

Administrative Amendments to Reserve Fund Accounts

Date: March 6, 2019

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report, prepared annually by Corporate Finance Division, seeks Council approval to implement a number of amendments to City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds ("Chapter 227"). These amendments include the establishment of new Reserve Funds as well as making any changes to the purpose and/or contribution and withdrawal policies of existing reserve funds, as required by various Programs.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve the establishment of an obligatory reserve fund called the 'Cross-Boundary Water and Sewage Servicing Reserve Fund' in Appendix C, Schedule 15, Third Party Obligatory Reserve Funds, of the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, the purpose of which is to receive contributions from property owners to pay for development site water and sewage servicing by Toronto Water external to the city's boundaries, and in accordance with agreements negotiated between the owners of the respective properties, the regional municipalities outside of the Toronto and the City of Toronto, with criteria as set out in Appendix 1.
2. City Council approve the establishment of a discretionary reserve fund account called the 'Toronto 360 Wayfinding Reserve Fund' in Appendix B, Schedule 7, Corporate Discretionary Reserve Funds, of the City of Toronto Municipal Code Chapter 227, the purpose of which will be to hold and distribute funds for wayfinding planning, design, and implementation projects, and for wayfinding asset maintenance and replacement, with criteria as set out in Appendix 2.

3. City Council approve the establishment of a discretionary reserve fund account called the 'Ontario Cannabis Legalization Reserve Fund' in Appendix C, Schedule 15, Third Party Obligatory Reserve Funds, of City of Toronto Municipal Code Chapter 227, the purpose of which will be to hold and distribute funds received from Provincial government for the implementation costs of recreational cannabis legalization, with criteria as set out in Appendix 3.
4. City Council amend the Criteria Sheets for the following Reserve Funds:
 - a. Commodity Price Reserve Fund account, as provided in Appendix 4, reflecting a revised withdrawal policy
 - b. Green Lane Reserve Fund account, as provided in Appendix 5, reflecting a revised contribution policy
 - c. Green Lane Perpetual Care Reserve Fund account, as provided in Appendix 6, reflecting a revised contribution policy
 - d. Waste Management Reserve Fund account, as provided in Appendix 7, reflecting a revised purpose and withdrawal policy
 - e. Transform TO Initiatives Reserve Fund, as provided in Appendix 8, reflecting a revised purpose.
5. City Council authorize the necessary amendments to Chapter 227 in accordance with Recommendations 1-4 and direct the City Solicitor to introduce any necessary bills to give effect to the recommendations of this report.

FINANCIAL IMPACT

There are no financial implications associated with the adoption of the recommendations of this report.

DECISION HISTORY

Since the initial reorganization of 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 Chief Financial Officer has been reporting annually on updates to this chapter of the Municipal Code as a result of Council actions, administrative requirements of Programs and Agencies and/or financial administration considerations. The last such report was Executive Committee (EX29.23) 'Administration Amendments to Reserve Fund Accounts – 2017' which was adopted by Council at the January 31 - February 1, 2018 meeting.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX29.23>

COMMENTS

1. New Reserve Fund Accounts

a. Cross-Boundary Water and Sewage Servicing Reserve Fund

At its meetings on April 26, 27 and 28, 2017, City Council authorized the General Manager, Toronto Water to negotiate, and where appropriate, enter into an agreement with the Regional Municipality of York, the City of Vaughan and the owners of the respective properties for the provision of water and sewage services related to three properties located at 6200 Steeles Avenues West, 7233 Highway No. 27 and 5390 Steeles Avenues West. In addition, Council authorized the General Manager to negotiate and execute an agreement, where appropriate, to provide additional water and/or sewer servicing to properties outside the City of Toronto and within the 'unserved area' designated on the map set out in Attachment 1 to that report, when and where requested from time to time by the Regional Municipality of York and the City of Vaughan.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.PW20.7>

A subsequent agreement negotiated between the owners of the three properties and the City included a calculation of costs to be paid by the owner to the City of Toronto for infrastructure costs resulting from the servicing of these sites. It is recommended that the proceeds related to the servicing of these initial three properties, and any future site servicing by Toronto Water external to the City's boundaries, be placed into a new third party obligatory reserve fund entitled 'Cross-Boundary Water and Sewage Servicing Reserve Fund' to support future Toronto Water Capital Budget funding requirements. The infrastructure costs / capacity related to these properties are not recoverable through the City's development charges bylaw as the properties are located outside the boundaries of the City.

The recommended criteria for the reserve fund follows in Appendix 1.

b. Toronto 360 Wayfinding Reserve Fund

Transportation Services has launched the implementation of the Toronto 360 Wayfinding Project ("TO360") city-wide. The project includes pedestrian, vehicular, cycling and transit wayfinding delivered consistently and seamlessly through both the City and third parties. The creation of a multi-modal wayfinding system is a goal of the City's Walking Strategy, which "aims to create an environment where walking is an appealing, convenient, safe and stimulating experience for residents and visitors".

Capital funding is expected to be provided to Transportation Services by third parties for a range of project purposes including wayfinding planning and design, mapping database development, and the implementation of wayfinding products such as on-street signs, printed maps, and digital maps. A modest portion of the capital funding will be received in the form of donations.

Operating funding is also expected to be provided to Transportation Services by third parties for a range of project purposes including maintenance of wayfinding mapping databases, wayfinding products such as maps and signage, and other wayfinding assets.

A portion of this operational funding will be received as a percentage of the value of the completed asset and which will be set aside for maintenance and replacement purposes. Over time, Toronto 360 Wayfinding assets that are funded by third parties and managed by the Transportation Services Division will need to be repaired, refreshed and/or replaced. This approach is similar to that taken for installations that form part of the Public Art Program and for capital projects in the right-of-way that include pavers.

Staff are recommending that the 'Toronto 360 Wayfinding Reserve Fund' be established to hold funds the purpose of which is to provide funding for:

- the planning, design, and implementation of Toronto 360 Wayfinding projects and other partnered wayfinding projects where the Transportation Services Division has been designated as the delivery agent; and
- the maintenance and replacement of Toronto 360 Wayfinding assets and assets of other partnered wayfinding projects where the Transportation Services Division has been designated as the delivery agent.

The recommended criteria for the reserve fund follows in Appendix 2.

c. Ontario Cannabis Legalization Reserve Fund

On June 21, 2018, the Cannabis Act, Bill C-45 received Royal Assent and allowed the legalization of recreational cannabis in Canada as of October 17, 2018. City Council on December 4, 5 and 13, 2018, adopted the report entitled "Provincially-Licensed Cannabis Retail Stores in Toronto" as amended.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.CC1.4>

The Province has committed to funding \$40 million over two years (2019-2021) to support all municipalities with the implementation costs of recreational legalization. The Province made \$15 million available to all municipalities in early January prior to the "opt-out" deadline of January 22, 2019. A second distribution of \$15 million was subsequently provided after the opt-out deadline of January 22. Distribution is based on the 2018 number of households per municipality as determined by the Municipal Property Assessment Corporation (MPAC) compared to the total number of households in municipalities that are opting out.

In order to provide a repository for current Provincial payments, any remaining funding at year-end as well as any future grants, it is recommended a reserve fund be created. Provincial funding currently booked as revenue (Provincial Grants/Subsidies) within Non-program accounts will be contributed to the reserve fund to be accessed by operational divisions and agencies. On an on-going basis, impacted programs will have

a budgeted contribution from the reserve fund to support cannabis legalization impacts. Future Provincial funding is currently unknown.

The recommended criteria for the reserve fund follows in Appendix 3.

2. Amendments to Existing Accounts

a. Commodity Price Stabilization Reserve (XQ0601)

The Commodity Price Stabilization Reserve was approved by City Council at its August 5 & 6, 2009 meeting. Its purpose is to moderate the budgetary impact of commodities that are purchased in accordance with the City's Statement of Commodity Hedging Policies and Goals. The criteria sheet created at the time indicated that funds may be withdrawn as per the Operating Budget. It has become clear that the withdrawal policy is inappropriate given the difficulty in budgeting for a potential future increase in fuel prices that might adversely impact Fleet Services' Operating Budget. It is therefore recommended to change the withdrawal policy to permit withdrawals from the reserve fund to close any year-end deficit in the Fleet Services Operating Budget ensuing from unplanned fuel price increases. Withdrawals from the reserve fund will be subject to the approval of the Chief Financial Officer and Treasurer, who will ensure that all other avenues to close the deficit were undertaken first and that higher fuel prices was the principal reason for the deficit (see revised criteria in Appendix 4).

b. Green Lane Reserve Fund (XR1408)

The Green Lane Reserve Fund was approved by City Council at the April 23 & 24, 2007 meeting. Its original purpose was to serve as a repository for funds resulting from the operation of the Green Lane landfill site. The purpose was changed at the February 3 & 4, 2016 meeting to provide funding for the development and operation of the Green Lane Landfill site, making it more consistent with the purpose of the Waste Management Reserve Fund.

The existing contribution policy has proven to be problematic. It specifies that the total net proceeds from the operation of the Green Lane landfill site be transferred to the Reserve Fund, on the advice of the Chief Financial Officer. The current policy also does not provide for withdrawal in the case of a potential operating deficit at Green Lane. The Program is requesting that the contribution policy be aligned with actual practice whereby annual contributions will be based on actual tonnage instead of just budgeted tonnage thus ensuring an annual contribution directly linked to operations at Green Lane. For this reason, it is being recommended that the contribution policy be changed such that the year-end contribution transferred to the reserve fund be based on the approved budgeted rate per tonne for landfill multiplied by the actual tonnes entering the landfill site. Once the year-end contribution has been established any net operating surplus or deficit within the total Green Lane funds centres will be absorbed within the total operating budget for Solid Waste Management Services.

The recommended change to the contribution policy is reflected in the criteria in Appendix 5.

c. Green Lane Perpetual Care Reserve Fund (XR1409)

The Green Lane Perpetual Care Reserve Fund was approved by City Council at its April 23 & 24, 2007 meeting and provides funding for the future costs of long-term, post-closure care of the Green lane Landfill site.

The existing contribution policy states that contributions are to be made through the Operating Budget. In order to be consistent with the Green Lane Reserve Fund, it is recommended that the contribution policy be changed such that the year-end contribution transferred to the reserve fund is based on the approved budgeted rate per tonne for perpetual care multiplied by the actual tonnes entering the landfill site.

The recommended changes to the contribution policy are reflected in the criteria in Appendix 6.

d. Waste Management Reserve Fund (XR1404)

The Waste Management Reserve Fund was originally created in December 1990 and confirmed by City Council at its February 29-March 2, 2000 meeting. It serves to provide funding for the development and operation of waste management facilities. As such, this reserve fund is one of the main sources of funding for Solid Waste Management Services' Capital Program exclusive of the Green lane Capital Program. For clarity purposes, it is recommended that the purpose statement be amended as follows: "Provides funding for the development and operation of waste management facilities, programs and services". The addition of "programs and services" better reflects the total scope of the purpose of the reserve fund.

The current contribution policy allows the contribution of any operating surplus over and above the budgeted Capital-from-Current contribution, subject to the approval of the Chief Financial Officer and Treasurer. It is also the intention of Solid Waste Management Services to be able to withdraw funds from the Waste Management Reserve Fund to eliminate any year-end operating deficit, however, draws from the Reserve Fund are required to be budgeted. Since it is difficult to budget for such a requirement, it is recommended that the withdrawal policy be changed to permit withdrawals as part of the annual operating budget or to fund any operating deficit occurring at year-end, subject to the approval of the Chief Financial Officer and Treasurer, who will ensure that all other avenues to close the deficit are undertaken first.

The recommended change to the purpose and the withdrawal policy is reflected in the criteria in Appendix 7.

e. TransformTO Initiatives Reserve Fund (XR3036)

The TransformTO Initiatives Reserve Fund was approved by City Council at its meeting of June 26-29, 2018 for the purpose of administering funding and investment, such as the Municipal Greenhouse Gas Challenge funds, for the greenhouse gas emission reduction initiatives to be undertaken by City Divisions, Agencies and Corporations pursuant to the TransformTO Climate Action Strategy.

Subsequently on July 10, 2018, the City of Toronto received notice from the Province of Ontario of the termination of the existing agreement between the Province and the City of Toronto for Municipal Greenhouse Gas Funding. Initial funding received was subsequently returned to the Province. As a result of the cancellation of the initial source of funding for this Reserve Fund, it was deemed appropriate to remove the reference to 'Municipal Greenhouse Gas Challenge funds' from the Reserve Fund's purpose. The Reserve Fund will remain open for the time being as it is anticipated that other funding sources for greenhouse gas emission reduction initiatives might arise in the future. The recommended change in purpose is reflected in the criteria in Appendix 8.

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SIGNATURE

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ATTACHMENTS

- Appendix 1 – Recommended Criteria Sheet for Cross-Boundary Water Servicing Reserve Fund
- Appendix 2 - Recommended Criteria Sheet for Toronto 360 Wayfinding Reserve Fund
- Appendix 3 - Recommended Criteria Sheet for Ontario Cannabis Legalization Reserve Fund
- Appendix 4 - Recommended Criteria Sheet for Commodity Price Stabilization Reserve
- Appendix 5 - Recommended Criteria Sheet for Green Lane Reserve Fund
- Appendix 6 - Recommended Criteria Sheet for Green Lane Perpetual Care Reserve Fund
- Appendix 7 - Recommended Criteria Sheet for Waste Management Reserve Fund
- Appendix 8 - Recommended Criteria Sheet for TransformTO Initiatives Reserve Fund

Appendix 1

Cross-Boundary Water and Sewage Servicing Reserve Fund

Location within the Consolidated Reserves/Reserve Funds Schedule:

Account within Schedule 15 of Municipal Code 227, Reserves & Reserve Funds – Third Party Agreements Obligatory Reserve Funds

Statement of Purpose:

To receive contributions from property owners to pay for development site water and sewage servicing by Toronto Water external to the city's boundaries, and in accordance with agreements negotiated between the owners of the respective properties, the regional municipalities outside of Toronto and the City of Toronto.

Service Area or Beneficiary Program:

Toronto Water

Initial Contribution:

An initial contribution of \$30,396.60 was received in October 2018 and currently resides in a deferred revenue account.

Contribution Policy:

Contributions will be made by property owners in accordance with City Council Decision on April 26, 27 & 28, 2017 that authorized the General Manager, Toronto Water, to negotiate and, in consultation with the local Ward Councillor, enter into agreements for the provision of water and/or sewage servicing by the City to properties outside of the City and within the 'unserved area' designated on the map set out in Attachment 1 to the report (March 31, 2017) in the Regional Municipality of York, the City of Vaughan.

The cost for the servicing would be offset by water bill and financial contributions from the owner of the property.

The amount of a one-time financial contribution will be based on the equivalent portion (i.e. water, sewer, stormwater) of the payable, at the time of approval, on a development site if it were constructed within the City of Toronto.

Withdrawal Policy

Withdrawals as part of the City of Toronto's Capital Budget process, as needed to fund related water, sewer or stormwater system improvements.

Appendix 2

Toronto 360 Wayfinding Reserve Fund

Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule 7 – Corporate Discretionary Reserve Funds

Statement of Purpose

This account be used to hold and distribute funds for wayfinding planning, design, and implementation projects, and for wayfinding asset maintenance and replacement.

Service Area or Beneficiary Program

The General Manager of the Transportation Services Division shall have primary responsibility for the Reserve Fund.

Initial Contribution

NA

Contribution Policy

Funds, including donations, are provided by any City Division, agency, or third party who partners with Transportation Services to deliver a wayfinding project.

Withdrawal Policy

Funds will be withdrawn either as part of the normal Operating or Capital Budget process.

Appendix 3

Ontario Cannabis Legalization Reserve Fund

Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule 15 – Third Party Obligatory Reserve Funds

Statement of Purpose

This accounts will be used to hold and distribute funds received from the Provincial government for the implementation costs of recreational cannabis legalization.

Service Area or Beneficiary Program

Primary beneficiary programs are Municipal Licensing & Standards and other programs impacted by the legalization of recreational cannabis. In consultation with the impacted programs, the Chief Financial Officer and Treasurer shall have primary responsibility for the distribution of the Reserve Fund.

Initial Contribution

N/A

Contribution Policy

Funds are provided by Provincial government to deliver the implementation of recreational cannabis legalization.

Withdrawal Policy

Funds will be withdrawn as part of the normal Operating or Capital Budget process.

Appendix 4

Commodity Price Stabilization Reserve

Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule #3 – Stabilization Reserves

Statement of Purpose

The account will be used to moderate the budgetary impact of commodities that are purchased in accordance with the City's Statement of Commodity Hedging Policies and Goals.

Service Area or Beneficiary Program

The Chief Financial Officer and Treasurer shall have primary responsibility for the account.

Initial Contribution

N/A

Contribution Policy

Funds will be provided as part of the Operating Budget.

Withdrawal Policy

Withdrawals will be permitted to close any year-end deficit in the Fleet Services Operating Budget ensuing from unplanned fuel price increases. Withdrawals from the reserve fund will be subject to the approval of the Chief Financial Officer and Treasurer, who will ensure that all other avenues to close the deficit were undertaken first and that higher fuel prices was the principal reason for the deficit.

Appendix 5

Green Lane Reserve Fund

Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule 8 of Municipal Code 227, Reserves & Reserve Funds State of Good Repair Discretionary Reserve Funds

Statement of Purpose

Provides funding for the development and operation of the Green Lane Landfill site.

Service Area or Beneficiary Program

Solid Waste Management Services

Initial Contribution

Net tipping fee revenues in 2007 after debt charges and contributions to new Green Lane Perpetual Care Account.

Contribution Policy

Year-end contributions based on the approved budget rate per tonne multiplied by the actual tonnes entering the landfill site.

Withdrawal Policy

Withdrawals as part of the Operating and Capital Budget process to support the operation of the Green Lane landfill site.

Appendix 6

Green Lane Perpetual Care Reserve Fund

Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule 8 of Municipal Code 227, Reserves & Reserve Funds State of Good Repair Discretionary Reserve Funds

Statement of Purpose

Provides funding for the future costs of long-term, post-closure, use and management of the Green Lane Landfill site.

Service Area or Beneficiary Program

Solid Waste Management Services

Initial Contribution

Contribution Policy

Year-end contributions based on the approved budget rate per tonne multiplied by the actual tonnes entering the landfill site. Additional contributions may be recommended as necessary to fund estimated requirements.

Withdrawal Policy

Withdrawals as part of the Capital Budget process to support the perpetual care of the Green Lane landfill site.

Appendix 7

Waste Management Reserve Fund

Location within the Consolidated Reserves/Reserve Funds Schedule

Account within Schedule 8 of Municipal Code 227, Reserves & Reserve Funds State of Good Repair Discretionary Reserve Funds

Statement of Purpose

Provides funding for the development and operation of waste management facilities, programs and services.

Service Area or Beneficiary Program

Solid Waste Management Services

Contribution Policy

Funding from the Operating Budget. Contributions include the budgeted Capital-from-Current contributions as well as any potential net operating surplus, subject to the approval of the Chief Financial Officer and Treasurer.

Withdrawal Policy

Withdrawals as part of the annual operating budget or to fund any operating deficit occurring at year-end, will be subject to the approval of the Chief Financial Officer and Treasurer, who will ensure that all other avenues to close the deficit were undertaken first.

Appendix 8

TransformTO Initiatives Reserve Fund

Location within the Consolidated Reserves/ Reserve Funds Schedule

This account will be included in Schedule No. 15 - Third Party Agreements Obligatory Reserve Funds

Statement of Purpose

Administers funding and investment to be used for greenhouse gas emissions reduction initiatives to be undertaken by City Divisions, Agencies and Corporations pursuant to the TransformTO Climate Action Strategy.

Service Area or Beneficiary Program

The Environment and Energy Division shall have primary responsibility for the reserve account, in conjunction with City Divisions, Agencies and Corporations involved in the implementation of greenhouse gas emissions reduction and climate adaptation initiatives.

Initial Contribution

Funds will be contributed to this reserve account on a periodic basis from a variety of sources, including but not limited to, government, utility companies, non-profit organizations, grant funding agencies, corporations, donors and sponsors.

Contribution Policy

Funds provided by external entities to City Divisions, Agencies and Corporations in support of projects affiliated with the TransformTO Climate Action Plan will be deposited into this reserve account.

Withdrawal Policy

Funds may be withdrawn for funding new or existing projects, programs and related initiatives related to greenhouse gas emission reduction.