 2

Development Application Review Fees Reserve Fund

1. Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule #8 – State of good Repair Discretionary Reserve Funds
2. Statement of Purpose

This reserve fund is to provide funding for capital projects that support development activity
3. Service Area or Beneficiary Program

The Chief Planner and Executive Director of City Planning shall have primary responsibility for the Reserve Fund.
4. Initial Contribution

None
5. Contribution Policy

Annually 2;2% of the fees collected from development applications that have been recognized as the Non-Program revenues will be transferred at year end to this account.
6. Withdrawal Policy

Funds to be withdrawn will be identified as part of the City’s capital budget process, as approved by Council from time to time.
7. Review Cycle

The account will be reviewed in five years to determine its effectiveness.