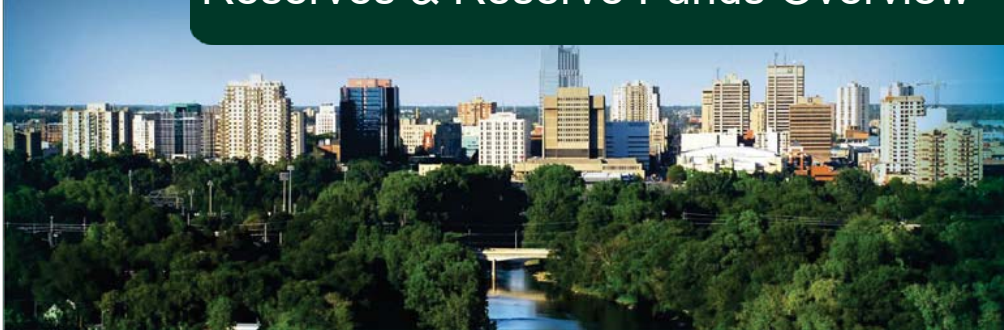




# Reserves & Reserve Funds Overview



October 28, 2019

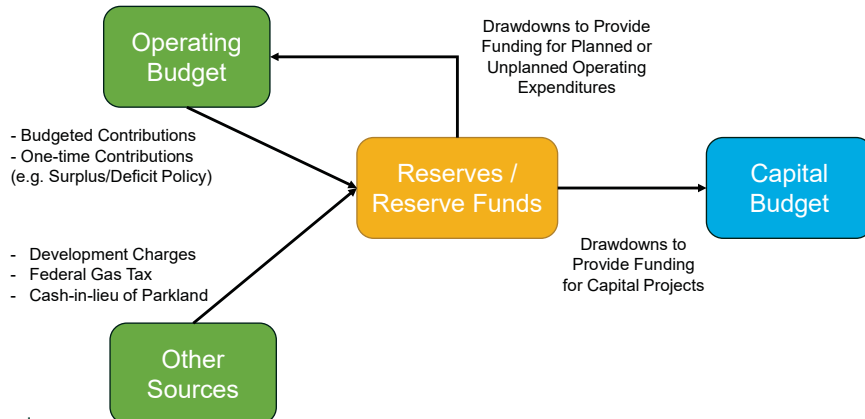


# What is the difference between a reserve and a reserve fund?

- Reserve Fund:
  - Funds set aside either by a by-law of the municipality (“discretionary”) or by a requirement of senior government statute or agreement (“obligatory”) to meet a future event.
  - May be set up for any purpose for which the municipality has the authority to spend money.
- Reserve:
  - Funds set aside at the discretion of Council, after the provision for all known expenditures.
  - No reference to any specific asset; does not require the physical segregation of money or assets (as in the case of a reserve fund).
  - May be set up for any purpose for which the municipality has the authority to spend money.



# How do reserves and reserve funds work?



# Why do we maintain reserves and reserve funds?

- Minimize fluctuations in taxes
- Avoids the use of debt where appropriate
- Enables flexibility to respond to emerging opportunities
- Provides a buffer for anticipated or unanticipated expenditures or loss of revenue
- Funds long term liabilities and contingencies
- Provides sufficient liquidity to avoid short term borrowing requirements
- Significant factor in maintaining Aaa credit rating



## Categories of reserves and reserve funds

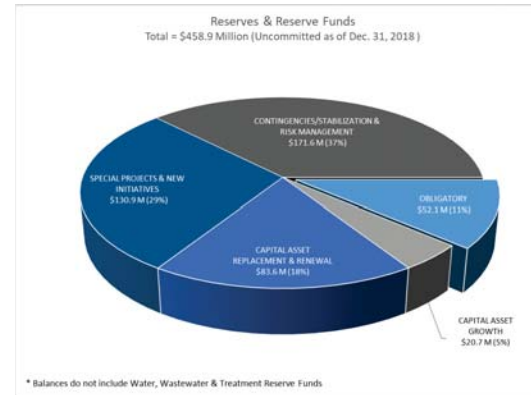
- Obligatory
- Capital Asset Growth
- Capital Asset Renewal and Replacement
- Special Projects & New Initiatives (SPNI)
- Contingencies/Stabilization & Risk Management (CSR)

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## Obligatory



\* Balances do not include Water, Wastewater & Treatment Reserve Funds

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Reserve funds required by Federal or Provincial legislation to be segregated and used solely for special purposes.

### Examples:

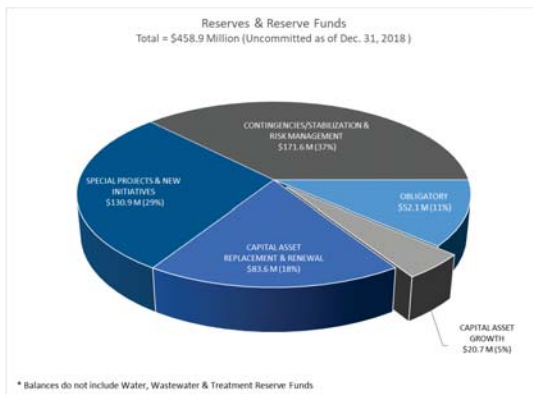
- City Services (DC) Reserve Funds (\$39.5M)
- Federal Gas Tax Reserve Fund (\$9.9M)
- Parkland Reserve Fund (\$2.7M)

### Important to Consider:

Cannot be used for tax levy mitigation.



## Capital Asset Growth



\* Balances do not include Water, Wastewater & Treatment Reserve Funds

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Established to provide funding to new capital initiatives while allowing the City to stabilize the cost of purchasing major capital assets by spreading the cost over multiple years.

### Examples:

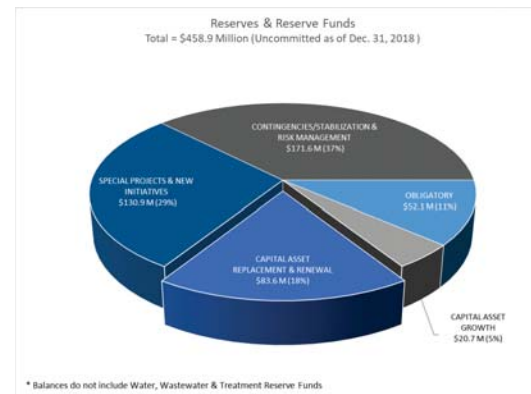
- DC Incentive Programs (\$10.5M) (Residential, Commercial, Industrial, Institutional – Incl. Water/Wastewater)
- Industrial Land (\$9.3M)

### Important to Consider:

DC incentives contribute to the City's long-term growth & competitive position among municipalities. Supply of industrial land contributes to the City's economic growth.



## Capital Asset Replacement & Renewal



\* Balances do not include Water, Wastewater & Treatment Reserve Funds

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Established to provide funding for the repair and maintenance of existing City assets to ensure assets do not deteriorate over time.

### Examples:

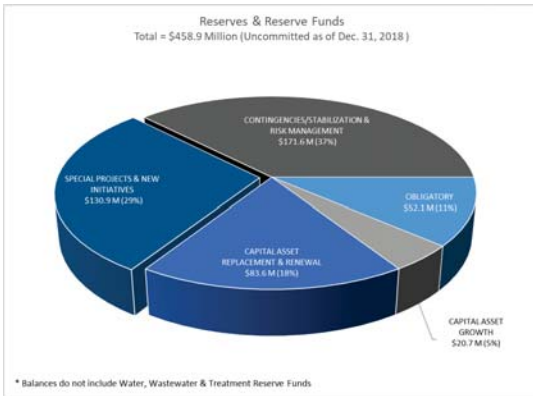
- City Facilities (\$30.3M)
- Sanitary Landfill (\$14.2M)
- Social Housing (\$8.9M)
- Vehicle Replacement (\$6.8M)
- Capital Infrastructure Gap (\$3.5M)

### Important to Consider:

Housing infrastructure needs (LMCH), City's infrastructure gap (\$569M projected gap in 10 years), master accommodation plan, future landfill expansion.



## Special Projects & New Initiatives (SPNI)



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Savings for planned or unanticipated projects or expenses that may arise and do not have another funding source.

### Examples:

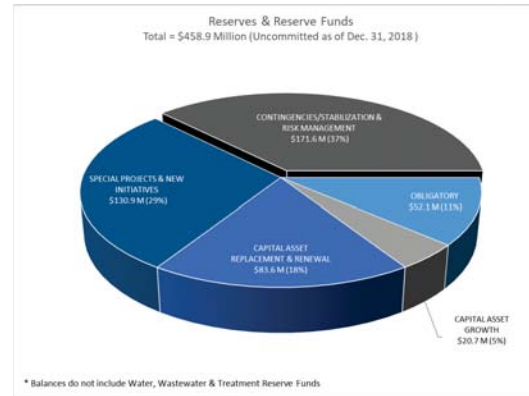
- Public Utility Commission (PUC) Environmental (\$73.9M)
- Economic Development (\$19.0M)
- Efficiency, Effectiveness & Economy (EEE) (\$11.8M)
- Community Improvement Programs (CIP) (\$4.6M)
- Land Acquisition (\$3.8M)
- Community Investment (\$0.8M)
- Housing Development Corporation (HDC) (\$0.5M)

### Important to Consider:

Large future needs anticipated: HDC, Strategic Plan additional investments, anticipated CIP drawdowns; PUC balance must be maintained



## Contingencies/Stabilization & Risk Management (CSRM)



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Designed to fund future obligations which are based on calculated estimates and to mitigate unforeseen events or one-time unanticipated expenses.

### Examples:

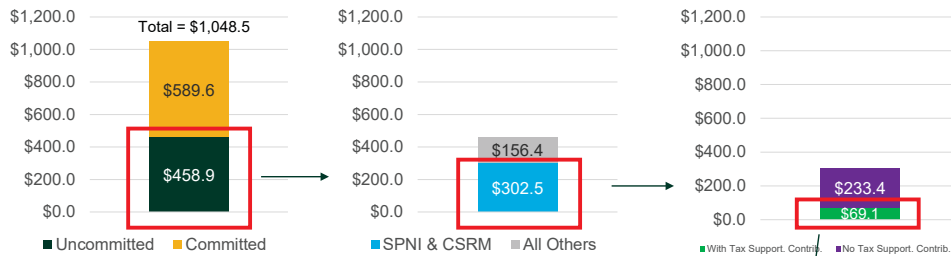
- Unfunded Liability (\$80.4M)
- Operating Budget Contingency Reserve (OBCR) (\$50.2M)
- Self Insurance (\$11.5M)
- Building Permit Stabilization (\$1.6M)
- Sick Leave (\$1.6M)

### Important to Consider:

Below target balances for Unfunded Liability (\$47M short) & OBCR / EEE (\$35M short)



## Summary of Reserves and Reserve Funds (\$ millions) – as of 12/31/2018



The focus of today's report

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