

# **2018 Annual Reserve Report**

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## **BACKGROUND**

### **Purpose of Reserves**

Reserves are monies authorized by Council to be set aside for future capital and operating needs. They are a key component of the City's long-term financial strategy, supporting the City's priority of achieving long-term financial viability as identified in *Design Regina - the Official Community Plan* (OCP). There are 19 reserves maintained by the City for four main purposes:

- **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 smooth the financial impact of unplanned cost increases or revenue reductions, or to stabilize fluctuations on property taxation and/or other fees;
- **Financial flexibility** - To respond to or capitalize on opportunities that could impact services such as government matching grants, private sector partnerships or other alternative service delivery methods; and
- **New capital acquisitions** - To fund new capital assets identified in the long-term corporate strategy to address community growth. This allows for the optimal use of debt to finance new capital projects that are not typically funded through Servicing Agreement Fees (SAFs).

Schedule A of the *Regina Administration Bylaw 2003-69* requires the Executive Director, Financial Strategy & Sustainability to submit an Annual Reserve Report to Council on or before September 30 of each year. The City's Reserve Policy specifies that the Annual Reserve Report should contain the following information:

- (a) A description of the purpose for each reserve and balance of each reserve as of the end of the previous year;
- (b) A list of reserves within and outside their minimum and maximum limits in comparison to their previous year's balance;
- (c) A description of additions or reductions to reserves in the previous year, including investments made from reserves with an explanation of the nature of the additions and reductions;
- (d) A five-year projection of each reserve;
- (e) Recommended transfers to and from the reserves set out in clause (b) that will bring these reserves within the minimum and maximum limits;
- (f) Where there are reserves that are to remain outside the range, a plan that sets out how these reserves will be replenished or reduced to the minimum and maximum limits;
- (g) Where the conditions in clauses (e) and (f) cannot be met, the report shall advise of the rationale for not replenishing or reducing the reserve balance;
- (h) Any annual changes to the minimum and maximum limit of the Solid Waste Reserve; and
- (i) A comparison of the City's reserve balance to other jurisdictions and best practices.

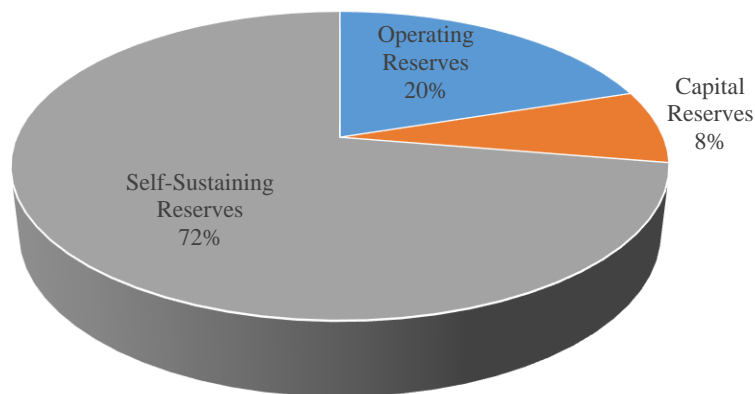
The purpose of this report is to address the above requirements.

## ANALYSIS

### **2018 RESERVE BALANCE**

The City's overall reserve balance decreased by 10.6% from approximately \$210 million at the beginning of 2018 to \$187.7 million at the end of 2018, representing net investments of \$22.2 million from reserves primarily on capital projects. Breakdown of the reserve balance is as follows:

- Operating reserves - account for 20% of the total reserve balance. These reserves are used to fund operating expenses for one-time projects; to stabilize operating budgets for unanticipated fluctuations in revenue or expenses; to comply with a contractual agreement; or for contingency funds for operational emergencies.
- Capital reserves - represent 8% of the 2018 reserve balance. Capital reserves are used to fund capital expenses.
- Self-sustaining reserves - account for 72% of the total reserve balance. These reserves are used to fund both operating and capital expenses for activities that are treated as self-sustaining. Surpluses from these activities are typically retained in the reserves to offset any future deficits or fund planned future capital projects. The balance of the self-sustaining reserves is consistent with historical levels and is driven by the need to match revenues to planned future expenses.



Operating and capital reserves are funded through tax revenues while self-sustaining reserves are funded from external user fees and charges. Allocating fee-based revenues and tax-based revenues to reserves allows for the renewal and replacement costs of an asset to be spread across beneficiaries over the life of the asset. This approach aligns with the benefits model and intergenerational equity identified in the reserve principles.

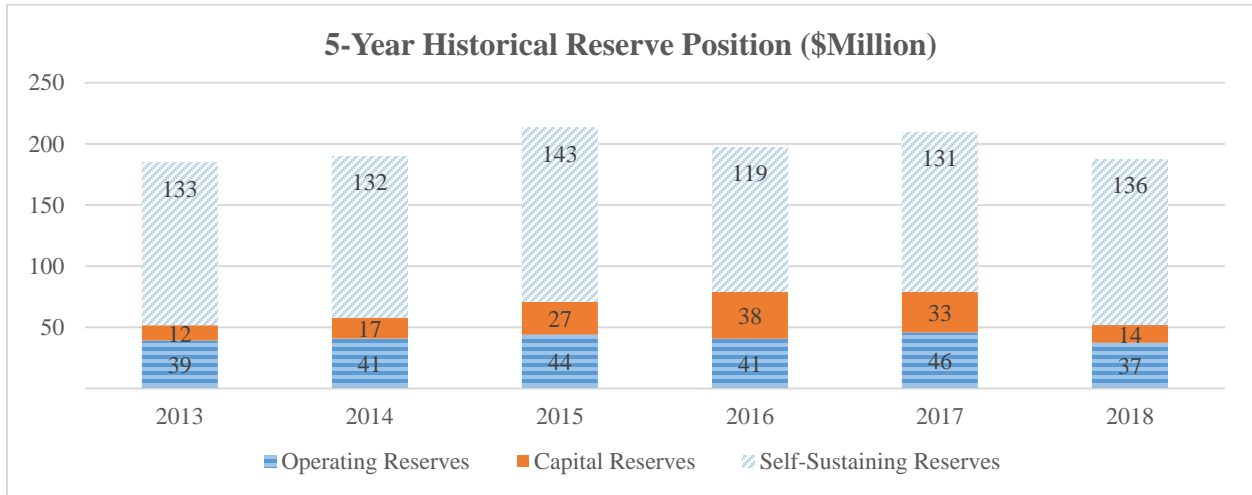
A significant portion of the reserves are committed or expected to fund planned capital projects approved by Council in the 2019-2023 capital plan and future liabilities, leaving only a small portion of reserves available for discretionary spending. For example, the Solid Waste Reserve is required to pay for planned capital projects and the landfill liability, which has an estimated present value of \$9.3 million at the end of 2018. Funds in the Asset Revitalization Reserve and the General Fund Reserve are committed to pay for the purchase of the new Regina Police Headquarters building. As well, the Fleet Replacement Reserve is required to fund future planned fleet replacements, the General Utility Reserve is required to fund planned capital projects, while the other capital reserves and self-sustaining reserves are required to meet asset renewal needs.

**Table 1: 2018 Change in Reserve Balance (\$000s)**

Reserves	2018 Activities	2017	2018	Change
<b>Operating Reserves (Tax-Funded)</b>				
Community Investments Grants Reserve	Net contributions from community investments budget	284	369	85
General Fund Reserve	Net funding for capital projects including the RPS Headquarters project	27,464	23,499	(3,965)
Elections & Reassessment Reserve	Not applicable	642	642	0
Regina Police Service General Reserve	Net contributions from operations	403	630	227
Regina Police Service Radio Equipment Reserve	Net contributions from operations	218	294	76
Social Development Reserve	Draw to fund the 2018 HIP	7,638	8,958	1,320
Winter Road Maintenance Reserve	Approved Council transfers to the Social Development Reserve based on the Reserve Review recommendations	8,690	3,100	(5,590)
Pest Management Reserve	This reserve was closed in 2018 based on the Reserve Review recommendations	520	0	(520)
<b>Subtotal - Operating</b>		<b>45,860</b>	<b>37,492</b>	<b>(8,368)</b>
<b>Capital Reserves (Tax-Funded)</b>				
Asphalt Plant Reserve	Approved Council transfers to the Asset Revitalization Reserve based on the Reserve Review recommendations	2,078	1,345	(733)
Asset Revitalization Reserve	Approved transfers to fund various capital projects including the RPS Headquarters project	19,988	1,099	(18,889)
Fleet Replacement Reserve	Net contributions from operating budget	10,137	11,157	1,020
Technology Reserve	Net contributions from operations	792	798	6
Facility Reserve	Draw to fund the old Mosaic Stadium Decommissioning	260	0	(260)
<b>Subtotal - Capital reserves</b>		<b>33,255</b>	<b>14,399</b>	<b>(18,856)</b>
<b>Self-Sustaining Reserves (External User-Fee Funded)</b>				
Cemetery Reserve	Net draw to fund capital expenditures	446	384	(62)
Golf Course Reserve	Net contributions from operations	2	100	98
Employer-Provided Parking Reserve	Net contributions from operations	1,712	2,269	557
Land Development Reserve	Net contributions from land sales	(17,143)	(9,224)	7,919
Solid Waste Reserve	Draw to fund capital expenditures	41,382	39,314	(2,068)
Planning & Sustainability Reserve	Draw to fund operations including the Comprehensive Zoning Bylaw Review	3,826	1,532	(2,294)
Regina Revitalization Initiative Stadium Reserve	Draw to fund operations and debt repayment	6,441	(1,362)	(7,803)
General Utility Reserve	Net contributions from operations	94,143	102,834	8,691
<b>Subtotal - Self-sustaining reserves</b>		<b>130,810</b>	<b>135,847</b>	<b>5,037</b>
<b>Increase (Decrease) in Reserve Balance</b>		<b>209,924</b>	<b>187,738</b>	<b>(22,187)</b>

**5-Year (2013-2018) Historical Reserve Position**

The 2018 reserve balance is consistent with historical levels, increasing by approximately \$3 million compared to 2013. The increase is primarily related to self-sustaining reserves due to the need to save for planned asset renewal and replacement requirements. Overall, the steady reserve level is an indication of how the City continues to ensure appropriate reserve balances to support planned projects.



**SUMMARY OF 2018 RESERVE BALANCES IN COMPARISON TO RESERVE LIMITS**

At the end of 2018, seven of the City’s 19 reserves were outside their range while 12 were within range. Of the seven reserves outside of their range, four were in excess of their maximum limit by \$14 million mainly attributable to the General Utility Reserve and the Winter Road Maintenance Reserve, while three reserves were \$11.5 million below their minimum limit mainly attributable to the Land Development Reserve.

The four reserves above their maximum limit include:

- *Winter Road Maintenance Reserve* – \$1.1 million in excess of its maximum limit of \$2 million
- *General Utility Reserve* – \$12.8 million in excess of its maximum limit of \$90 million
- *Asphalt Plant Reserve* – \$45,000 in excess of its maximum limit of \$1.3 million
- *Community Investments Grants Reserve* – \$19,000 in excess of its maximum limit of \$350,000.

The three reserve below their minimum limit include:

- *Golf Course Reserve* – \$150,000 below its minimum limit of \$250,000
- *Planning & Sustainability Reserve* – \$168,000 below its minimum limit of \$1.7 million
- *Land Development Reserve* – \$11.2 million below its minimum limit of \$2 million

The remaining 12 reserves were within their limit at the end of 2018.

Looking beyond 2018, the overall reserve balance is projected to deplete to \$162 million at the end of 2019. The General Fund Reserve (GFR) and the Asset Revitalization Reserve (ARR) are among reserves expected to decline below their minimum limit at the end of 2019 due to Council

approved commitments against these reserves. The GFR had a balance of \$23.5 million at the end of 2018, which was within its minimum limit of \$23 million, and is projected to decline below its minimum limit to \$15.4 million at the end of 2019 due to Council approved commitments and expenditures, including \$2.4 million commitment related to the Regina Humane Society and \$3.8 million for the Parks & Facilities Yard Development. The ARR has commitments against it related to the new Regina Police Service Headquarters, which will put this reserve in a negative balance of \$5.9 million at the end of 2019. A depleted GFR and a negative ARR creates financial risks as these two reserves provide Council the greatest flexibility to respond quickly to emergencies or to capitalize on opportunities without borrowing.

The Reserve Policy specifies that, on the recommendations of the Executive Director, Financial Strategy & Sustainability and approval of Council, excess amounts in reserves be transferred in the order described below, unless there is a rationale for allowing reserves to grow above their maximum limits, such as to fund ongoing projects or planned future projects:

- a) Excess amounts in a tax-funded capital reserve would be transferred to a tax-funded capital reserve that is below its minimum limit or to the Asset Revitalization Reserve.
- b) Excess amounts in a tax-funded operating reserve would be transferred to a tax-funded operating reserve that is below its minimum limit or to the General Fund Reserve.
- c) Excess amounts in self-sustaining reserves (non-tax funded reserves or external user fee funded reserves) may be retained in the reserve up to three years after which user fees may be adjusted to an appropriate level that reflects the excess amount. Prior to adjusting fees, proper consideration shall be given to achieving appropriate or full cost recovery where possible and ensuring the long-term care of reserve-supported assets, among other considerations.

In addition, the Reserve Policy also specifies that reserves in a deficit position (reserves below their minimum limit) be replenished as follows:

- d) Tax-supported capital reserves below their minimum limit may be replenished with excess funds from a tax-supported capital or by a transfer from the general revenue as approved by Council.
- e) Tax-supported operating reserves below their minimum limit may be replenished with excess funds from a tax-supported operating reserve or by a transfer from the general revenue as approved by Council.
- f) Self-sustaining reserves below their minimum limit may be replenished by increasing user fees.

Given the ARR is projected to be in a negative position at the end of 2019, it is reasonable to transfer the excess amount in the Winter Road Maintenance Reserve to the ARR. This is consistent with clause (d) above as funding for Winter Road Maintenance Reserve is from the City's general revenue. Based on this, it is recommended that:

- The excess amount of \$1.1 million in the Winter Road Maintenance Reserve be transferred to the Asset Revitalization Reserve.
- No transfers be made from the General Utility Reserve due to ongoing projects and future capital plans.
- No transfers be made from the Asphalt Plant Reserve and the Community Investments Grants Reserve as the excess amount in these reserves is minimal.

Table 2 below summarizes the balances in each reserve in comparison to their limits.

**Table 2: 2018 Reserve Balance in Comparison to Reserve Limits (\$'0000s)**

Reserve	2018 Balance	Allowable Minimum	Allowable Maximum	Recommendation
<b>Reserves Above Their Limit</b>				
Winter Road Maintenance Reserve	3,100	1,000	2,000	Transfer the excess amount of \$1.1 million to the Asset Revitalization Reserve
General Utility Reserve	102,834	25,000	90,000	No reduction is recommended due to ongoing projects and future plans
Asphalt Plant Reserve	1,345	200	1,300	Transfer not recommended as the excess amount is minimal
Community Investments Grants Reserve	369		350	Transfer not recommended as the excess amount is minimal
<b>Subtotal</b>	<b>107,648</b>	<b>26,200</b>	<b>93,650</b>	
<b>Reserves Below Their Limit</b>				
Golf Course Reserve	100	250	2,000	No replenishment is required at this time (see rationale in the sections below)
Planning & Sustainability Reserve	1,532	1,700	13,000	No replenishment is required at this time (see rationale in the sections below)
Land Development Reserve	(9,224)	2,000	12,000	No replenishment is required at this time (see rationale in the sections below)
<b>Subtotal</b>	<b>(7,592)</b>	<b>3,950</b>	<b>27,000</b>	
<b>Reserves Within Their Limit</b>				
General Fund Reserve	23,499	23,000	46,000	There are approved 2019 commitments such as the Regina Humane Society Agreement, which will reduce the balance of this reserve below its minimum limit
Solid Waste Reserve	39,314	28,000	48,500	No action is required
Fleet Replacement Reserve	11,157	1,700	14,300	No action is required
Social Development Reserve	8,958	N/A	N/A	No action is required
Employer-Provided Parking Reserve	2,269	200	3,500	No action is required
Asset Revitalization Reserve	1,099	500	30,000	This reserve is projected to have a negative balance of \$5.9 million in 2019. The recommended transfer from the Winter Road Maintenance Reserve will reduce the negative balance
Regina Police Service General Reserve	630	400	4,000	No action is required
Regina Police Service Radio Equipment Reserve	294	100	6,000	No action is required
Elections & Reassessment Reserve	642	-	800	No action is required
Technology Reserve	798	100	1,000	No action is required
Cemetery Reserve	384	100	800	No action is required
RRI Stadium Reserve	(1,362)	N/A	N/A	No action is required
Facility Reserve	0			Closed
Pest Management Reserve	0			Closed
<b>Subtotal</b>	<b>87,682</b>	<b>54,100</b>	<b>154,900</b>	
<b>Total</b>	<b>187,737</b>	<b>84,250</b>	<b>275,550</b>	

Detailed description of the 2018 transactions for each reserve, reserves within and outside their range and the recommendations, including the rationale for replenishing or reducing reserves outside their limits, is provided below in sections A, B and C. Also provided in this Appendix is the projected balance of the reserves.

## A. RESERVES OVER THEIR MAXIMUM LIMIT

### Winter Road Maintenance Reserve

This is an operating reserve that is used to manage annual swings in expenditures in the Winter Road Maintenance Program that may arise due to unpredictable winter events. The intent is to ensure the City continues to maintain the road network and to ensure safe winter driving conditions for residents. The reserve is funded through unexpected under expenditures in the annual operating budget for the Winter Road Maintenance Program. The minimum and maximum limits for this reserve are \$1 million and \$2 million respectively.

Winter Road Maintenance (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	8,690	3,099	2,874	2,874	2,874	2,874
Addition to reserve	1,099	0	0	0	0	0
Reduction to reserve	6,690	225	0	0	0	0
Closing Balance	3,099	2,874	2,874	2,874	2,874	2,874

In 2018, \$6.7 million was transferred from this reserve (CR17-120 and CR18-54), including \$4.8 million to the Social Development Reserve (SDR) and \$1.9 million to the General Fund Reserve. The purpose of the transfer to the SDR was to extinguish a \$4.8 million obligation to the SDR, which provides funding for the housing incentives program. The program's net surplus was transferred to this reserve at the end of the 2018 year. This increased the reserve balance to \$3.1 million or \$1.1 million in excess of its maximum limit.

Historical spending levels show that a balance of \$2 million is sufficient to cover unexpected requirements for the Winter Road Maintenance Program. Therefore, it is recommended that the excess amount of \$1.1 million be transferred to the Asset Revitalization Reserve (ARR). The ARR is currently projected to have a negative balance at the end of 2019 due to planned capital projects in the 2019 budget. This transfer will provide funding for the projects planned in 2019.

In the 2019 budget, Council approved the transfer of \$225,000 from the Winter Road Maintenance Reserve to fund the Spring Sweep program. Based on the recommended transfer of \$1.1 million and the approved transfer of \$225,000, this reserve is expected to have a balance of \$1.8 million at the end of 2019, which is within its limit.

### General Utility Reserve

This reserve is a self-sustaining reserve that provides funding for the capital upgrades, replacement and maintenance costs related to the Water and Sewer Utility. The reserve is also used to smooth the effects of fluctuations in the operating budget for the Water and Sewer Utility. Funding is through the net revenue generated from the Water and Sewer Utility services. The minimum and maximum limits of this reserve are \$25 million and \$90 million respectively.



General Utility (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	94,143	102,834	94,072	79,103	63,349	38,795
Addition to reserve	61,203	42,670	55,366	55,724	53,317	61,360
Reduction to reserve	52,512	51,432	70,335	71,478	77,871	90,706
Closing Balance	102,834	94,072	79,103	63,349	38,795	9,449

In 2018, a surplus of \$61.2 million was transferred to the reserve, increasing the reserve balance to \$102.8 million. Total investments of \$52.5 million was made from the reserve on various capital projects. The top six projects in the amount of \$40.6 million include:

- Water Infrastructure Renewal (\$11.9 million)
- Wastewater Infrastructure Renewal (\$7.6 million)
- Trunk Relief Initiative (\$10 million)
- Sanitary Trunk - Mapleridge Diversion (\$5 million)
- Drainage Infrastructure Renewal (\$3.1 million)
- Buffalo Pound Wastewater Treatment Plant Substation (\$3 million)

Although the reserve balance is \$12.8 million in excess of the allowable maximum limit, the forecast shows that the balance will decrease to \$9.4 million over the next five years due to planned utility capital projects identified in the Utility Model and 2019-2023 capital plan. It is recommended that no transfers be made from the reserve as funds in this reserve are dedicated for planned capital projects.

### Asphalt Plant Reserve

The Asphalt Plant Reserve is a capital reserve used to fund capital requirements and maintenance costs of the City's asphalt plant. The reserve is funded through net revenue generated from asphalt plant operations after deducting the cost of producing asphalt and other expenditures related to the asphalt plant operations. The minimum and maximum limits of the reserve are \$200,000 and \$1.3 million respectively.

As part of the Reserve Review completed in 2018, Council approved a transfer of \$777,000 (CR18-54) from this reserve to the Asset Revitalization Reserve (ARR) to help replenish the ARR and decreased the Asphalt Plant Reserve balance to just over \$1.3 million at the end of 2018. The excess amount of \$45,000 in this reserve is considered small with little impact. Projections show that the reserve balance would decrease to \$645,000 over the next five years due to planned capital expenditures related to the upgrade of major components of the asphalt plant as identified in the 2019-2023 capital plan. Based on this, transfer from this reserve is not required.

Asphalt Plant (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	2,078	1,345	1,395	1,195	395	595
Addition to reserve	44	200	200	200	200	200
Reduction to reserve	777	150	400	1,000	0	150
Closing Balance	1,345	1,395	1,195	395	595	645

## Community Investments Grants Reserve

The purpose of this reserve is to provide funding for Council approved community investment grants that are above the approved grants budget. The reserve is funded through unspent community investment grants budget. Community investments are used to support and partner with community non-profit organizations to deliver programs, projects and services that align with Council priorities and community needs. Funds are allocated through the following committees and each has its sub reserve within the Community Investments Grants Reserve:

- *The Community and Protective Services Committee (C&PS)* - provides financial support to organizations that deliver community investment services in the area of sport, cultural, recreational and social development.
- *The Executive Committee* - provides financial support for special events and funding to the Regina Exhibition Association Limited (REAL), Economic Development Regina (EDR) and the Wascana Park through the Provincial Capital Commission.
- *The Finance and Administration Committee (F&A)* - provides financial support for educational, economic and promotional purposes.

Grants Reserve (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	284	369	369	369	369	369
Addition to reserve	107	0	0	0	0	0
Reduction to reserve	23	0	0	0	0	0
Closing Balance	369	369	369	369	369	369

In 2018, the City community investments budget was \$9.2 million, including \$4 million allocated through the C&PS Committee, \$5 million allocated through the Executive Committee and \$44,000 allocated through the F&A Committee. Total funding allocated at the end of 2018 was \$9.1 million resulting in a small transfer of \$107 to the reserve at yearend. The reserve balance was \$369,000 or \$19,000 in excess of the maximum limit. It is recommended that no transfer be made as the excess amount in the reserve is considered minimal.

## B. RESERVES UNDER THEIR MINIMUM LIMIT

### Golf Course Reserve

The Golf Course Reserve is a self-sustaining reserve that provides funding for the capital requirements and maintenance costs of the golf courses, as well as to smooth operating needs of the golf course program. The reserve is funded through net revenues generated from golf sales. This reserve has a minimum limit of \$250,000 and a maximum limit of \$2 million.

Golf Course (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	2	100	330	180	380	580
Addition to reserve	98	350	350	350	350	350
Reduction to reserve	0	120	500	150	150	150
Closing Balance	100	330	180	380	580	780

In 2018, an operating surplus of \$98,000 was transferred to the reserve resulting in a yearend balance of \$100,000. While this balance is lower than the minimum limit, a replenishment of the

reserve is not recommended at this time as the golf courses are expected to be self-sustaining. A revised three-year golf course fee schedule was approved for 2017-2019 to compensate for rising operating costs and to ensure capital funding is available to maintain and replace golf infrastructure and assets. 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 at the end of 2019. The reserve is projected to increase to \$780,000 over the next five years.

### **Planning & Sustainability Reserve**

This reserve is used to provide funding to smooth the effect of fluctuations in the operating budget for the City’s fee for service building and development activities, and to fund one-time planning and sustainability capital projects. The reserve is funded through the net fees and charges generated from fee for service development activities. This reserve has a minimum limit of \$1.7 million and a maximum limit of \$13 million.

<b>Planning &amp; Sustainability (\$000s)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Balance</b>	3,826	1,532	1,132	(238)	(238)	(238)
<b>Addition to reserve</b>	0	0	0	0	0	0
<b>Reduction to reserve</b>	2,294	400	1,370	0	0	0
<b>Closing Balance</b>	1,532	1,132	(238)	(238)	(238)	(238)

In 2018, net operating expenses related to planning and development activities were higher than revenues by approximately \$2 million resulting in a draw from the reserve. In addition, \$250,000 was drawn from the reserve to fund the implementation of the Planning and Building Software project, decreasing the reserve balance to \$1.5 million at the end of 2018. The reserve balance is projected to decrease further below its minimum limit at the end of 2019 due to planned investment of \$400,000 on the Comprehensive Zoning Bylaw Review project. It is expected that the reserve would have a negative balance over the next few years due to decline in building permit revenues exacerbated by housing market decline and slow economic activities in general. As this is a self-sustaining reserve with an expectation of achieving full cost recovery, it is expected that fees would be aligned to match future expenditures. Therefore, a transfer to the reserve is not required.

### **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 operations. The reserve is funded through net revenues from land sales. The minimum and maximum limits for the reserve are \$2 million and \$12 million respectively. In 2018, approximately \$13 million in land sales was transferred to the reserve while \$5 million was invested in the South East Land Development project. Although the reserve had a negative balance of \$9.2 million at the end of 2018, there is approximately \$19 million available in the land development project accounts, including \$16.3 million in the SE Land Development project and \$3 million in the Hawkstone Land Development project. This means that, on a net basis, there is still about \$10 million funding available related to this reserve. In addition, it is being projected that an annual revenue of \$5 million would be received from land sales over the next five years. Based on this, no action is recommended at this time.

Land Development (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	(17,143)	(9,224)	(4,024)	(2,024)	(8,024)	(16,024)
Addition to reserve	12,919	14,700	5,000	5,000	5,000	5,000
Reduction to reserve	5,000	9,500	3,000	11,000	13,000	13,000
Closing Balance	(9,224)	(4,024)	(2,024)	(8,024)	(16,024)	(24,024)

### C. RESERVES WITHIN THEIR LIMITS

Eleven out of the 19 reserves were within their limits at the end of 2018. For information purposes, the 2018 transactions and yearend balances of these reserves are provided below. No action is recommended for these reserves.

#### General Fund Reserve

This is a stabilization reserve used by the City primarily to smooth the financial impact of revenue fluctuation or cost increases, or to fund one-time unanticipated operating requirements. There is no dedicated funding source for this reserve as the reserve is funded primarily from unanticipated net surplus from the City's general operating fund. The minimum and maximum limits of the GFR are \$23 million and \$46 million respectively, based on 5% and 10% of the City's annual budgeted general operating expenditures for the current year.

General Fund (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	27,464	23,499	15,346	13,863	13,380	12,897
Addition to reserve	13,293	68	0	0	0	0
Reduction to reserve	17,258	8,221	1,483	483	483	483
Closing Balance	23,499	15,346	13,863	13,380	12,897	12,414

In 2018, \$17.3 million was drawn from the GFR to pay for the new Regina Police Headquarters purchase as approved by Council (CR17-120), while \$13.3 million was transferred to the GFR, including:

- \$4.2 million in net general operating surplus;
- \$2.4 million approved Council transfer from the Winter Road Maintenance Reserve and the Pest Management Reserve as part of the 2018 Reserve Review (CR18-54);
- \$1.9 million from unspent capital funding from completed projects originally funded through the GFR was returned; and
- \$4.8 million resulting from corrections and adjustments to the RRI Stadium Reserve. These corrections and adjustments result from stadium operations expenses such as debt payment that were paid from the City's general operating fund, but the adjustments to the RRI Stadium Reserve were not made until the end of 2018.

The GFR is projected to decrease below its minimum limit to \$15.4 million at the end of 2019 due to Council approved commitments and expenditures, including \$2.4 million commitment related to the Regina Humane Society Agreement and \$3.8 million for the Parks & Facilities Yard Development.

A depleted GFR impacts financial flexibility as this reserve continues to provide Council the greatest flexibility to respond quickly to emergencies or to capitalize on opportunities without borrowing. The GFR does not have a dedicated funding source as funding comes from unexpected operating surplus. Given the tight financial outlook of the City, it is not likely that the City would continue to have significant operating surplus to be transferred to the GFR. While Administration continues to monitor the GFR to ensure an appropriate balance is maintained in this reserve, there is an opportunity for the City to consider a dedicated funding source for this reserve such as transferring a budgeted amount to this reserve in future budgets.

**Solid Waste Reserve**

The Solid Waste Reserve is used to fund the landfill closure and post closure liability, renew and replace capital assets used to deliver the landfill operations, the waste diversion program and the recycling program; and to smooth the effects of fluctuations in the operating budget for these programs. The reserve is funded primarily through net fees and charges generated from landfill operations, the waste diversion program and the recycling program. The reserve has a minimum limit of \$28 million and a maximum limit of \$48.5 million.

Solid Waste (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	41,382	39,314	35,916	41,493	55,652	70,098
Addition to reserve	11,587	14,061	14,342	14,629	14,922	15,220
Reduction to reserve	13,655	17,460	8,765	470	476	485
Closing Balance	39,314	35,916	41,493	55,652	70,098	84,834

In 2018, \$13.7 million was invested on various capital projects such as Refuse Cart Replacement, Landfill Infrastructure Renewal and Landfill Operations Centre, while net operating surplus of \$11.6 million was transferred to the reserve. The reserve balance decreased slightly to \$39.3 million at the end of 2018 and is forecast to decrease further to \$36 million at the end of 2019 due to planned capital projects. While current projections show the reserve balance will increase to \$84.8 million by 2023, this projection does not take into account some future capital expenditures, such as landfill closure and post-closure costs, which is currently estimated to be \$9.3 million and the pilot project for the Residential Organics Service Program. After the pilot project is completed, a recommendation will be brought forward for Council’s consideration. For these reasons, transfer from this reserve is not recommended.

**Fleet Replacement Reserve**

The Fleet Replacement Reserve is used to provide funding for the maintenance and replacement of existing general civic, transit, and fire fleet vehicles, as well as the small tools fleet. This reserve is funded through a budgeted transfer of an amount each year that is the equivalent of the annual amortization of the existing fleet. The fleet reserve has four components as described below. While individually, two of the components are outside their limit, the Fleet Replacement Reserve is looked at as a whole and overall, the reserve is within its limit.

- **Fleet Replacement Reserve (General Civic)** - The General Civic Fleet Replacement Reserve is used to provide funding for the maintenance and replacement of existing general civic fleet vehicles. This reserve is funded through a budgeted transfer of an amount each year that is the equivalent of the annual amortization of the existing civic fleet. The minimum and maximum

limits for this reserve are \$900,000 and \$8.2 million respectively. In 2018, a capital investment of \$8.4 million was made in civic replacement while \$9.9 million was added to the reserve, resulting in a yearend balance of \$6.5 million. This balance is within the reserve limit and the reserve is projected to remain within its limits over the next five years.

Civic Fleet (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	4,965	6,513	6,077	5,774	5,683	5,005
Addition to reserve	9,914	8,082	8,082	8,082	8,082	8,082
Reduction to reserve	8,366	8,518	8,384	8,173	8,760	8,327
Closing Balance	6,514	6,077	5,774	5,683	5,005	4,759

- Fleet Replacement Reserve (Transit)** - The Transit Fleet Replacement Reserve provides funding for the maintenance and replacement of existing transit fleet vehicles. This reserve is funded through a transfer of an amount each year that is the equivalent of the annual amortization of the existing transit fleet vehicles. The minimum and maximum limits for this reserve are \$600,000 and \$5 million respectively. In 2018, transit fleet investment of \$3.6 million was made while \$3.1 million was transferred to the reserve, resulting in a yearend balance of \$4.3 million. The reserve is forecast to be above its limit at the end of 2019 and over the next five years. No action is required this year, but the reserve balance will be reviewed next year, and recommendations will be brought forward to ensure the reserve balance is appropriate.

Transit Fleet (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	4,812	4,250	5,539	7,963	7,517	7,015
Addition to reserve	3,084	3,084	3,084	3,084	3,084	3,084
Reduction to reserve	3,645	1,795	660	3,530	3,585	4,115
Closing Balance	4,296	5,539	7,963	7,517	7,015	5,984

- Fleet Replacement Reserve (Fire)** - The Fire Fleet Replacement Reserve provides funding for the maintenance and replacement of existing fire fleet vehicles and equipment. This reserve is funded through a transfer of an amount each year that is the equivalent of the annual amortization of the existing fire fleet equipment. The minimum and maximum limits for this reserve are \$200,000 and \$1 million respectively. In 2018, \$1.1 million was invested in the fire fleet replacement program, while \$1.1 million was added to the reserve, bringing the reserve balance to \$240,000 at the end of the year. The reserve balance is projected to be lower than its limit at the end of 2019 but is expected to return within its limit by 2021. No action is required at this time.

Fire Fleet (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	207	240	88	946	979	1,637
Addition to reserve	1,133	1,133	1,133	1,133	1,133	1,133
Reduction to reserve	1,100	1,285	275	1,100	475	1,230
Closing Balance	240	88	946	979	1,637	1,540

- Fleet Replacement Reserve (Small Tools)** - The Small Tools Fleet Replacement Reserve provides funding for the maintenance and replacement of existing small tools fleets. The

reserve is funded through the transfer of an amount each year that is the equivalent of the annual amortization of the existing small tools. The minimum and maximum limits for this reserve are \$0 and \$100,000 respectively. At the end of 2018, the reserve balance was \$7,000 in excess of the maximum limit. This is considered a small excess with a low impact on the City's reserve position.

<b>Small Tools Fleet (\$000s)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Balance</b>	107	107	107	107	107	107
<b>Addition to reserve</b>	84	84	84	84	84	84
<b>Reduction to reserve</b>	84	84	84	84	84	84
<b>Closing Balance</b>	107	107	107	107	107	107

### **Social Development Reserve**

This reserve is used to provide grant funding for affordable and below market housing developments in accordance with the Housing Incentives Policy (HIP) and other Council approved housing initiatives. The HIP currently allows the City to invest up to \$2.5 million per year in the housing grant program. The reserve does not have a dedicated funding source as it is funded through Council approved transfers. There is no limit established for this reserve as it does not lend itself to having limits.

<b>Social Development (\$000s)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Balance</b>	7,638	8,958	5,758	3,258	758	758
<b>Addition to reserve</b>	3,165	0	0	0	0	0
<b>Reduction to reserve</b>	1,845	3,200	2,500	2,500	0	0
<b>Closing Balance</b>	8,958	5,758	3,258	758	758	758

In 2018, \$3.2 million was added to this reserve to fund the future housing grants program while \$1.8 million was spent from the reserve, increasing the reserve balance to approximately \$9 million at yearend. The majority of this balance is committed, and it is expected that \$3.2 million would be disbursed in 2019 with a further \$2.5 million committed each for 2020 and 2021. This leaves an uncommitted balance of \$758,000 at the end of 2022. To ensure the sustainability of the HIP, a long-term funding source is required for this program. Administration is in the process of reviewing the HIP and will report back to Council on the long-term sustainability of the HIP when the review is complete.

### **Employer-Provided Parking Reserve**

This is a self-sustaining reserve used to fund the operating, maintenance and capital replacement and renewal requirements of the employer-provided parking facilities. The reserve is funded through the net parking fees from employer-provided parking program. The reserve has minimum and maximum limits of \$200,000 and \$3.5 million respectively.

<b>Employer-Provided Parking (\$000s)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Balance</b>	1,712	2,269	2,606	2,893	3,155	3,417
<b>Addition to reserve</b>	607	630	630	630	630	630
<b>Reduction to reserve</b>	50	293	343	368	368	368
<b>Closing Balance</b>	2,269	2,606	2,893	3,155	3,417	3,679

In 2018, an operating surplus of \$607,000 was added to the reserve to increase the balance to \$2.3 million at the end of the year. The reserve is projected to remain within its limit up to 2022 and slightly over its limit by 2023.

### Asset Revitalization Reserve

This reserve provides 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. This reserve is not intended to fund new developments or growth projects that are typically funded through servicing agreement fees (SAF) or projects that are funded through a dedicated reserve. The ARR is funded through a portion of interest revenue earned from the City’s investments. The reserve has a minimum limit of \$500,000 and maximum limit of \$30 million.

Asset Revitalization (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	19,988	1,099	1,099	(5,901)	(5,901)	(5,901)
Addition to reserve	4,977	0	0	0	0	0
Reduction to reserve	23,866	7,000	0	0	0	0
Closing Balance	1,099	(5,901)	(5,901)	(5,901)	(5,901)	(5,901)

In 2018, approximately \$5 million was transferred to the reserve, including \$3.2 million in payback from the Fleet Replacement Reserve, \$1 million in interest revenue, and \$777,000 from the Asphalt Plant Reserve. During the year, \$23.9 million was budgeted from this reserve to fund various capital projects shown in the table below.

2018 Budgeted Projects Funded from Asset Revitalization Reserve	(\$000s)
New Regina Police Headquarters	11,400
Street Infrastructure Renewal	8,623
2018 Memorial Cup Brandt Centre Renovation	1,012
Arcola Express Bus Route	863
Civic Radio System Replacement	569
Pacer Baseball Park Support Buildings	500
Transit Fleet Maintenance	499
Glockenspiel Restoration	400
<b>Total</b>	<b>23,866</b>

The ARR is projected to have a negative balance of \$5.9 million at the end of 2019. Similar to the GFR, the ARR also provides Council flexibility to respond to one-time capital needs such as the new Police Headquarters building purchase without issuing new debt. To ensure the City continues to utilize the ARR to fund critical capital projects, there is an opportunity for the City to consider a sustainable funding source for this reserve such as allocating funding through the annual operating budget of the City and transferring excess amounts from operating and/or capital reserves that are funded through tax revenue. Based on this, Administration is recommending that the excess amount of \$1.1 million in the Winter Road Maintenance Reserve be transferred to the ARR. While this is a small step toward replenishing this reserve, Administration continues to monitor the ARR to limit the negative balance expected.



### **Regina Police Service General Reserve**

This is stabilization reserve primarily used to smooth fluctuations in the annual operating budget of the Regina Police Service (RPS) and to fund small one-time capital expenditures requested by the Board of Police Commissioners that are approved by Council. The reserve is funded through unplanned surplus from the RPS annual operating budget. The minimum and maximum limits of the reserve are \$400,000 and \$4 million respectively

<b>RPS General (\$000s)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Balance</b>	403	630	630	630	630	630
<b>Addition to reserve</b>	227	0	0	0	0	0
<b>Reduction to reserve</b>	0	0	0	0	0	0
<b>Closing Balance</b>	630	630	630	630	630	630

In 2018, \$227,000 in operating surplus was transferred to the reserve, increasing the balance to \$630,000 at yearend. Forecast shows the reserve would remain within its limit over the next five years assuming there are no unexpected operating deficits. No further action is required.

### **Regina Police Service Radio Equipment Reserve**

This is an operating reserve used to smooth expenditures related to the operation and capital and maintenance of the civic radio system. The RPS Communication Technology Unit (CTU) manages the trunked radio system on behalf of City departments and outside agencies who use the trunked radio system, such as Mobile Crisis Services, and Regina Health Authority. The reserve is funded through net revenue generated from the users of the radio system. The reserve's current minimum limit is \$100,000 and maximum limit is \$6 million.

<b>RPS Radio Equipment (\$000s)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Balance</b>	179	294	294	294	294	294
<b>Addition to reserve</b>	114	0	0	0	0	0
<b>Reduction to reserve</b>		0	0	0	0	0
<b>Closing Balance</b>	294	294	294	294	294	294

In 2018, an operating surplus of \$114,000 was transferred to the reserve, increasing the yearend reserve balance to just under \$300,000, which is within its limit. The reserve is forecast to remain within its limit over the next five years.

### **Elections & Property Reassessment Reserve**

This reserve is used to manage planned future operating business requirements related to municipal elections and property reassessment, which occur once every four years. It is not intended to fund property revaluation appeals lost by the City as there is a process in place for managing appeal risks. The reserve is funded by a transfer of an amount per year that is equal to 25% of the costs of elections and property reassessments. Funding is from the operating budget of City departments who utilize this reserve, including the Office of the City Clerk, Communications & Customer Experience and Assessment, Taxation & Utility Billing.

<b>Elections &amp; Reassessment (\$000s)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Balance</b>	642	642	642	103	264	424
<b>Addition to reserve</b>	0	0	161	161	161	161
<b>Reduction to reserve</b>	0	0	700	0	0	0
<b>Closing Balance</b>	642	642	103	264	424	585

Respectively, the minimum and maximum limits of this reserve are \$0 and \$800,000. The maximum amount includes \$500,000 for elections and \$300,000 for property reassessments. In 2018, no transfer was made to the reserve. The 2018 ending balance of \$642,000 is within the allowable limit, and the reserve is expected to remain within its limits over the next five years. A planned reduction to the reserve is forecast in 2020 for the civic election and property reassessment.

### **Technology Reserve**

This reserve provides funding for replacing and enhancing existing technology equipment in the event of unexpected equipment failure or changes in digital information delivery. It is also used to smooth operating requirements for the City's internal Print Services. The reserve is not intended to fund capital investments in new technology equipment as these are procured through a lease program. Funding is primarily generated through net revenues from the Print Services operations.

<b>Technology (\$000s)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Opening Balance</b>	792	798	838	878	918	958
<b>Addition to reserve</b>	6	40	40	40	40	40
<b>Reduction to reserve</b>	0	0	0	0	0	0
<b>Closing Balance</b>	798	838	878	918	958	998

In 2018, a net transfer of \$6,000 from operations to the reserve was made, bringing the yearend reserve balance to just under \$800,000. This balance is within the reserve's minimum and maximum range of \$100,000 and \$1 million respectively. The reserve is currently projected to remain within its limits over the next five years.

### **Cemetery Reserve**

This is a self-sustaining reserve that provides funding for the capital requirements and maintenance costs of the cemeteries, and to manage the operating requirements of the cemetery program. The reserve is funded through net revenues generated from the cemetery program. The reserve's minimum and maximum limits are \$100,000 and \$800,000 respectively.

In 2018, a capital investment of \$100,000 was made from the reserve to restore existing infrastructure, while an operating surplus of \$37,000 was added to the reserve, resulting in a net decrease to the reserve and yearend balance of \$384,000. It is being projected that the reserve would remain within its limit over the next five years. No action is required.

Cemetery (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	446	384	324	324	264	254
Addition to reserve	37	100	110	110	110	110
Reduction to reserve	100	160	110	170	120	120
Closing Balance	384	324	324	264	254	244

### Regina Revitalization Initiative (RRI) Stadium Reserve

The RRI Stadium Reserve is a self-sustaining reserve that provides funding for the capital and operating expenditures of the Mosaic stadium. The reserve is funded through the net revenues received for the Mosaic stadium operations. There are no limits established for this reserve as it does not lend itself to having reserve limits.

RRI Stadium (\$000s)	2018	2019	2020	2021	2022	2023
Opening Balance	6,441	(1,362)	(2,805)	(2,671)	(1,403)	852
Addition to reserve	0	0	134	1,268	2,255	2,382
Reduction to reserve	7,803	1,443	0	0	852	3,234
Closing Balance	(1,362)	(2,805)	(2,671)	(1,403)	0	0

In 2018, \$7.8 million was drawn from this reserve to fund operating deficits, resulting in a negative balance of \$1.4 million at yearend. This negative reserve balance was anticipated, and the Reserve Bylaw allows for this reserve to go into a negative position to deal with anticipated temporary negative cash flows. The reserve is projected to have a zero balance in 2022. As a self-sustaining reserve, the expectation is that the revenues from the stadium would cover ongoing and future capital and operating expenditures. Administration continues to monitor and manage the reserve to ensure there is no impact to the operations of the stadium as a result of the projected negative reserve balance.

### CLOSED RESERVES

Following recommendations from the 2018 Reserve Review, Council approved the closure of the Pest Management Reserve and the Facilities Reserve as these reserves were no longer needed. There is no funding remaining in these reserves at the end of 2018.

### CITY OF REGINA RESERVE BALANCE IN COMPARISON TO OTHER CITIES

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)<sup>1</sup> of the United States

<sup>1</sup> 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

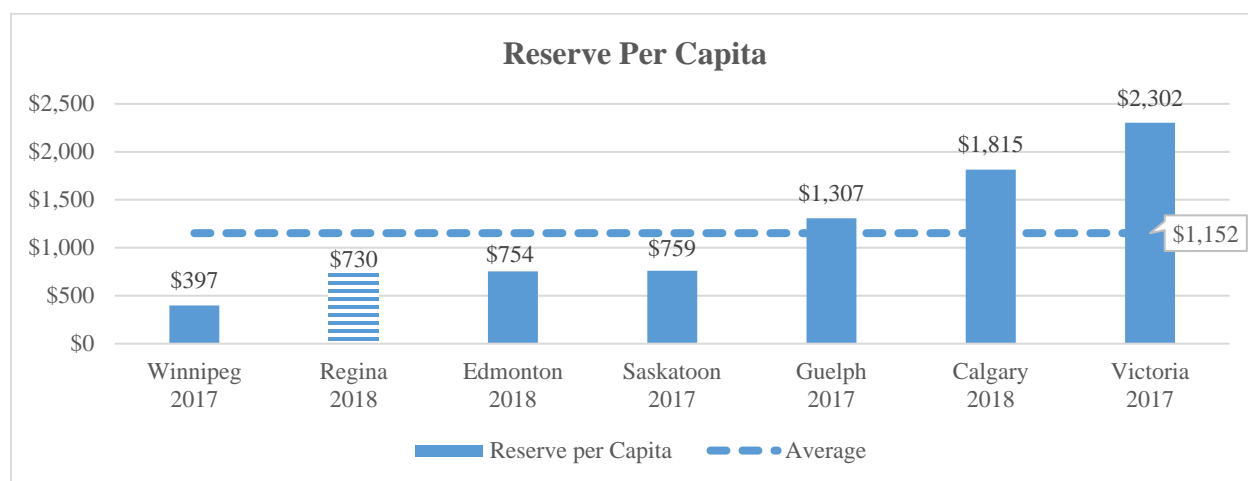
and Canada and the Municipal Finance Officers Association (MFOA)<sup>2</sup> of Ontario were applied in assessing the City’s reserve levels in comparison to ten Canadian municipalities.

In particular, the MFOA recommends that a municipality should maintain a minimum of 20% of its annual expenditures in reserves. While there is no recommended maximum benchmark, best practice advises that reserve balances should be benchmarked against other municipalities to provide insight on whether a city’s reserve is excessively high or low.

The comparison based on the industry measures shows that the City’s reserve balance is reasonable, as it is within the average range for most of the indicators considered as described below. It is important to highlight that the City earned a top tier AAA credit rating from S&P Global in 2019 based on its practice of strong financial management, including responsible management of reserves. This is the second consecutive credit rating increase for the City after having received a rating of AA+ with a positive outlook in 2018.

**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 paying more taxes 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 second lowest reserve per capita (\$730), which is reasonable compared to \$1,152 for the average city. The City of Saskatoon has the fourth largest reserve per capita of \$759, while the City of Victoria has the largest per capita reserves of \$2,302.

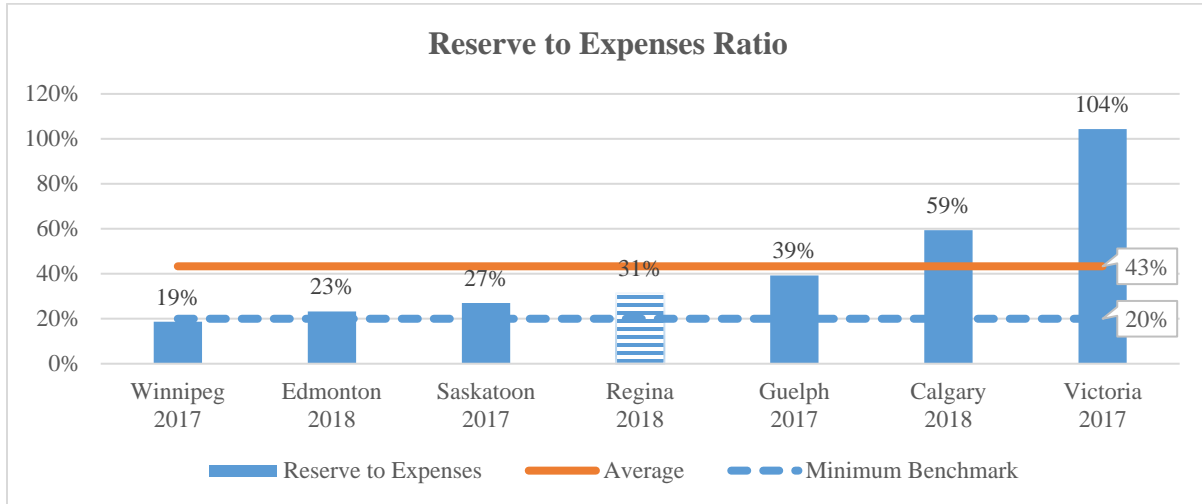


**Percentage of Reserves to Expenses**

This ratio is a measure of financial stability as it shows the ability of a municipality to offset unexpected revenue loses or cost increases without borrowing. A minimum ratio of 20% is

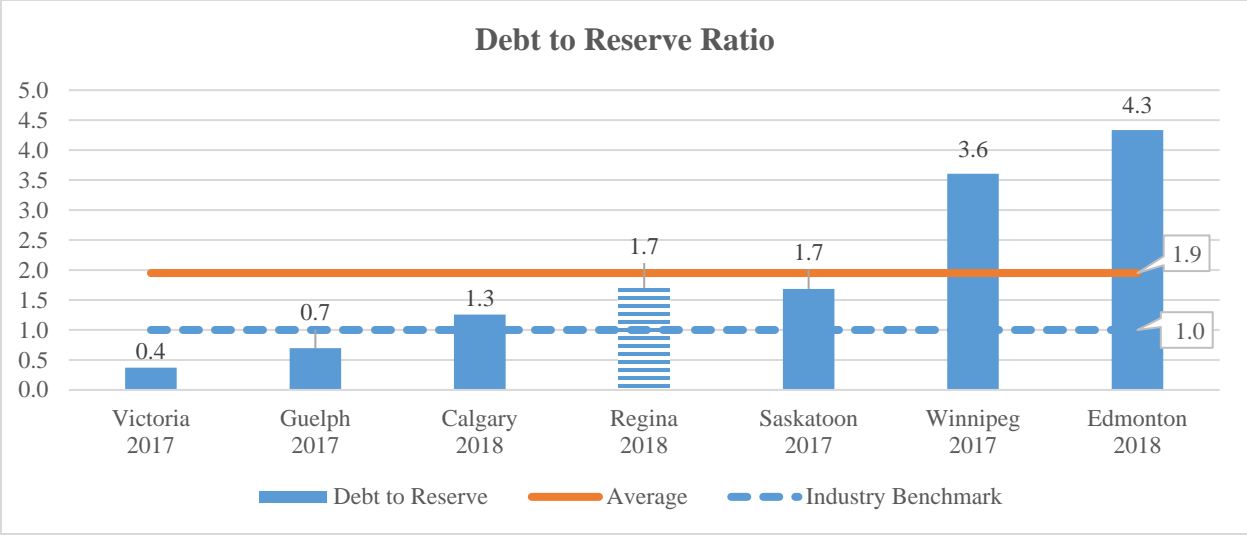
<sup>2</sup>The MFOA is a Canadian based professional association of municipal finance officers who handle the financial affairs of municipalities and who are key advisors to councils on matters of finance policy. The association promotes best practices in municipal financial management.

recommended by best practice. The comparison shows the City of Regina ratio to be 31% compared to 43% for the average municipality. Although the City’s ratio is higher than the recommended minimum benchmark of 20%, 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.



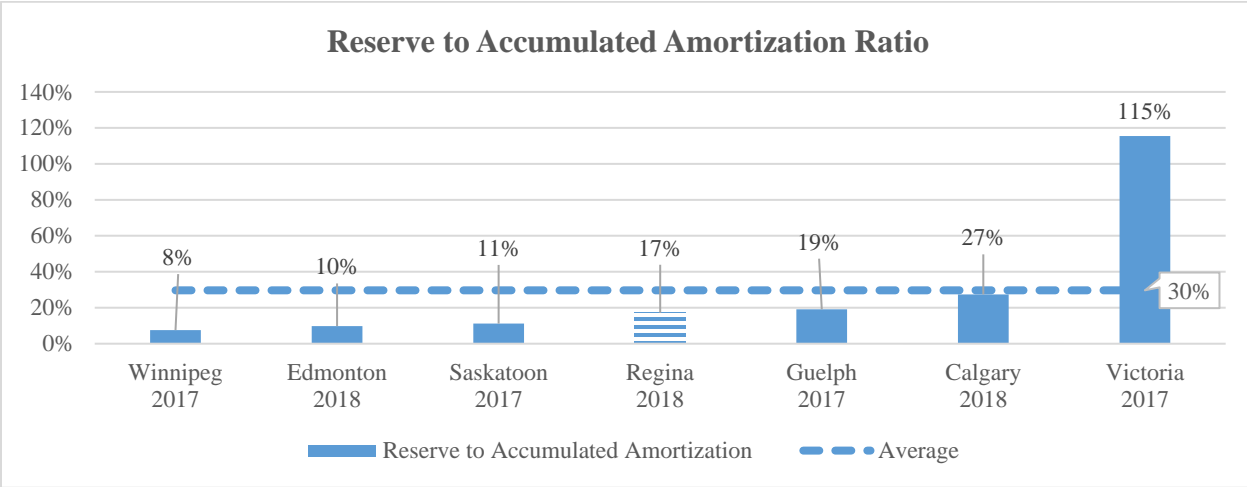
**Percentage of Debt to Reserves**

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. 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 1.7 compared to the average of 1.9 for the rest of the cities. The City’s ratio means that for every \$1.70 of debt there is \$1.00 of reserves available to cover the debt. The City’s ratio is similar to the City of Saskatoon, and it 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 assets<sup>3</sup> (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. In 2018, the City’s reserve levels as a percentage of accumulated amortization was 17% compared to 30% for the average municipality. This means that 17% of the City’s assets that have been consumed could be replaced through its reserves compared to Saskatoon, which has an 11% ability to replace its utilized assets through reserves.



**Limitations of Reserve Balance 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

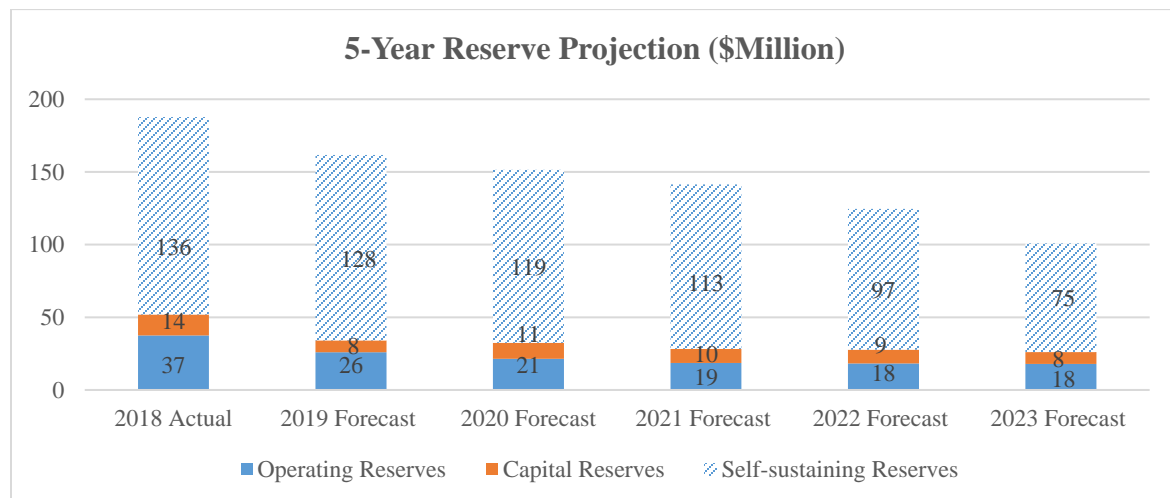
<sup>3</sup> Tangible capital assets are assets or infrastructure that are used to deliver services. These assets have a life span longer than one year. Examples include roads, buildings, fleet equipment etc.

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.

## RESERVE BALANCES PROJECTION

Reserves are projected to decrease to \$162 million by the end of 2019 and to \$101 million by end of 2023. The projected decline in reserve balances is mainly due to planned capital projects identified in the five-year 2019-2023 capital plan. The biggest decrease is related to self-sustaining reserves as the City invests in planned projects. Detail projection for each reserve is shown in graph and table 3 below.



**Table 3: Five-Year Reserve Balance Projection (\$000s)**

Allowable Minimum	Allowable Maximum	Reserve Name	Actual 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023
<b>Operating Reserves (Tax-Supported)</b>								
-	350	Community Investment Grants Reserve	369	369	369	369	369	369
23,000	46,000	General Fund Reserve	23,499	15,346	13,863	13,380	12,897	12,414
-	800	Elections & Assessment Reserve	642	642	103	264	424	585
400	4,000	Regina Police Service General Reserve	630	630	630	630	630	630
100	6,000	Regina Police Service Radio Equipment Reserve	294	294	294	294	294	294
-	-	Social Development Reserve	8,958	5,758	3,258	758	758	758
1,000	2,000	Winter Road Maintenance Reserve	3,100	2,874	2,874	2,874	2,874	2,874
<b>24,500</b>	<b>59,150</b>	<b>Subtotal</b>	<b>37,492</b>	<b>25,913</b>	<b>21,390</b>	<b>18,568</b>	<b>18,246</b>	<b>17,923</b>
<b>Capital Reserves (Tax-Supported)</b>								
200	1,300	Asphalt Reserve	1,345	1,395	1,195	395	595	645
500	30,000	Asset Revitalization Reserve	1,099	(5,901)	(5,901)	(5,901)	(5,901)	(5,901)
1,700	14,300	Fleet Replacement Reserve	11,157	11,857	14,836	14,332	13,810	12,436
100	1,000	Technology Reserve	798	838	878	918	958	998
<b>2,500</b>	<b>46,600</b>	<b>Subtotal</b>	<b>14,399</b>	<b>8,189</b>	<b>11,008</b>	<b>9,744</b>	<b>9,462</b>	<b>8,178</b>
<b>Self-Sustaining Reserves (Non-Tax Supported)</b>								
100	800	Cemetery Reserve	384	324	324	264	254	244
200	3,500	Employer-Provided Parking Reserve	2,269	2,606	2,893	3,155	3,417	3,679
250	2,000	Golf Course Reserve	100	330	180	380	580	780
2,000	12,000	Land Development Reserve	(9,224)	(4,024)	(2,024)	(8,024)	(16,024)	(24,024)
28,000	48,500	Solid Waste Reserve	39,314	35,916	41,493	55,652	70,098	84,834
1,700	13,000	Planning & Sustainability Reserve	1,532	1,132	(238)	(238)	(238)	(238)
-	-	Regina Revitalization Initiative Stadium Reserve	(1,362)	(2,805)	(2,671)	(1,403)	0	0
25,000	90,000	General Utility Reserve	102,834	94,072	79,103	63,349	38,795	9,449
<b>57,250</b>	<b>169,800</b>	<b>Subtotal</b>	<b>135,847</b>	<b>127,550</b>	<b>119,060</b>	<b>113,135</b>	<b>96,882</b>	<b>74,724</b>
<b>84,250</b>	<b>275,550</b>	<b>Total</b>	<b>187,738</b>	<b>161,652</b>	<b>151,459</b>	<b>141,447</b>	<b>124,590</b>	<b>100,825</b>

## CONCLUSION

In 2018, \$22.2 million net withdrawal was made from reserves to fund various capital projects and support operating requirement, decreasing the reserve balance from approximately \$210 million at the beginning of 2018 to \$187.7 million at the end of 2018. Operating reserves account for 20% of the reserve balance, capital reserves represent 8% of the balance, while a significant portion of reserves (72%) are self-sustaining reserves.



Of the 19 reserves maintained by the City, seven were outside of the limit while 12 were within their limits. Administration is recommending that an excess amount of \$1.1 million the Winter Road Maintenance Reserve be transferred to the General Fund Reserve.

Reserves are being projected to decrease to \$162 million at the end of 2019 due to planned projects approved by Council in the 2019 budget.

Overall, the City reserve balance is considered reasonable compared to other municipalities and best practices. Administration will continue to monitor and manage reserves in accordance with the Reserve Policy and the Bylaw to ensure reserves continue to support Council priorities and the needs of the City.