

### **Administrative Amendments to Reserve Fund Accounts - 2016**

**Date:** November 14, 2016  
**To:** Executive Committee  
**From:** Deputy City Manager & Chief Financial Officer  
**Wards:** All

#### **SUMMARY**

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This report seeks Council approval to implement a number of administrative amendments to City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds ("Chapter 227"). These amendments include refining criteria of existing accounts, deleting accounts which are no longer required, and merging existing accounts within Chapter 227.

#### **RECOMMENDATIONS**

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The Deputy City Manager & Chief Financial Officer recommends that City Council:

1. Adopt the revised purpose and the revised Criteria Sheet for the 'Gardiner West Public Realm Improvements Reserve Fund' account (XR3034), as provided in Appendix 1.
2. Adopt the revised purpose and the revised Criteria Sheet for the 'Social Housing Stabilization Reserve' account (XQ1106), as provided in Appendix 2.
3. Authorize the transfer of funds in the amount of \$1,274,256 from the 'Hounslow Heath Reserve Fund' account (XR1602) to the 'Land Acquisition Reserve Fund' account (XR1012), and direct the 'Hounslow Health Reserve Fund' account to be closed and deleted from Chapter 227.
4. Authorize the transfer of the year-end balances (with the exception of development charges collected in respect of electrical power services) of the obligatory reserve fund accounts currently in the Development Charges Pre 1999 Reserve Fund Group, to the corresponding obligatory reserve fund accounts in the current Development Charges Reserve Fund Group.

5. Authorize the Deputy City Manager & Chief Financial Officer to transfer the residual balances relating to development charges collected in respect of electrical power services and contained in the Development Charges Pre 1999 Reserve Fund Group in Schedule 11 of Chapter 227, to Toronto Hydro-Electric System Ltd. ("Toronto Hydro").
6. Direct the Development Charges Pre 1999 Reserve Fund Group be closed and deleted from Chapter 227.
7. Direct the following accounts, which have zero balances, be closed and deleted from Chapter 227:

Zero Balance Reserve/Reserve Fund Accounts		
Reserve Accounts	Beneficial Program	Schedule
Rail Heritage Reserve Fund (XR1217)	Economic Development & Culture	7
Toronto Public Library Capital Projects Reserve Fund (XR1061)	Toronto Public Library	8

8. Authorize the necessary amendments to Chapter 227 in accordance with Recommendations 1-7.
9. Direct the City Solicitor to introduce any necessary bills to give effect to recommendations 1-8.

## **FINANCIAL IMPACT**

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There are no direct financial implications to the operating or capital budgets as a result of adoption of the recommendations of this report.

## **DECISION HISTORY**

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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 Deputy City Manager & 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 (EX44. 24) 'Administration Amendments to Reserve Fund Accounts – 2015' which was adopted by Council on February 3rd, 2016.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX11.6#>

## COMMENTS

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### 1. Administrative Amendments to Existing Accounts

#### a. *Gardiner West Public Realm Improvements Reserve Fund (XR3034)*

At its meeting of July 12-16, 2016, City Council approved a recommendation to increase the approved 2016 Operating Budget for City Planning by \$2.0 million gross and \$0 net. The budget adjustment was to be fully funded from a draw from the Gardiner West Public Realm Improvements Reserve Fund. The expenditures reflect a transfer to the non-profit entity ("The Bentway Conservancy") for the purpose of funding costs for the programming, operations and maintenance of the "Under Gardiner" Project.

Since the original purpose and Criteria Sheet for the Gardiner West Public Realm Improvements Reserve Fund contained a withdrawal policy that stated that funds be advanced by way of grants to Waterfront Toronto and budgeted in the Waterfront Revitalization Initiative Capital Budget, revisions to the Reserve Fund's purpose and Criteria Sheet are recommended to reflect City Council's new direction on the use and management of the "Under Gardiner" project funds for operating and capital funding purposes (see Attachment 1 – Recommended Criteria Sheet for Gardiner West Public Realm Improvements Reserve Fund).

#### b. Social Housing Stabilization Reserve (XQ1106)

The beneficiary program, Shelter, Support & Housing Administration, requires a reserve funding source that provides available funding to support both social housing and shelter service areas in order to respond to all funding priority requirements, including the George Street Revitalization project. Since the original Criteria Sheet contained purpose and withdrawal policy criteria that restricted funding for social housing services only, it is recommended that changes be made to the purpose and Criteria Sheet to allow the Reserve to be used to also fund the needs of shelter services (see Attachment 2 – Recommended Criteria Sheet for Social Housing Stabilization Reserve).

### 2. Deletion of Accounts

#### a. Obsolete Accounts – Non-Zero Balances

i) *The Hounslow Heath Reserve Fund (XR1602)* was created at the January 9, 2008 meeting of City Council to receive the net proceeds from the sale of 80 Turnberry Avenue to fund the expropriation of the lands municipally known as 11R Hounslow Heath Road, the clean-up of surrounding lands, the opening of a public laneway, and for general improvements to Wadsworth Park and the local area.

All transactions related to the expropriation, clean up and the improvements, including subsequent legal proceedings have been completed and the Reserve Fund can be closed.

According to the details of the Criteria Sheet that was included as Appendix 1 of the 2008 staff report, at closure of the Reserve Fund the remaining balance (\$1,274,256) is to be transferred back to the Land Acquisition Reserve Fund – Corporate (XR1012).

b. Obsolete Accounts – Zero Balances

- i) *Rail Heritage Reserve Fund (XR1217)* was created by City Council at its meeting of Dec. 1-3, 2008 to provide funding for the development and state of good repair of Rail Heritage infrastructure associated with the John Street Roundhouse. While it was originally anticipated that a lump-sum, pre-paid rent payment from John Street Roundhouse Development Corp. would provide the initial contribution for the Reserve Fund that was to be used for John Street Roundhouse capital projects in the 2010-2013 Capital Plan, capital works performed by John Street Roundhouse Development Corp. to restore the Roundhouse was accelerated and completed in 2009 and deducted from the rent payment directly. Financial Planning Division subsequently reduced the 2010-2013 Capital Plan for the Roundhouse to nil. While the 'Rail Heritage Reserve Fund' account was set up in 2008, it did not receive any funds and it is recommended to be closed.
- ii) *Toronto Public Library Capital Projects (XR1061)* was created by City Council at its meeting of March 1-3, 2004 to provide funding to accumulate operating savings to be used to fund capital projects. The last of the contributed funds were used in September, 2011. Since the City's Surplus Management Policy directs how all operating surpluses are to be applied, the 'Toronto Public Library Capital Projects Reserve Fund' account is no longer needed for its original purpose and is recommended to be closed.

3. Merging Existing Accounts within the Municipal Code

The City currently has two Reserve Fund Groups within Schedule 11 – Development Charges Obligatory Reserve Funds, namely:

1. Development Charges Pre 1999 Reserve Fund Group – established for pre-amalgamation Development Charges Reserve Fund balances of individual former municipalities.
2. Development Charges Reserve Fund Group (also known as City Wide Reserve Fund Group) – established for Development Charges collected pursuant to Development Charges By-laws of the amalgamated City.

The Pre 1999 Reserve Fund Group comprises four accounts:

1. Development Charges – Etobicoke (XR2009)
2. Development Charges – North York (XR2010)
3. Development Charges – Scarborough (XR2011)
4. Development Charges – York (XR2012)

Staff anticipate that the remaining balances of these four accounts will be largely spent in 2016, and it is recommended that any remaining year-end balances be transferred to the respective accounts in the City Wide Reserve Fund Group. An exception to the recommendation to transfer the remaining balances relates to Pre1999 Development Charges collected in respect of electrical power services. The *Electricity Act* sets out the accounting treatment for development charges collected in respect of electrical power services, and those funds should have been transferred to Toronto Hydro at the time of incorporation in 1999. Accordingly, it is recommended that the remaining year-end balances in these accounts (totalling approximately \$495.3 thousand) be transferred to Toronto Hydro. Further, it is recommended that upon completion of the transfers, the Development Charges Pre 1999 Reserve Fund Group, and all the reserve fund accounts within be closed and deleted from Chapter 227.

## **CONTACT**

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## **SIGNATURE**

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Roberto Rossini  
Deputy City Manager & Chief Financial Officer

## **ATTACHMENTS**

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Appendix 1 – Recommended Criteria Sheet for Gardiner West Public Realm Improvements Reserve Fund

Appendix 2 – Recommended Criteria Sheet for Social Housing Stabilization Reserve

# Appendix 1

## Gardiner West Public Realm Improvements Reserve Fund

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

Account within Schedule 15 – Third Party Agreements Obligatory Reserve Funds

### 2. Statement of Purpose

The purpose of this account will be to hold funds to provide a series of grants to Waterfront Toronto and the Bentway Conservancy from donated funds to transform the vacant space and for long-term programming, operating and maintenance under the westerly segment of the Gardiner between approximately Strachan Avenue and Spadina Avenue.

### 3. Service Area or Beneficiary Program

Waterfront Toronto and the Bentway Conservancy

### 4. Initial Contribution

\$3 million was provided by the Judy and Wilmot Matthews Foundation.

### 5. Contribution Policy

Up to an additional \$22 million will be provided by the Judy and Wilmot Matthews Foundation. Should other donors materialize these funds will also be deposited in this account.

### 6. Withdrawal Policy

Funds will be advanced by way of grants to Waterfront Toronto and the Bentway Conservancy as work progresses as per a Memorandum of Understanding (MOU) and the Delivery Agreement among the Judy and Wilmot Matthews Foundation, the Bentway Conservancy, the City of Toronto and Waterfront Toronto. Such advances will be in the form of a grant and budgeted in the Waterfront Revitalization Initiative Capital Budget and the City Planning Operating Budget.

### 7. Review Cycle

The account will be closed once all the funds have been expended.

# Appendix 2

## Social Housing Stabilization Reserve

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

Account within Schedule 3 – Stabilization Reserves

### 2. Statement of Purpose

Provides funding to mitigate the financial exposure associated with Social Housing Devolution as well as the needs of the City Shelters, including the following purposes:

- (a) For stabilization of in-year variances as well as unanticipated year-to-year expenditure fluctuations, to help minimize or phase in their impacts on the property tax rate
- (b) To supplement funds for capital repairs, in regard to urgent needs or phase-in toward higher funding levels
- (c) To fund other potential liabilities as they arise.

### 3. Service Area or Beneficiary Program

Shelter, Support & Housing Administration

### 4. Contribution Policy

- (a) Any future provincial payments targeted to capital repair of social housing or shelters, relief of impacts from mortgage interest or RGI revenue shortfall, or other purposes consistent with the purposes of this reserve fund and not otherwise specifically earmarked
- (b) Any occasional or periodic provincial payments or other housing funds, above and beyond budgeted or planned payments of such funds to offset ongoing subsidy costs
- (c) Other funds as Council may determine from time to time.

### 5. Withdrawal Policy

Funds may be withdrawn at the request of the service area or beneficiary program for the purposes stated in the Statement of Purpose, subject to the availability of funds and the review by the Financial Planning Division as part of the budget process, as well as year-end corporate positions.

### 6. Review Cycle

The account will be closed once all the funds have been expended.