

TO:	CORPORATE SERVICES COMMITTEE ON FEBRUARY 7, 2017
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	RESERVE FUND HOUSEKEEPING

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following action be taken with respect to the establishment of a new reserve fund:

- a) the attached proposed by-law (Appendix A) **BE INTRODUCED** at the Municipal Council meeting to be held on February 14, 2017 to establish a Capital Infrastructure Gap Reserve Fund.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Surplus/Deficit Policy (Strategic Priorities and Policy Committee, December 7, 2015, Agenda Item #3)

BACKGROUND

On December 8, 2015 Council approved a Surplus/Deficit Policy in order to provide Civic Administration with a set of guidelines to manage yearly surplus or deficit positions. As part of the approval of this Policy, Council also resolved:

“the Civic Administration BE DIRECTED to bring forward the necessary by-laws regarding the establishment of a Community Investment Reserve Fund and a Capital Infrastructure Gap Reserve Fund”

The Council approved Surplus/Deficit Policy states that any remaining surplus, after consideration is given to contributing to the Operating Budget Contingency Reserve and Unfunded Liability Reserve, be allocated as follows:

- o 50% be applied to reduce authorized but unissued debt;
- o 25% be contributed to the Community Investment Reserve Fund; and
- o 25% be contributed to the Capital Infrastructure Gap Reserve Fund.

The purpose of this report is to establish, through a Council approved by-law, a Capital Infrastructure Gap Reserve Fund. Civic Administration is currently developing the framework for the establishment of a Community Investment Reserve Fund. Once finalized, a report and associated by-law will be brought forward for Council approval.

Capital Infrastructure Gap Reserve Fund

The Capital Infrastructure Gap Reserve Fund will be used to mitigate growth in the infrastructure gap. The 2013 State of Infrastructure Report identified an approximate infrastructure gap of \$52.1 million and projected that gap to grow to \$466.1 million by 2022. The risks of not investing in the infrastructure gap are the potential to shorten the

useful lives of assets, inefficient investments, litigation, damage to the environment, lost opportunities (i.e. government transfer payments), and rising maintenance costs.

CONCLUSION

This report recommends approving the by-law to establish the Capital Infrastructure Gap Reserve Fund (Appendix A) as a housekeeping measure consistent with Council direction.

PREPARED BY:	PREPARED BY:
Alan Dunbar Manager of Financial Planning & Policy	Jason Senese Manager of Financial Planning & Policy
REVIEWED BY:	RECOMMENDED BY:
Larry Palarchio Director of Financial Planning & Policy	Martin Hayward Managing Director, Corporate Services and City Treasurer, Chief Financial Officer

Appendices:

APPENDIX A – Capital Infrastructure Gap Reserve Fund By-law

Appendix A - Capital Infrastructure Gap Reserve Fund By-law

Bill No.
2017

By-law No.

A by-law to establish the Capital Infrastructure
Gap Reserve Fund

WHEREAS section 9 of the *Municipal Act, 2001*, as amended, provides that a municipality has all of the rights, powers and privileges of a natural person;

AND WHEREAS subsection 10(1) of the *Municipal Act, 2001*, as amended, provides that a municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

AND WHEREAS subsection 10(2) of the *Municipal Act, 2001*, as amended, provides that a municipality may pass by-laws respecting the financial management of the municipality (paragraph 3) and services or things that the municipality is authorized to provide under subsection 10(1) (paragraph 7);

AND WHEREAS section 417 of the *Municipal Act, 2001*, as amended, provides that a municipality may establish a reserve fund for any purpose for which it has authority to spend money;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. A reserve fund is hereby established to be known as the Capital Infrastructure Gap Reserve Fund (hereinafter called the "Fund").
2. The monies standing in the Fund shall be used by The Corporation of the City of London (the "Corporation") to mitigate growth in the infrastructure gap specifically addressing further deteriorations of asset conditions.
3. Contributions to the Fund shall be deposited by the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, or designate.
4. The Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, or designate, is authorized to allocate funds from the Fund.
5. The Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, or designate, may invest the monies standing in the Fund in such securities as are permitted under subsection 418(1) of the *Municipal Act, 2001*, as amended, and in so doing, may consolidate the monies standing in the Fund with other funds that the Corporation may hold from time to time provided that any earnings derived from the monies standing in the Fund shall accrue to and form part of the Fund.
6. Notwithstanding that provision may not be made by the Council in the estimates of the current or any subsequent year for contributions to the Fund, it shall continue and be maintained, and the Council shall always be taken as considering the Fund as necessary so long as this by-law continues in force.

7. This by-law comes into force on the day it is passed.

PASSED in Open Council on February 14, 2017.

M. Brown
Mayor

Catharine Saunders
City Clerk

First Reading – February 14, 2017
Second reading – February 14, 2017
Third reading – February 14, 2017