



Executive Committee

**Wednesday, May 16, 2018
11:45 AM**

Henry Baker Hall, Main Floor, City Hall



OFFICE OF THE CITY CLERK

Public Agenda Executive Committee Wednesday, May 16, 2018

Approval of Public Agenda

Adoption of Minutes

Executive Committee - Public - Apr 18, 2018 11:45 AM

Administration Reports

EX18-11 Reserve Review Recommendations

Recommendation

1. That Council approve amendments to Schedule A of *The Regina Administration Bylaw*, Bylaw No. 2003-69 (the Bylaw) as follows:
 - a. Add the purpose and funding source for each reserve consistent with Appendix C of this report.
 - b. Change the name of the Operational Commitments Reserve to Elections and Property Reassessment Reserve.
 - c. Close the following reserves:
 - i. Pest Management Reserve, effective immediately.
 - ii. Facility Reserve, effective January 01, 2019 or upon completion of the old Mosaic stadium decommissioning.
 - d. Change the current reserve limits based on the recommended minimum and maximum reserve limits as outlined in Appendix D of this report.
 - e. Strengthen annual reserve reporting requirements by providing general guidelines in the Bylaw that allow for detailed and comprehensive reporting requirements to be contained in the Administration's Reserve Policy.
 - f. Make housekeeping amendments to correct and clarify language as follows:
 - i. remove the references to "external entities" and "external parties" with respect to deferred revenue;
 - ii. clarify what constitutes deferred revenue;
 - iii. clarify the wording for transfers from reserves;
 - iv. amend the references to "interest revenue" to refer to "investment income";
 - v. clarify that investment income can only be transferred to the asset



OFFICE OF THE CITY CLERK

- revitalization reserve where it will not create a deficit in the operating fund; and
- vi. amend the references to “amount” in a number of reserves to refer to the “balance” instead.
2. That the total reserve transfers of \$5.987 million as described below be approved:
 - a. Transfer \$4.69 million from the Winter Road Maintenance Reserve as follows:
 - i. \$2.8 million to the Social Development Reserve (SDR)
 - ii. \$1.89 million to the General Fund Reserve.
 - b. Transfer \$777,000 from the Asphalt Plant Reserve to the Asset Revitalization Reserve.
 - c. Transfer \$520,000 from the Pest Management Reserve to the General Fund Reserve.
 3. That the transfer to the SDR extinguish the outstanding internal obligation of \$2.8 million owed to the SDR.
 4. That the City Solicitor be instructed to prepare amendments to Schedule A of *The Regina Administration Bylaw*, Bylaw No. 2003-69 to address the changes identified in recommendation 1 of this report.
 5. That this report serve as the Annual Reserve Balances Report in accordance with Schedule A (Section 8.1) of the Bylaw.
 6. That Administration bring back a report in 2019 outlining the benefits and implications of creating a reserve for the Residential Roads Renewal Program.
 7. That this report be forwarded to the May 28, 2018 meeting of City Council for approval.

Resolution for Private Session

AT REGINA, SASKATCHEWAN, WEDNESDAY, APRIL 18, 2018

AT A MEETING OF EXECUTIVE COMMITTEE
HELD IN PUBLIC SESSION

AT 11:45 AM

These are considered a draft rendering of the official minutes. Official minutes can be obtained through the Office of the City Clerk once approved.

Present: Councillor Jason Mancinelli, in the Chair
Mayor Michael Fougere
Councillor Lori Bresciani
Councillor Sharron Bryce
Councillor John Findura
Councillor Jerry Flegel
Councillor Bob Hawkins
Councillor Joel Murray (Teleconference)
Councillor Mike O'Donnell
Councillor Andrew Stevens
Councillor Barbara Young

Also in Attendance: City Clerk, Jim Nicol
A/Deputy City Clerk, Amber Ackerman
A/City Manager, Diana Hawryluk
City Solicitor, Byron Werry
Executive Director, City Services, Kim Onrait
Executive Director, Finance & Corporate Services, Barry Lacey
A/Executive Director, Transportation & Utilities, Pat Wilson
Director, Communications & Customer Experience, Alan Clay
Historical Info & Preservation Supervisor, Dana Turgeon

(The meeting convened in the absence of Councillor Flegel.)

APPROVAL OF PUBLIC AGENDA

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that the agenda for this meeting be approved, as submitted, and that the delegations be heard in the order they are called by the chairperson.

ADOPTION OF MINUTES

Councillor Lori Bresciani moved, AND IT WAS RESOLVED, that the minutes for the meeting held on March 14, 2018 be adopted, as circulated.

ADMINISTRATION REPORTS

EX18-9 Endeavour to Assist Amendment to Servicing Agreement and Development Levy Agreement Policy

Recommendation

1. That Appendix A, the *Administration of Servicing Agreement and Development Levy Agreement Policy*, be effective immediately upon approval by City Council.
2. That the City Solicitor be directed to prepare the necessary bylaw to amend *The Development Levy Bylaw No. 2011-16* to reflect the changes in Part D of Schedule D, in the manner set out in this report and Appendix A to this report, entitled *Administration of Servicing Agreement and Development Levy Agreement Policy*.
3. That this report be forwarded to the April 30, 2018 City Council meeting for approval.

Stu Niebergall and Evan Hunchak, representing Regina and Region Home Builders Association, addressed and answered questions of the Committee.

(Councillor Flegel arrived at the meeting.)

Mayor Michael Fougere moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

EX18-7 Civic Addressing Service to RM of Sherwood

Recommendation

- 1) That City Council authorize the City Manager, or his or her designate to approve and enter into an agreement to provide civic addressing services to the Rural Municipality of Sherwood No. 159.
- 2) That the City Clerk be authorized to execute the agreement with the Rural Municipality of Sherwood No. 159 after review and approval by the City Solicitor.
- 3) That this report be forwarded to the April 30, 2018 meeting of City Council for approval.

Councillor Mike O'Donnell moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

EX18-8 Buffalo Pound Water Treatment Corporation (BPWTC) – BCF (Building Canada Fund), National Regional Projects (NRP), Provincial-Territorial Infrastructure Component (PTIC) – Proposed Project

Recommendation

1. That the Executive Director, Financial and Corporate Services or his designate be authorized to provide approval to the Buffalo Pound Water Treatment Corporation (BPWTC) to submit an application under the Building Canada Fund (BCF), National Regional Projects (NRP), Provincial-Territorial Infrastructure Component (PTIC), for the Lake Pump Station Electrical and Pump Upgrade Project (Project).
2. That this report be forwarded to the April 30, 2018 meeting of City Council for approval.

Ryan Johnson, representing Buffalo Pound Water Treatment, addressed and answered questions of the Committee.

Councillor Bob Hawkins moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

EX18-10 Records Retention and Disposal Schedules Bylaw 2012-18

Recommendation

1. That *Bylaw No. 2012-18 The Records Retention & Disposal Bylaw, 2012* be amended as follows:
 - a. Schedule A: City of Regina Administrative Records Retention Schedule attached to this report replace Appendix A of Bylaw 2012-18;
 - b. Schedule B: City of Regina Operational Records Retention Schedule attached to this report replace Appendix B of Bylaw 2012-18.
2. That the City Solicitor be instructed to prepare the required bylaw amendments.
3. That this report be forwarded to the April 30, 2018 City Council meeting for approval.

Councillor Barbara Young moved, and it was resolved, that the recommendations contained in the report be concurred in.

RESOLUTION FOR PRIVATE SESSION

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that in the interest of the public, the remainder of items on the agenda be considered in private.

RECESS

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that the Committee recess for ten minutes.

(The Committee recessed at 12:20 p.m.)

Chairperson

Secretary

May 16, 2018

To: Members
Executive Committee

Re: Reserve Review Recommendations

RECOMMENDATION

1. That Council approve amendments to Schedule A of *The Regina Administration Bylaw*, Bylaw No. 2003-69 (the Bylaw) as follows:
 - a. Add the purpose and funding source for each reserve consistent with Appendix C of this report.
 - b. Change the name of the Operational Commitments Reserve to Elections and Property Reassessment Reserve.
 - c. Close the following reserves:
 - i. Pest Management Reserve, effective immediately.
 - ii. Facility Reserve, effective January 01, 2019 or upon completion of the old Mosaic stadium decommissioning.
 - d. Change the current reserve limits based on the recommended minimum and maximum reserve limits as outlined in Appendix D of this report.
 - e. Strengthen annual reserve reporting requirements by providing general guidelines in the Bylaw that allow for detailed and comprehensive reporting requirements to be contained in the Administration's Reserve Policy.
 - f. Make housekeeping amendments to correct and clarify language as follows:
 - i. remove the references to "external entities" and "external parties" with respect to deferred revenue;
 - ii. clarify what constitutes deferred revenue;
 - iii. clarify the wording for transfers from reserves;
 - iv. amend the references to "interest revenue" to refer to "investment income";
 - v. clarify that investment income can only be transferred to the asset revitalization reserve where it will not create a deficit in the operating fund; and
 - vi. amend the references to "amount" in a number of reserves to refer to the "balance" instead.
2. That the total reserve transfers of \$5.987 million as described below be approved:
 - a. Transfer \$4.69 million from the Winter Road Maintenance Reserve as follows:
 - i. \$2.8 million to the Social Development Reserve (SDR)
 - ii. \$1.89 million to the General Fund Reserve.
 - b. Transfer \$777,000 from the Asphalt Plant Reserve to the Asset Revitalization Reserve.
 - c. Transfer \$520,000 from the Pest Management Reserve to the General Fund Reserve.
3. That the transfer to the SDR extinguish the outstanding internal obligation of \$2.8 million owed to the SDR.

4. That the City Solicitor be instructed to prepare amendments to Schedule A of *The Regina Administration Bylaw*, Bylaw No. 2003-69 to address the changes identified in recommendation 1 of this report.
5. That this report serve as the Annual Reserve Balances Report in accordance with Schedule A (Section 8.1) of the Bylaw.
6. That Administration bring back a report in 2019 outlining the benefits and implications of creating a reserve for the Residential Roads Renewal Program.
7. That this report be forwarded to the May 28, 2018 meeting of City Council for approval.

CONCLUSION

This report contains the findings and recommendations of the detailed review of the reserves completed in 2017. The City had 21 reserves with a total balance of \$209.9 million as at December 31, 2017. The review shows that the number of reserves and the balance of reserves held by the City are reasonable relative to the current business needs of the City and in comparison to other jurisdictions and best practices. The review also found that the majority of the City's reserves are needed to support planned capital and operating requirements.

Projections show that reserve balances will decline by the end of 2018 due to planned and committed capital projects, including the purchase of the Saskatchewan Transportation Company (STC) building for the new Regina Police Service Headquarters. The majority of the funds in the Asset Revitalization Reserve and General Fund Reserve have been approved by Council (CR17-120) to fund the \$37 million STC building acquisition. These reserves, which provide Council with the greatest flexibility, are projected to be significantly below their minimum limit due to this capital acquisition.

Based on the outcomes of the reserve review, improvements are recommended to enhance the management of reserves to continue to meet planned expenditures as well as to mitigate unplanned funding requirements. The recommended changes that require Council approval are summarized below:

- To enhance transparency, the purpose and funding source of each reserve be clearly described. Administration is recommending that Council approve amendments to the Bylaw to include the purpose and funding source of the reserves as outlined in Appendix C.
- To ensure greater transparency, it is recommended that the name of the Operational Commitments Reserve be changed to Elections and Property Reassessment Reserve.
- The Pest Management Reserve and Facility Reserve are being recommended for closure as these reserves are no longer relevant to the business needs of the City.
- Based on the new methodology for setting reserve limits, Administration is recommending that Council approve the new minimum and maximum reserve limits, and amend the Bylaw to include the new limits as outlined in Appendix D.
- Changes are also recommended to strengthen the annual reserve reporting to Council to provide sufficient information to support more informed decisions.

Overall, the recommendations require amendments to the Bylaw, transfers of approximately \$6 million between reserves, as well as changes to the existing Reserve Policy. Council approval is required for the recommendations related to amendments to the Bylaw and reserve transfers. The Executive Director, Financial & Corporate Services has authority to approve the Reserve Policy based on Section 25 of the Bylaw. The Reserve Policy changes will be reflective of the Bylaw amendments. Therefore, the Reserve Policy will be updated and approved by the Administration after the recommended Bylaw amendments have been approved by Council to ensure consistency.

In addition to the reserve review recommendations, this report addresses the requirements of the Annual Reserve Balances Report to Council in accordance with clause 8.1 of Schedule A of the Bylaw. This clause requires the Executive Director, Financial & Corporate Services to submit an annual reserve balances report to Council for approval. Administration is confident that these recommendations will enhance effective reserves stewardship and consistent management of reserves for the ongoing financial stability of the City.

BACKGROUND

Reserves account for a significant portion of the City's long-term financial strategy and capital plan, with 56 per cent of the City's 2018 capital budget to be funded from reserves. Over the past decade, the City's reserve balance has increased from \$61 million in 2007 to \$209.9 million in 2017 due to growth and planning for increased infrastructure funding needs.

The City's reserves are governed by Schedule A of the Bylaw (Reserve Bylaw) and the Reserve Policy. The Reserve Bylaw was last updated in 2011 and the Reserve Policy was created by Administration in 2011 but has not been reviewed since that time. Since 2011, the City has developed new guiding documents, such as *Design Regina - the Official Community Plan* (OCP) and other internal documents. There was a need to review the appropriateness of the reserves held by the City in relation to the purpose of each reserve, long-term financial goals and business needs of the City, risks and best practices to ensure reserves are being used effectively as a tool for financial and asset management. For these reasons, a comprehensive reserve review was initiated to align the Reserve Bylaw, Reserve Policy and these guiding documents to help ensure the City's long-term financial sustainability.

The review process included best practice research, consultation with internal stakeholders and, jurisdictional review and benchmarking. Analysis of internal guiding documents and historical data for reserves was done to assess the appropriateness of the purpose and limits of reserves. The review did not include obligatory or non-discretionary reserves such as deferred revenues or the Group Benefits Reserves. This was due to the external restrictions or legal obligations, which require that these reserves be separated from the City's revenues and the funds used for specific projects based on agreed upon terms and conditions. Council is legally not allowed to use funds from these reserves outside of the stated purposes.

The review findings and recommendations are discussed below. Council's approval is required for the recommendations related to reserve transfers and Bylaw amendments.

DISCUSSION

Reserves are monies authorized by Council to be set aside for planned and unexpected future capital and operating expenditures. The creation, use and management of reserves based on a formalized reserve policy and bylaw is consistent with best practices and common jurisdictional practices among cities in Canada and the United States.

The City has 21 reserves with a total balance of \$209.9 million as at December 31, 2017. There are five capital reserves, eight operating reserves and eight self-sustaining (capital and operating) reserves.

- **Capital reserves** are used to fund planned capital expenditures. These reserves are tax-funded and had a total balance of \$33.3 million as at December 31, 2017.
- **Operating reserves** are used to smooth the impact of fluctuations in operating expenditures. These reserves are tax-funded, and they had a balance of \$45.9 million at the end of 2017.
- **Self-sustaining reserves** are used for both capital planning and to smooth fluctuations in expenditures. These reserves are funded through external user fees (e.g. utility fees, landfill fees) and they account for the majority (\$130.8 million) of the City's reserve balance.

Objectives of the Review

The overall goal of the reserve review was to develop a modern Reserve Policy and Bylaw that can enable the City to deliver on its priority of "achieving long-term financial viability" as identified in the OCP. Specifically, the review focused on providing recommendations to improve and strengthen the City's reserve management by:

- a. Ensuring that the number of reserves and the balance of reserves held by the City are appropriate.
- b. Ensuring that the purpose and funding source of the City's reserves are clearly described and aligned to the OCP and other Council priorities.
- c. Developing criteria for creating or closing reserves, and for the ongoing assessment of reserves.
- d. Establishing a methodology for determining appropriate limits for reserves, including determining appropriate minimum and maximum thresholds for each reserve, relative to the purpose of the reserve, the City's business needs, and best practices.
- e. Strengthening reserve governance to balance Council's authority with administrative flexibility, while promoting transparency.
- f. Updating the Reserve Policy and the Bylaw based on findings and recommendations of the review.

Based on these objectives, the review findings and recommendations are described below.

Number and Size of Reserves Held by the City

The review findings show that the number of reserves and amount of money in reserves held by a municipality depend on a number of factors, including services and levels of service provided by the municipality, age and condition of infrastructure, and long-term plans. Using recommended best practices, the number and balance of reserves maintained by the City for 2017 were benchmarked against ten municipalities. As outlined in Appendix A, the result shows

that the number of reserves and the total balance of reserves held by the City are reasonable relative to the current business needs of the City and in comparison to other jurisdictions and best practices. However, there is a need to ensure better alignment between the purpose and balance of individual reserves. This is addressed by the review.

Purpose and Funding Source of Reserves

The general purpose of reserves was updated, and new principles of reserves were developed to ensure better alignment of reserves to the OCP and other internal guiding documents such as the Strategic Plan and master plans (more information can be found in Appendix B). Council approval is not required for the general purposes and principles of reserves as this will be documented in the new Reserve Policy and used by Administration to inform its recommendations to Council.

To enhance transparency and consistent interpretation of the uses and funding of each reserve, the purpose and funding source for each of the City's reserves are clearly described in Appendix C of this report. Administration is recommending that the Bylaw be amended to include a description of the purpose and funding source for each reserve. A change to the name of the Operational Commitments Reserve is especially notable as described below.

- **Operational Commitments Reserve** - This reserve is intended to provide funding to smooth budget effects resulting from cyclical business needs such as municipal elections and property reassessments, which occur once every four years. This reserve is not intended to fund property reassessment appeal losses as the City's appeal losses are netted against the general operating revenue. However, the review findings indicate that more specific naming will provide greater awareness regarding the intent of this reserve and give clarity, as well as greater transparency with respect to its purpose. Therefore, Administration is recommending that the Bylaw be amended to change the name of the Operational Commitments Reserve to *Elections and Property Reassessment Reserve*.

Criteria for Creating or Closing Reserves

As part of the review, criteria for creating or closing reserves were developed. The criteria provide a framework for Administration to provide rational advice to Council to support business decisions related to creating or closing reserves. Some of the factors considered by the criteria are as follows:

1. **Alignment to City Priorities** - How well does a reserve support the achievement of the City's priority and business needs?
2. **Funding Strategy** - Is a reserve the most appropriate funding strategy for the identified business need?
3. **Funding Source** - Is the reserve funded primarily from external user fees/charges/rates or through property tax revenues?
4. **Impact on the General Fund or Mill Rate** - What financial impact does the reserve have on the general fund revenue or the mill rate?
5. **OCP Principles** - How well does the reserve support principles in the OCP such as the benefits model or cost recovery?
6. **Transparency** - Will the creation of a reserve help to ensure greater transparency in the use of resources?

The 21 reserves currently held by the City were assessed against the new criteria. The result shows that while the majority of the reserves continue to be relevant to the business needs of the City, the Facility Reserve and Pest Management Reserve should be eliminated as described below.

- **Facility Reserve** - This reserve was established to fund capital upgrades for the old Mosaic stadium, which is currently being decommissioned. When the old Mosaic stadium is fully decommissioned, the Facility Reserve will no longer be required as the Regina Revitalization Initiative (RRI) Stadium Reserve is in place to manage the new Mosaic stadium.
- **Pest Management Reserve** - Established in 2011, the Pest Management Reserve was intended to provide funding to further the control of nuisance pests and to allow for a continued proactive approach to pest control. The review shows that the operating budget of the pest control program is sufficient to cover costs as there have been no expenditures from the reserve since it was established. Past history also shows that the magnitude and the financial impact of pest outbreaks is low, in the range of \$125,000 in a worst case year. This risk can be reasonably managed through the General Fund Reserve (GFR).

With the establishment of these criteria, Administration can provide consistent, clear advice to Council on the establishment of new reserves. A brief discussion was held about creating a reserve for the Residential Roads Renewal Program, which has dedicated funding of one per cent mill rate as approved by Council. Administration will analyze options to enhance the transparency of this program and provide recommendations as part of the 2018 Reserve Review Report in 2019.

Minimum and Maximum Reserve Limits

Another important objective of the review was to determine the appropriateness of the minimum and maximum limits for reserves. While the establishment of limits is not a legislated requirement, the City introduced reserve limits in 2011 to support the management of reserves and to identify when reserves were moving in the wrong direction. Since the creation of the reserves and their current limits, asset plans have been adjusted to meet the City's future plans. Updating the reserves limits to better align with long-term plans is a further evolution of how the City manages and uses reserves as a tool for long-term financial viability.

A risk-based methodology for determining reserve limits was developed. The methodology considered several factors, including the purpose of the City's reserves, business needs, services and levels of service, capital plans, past history, jurisdictional comparisons and best practices. Using the new methodology for setting reserve limits, new minimum and maximum limits were determined for each of the reserves as outlined in Appendix D. Administration is recommending that Council approve the new reserve limits and amend the Bylaw to update the reserve limits.

There is an increase to the limit of five reserves, a decrease to the limit of four reserves, and minor or no changes to the limit of 11 reserves. The changes to the reserve limits result in an increase to the overall minimum limit of the City's reserves from \$66 million to \$83 million and an increase to the maximum reserve limit from \$206 million to \$274 million. The increase is due to a major increase to the Solid Waste Reserve limit to ensure capital funding is available for the landfill closure and post-closure liability, which is estimated to cost \$57 million over 40 years.

Best practices recommend that a municipality should maintain a reserve balance of at least 20 per cent of its expenditures. The City's 2017 reserve balance is 36 per cent of its total expenditures compared to 40 per cent for the average municipality. This comparison shows that the City's reserve balances are reasonable relative to its current business needs and in comparison to other cities and best practices.

It is important to note that the "limit" established for a reserve is not an absolute limit but simply a measure of what is considered appropriate to meet the business needs of the reserve. There may be additional factors that could allow for a reserve to remain outside of its limits. Therefore, the minimum and maximum limits established for reserves should be seen as a flag that should trigger discussions about the appropriateness of a reserve balance rather than an express requirement that money should be transferred to or from a reserve.

Reserve Reporting and Transparency

The review determined that the current reserve reporting requirements in the Bylaw limit the amount of information provided to Council. To help enhance transparency and comprehensive reserve reporting, there is an opportunity to strengthen the sufficiency of information provided to Council to also include the purpose and funding source of all reserves, annual addition and reduction to all reserves, as well as projection of all reserve balances. Based on this, Administration is recommending that changes be made to simplify the current provision in the Bylaw related to reserve reporting. It is recommended that the new provision specifies high level reporting requirements as follows:

- (a) On or before September 30th of each year, the Executive Director, Financial & Corporate Services shall submit an Annual Reserve Report to City Council for approval.
- (b) The report shall contain the balances of each reserve as of the end of the previous year, recommendations that will ensure appropriate balances are maintained in each reserve, as well as any other relevant information relating to reserves that the Executive Director, Financial & Corporate Services considers necessary for Council information or to help Council make an informed decision.

The Administration's Reserve Policy will describe additional information to provide to Council in the annual report, including a description of all reserves and their balances, transactions in all reserves throughout the year, as well as projections for all reserves balances and recommendations to ensure appropriate balances are maintained in the reserves.

This provision will allow Administration to use good judgement to add detailed reporting requirements in the Reserve Policy as well as update the policy periodically while being consistent with the Bylaw. This will ensure comprehensive reporting on reserves and sufficient information for Council to make informed decisions on an ongoing basis.

Reserve Transfers

As noted previously, minimum and maximum limits of reserves are generally a flag for discussions about the appropriateness of a reserve balance rather than an express requirement that money should be transferred to or from a reserve. The new reserve principles (Appendix B) still maintain that reserves should not be used to accumulate more funds than are appropriate to meet planned or estimated capital plans, future obligations or unexpected requirements. Based on

the requirements of Schedule A of the Bylaw, which specify that the Executive Director, Financial & Corporate Services submit an annual reserve report to Council that ensures appropriate reserve balances are maintained, the following recommendations are made.

a. Reserves in Excess of their Limits

The following recommendations are made with respect to reserves in excess of their limits, based on the new recommended reserves limits in Appendix D.

- **General Utility Reserve** - This is a self-sustaining reserve used to fund water and sewer utility capital projects and to smooth the effect of fluctuations in operating budget for the water and sewer utility. At the end of 2017, this reserve had a balance of \$94.1 million, which is \$4.1 million in excess of its updated maximum limit. In general, the expectation is to not transfer excess funds from self-sustaining reserves as these reserves are funded from external user fees, and any amount in excess of the limits should be taken into consideration when setting future fees. In addition, the funds in this reserve are planned to fund established future capital expenditures. For example, \$52.5 million is budgeted to be spent from this reserve on utility capital projects in 2018 as approved by Council, while total utility capital expenditures of \$279 million are planned to be funded from the reserve over the next five years (2018-2022). Based on this, it is recommended that no transfers be made from this reserve.
- **Winter Road Maintenance Reserve** - This is an operating reserve used to manage annual fluctuations in the winter road maintenance program expenditures that may arise due to unpredictable winter events. The reserve had a balance of \$8.69 million at the end of 2017. This balance includes \$2 million approved by Council (CR17-138) from this reserve to the Social Development Reserve (SDR) for the 2018 funding commitments for the Housing Incentives Policy (HIP) program. This transfer was done in early 2018, leaving the current balance of the Winter Road Maintenance Reserve at \$6.69 million. It was determined by the review that a maximum limit of \$2 million is reasonable to smooth fluctuations in the program expenditures. Analysis of the past five-year activities shows an average yearly expenditures of \$7.6 million for this program compared to the 2018 budget of \$8.4 million, resulting in an average yearly surplus of \$800,000. The biggest expenditure in the winter road maintenance program in the last ten years was \$9.6 million, with actual program expenditures having exceeded the 2018 budget level twice in the past ten years. While this over expenditure is \$1.2 million in excess of the 2018 budget level, the new limit of \$2 million is sufficient to cover such one-time over expenditures, which are only expected in extreme winter seasons. In the past two years, total surplus of \$5.2 million from the winter road maintenance program was transferred to the reserve due to below average winter conditions. This further illustrates that the limit of \$2 million is appropriate. For these reasons, Administration is recommending that the excess amount \$4.69 million be transferred as follows:
 - i. \$2.80 million to the Social Development Reserve. This will extinguish an outstanding obligation of \$2.8 million owed to the SDR, resulting from the \$7.3 million borrowed from the SDR in 2012 for the acquisition of the Southeast lands as approved by Council on August 20, 2012 (CR12-126). The transfer will also provide funding for the 2019 commitments for the HIP. However, to continue to meet funding requirements of the HIP beyond 2019, the City needs to establish a long-term funding strategy to meet commitments beyond 2019.

- ii. \$1.89 million to the General Fund Reserve (GFR). This will help replenish the GFR, which is currently projected to be significantly lower than its minimum limit.
- **Asphalt Plant Reserve** - This is a capital reserve used to fund capital requirements and maintenance costs of the asphalt plant. The reserve had a balance of \$2.07 million at the end of 2017, which is \$777,000 in excess of its updated limit. It is recommended that this excess amount be transferred to the Asset Revitalization Reserve (ARR) to help replenish the ARR, which is projected to be close to its minimum limit at the end of 2018.

Based on the recommended closure of the Pest Management Reserve and the Facility Reserve, the following recommendations are made:

- **Pest Management Reserve** - Transfer the balance of \$520,000 from this reserve to the General Fund Reserve.
- **Facility Reserve** - This reserve had a balance of \$260,000 as at December 31, 2017. This amount was included in the 2018 budget to support the demolition and decommissioning of the old Mosaic stadium, and the reserve is expected to have a zero balance when the decommissioning project is completed. Therefore, there will be no available money to be transferred from this reserve when it is closed.

b. Reserves below their Limits

The following recommendations are made with respect to reserves that are below their minimum limits.

- **Golf Course Reserve** - This is a self-sustaining reserve that provides funding for the capital requirements and maintenance costs of the golf courses and to smooth operating requirements. The reserve had a balance of \$2,000 at the end of 2017. While this balance is significantly lower than the minimum limit of \$250,000 for this reserve, a replenishment is not recommended at this time as the golf courses are expected to be self-sustaining. On December 16, 2016, Council approved (CR16-143) a fee schedule for the golf course program. The fee increases are expected to cover increased operating expenditures and provide an annual transfer to the reserve in order to meet future infrastructure requirements and bring the reserve within its limits.
- **Land Development Reserve** - This reserve is used to fund land acquisition and development, and to manage fluctuations in the operating budget for the Land and Real Estate Management operations. As at December 31, 2017, this reserve had a negative balance of \$17.1 million due to capital investments of \$16 million in Southeast land development project. This project requires upfront investments in infrastructure with revenue from land sales occurring in the future. This reserve is projected to return to a positive balance of \$7.9 million in 2021 based on estimated revenue of \$7.5 million per year from land sales. Therefore, no action is required at this time.

c. Reserves within their Limits

The remaining reserves are within their limits. Therefore, no action is required.

Bylaw Housekeeping Matters

A number of housekeeping changes to the Bylaw are required as a result of the review recommendations, such as clarifying what constitutes deferred revenue and amending references to “interest revenue” to refer to “investment income” in Schedule A of the Bylaw. These changes

are necessary to provide corrections and clarifications that are consistent with the reserve review recommendations and the current application of the Bylaw.

RECOMMENDATION IMPLICATIONS

Financial Implications

Reserves provide the City a capital planning mechanism by matching revenues and expenses over the long-term to ensure the sustainability of services and assets. They also provide the City financial flexibility to respond to opportunities, budget shortfalls or to smooth fluctuations in expenditures or revenues that could otherwise result in property tax increases.

The recommended reserve limits will help ensure that the City continues to maintain appropriate reserve limits that support its long-term business needs.

The recommendations also include a transfer of approximately \$6 million between reserves, including \$2.8 million to the SDR, \$770,000 to the ARR and \$2.4 million to the GFR. The transfer to the SDR will extinguish an outstanding obligation of \$2.8 million owed to the SDR, which resulted from the \$7.3 million approved from the SDR by Council in 2012 for the purchase of the Southeast lands. The GFR and ARR provide Council with the greatest flexibility to smooth one-time operating and capital requirements. Respectively, the GFR and ARR had a balance of \$27.5 million and approximately \$20 million at the end of 2017. However, the GFR is projected to decline to approximately \$9 million at the end of 2018, which is lower than its minimum limit of \$22 million. This decrease is due to the approval of \$18.4 million from the GFR (CR17-120) to fund the \$37 million purchase of the former Saskatchewan Transportation Company (STC) Bus Depot and Head Office, as part of a long-term affordable solution to address the Regina Police Service (RPS) facility requirements. The ARR is also projected to be near its minimum limit at the end of 2018 due to \$23.6 million budgeted funding for various capital projects as approved by Council in the 2018 capital budget, including \$11.4 million for the purchase of the STC building for the RPS facility requirements and \$8.6 million for the street infrastructure renewal project.

The recommended transfers to the GFR and ARR are considered small but necessary steps in replenishing these reserves in order to improve Council's flexibility to respond to emergencies or capitalize on future opportunities without borrowing.

The closure of the Facility Reserve and Pest Management Reserve allows the City to maintain and manage only reserves that are relevant to its business needs. As the pest control program continues to be a priority to the City because of the related health and safety impacts, the GFR would be used to manage potential variance in the budget of the pest control program or to pay for potential over expenditures in the pest control program. Therefore, there is no anticipated impact to the pest control program as a result of the closure of the Pest Management Reserve.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

Reserves set aside funding for future planned expenditures, to smooth expenditures or to allocate costs of maintaining and replacing an asset to the users who benefit from the asset over the long-term. The reserve review recommendations are expected to strengthen the Reserve Policy and Bylaw to better enable the City in delivering the community priority ‘achieving long-term financial viability’ as described in the OCP, including financial principles such as the benefits model and cost recovery. This community priority directs the City to spend money wisely to manage its services both now and in the future and reserves are a mechanism to achieve that balance. The connection between the 2018-2021 Corporate Strategic Plan, titled ‘Making Choices Today to Secure Tomorrow - Advancing the OCP’ and the reserve review is also clear as the plan includes the strategic objective to ‘improve service financial sustainability’.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

None related to this report.

DELEGATED AUTHORITY

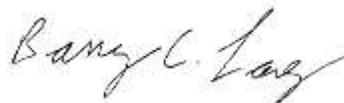
The recommendations contained in this report require City Council approval.

Respectfully submitted,



June Schultz, Director
Finance

Respectfully submitted,



Barry Lacey, Executive Director
Financial & Corporate Services

Report prepared by:
Curtis Smith, Manager, Policy & Risk Management

Reserve Review – Appendix A: Comparison to Other Cities

City of Regina Reserves in Comparison to Other Cities

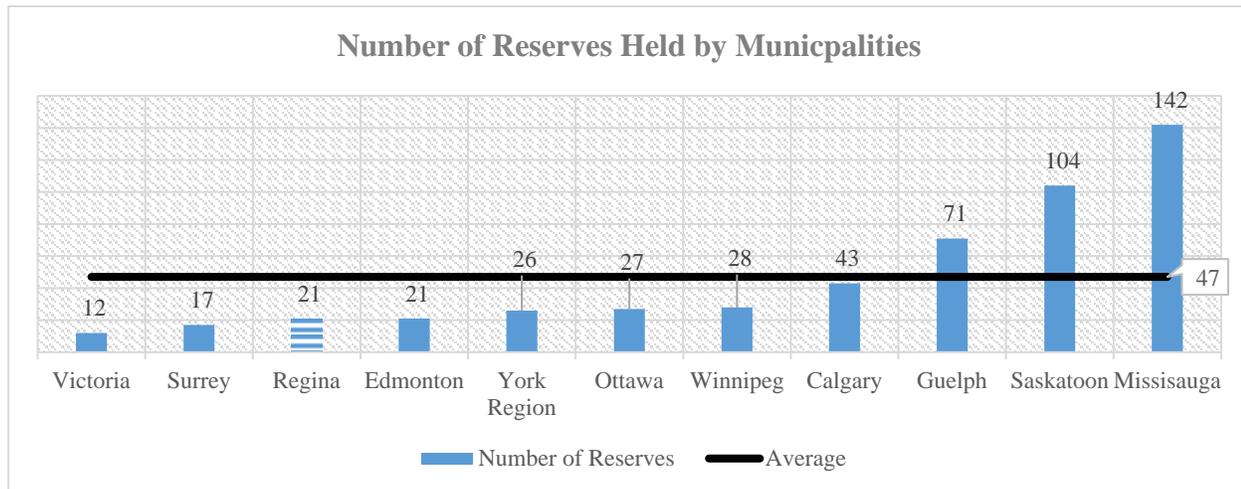
This Appendix provides a comparison of the City’s reserves to other municipalities.

In general, the level of reserves maintained by a municipality depends on a number of factors, including services and levels of service provided by the municipality, internal financial policies, risk tolerance, the age and condition of infrastructure, as well as long-term financial plans and economic conditions. Industry recognized indicators used by credit rating agencies and recommended by the Government Finance Officers Association (GFOA)¹ of the United States and Canada and the Municipal Finance Officers Association (MFOA)² of Ontario were applied in assessing the City’s reserve levels in comparison to ten Canadian municipalities.

The MFOA recommends that a municipality should maintain a minimum of 20 per cent of its annual expenditures in reserves. Although there is no recommended benchmark for the maximum reserve level to maintain due to variations such as asset replacement requirements and funding pressures faced by each city, the GFOA recommends that benchmarking information from other municipalities should be used to make comparisons for size of reserves. Based on industry recommended best practices, the City’s 2017 reserve number and total reserve balances were benchmarked against ten municipalities using data from the 2016 annual report for each municipality as the 2017 annual financial reports of these cities were not available at the time of completing this report. The result of the comparison indicates that the City’s reserve number and reserve balances are appropriate as they are within the average range for most of the indicators considered as described below.

Number of Reserves Held

Data from 11 municipalities shows that the average number of reserves held by a municipality is 47. Regina and Edmonton have the third lowest number of reserves (21) while Victoria has the lowest (12). Mississauga has the highest (142) followed by Saskatoon (104).



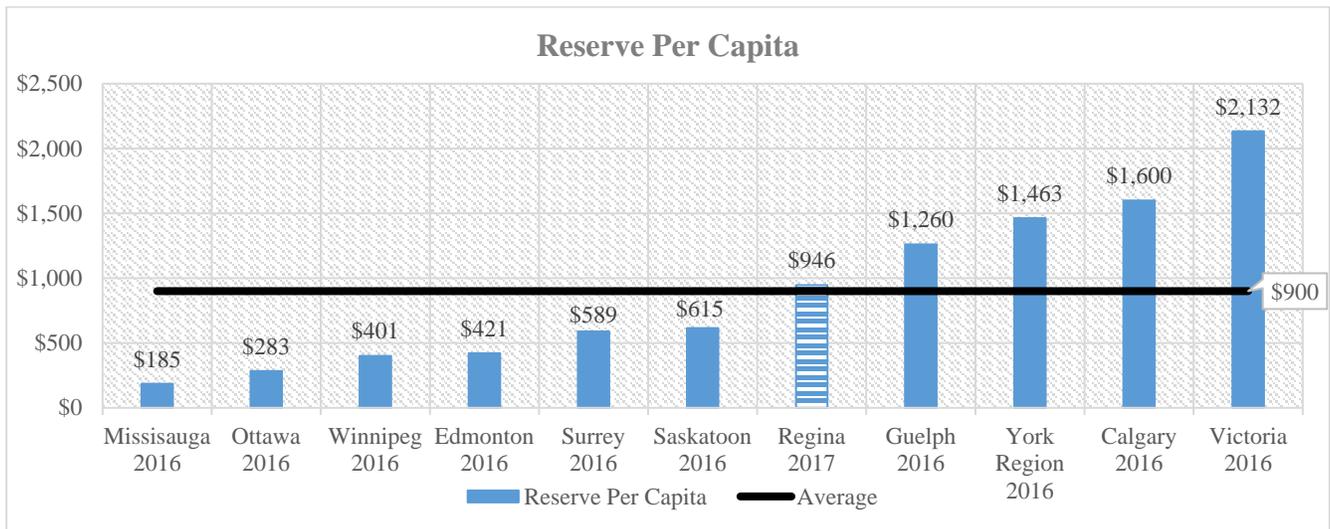
¹ The GFOA is a non-profit association of state and local government finance professionals and elected officials throughout the United States and Canada, with a mission to promote excellence and best practices in financial management, including reserve policies

²The MFOA is a Canadian based professional association of municipal finance officers who handle the financial affairs of municipalities and who are key advisors to councils on matters of finance policy. The association promotes best practices in municipal financial management.

It is necessary to mention that municipalities hold reserves for a number of reasons and making decisions simply on the number of reserves provide incomplete information.

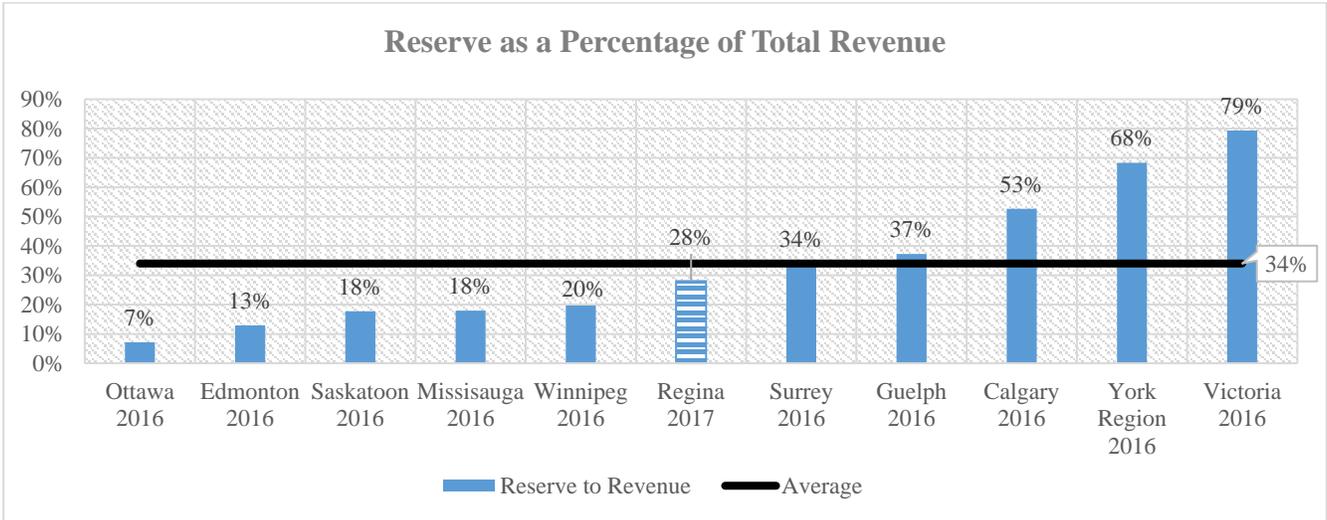
Reserve Per Capita

This ratio measures total reserve balances in relation to the population. This is a useful ratio as it illustrates the property taxes, rates and charges paid per person living a municipality that is set aside for planned future capital expenditures or operating emergencies. A higher ratio implies that the average resident of a city is setting aside more funding for future needs. While there is no generally accepted benchmark for this ratio, a comparison with other cities provides a good indicator whether a municipality has too much in reserves. The graph below shows that the City of Regina has the fifth largest reserve per capita (\$946), which is reasonable compared to other cities as it is just over the average reserve per capita of \$900. The City of Saskatoon has the sixth largest reserve per capita of \$615, while the City of Victoria has the largest per capita reserves of \$2,132.



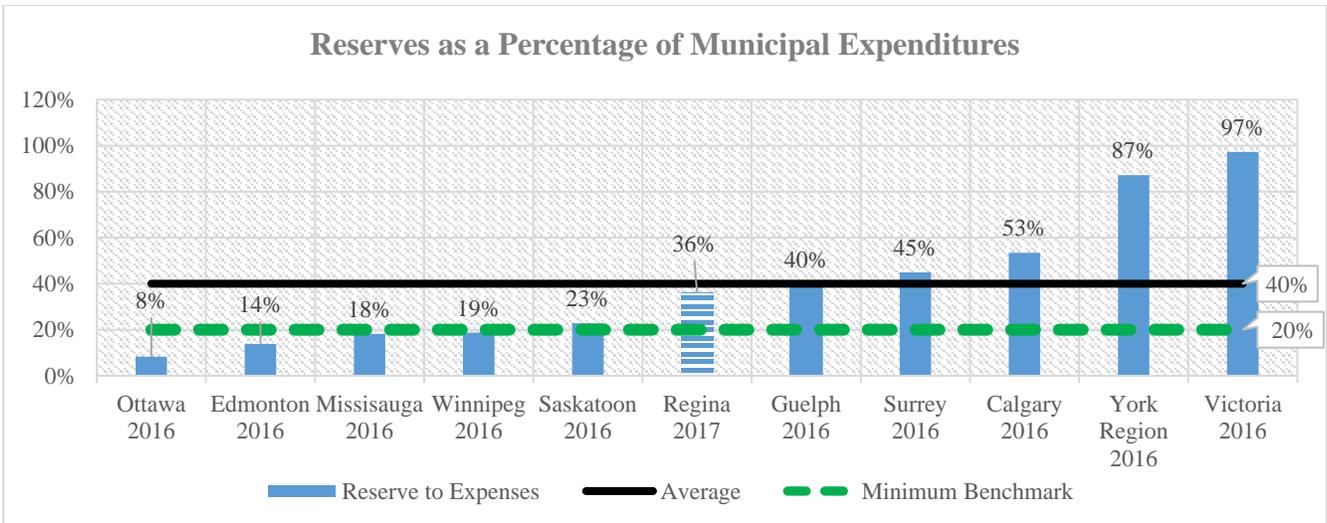
Percentage of Reserves to Revenue

This indicator shows the total funds held in reserves compared to annual revenues, and it is a strong indicator of a city's financial stability. It shows the relative health of a municipality and its willingness to set aside money to meet both planned and unexpected requirements. Generally, municipalities that have higher levels of reserves are considered to be financially healthier and more able to fund planned expenditures or to quickly respond to emergencies or opportunities. The City of Regina has the sixth largest reserves as a percentage of revenues with a ratio of 28 per cent, which is below the average ratio of 34 per cent. This indicates that about 28 per cent of the City's budgeted revenues can be funded one-time from reserves. However, best practices advised against the use of reserves as a funding source for ongoing, recurring expenditures as this will create a structural deficit with a reduction in reserve funding to meet the same expenditure in the next year. Reserves should be utilized in accordance with reserve policies and the conditions under which they were established. The City continues to manage its reserves based on business needs and best practices.



Percentage of Reserves to Expenses

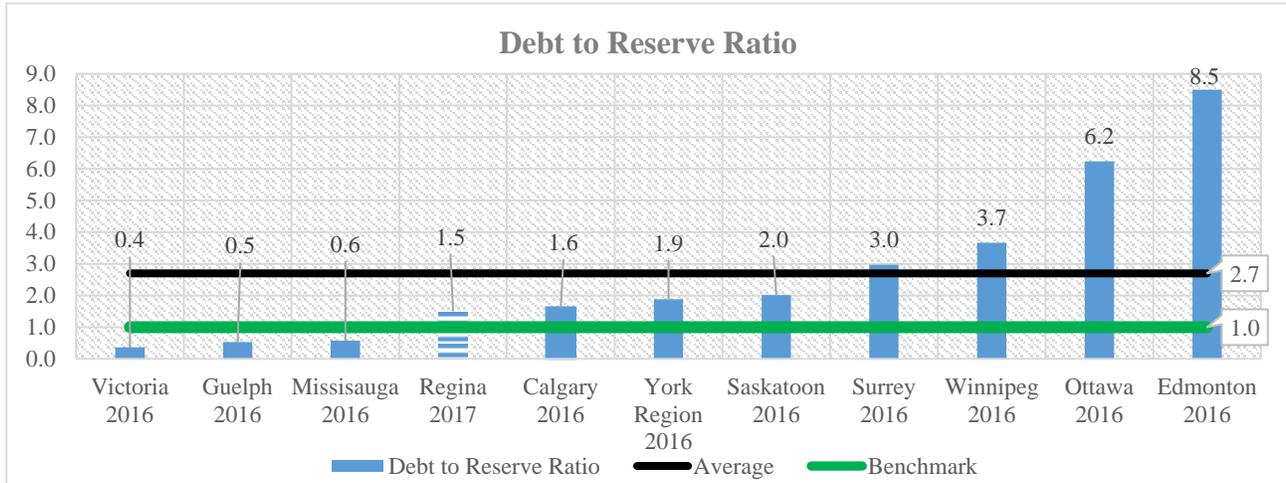
Similar to the ratio of reserve to revenues, the percentage of reserve to annual expenses is used to measure the ability of a municipality to offset unexpected revenue loses or increases in expenses. A minimum ratio of 20 per cent is recommended by best practice. There is no best practice benchmark for the maximum level of reserve that a city can maintain as this depends on a number of factors, such as planned future expenses, level of risks and the condition of assets. It is important to note that the recommended minimum of 20 per cent is to address unexpected expenditures, which may not include planned capital expenditures. A good approach recommended by best practices to measure whether a city’s reserve is excessively high or low is to benchmark reserve levels against other municipalities. The comparison of reserves to expenses shows the City of Regina ratio is at 36 per cent compared to 40 per cent for the average municipality. Although the City’s ratio is higher than the recommended minimum benchmark of 20 per cent, it is considered reasonable as it includes funding for planned capital requirements and obligations, as well as funding to smooth unexpected fluctuations in revenue or expenses.



Percentage of Debt to Reserves

This ratio is used to measure financial prudence by comparing debt level to reserve balances. Credit rating agencies such as Standard and Poor’s recommend that municipalities should maintain a debt to reserve benchmark ratio of 1:1. This means that for every dollar of debt there should be a dollar of

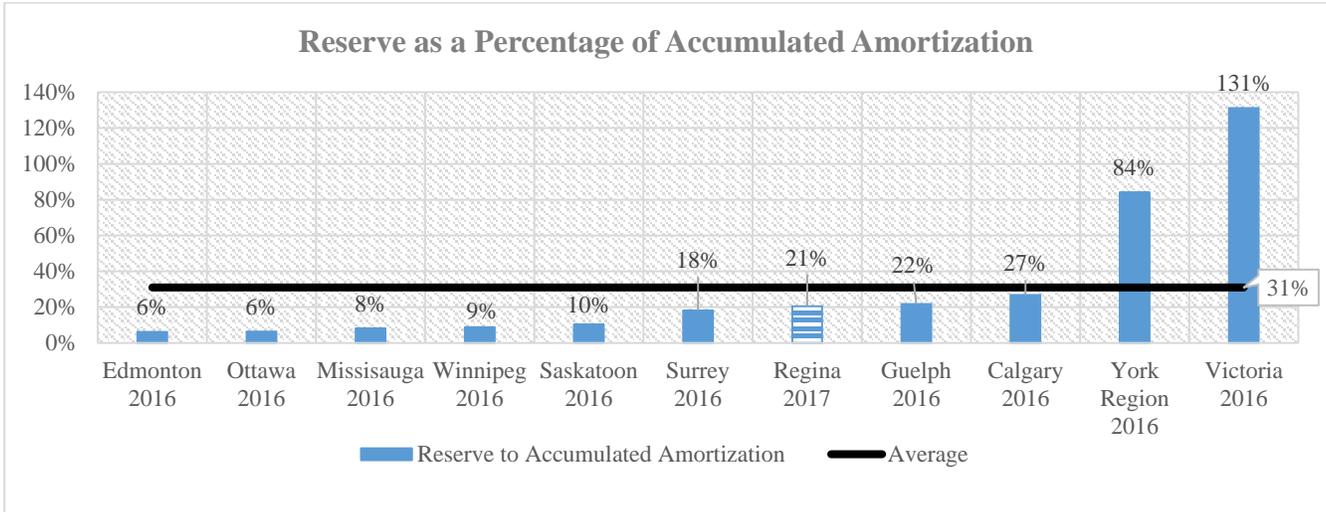
reserves. This ratio ensures that the total debt burden of a municipality does not exceed the total of all reserves and reserve funds. All else being equal, a lower ratio is preferred. A lower ratio means that a municipality has lower debt and/or higher reserve, while a higher ratio could mean high debt and low reserve level. The comparison shows the City of Regina has one of the more favourable ratios of 1.5 compared to the average of 2.7 for the rest of the cities. The City's ratio means that for every \$1.50 of debt there is \$1.00 of reserves available to cover the debt. The City's ratio is the closest to the benchmark, which indicates prudent use of debt and good financial management.



Percentage of Reserves to Accumulated Amortization

Reserves were also compared to capital assets, using accumulated amortization. Accumulated amortization is the portion of a city's tangible capital assets³ (TCA) that has been consumed and therefore needs to be renewed or replaced. The value of accumulated amortization can be used as an approximation of asset condition and future asset replacement requirements. The City's reserve levels as a percentage of accumulated amortization is 21 per cent compared to 31 per cent for the average municipality. This means that 21 per cent of the City's assets that have been consumed could be replaced through its reserves compared to Saskatoon, which has a 10 per cent ability to replace its utilized assets through reserves.

³ Tangible capital assets are assets or infrastructure that are used to deliver services. These assets have a life span longer than one year. Examples include roads, buildings, fleet equipment etc.



Limitations of Reserve Balances Comparisons

While jurisdictional comparisons provide useful context with respect to the appropriateness of reserve balances held by cities, it is important to note that comparatives are not necessarily indicative of what the City of Regina should have in its reserves. The following factors are worth considering in comparing reserve balances:

1. *Condition of Assets* - Some cities may have newer assets or better maintenance programs than others, and therefore would require lower reserve balances to replace assets. For example, the City has delayed its capital improvements and maintenance and will therefore require more reserves in the future to catch up with capital improvements and replacements. Recently, the City has provided increased funding to maintain, repair and acquire new capital assets. The City also has dedicated funding to address specific assets through the Residential Roads Renewal Program. Continued effort in the development of asset management plans for all of the City's assets will provide a clear picture of the current and future needs.
2. *Pay-As-You-Go* - Cities may have a funding strategy, whereby revenues from current operating budget (pay-as-you-go), instead of reserves, are used to pay for expenditures. Cities that use pay-as-you-go as their funding strategy for asset renewal will typically maintain a lower reserve balance in comparison to their assets.
3. *Capital Carry Forward* - Some cities may keep reserve-type funds, such as approved but unspent capital funds, in a project account instead of a reserve. All else being equal, cities that carry over unspent capital funds in a project account rather than a reserve will report a lower reserve balance compared to cities that report approved but unspent capital funds as part of their reserve balance.

In summary, the analysis demonstrates how the City has been using reserves to meet planned expenditures and to support strong financial management. Reserves, along with the established master plans, have allowed the City to meet current and future needs that limit the need for borrowing and supports a positive credit rating.

Reserve Review – Appendix B: General Purposes and Principles of Reserves

General Purposes and Principles of Reserves

General purposes and principles will be included in the Reserve Policy. The Executive Director, Financial & Corporate Services has authority to approve the Reserve Policy based on Section 25 of the *Regina Administration Bylaw*, Bylaw No. 2003-69 (the Bylaw). The purposes and principles will be used to guide the management of reserves and support the City's goal of achieving long-term financial viability by ensuring that monies are set-aside for the long-term goals of the municipality and to help ensure continued service delivery at appropriate levels.

General Purposes of Reserves:

- **Asset management** - To support the sustainability of assets by providing for the renewal, major maintenance and replacement of existing capital assets. This enables the City to allocate future costs of assets to users in an effort to match revenues and expenses over the long-term.
- **Financial stability** - To help smooth the financial impact of unplanned cost increases or revenue reductions or emergencies on property taxation and/or other fees.
- **Financial flexibility** - To allow the City to quickly respond to opportunities that could impact services such as government matching grants, private sector partnerships or other alternative service delivery methods.
- **New capital acquisitions** - To provide for new capital assets identified in the long-term corporate strategy to address community growth. This also allows for the optimal use of debt to finance new capital investments not typically funded by the Servicing Agreement Fees (SAF).

Principles of Reserves:

- **Alignment with City's Priorities** - Reserves will be established, maintained and used to support the City in achieving the financial requirements of the Official Community Plan (OCP) and other guiding documents including, but not limited to, the long range plans, strategic plan, corporate scorecard, and master plans.
- **Transparency** - The structure of reserves will support open and easy to understand transactions, reporting and communication of transactions related to reserves.
- **Governance and Flexibility** - The management of reserves, including reporting on reserve transactions, will be flexible to allow Administration to use good judgement that is based on best practices and consistent with reserve conditions approved by Council to strengthen information and recommendations provided to Council.
- **Intergenerational Equity** - The City will strive to balance the impact of operating and capital costs on both current and future tax/rate payers. For example, when determining how to pay for the replacement of an asset such as the landfill, it is important to ensure that current users pay for the closure and post closure costs, but the cost of building a new landfill should be allocated between the current user and future user based on the lifecycle of the asset. This will prevent the risk of charging only current users for an asset that is expected to benefit both current and future users.
- **Least Cost to Tax/Rate Payers** - Reserves should assist in achieving the least cost alternative for delivering Council approved/adopted services and service levels in the long-term.
- **Benefits Model** - Reserves will be used to support services in accordance with the benefits model established in the OCP, where the direct beneficiaries of the service pay for the costs of delivering services. Reserves, along with long term financial model, will also be used to demonstrate whether full or appropriate cost recovery is being achieved.

- **Reserve Limits** - Reserve levels will be limited to amounts required to meet planned or estimated capital plans, obligations and contingencies or potential risks. In determining appropriate levels for a reserve, consideration will be given to the purpose, levels of service, capital planning, risks, best practices and comparison with other jurisdiction.

Reserve Review – Appendix C: Purposes and Funding Source for Each Reserve

Purpose and Funding Source for Each Reserve

Description of the purpose and funding source of each reserve is proposed for inclusion in the Bylaw. Reserves are created by Council through bylaws and Council has the authority to go outside the purpose of a reserve and the guiding principles established for reserves. However, best practices recommend that reserves be utilized and managed in accordance with established policies as going outside the purpose of a reserve could result in a potential risk. While this provides a list of the primary funding source for reserves, Council maintains the authority to transfer funds in/out of each reserve.

Reserves	Purpose	Funding Source
OPERATING RESERVES		
Community Investments Reserve	To provide funding for Council approved community investments.	The reserve is funded through unused, but Council approved, community investment grants budget.
General Fund Reserve	To provide flexibility to smooth the impact of financial risks associated with revenue fluctuation and cost increases, to take advantage of opportunities, and to ensure the orderly provision of services.	The reserve is funded by the net surplus from the annual General Operating Budget of the City.
Elections and Property Reassessment Reserve (formerly known as Operational Commitments Reserve)	To smooth the financial impact of business needs related to municipal elections and property assessment revaluations. This reserve is not intended to fund property reassessment appeal losses.	The reserve will be funded through the annual General Operating Budget of the City by a transfer of an annual amount equal to 25% of the costs of elections and property reassessments.
Pest Management Reserve (Recommend to close)	To provide funding to smooth the financial impact of fluctuations in the operating budget of the Pest Control Program.	The reserve is funded by the under expenditures in the annual operating budget for the Pest Control Program.
Regina Police Service (RPS) General Reserve	To provide funding to smooth fluctuations in the operating budget of the Regina Police Service. The reserve is occasionally used to fund small one-time capital expenditures requested by the Board of Police Commissioners and approved by Council.	The reserve is funded through the net surplus from the Regina Police Service annual operating budget.
Regina Police Service (RPS) Radio Equipment Reserve	To fund expenditures related to the operating and capital maintenance of the civic radio system.	The reserve is funded through net revenue from the annual operating budget of the RPS Communication Technology Unit (radio shop).

Reserves	Purpose	Funding Source
Social Development Reserve	To provide grant funding for affordable and below market housing developments in accordance with the Housing Incentives Policy (HIP) or other Council approved housing initiatives.	The reserve is funded through Council approved transfers to fund affordable housing initiatives.
Winter Road Maintenance Reserve	To provide funding to smooth the financial impact of fluctuations in the operating budget of the Winter Road Maintenance Program.	The reserve is funded through under expenditures in the annual operating budget for the Winter Road Maintenance Program.
CAPITAL RESERVES		
Asphalt Plant Reserve	To provide funding for the capital requirements and maintenance costs of the asphalt plant.	The reserve is funded through net revenue generated from asphalt plant operations after deducting the cost of producing the asphalt and other expenditures for the asphalt plant operations.
Asset Revitalization Reserve	To provide funding for the City’s strategic capital priorities to assist in managing the growth and revitalization of the capital assets and infrastructure of the City. The reserve is not used to fund new developments or new growth projects that are typically funded through servicing agreement fees (SAF).	This reserve is funded through a portion of the City’s investment income.
Facility Reserve (Recommend to close)	To provide funding for the capital upgrades for the old Mosaic stadium.	The reserve is funded through rent received from the Saskatchewan Roughriders Football Club (SRFC) Inc. for the old stadium.
Fleet Replacement Reserve	To provide funding for the maintenance and replacement of existing vehicles and equipment for the civic, transit, fire and small tools fleets. It is not used to purchase new equipment to expand the fleet as new equipment is funded separately through the City’s capital program.	The reserve is funded through the transfer of an amount each year that is the equivalent of the annual amortization of the existing fleet vehicles and equipment.
Technology Reserve	To provide funding primarily to smooth operating requirements in the Print Shop and on-floor printers, and to fund one-time expenditures related technology	The reserve is funded through net revenue generated from the Print Services operations, including on-floor printers and multi-function devices.

Reserves	Purpose	Funding Source
	equipment enhancements or replacements. The reserve is not intended to fund the capital replacement of all the City technology equipment.	
SELF-SUSTAINING RESERVES		
Cemetery Reserve	To provide funding for capital requirements and maintenance costs of the cemeteries and to smooth operating requirements of the cemetery program.	The reserve is funded through net revenue generated from user-fees after deducting the annual operating expenditures for the cemeteries.
Employer-Provided Parking Reserve	To provide funding for operation, maintenance and capital replacement and renewal requirements of the employer-provided parking facilities.	The reserve is funded through net revenue generated from parking fees after deducting the annual operating expenditures for the employer-provided parking program.
General Utility Reserve	To provide funding for capital upgrades, replacement and maintenance costs related to the Water and Sewer Utility, and to smooth the effect of fluctuations in operating budget for the Water and Sewer Utility.	The reserve is funded through the net revenue generated from the Water and Sewer Utility services.
Golf Course Reserve	To provide funding for capital requirements and maintenance costs of the golf courses and to smooth operating requirements of the golf course program.	The reserve is funded through net revenue generated from user-fees after deducting the annual operating expenditures for the golf course program.
Land Development Reserve	To provide funding for acquisition and development of land held for resale by the City, and to smooth the effect of fluctuations in the operating budget for the Land and Real Estate Management operations.	The reserve is funded through the net revenues generated from the Land and Real Estate operations of the City.
Planning and Sustainability Stabilization Reserve	To provide funding to smooth the effect of fluctuations on operating budget for the City's fee for service building and development activities. It is also used to fund planning and sustainability capital projects.	The reserve is funded through the net fees and charges generated from fee for service development activities.
RRI Stadium Reserve	To provide funding for capital projects related to the stadium and to smooth operating requirements of the RRI stadium.	The reserve is funded through net revenues generated from the RRI Mosaic stadium operations. The primary source of revenues are the approved property tax allocation, tenant lease payments and facility fees charged for regular season Saskatchewan Roughrider games.

Reserves	Purpose	Funding Source
Solid Waste Reserve	To provide funding for landfill closure and post closure liability, renewal and replacement of equipment and capital assets used to deliver the landfill operations, waste diversion program, and recycling program. The reserve is also used to smooth unanticipated risks or operating requirements.	The reserve is funded through net fees and charges generated from the landfill operations, waste diversion program, and recycling program.

Reserve Review – Appendix D: Recommended Minimum and Maximum Reserve Limits

The recommended minimum and maximum reserve limits. If approved, changes will be made to the Bylaw to update the existing reserve limits.

Reserves	Current Minimum Limit	Current Maximum Limit	Recommended Minimum Limit	Recommended Maximum Limit	2017 Balance	Transfer Required	Methodology
Reserves with Increases to Their Limits (\$000s)							
Solid Waste Reserve (Note 1)	\$300	\$13,000	\$28,000	\$48,500	\$41,382	\$0	Min - Landfill liability plus MFOA best practice (20% of total expenses) Max - based on minimum balance plus peak year capital expenditures
Asset Revitalization Reserve	\$0	\$10,000	\$500	\$30,000	\$19,988	\$0	Min - based on past history Max - based on 5 year capital plan plus 1% capital contingency
General Utility Reserve	\$30,000	\$80,000	\$25,000	\$90,000	\$94,143	\$0	Min - MFOA best practices (20% of total expenses) Max - Peak year capital expenditures
Fleet Replacement Reserve	\$5,200	\$10,000	\$1,700	\$14,300	\$10,137	\$0	Min - Capital contingency of 1% of original fleet asset costs Max - Peak year capital expenditures
Planning & Sustainability Stabilization Reserve	\$500	\$7,000	\$1,700	\$13,000	\$3,826	\$0	Min - MFOA best practice (20% of total expenses) Max - Common practices (150% of total expenses)
Reserves with Decreases to Their Limits (\$000s)							
Employer-Provided Parking Reserve	\$400	\$6,000	\$200	\$3,500	\$1,712	\$0	Min - MFOA best practices (20% of total expenses) Max - Total cash flow for 5 year capital plan plus 1% capital contingency
Technology Reserve	\$400	\$3,000	\$100	\$1,000	\$792	\$0	Min and Max - Past history and risk
Winter Road Maintenance Reserve (Note 2)	\$3,500	\$3,900	\$1,000	\$2,000	\$8,690	\$4,690	Min- GFOA best practices (8% of 5 year average expenses) Max - GFOA (25% of 5 year average expenses)
Asphalt Plant Reserve	\$300	\$1,500	\$200	\$1,300	\$2,077	\$777	Min - MFOA best practices (20% of total expenses) Max - Total cash flow for 5 year capital plan plus 1% capital contingency
Facility Reserve	\$100	\$750	-	-	\$260	\$0	Recommended for closure in 2019
Reserves with Minor/No Changes to Their Limits (\$000s)							
General Fund Reserve (Note 3)	\$22,000	\$44,000	\$22,000	\$44,000	\$27,464	\$0	Min- GFOA best practices adjusted for past history, common practices (5% of budgeted general operating expenses); Max - 10% of budgeted general operating expenses

Reserves	Current Minimum Limit	Current Maximum Limit	Recommended Minimum Limit	Recommended Maximum Limit	2017 Balance	Transfer Required	Methodology
Election and Property Reassessment Reserve	\$0	\$800	\$0	\$800	\$642	\$0	Max - Based on expected elections and reassessment costs
Community Investments Grants Reserve	\$0	\$350	\$0	\$350	\$284	\$0	Min and max limits are based on past history
Golf Course Reserve	\$500	\$2,000	\$250	\$2,000	\$2	\$0	Min - MFOA best practices (20% of total expenses) Max - Total cash flow for 5 year capital plan plus 1% capital contingency
Cemetery Reserve	\$0	\$625	\$100	\$800	\$446	\$0	Min - MFOA best practices (20% of total expenses) Max - Total cash flow for 5 year capital plan plus 1% capital contingency
Land Development Reserve	\$2,000	\$12,000	\$2,000	\$12,000	(17,143)	\$0	Recommend to develop a long term financial model of revenue and expenses
Pest Management Reserve	\$0	\$700	-	-	\$520	\$520	Recommended for closure in 2018
Regina Police Service General Reserve	\$400	\$4,000	\$400	\$4,000	\$403	\$0	N/A
Regina Police Service Radio Equipment Reserve	\$100	\$6,000	\$100	\$6,000	\$218	\$0	N/A
RRI Stadium Reserve (Note 4)	N/A	N/A	N/A	N/A	\$6,441	\$0	N/A
Social Development Reserve (Note 5)	N/A	N/A	N/A	N/A	\$7,638	\$0	N/A
Total	\$65,700	\$205,625	\$83,150	\$273,550	\$209,923	\$5,987	

Notes:

- The minimum and maximum limit of the Solid Waste Reserve will be recalculated annually based on changes to the present value of the landfill closure and post-closure liability. Only the portion of the limit related to the landfill closure and post-closure liability will be recalculated.
- Council approved a transfer of \$2 million (CR17-138) from the Winter Road Maintenance Reserve (WRMR) to the SDR for the 2018 funding commitments for the Housing Incentives Policy program. This transfer was done in 2018 leaving the current balance of the WRMR at \$6.69 million.
- The minimum and maximum limit of the General Fund Reserve will be recalculated annually as follows:
 - A minimum limit equal 5% of the City's actual annual general operating expenditures for the previous year.
 - A maximum limit equal to 10% of the City's actual annual general operating expenditures for the previous year.

4. Additional work will be done by Administration to review the updated stadium financial model in order to determine an appropriate limit for the RRI Stadium Reserve.
5. Limits are not established for Social Development Reserve at this time as there is no sustainable funding source for this reserve.