

<b>TO:</b>	<b>CORPORATE SERVICES COMMITTEE ON MARCH 7, 2017</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER &amp; ACTING CITY MANAGER</b>
<b>SUBJECT:</b>	<b>RESERVE FUND HOUSEKEEPING COMMUNITY INVESTMENT RESERVE FUND</b>

**RECOMMENDATION**

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer & Acting City Manager, the attached proposed by-law (Appendix A) **BE INTRODUCED** at the Municipal Council meeting to be held on March 21, 2017 to establish a Community Investment 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:

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

On February 14, 2017 Council approved the Capital Infrastructure Gap Reserve Fund by-law.

## **Community Investment Reserve Fund**

In order to ensure that the Community Investment Reserve Fund (the "Fund") was developed to meet the needs of Council, Civic Administration 'polled' each Council member to receive their input.

The feedback collected by Civic Administration relates to:

1. What the Fund is to be used for; and
2. What the Fund is **not** to be used for.

### **1. What the Fund is to be used for.**

The feedback received by Council members covered a wide array of possible uses.

In order to ensure the Fund has the flexibility to meet the collective will of Council, the use of the Fund has been broadened to include the following:

- i. One-time initiatives/projects; or
- ii. Initiatives/projects that require a temporary source of financing not to exceed four years. Should Council choose to deliver an initiative/project on a permanent basis, transition plans must identify permanent sources of financing to commence no later than the fifth year.

### **2. What the Fund is not to be used for.**

While the use of the Fund has been broadened, it explicitly states the Fund should not be used for the following:

- i. Tax rate mitigation;
- ii. Permanent ongoing expenditures; and
- iii. A project/initiative that would qualify to be funded from a restricted reserve fund. For example, this Fund should not be used to allocate additional funding to mitigate growth in the infrastructure gap since the City already has the Capital Infrastructure Gap Reserve Fund which is intended to address this issue.

<b>CONCLUSION</b>
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This report recommends approving the Fund by-law to establish the Community Investment Reserve Fund (Appendix A) as a housekeeping measure consistent with Council direction.

<b>PREPARED BY:</b>	
<b>Jason Senese Manager of Financial Planning &amp; Policy</b>	
<b>REVIEWED BY:</b>	<b>RECOMMENDED BY:</b>
<b>Larry Palarchio Director of Financial Planning &amp; Policy</b>	<b>Martin Hayward Managing Director, Corporate Services and City Treasurer, Chief Financial Officer &amp; Acting City Manager</b>

**Appendices:**

**APPENDIX A** – Community Investment Reserve Fund By-law

## Appendix A - Community Investment Reserve Fund By-law

Bill No.  
2017

By-law No.

A by-law to establish the Community Investment 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 Community Investment 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 fund:
  - i. One-time initiatives/projects; or
  - ii. Initiatives/projects that require a temporary source of financing not to exceed four years. Should Council choose to deliver an initiative/project on a permanent basis, transition plans must identify permanent sources of financing to commence no later than the fifth year.
3. The monies standing in the Fund shall **not** be used by the Corporation to fund:
  - i. Tax rate mitigation;
  - ii. Permanent ongoing expenditures; and
  - iii. A project/initiative that would qualify to be funded from a restricted reserve fund.
4. Contributions to the Fund shall be deposited by the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, or designate.
5. Municipal Council is authorized to allocate monies from the Fund that meet the requirements of section 2 and 3 of this by-law.

6. 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.
7. Notwithstanding that provision may not be made by the Municipal Council in the estimates of the current or any subsequent year for contributions to the Fund, it shall continue and be maintained, and the Municipal Council shall always be taken as considering the Fund as necessary so long as this by-law continues in force.
8. This by-law comes into force on the day it is passed.

PASSED in Open Council on March 21, 2017.

M. Brown  
Mayor

Catharine Saunders  
City Clerk

First Reading – March 21, 2017  
Second reading – March 21, 2017  
Third reading – March 21, 2017