

2020 Annual Reserve Report

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BACKGROUND

Purpose of Reserves

Reserves are monies authorized by City Council to be set aside for future capital and operating needs. They are a key component of the City of Regina'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 21 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 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.
- **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 these requirements.

ANALYSIS

The 2020 Annual Reserve Report provides detail on each reserve held by the City of Regina and their balances as of December 31, 2020. The report also provides projected balances to 2025. Like all forecasts, the projected balances in this report reflect a point in time estimate and will change as new information, additional actions, and Council decisions are made. In addition to ongoing decisions of Council, the financial impact of COVID-19 on the City are expected to be significant and potentially extend into 2022. Administration continues to analyze and monitor the situation, including possible impacts and opportunities as it relates to the City's reserves.

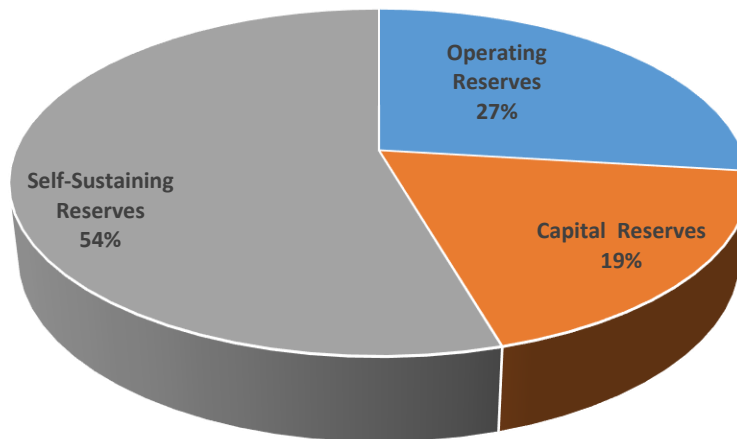
2020 RESERVE BALANCE

The City's overall reserve balance increased by 16% from approximately \$172.7 million at the beginning of 2020 to \$199.4 million at the end of 2020, largely due to external COVID-19 funding that will be used in 2021 to offset continued COVID-19 financial impacts.

Breakdown of the reserve balance is as follows:

- Operating reserves (\$53.7 million) - account for 27% 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 (\$37.1 million) - represent 19% of the total reserve balance. Capital reserves are used to fund capital expenses.
- Self-sustaining reserves (\$108.7 million) - account for 54% 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.

Chart 1: Reserve Breakdown as of December 31, 2020.



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 2021-2025 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 \$13 million at the end of 2020. Funds in the General Fund Reserve are committed to pay for Council-approved commitments such as capital improvements for the Regina Humane Society. 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.

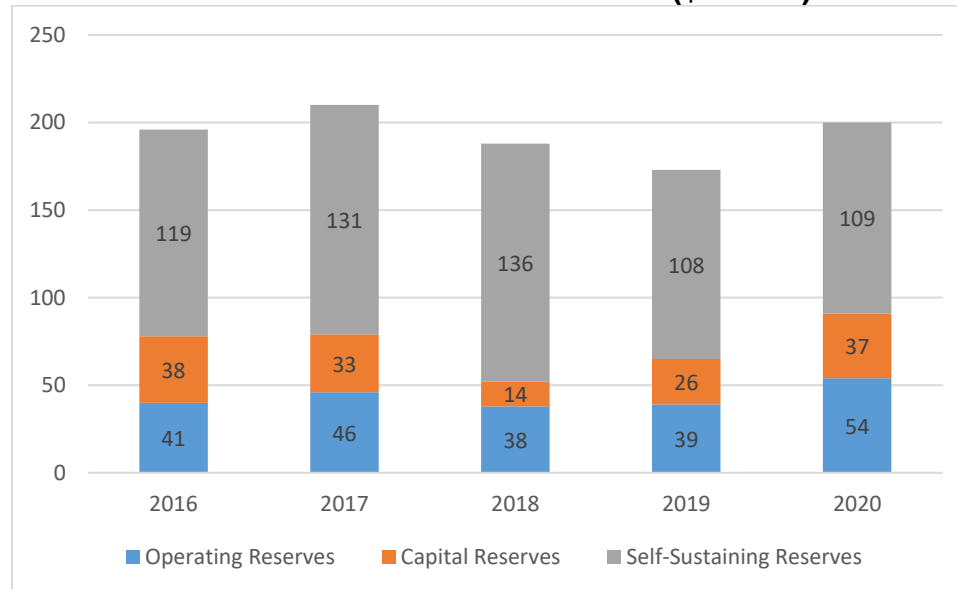
Table 1: 2020 Change in Reserve Balance (\$000s)

Reserves	2020 Activities	2019	2020	Change
Operating Reserves (Tax-Funded)				
General Fund Reserve	Increase from 2020 yearend surplus offset by capital investments	27,002	29,398	2,396
Social Development Reserve	Draw to fund the 2020 Housing Incentive Program	7,069	3,694	(3,375)
Winter Road Maintenance Reserve	Approved Council transfers to the Asset Revitalization Reserve	2,368	2,169	(199)
Regina Police Service General Reserve	Net contributions from operations	1,456	1,618	162
Elections & Property Reassessment Reserve	Annual contribution net of draw to fund the 2020 Election and Property Tax Reassessment	642	192	(450)
Community Investment Grants Reserve	Net contributions from community investments budget	383	609	226
Regina Police Service Radio Equipment Reserve	Net draw to fund operations	320	125	(195)
COVID-19 Recovery Reserve	Federal Safe Restart Funding less amount used in 2020 for Regina Economic Recovery Grants. Remainder to mitigate continued financial impact of the pandemic	0	15,872	15,872
Subtotal – Operating		39,241	53,677	14,436
Capital Reserves (Tax-Funded)				
Fleet Replacement Reserve	Net contributions from operating budget	14,907	20,964	6,058
Asset Revitalization Reserve	City Manager approved transfer from investment income	8,674	14,625	5,951
Asphalt Plant Reserve	Net contributions from operations offset by budgeted capital investment	1,256	969	(287)
Technology Reserve	Investment in capital as per the 2020 Budget	854	238	(616)
māmawêyatîtan Reserve	Net contributions from operations	0	294	294
Subtotal - Capital reserves		25,691	37,090	11,106
Self-Sustaining Reserves (External User-Fee Funded)				
General Utility Reserve	Net contributions from operations	93,323	96,663	3,340
Solid Waste Reserve	Net contributions from operations	30,019	30,915	896
Employer-Provided Parking Reserve	Net contributions from operations	2,634	2,930	296
Golf Course Reserve	Net contributions from operations	548	861	313
Cemetery Reserve	Net contributions from operations	251	306	55
Planning & Sustainability Stabilization Reserve	Draw to fund operations	(444)	(2,331)	(1,887)
Regina Revitalization Initiative Stadium Reserve	Draw to fund operations and debt repayment	(1,779)	(4,312)	(2,533)
Land Development Reserve	Net contributions from land sales	(16,815)	(16,357)	458
Subtotal - Self-sustaining reserves		107,737	108,675	938
Increase (Decrease) in Reserve Balance		172,666	199,442	26,774

5-Year (2016-2020) Historical Reserve Position

Reserve balances have been stable over the past five (5) years, from \$198 million in 2016 to \$199 million in 2020. Overall, the steady reserve level is an indication of how the City continues to ensure appropriate reserve balances to support planned projects.

Chart 2: 5-Year Historical Reserve Position (\$Million)



SUMMARY OF 2020 RESERVE BALANCES IN COMPARISON TO RESERVE LIMITS

At the end of 2020, five of the City's 21 reserves were outside their range while 16 were within range. Of the five reserves outside of their range, three were in excess of their maximum limit by \$13.5 million mainly attributable to the General Utility Reserve and Fleet Replacement Reserve, while two reserves were \$22.4 million below their minimum limit mainly attributable to the Land Development Reserve.

The three reserves above their maximum limit include:

- *General Utility Reserve* – \$6.7 million in excess of its maximum limit of \$90 million
- *Fleet Replacement Reserve* – \$6.7 million in excess of its maximum limit of \$14.3 million
- *Winter Road Maintenance Reserve* – \$169,000 in excess of its maximum limit of \$2 million

The two reserves below their minimum limit include:

- *Land Development Reserve* – \$18.4 million below its minimum limit of \$2 million
- *Planning & Sustainability Stabilization Reserve* – \$4.0 million below its minimum limit of \$1.7 million

The remaining 16 reserves were within their limit at the end of 2020.

Looking beyond 2020, the overall reserve balance is projected to decline to \$183 million at the end of 2021 and to \$166 million at the end of 2022 due to planned capital investment from the General Utility Reserve and expenditure from the COVID-19 Reserve to offset ongoing impacts from COVID-19. The General Fund Reserve (GFR) is expected to decline

below their minimum limit at the end of 2021 due to Council-approved commitments against the reserve. As the GFR has no dedicated funding source, funding is only acquired from unexpected surpluses in the General Fund. The GFR had a balance of \$29.4 million at the end of 2020, which was within its minimum limit of \$23 million, but is projected to be slightly below its minimum limit at \$21.5 million at the end of 2021 due to Council approved commitments and expenditures including the Regina Humane Society. A depleted GFR creates financial risks as this reserve provides 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 reserve 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.

Based on the analysis in this report, Administration recommends that:

- No transfer be made from the Fleet Replacement Reserve due to the potential increased cost to transition the fleet to alternative power.
- No transfer be made from the Winter Road Maintenance Reserve due to a planned drawdown for the 2021 Spring Sweep of \$225,000 and a forecast 2021 operating deficit of \$139,000.
- No transfers be made from the General Utility Reserve due to ongoing projects and future capital plans. Near-term capital investments from this reserve include \$10.9 million for the Water Infrastructure Renewal project, \$10.1 million for Water Meter and Automated Meter Reading (AMR) Replacement project and \$10.7 million for the Water Infrastructure Renewal project.

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

Table 2: 2020 Reserve Balance in Comparison to Reserve Limits (\$000's)

Reserve	2020 Balance	Allowable Minimum	Allowable Maximum	Recommendation
Reserves Above Their Limit				
General Utility Reserve	96,663	25,000	90,000	No reduction is recommended due to ongoing projects and future plans
Fleet Replacement Reserve	20,964	1,700	14,300	No transfer recommended due to the potential increased cost of transitioning the fleet to alternative fuels
Winter Road Maintenance Reserve	2,169	1,000	2,000	No transfer recommended as planned expenditures will bring the reserve below the maximum in 2021
Community Investment Grants Reserve	609	-	850	No action is required
Subtotal	120,405	27,700	107,150	
Reserves Below Their Limit				
Planning & Sustainability Stabilization Reserve	(2,331)	1,700	13,000	No replenishment is required at this time (see rationale in the sections below)
Land Development Reserve	(16,357)	2,000	12,000	No replenishment is required at this time (see rationale in the sections below)
Subtotal	(18,688)	3,700	25,000	
Reserves Within Their Limit				
Solid Waste Reserve	30,915	28,000	48,500	No action is required
General Fund Reserve	29,398	23,000	46,000	No action is required
COVID-19 Recovery Reserve	15,872	N/A	N/A	No action is required
Asset Revitalization Reserve	14,625	500	30,000	No action is required
Social Development Reserve	3,694	N/A	N/A	No action is required
Employer-Provided Parking Reserve	2,930	200	3,500	No action is required
Regina Police Service General Reserve	1,618	300	4,000	No action is required
Golf Course Reserve	861	250	2,000	No action is required
Asphalt Plant Reserve	696	200	1,300	No action is required
Cemetery Reserve	306	100	800	No action is required
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Technology Reserve	238	100	1,000	No action is required
Elections & Property Reassessment Reserve	192	-	800	No action is required
Regina Police Service Radio Equipment Reserve	125	65	300	No action is required
RRI Stadium Reserve	(4,312)	N/A	N/A	No action is required
Subtotal	97,725	52,715	138,200	
Total	199,442	84,115	270,350	

Detailed description of the 2020 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

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)	2020	2021	2022	2023	2024	2025
Opening Balance	93,323	96,663	100,633	78,783	62,703	63,800
Addition to reserve	70,177	57,235	55,630	62,760	64,267	68,833
Reduction to reserve	66,837	53,265	77,480	78,840	63,170	93,582
Closing Balance	96,663	100,633	78,783	62,703	63,800	39,051

In 2020, a surplus of \$64.4 million was transferred to the reserve. The reserve also received \$5.7 million in grant funding from the federal government. The federal government funding was comprised of \$4.6 million for the Wastewater Collection Renewal project and \$1.1 million for the Trunk Relief Initiative. Total investments of \$66.8 million was made from the reserve on various capital projects. The top six projects in the amount of \$25.3 million include:

- Trunk Relief Initiative (\$7.7 million)
- The Creeks Wastewater Pump Station Expansion (\$4.4 million)
- Wastewater Collection Renewal – Integrated Works (\$4.4 million)
- Water Service Connection Replacement (\$4.1 million)
- Area 1 & 17 Upgrades (\$2.4 million)
- Water Infrastructure Renewal (\$2.3 million)

Although the reserve balance is \$6.7 million in excess of the allowable maximum limit, the forecast shows that the balance will decrease over the next five years due to planned utility capital projects identified in the Utility Model and 2021-2025 capital plan. It is recommended that no transfers be made from the reserve as funds are currently dedicated for planned capital projects over the next five years.

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. Three of the components are outside their limit and a transfer is recommended from two of the components.

- **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 2020, capital investment of \$9.6 million was made in civic replacement while \$11.9 million was added to the reserve, resulting in a yearend balance of \$11.1 million. Administration does not recommend any transfer from this component reserve as future vehicle purchases of alternative fuel vehicles may result in cost increases to the reserve.

Civic Fleet (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	8,852	11,101	11,010	10,831	10,586	9,785
Addition to reserve	11,852	8,082	8,081	8,082	8,082	8,082
Reduction to reserve	9,604	8,173	8,260	8,327	8,883	9,867
Closing Balance	11,101	11,010	10,831	10,586	9,785	8,000

- **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 2020, transit fleet investment of \$750,000 was made while \$3.8 million was transferred to the reserve, resulting in a yearend balance of \$8.9 million. The reserve is above its limit at the end of 2020 and is forecast to continue to be above the limit until 2023 based on projected transit fleet maintenance and replacement schedule. Administration does not recommend any transfer from this component reserve as future purchases of alternative fuel vehicles may result in cost increases to the reserve.

Transit Fleet (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	5,859	8,937	8,044	7,233	5,172	3,111
Addition to reserve	3,828	3,064	3,064	3,064	3,064	3,064
Reduction to reserve	750	3,957	3,875	5,125	5,125	4,955
Closing Balance	8,937	8,044	7,233	5,172	3,111	1,220

- **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 2020, \$402,000 was invested in the fire fleet replacement program, while \$1.1 million was added to the reserve, bringing the reserve balance to \$819,000 at the end of the year. The reserve is currently within the target range for this reserve. The projected balance beginning in 2022 is expected to be above the target maximum and will continue to be monitored. No action is required at this time.

Fire Fleet (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	88	819	852	1,410	1,313	2,182
Addition to reserve	1,133	1,133	1,133	1,133	1,133	1,133
Reduction to reserve	402	1,100	575	1,230	264	1,215
Closing Balance	819	852	1,410	1,313	2,182	2,100

- 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 2020, 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. No action is required at this time.

Small Tools Fleet (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	107	107	107	107	107	107
Addition to reserve	0	84	84	84	84	84
Reduction to reserve	0	84	84	84	84	84
Closing Balance	107	107	107	107	107	107

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 storm 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)	2020	2021	2022	2023	2024	2025
Opening Balance	2,368	2,169	1,805	1,805	1,805	1,805
Addition to reserve	169	0	0	0	0	0
Reduction to reserve	368	364	0	0	0	0
Closing Balance	2,169	1,805	1,805	1,805	1,805	1,805

In 2020, \$169,000 was transferred into the reserve from operations and \$368,000 was transferred from this reserve (CR20-65) to the General Fund Reserve (GFR) as recommended in the 2019 Reserve Report. The balance is currently \$169,000 above the target maximum but planned capital expenditure in 2021 will bring the reserve back within its limits. No transfer is recommended.

B. RESERVES UNDER THEIR MINIMUM LIMIT

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 2020, \$12.2 million in land sales was transferred

to the reserve while \$11.8 million was invested in the South East Land Development project. Although the reserve had a negative balance of \$16.4 million at the end of 2020, there is approximately \$29.0 million available in the land development project accounts, including \$24.5 million in the South East Land Development project and \$3.1 million in the Hawkstone Land Development project. This means that, on a net basis, there is approximately \$12.6 million funding available related to this reserve. Based on this, no action is recommended at this time.

Land Development Reserve (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	(16,815)	(16,357)	(15,018)	(13,891)	(12,841)	(11,791)
Addition to reserve	12,212	10,267	8,645	8,050	8,050	8,050
Reduction to reserve	11,754	8,928	7,518	7,000	7,000	7,000
Closing Balance	(16,357)	(15,018)	(13,891)	(12,841)	(11,791)	(10,741)

Planning & Sustainability Stabilization 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. When reserve fees are greater than the costs of the service, the excess is added to the reserve. When reserve expenses are greater than fees collected, the revenue shortfall reduces the reserve balance. This reserve has a minimum limit of \$1.7 million and a maximum limit of \$13 million.

Planning & Sustainability (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	(444)	(2,331)	(4,160)	(6,160)	(7,810)	(9,110)
Addition to reserve	0	0	0	0	0	0
Reduction to reserve	1,887	1,829	2,000	1,650	1,300	950
Closing Balance	(2,331)	(4,160)	(6,160)	(7,810)	(9,110)	(10,060)

In 2020, net operating expenses related to planning and development activities were higher than revenues by approximately \$1.9 million resulting in a draw from the reserve. The reserve balance was negative \$2.3 million at the end of 2020. The City has observed an increase in building permits that may strengthen through the pandemic recovery and the associated increase in economic activity. Management will continue to monitor this reserve and will evaluate the relevant costs and suitability of fees, and will report to Council as required.

C. RESERVES WITHIN THEIR LIMITS

Sixteen out of the 21 reserves were within their limits at the end of 2020. For information purposes, the 2020 transactions and yearend balances of these reserves are provided below. No action is recommended for these reserves.

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)	2020	2021	2022	2023	2024	2025
Opening Balance	30,019	30,915	40,035	47,547	53,553	58,052
Addition to reserve	10,910	9,700	8,000	6,500	5,000	4,000
Reduction to reserve	10,014	580	488	494	501	507
Closing Balance	30,915	40,035	47,547	53,553	58,052	61,545

In 2020, \$10 million was invested on various capital projects such as the Waste Management Centre, Garbage Roll-out Cart Replacement and Landfill Infrastructure Renewal, while net operating surplus of \$10.9 million was transferred to the reserve. The reserve balance increased to \$30.9 million at the end of 2020 and is forecast to increase to \$40.0 million at the end of 2021. While current projections show the reserve balance will increase to \$61.5 million by 2025, this projection does not consider future capital expenditures, such as landfill closure and post-closure costs, which is currently estimated to be \$12.6 million. For this reason, transfer from this reserve is not recommended.

General Fund Reserve

The General Fund Reserve (GFR) 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)	2020	2021	2022	2023	2024	2025
Opening Balance	27,002	29,398	21,450	21,212	21,974	22,736
Addition to reserve	3,784	762	762	762	762	762
Reduction to reserve	1,388	8,710	1,000	0	0	0
Closing Balance	29,398	21,450	21,212	21,974	22,736	23,498

In 2020, \$1.4 million was drawn from the GFR, primarily for funding the City's commitment to the Regina Humane Society (EX14-50) while \$3.7 million was transferred to the GFR primarily due to \$2.3 million in net general operating surplus. The remaining transfers to the GFR in 2020 were \$762,000 allocated through the 2020 Budget to fund the Animal Services Agreement with the Regina Humane Society, a Council-approved transfer of \$368,000 from the Winter Road Maintenance Reserve (CR20-65), and \$354,000 of unspent capital funds returned to the reserve.

The GFR is projected to decrease to slightly below its minimum limit to \$21.5 million at the end of 2021 due to the remaining Council approved commitments for capital improvements of the Regina Humane Society (EX14-50).

The GFR continues to provide Council the greatest flexibility to respond quickly to emergencies or to capitalize on opportunities without borrowing. Depleting this reserve

below its minimum recommended target impacts the City's financial flexibility. 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 anticipated that the City will 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.

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 Asset Revitalization Reserve (ARR) is funded through a portion of interest revenue earned from the City's investments as outlined in *The Regina Administration Bylaw, 2003-29, Schedule A s. 32.(1)*. The reserve has a minimum limit of \$500,000 and maximum limit of \$30 million.

Asset Revitalization (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	8,674	14,625	13,953	13,968	13,968	13,968
Addition to reserve	5,951	15	15	0	0	0
Reduction to reserve	0	687	0	0	0	0
Closing Balance	14,625	13,953	13,968	13,968	13,968	13,968

In 2020, \$6.0 million was transferred to the reserve through investment gains. The reserve did not have expenditures in 2020.

The ARR is projected to have a balance of \$14.0 million at the end of 2021. The reserve has a Council-approved commitment of \$687,000 in 2021 to fund the City's 26.7 per cent contribution to the purchase of bus operator shields and self-securement mobility stations through the Investing in Canada Infrastructure Program (ICIP) Resiliency Stream. As discussed in the 2021 Budget Report, Appendix D, the ARR will be used to fund \$11.7 million toward a new aquatics facility, should that project be approved. The funds will be returned to the ARR once the Recreation Capital Plan balance allows.

Similar to the GFR, the ARR provides Council flexibility to respond to one-time capital needs reducing the use of 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.

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.

Social Development (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	7,069	3,694	4,549	4,549	4,549	4,549
Addition to reserve	0	2,500	2,500	2,500	2,500	2,500
Reduction to reserve	3,375	1,645	2,500	2,500	2,500	2,500
Closing Balance	3,694	4,549	4,549	4,549	4,549	4,549

In 2020, \$3.4 million was spent from the reserve, decreasing the reserve balance to approximately \$3.7 million at yearend. Administration expects to distribute \$1.645 million in funding through the HIP in 2021. This leaves an uncommitted balance of \$4.5 at the end of 2021. 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 is developing a recommendation for a long-term funding source for the reserve through the 2022 Budget.

mâdawêyatitân Reserve

The purpose of this reserve is to provide funding to fund future capital repairs to the mâdawêyatitân center. The reserve is funded through the City's annual budget process. There is no limit established for this reserve as it does not lend itself to having limits.

mâdawêyatitân (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	0	294	392	490	588	686
Addition to reserve	294	98	98	98	98	98
Reduction to reserve	0	0	0	0	0	0
Closing Balance	294	392	490	588	686	784

The reserve was approved by Council for creation and funding as outlined in CR14-105. The administrative process of updating *The Regina Administration Bylaw 2003-69* has not yet been completed. The funds relating to the mâdawêyatitân Reserve have been held in the General Fund Reserve and will be moved to the mâdawêyatitân Reserve once the recommendations in this report have been approved. The reserve is to be set up as a capital reserve for the purpose of funding capital improvements to the mâdawêyatitân Center. The funding source for the reserve is the general operating budget of the mâdawêyatitân Center, the annual funding amount is 1.5% of the City's capital budget for the center and equates to \$98,000 per year.

Once the reserve is created \$294,000 will be transferred from the General Fund Reserve to the mâdawêyatitân Reserve. The transfer represents a budgeted transfer of \$98,000 per year for 2018, 2019 and 2020.

Community Investment 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.

In 2020 (CR20-69), the reserve was expanded to include funding set aside annually for Events Conventions and Tradeshows (ECT) Attraction Program. With the addition of the

new sub reserve, the overall minimum and maximum limits for the reserve are \$0 to \$850,000. Overall, the reserve is within the limits.

Funds are allocated to the sub reserves within the Community Investments Grants Reserve as follows:

- **Operations & Community Services Committee** - provides financial support to organizations that deliver community services in the area of sport, cultural, recreational and social development. The minimum and maximum limits for this sub reserve are \$0 and \$175,000, respectively.

Operations & Community Services (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	115	172	172	172	172	172
Addition to reserve	57	0	0	0	0	0
Reduction to reserve	0	0	0	0	0	0
Closing Balance	172	172	172	172	172	172

In 2020, \$4.0 million was allocated to the Operations & Community Services Committee through the 2020 Budget. The committee allocated nearly all of the approved budget, resulting in a transfer to the reserve of \$57,000 at yearend.

- **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 minimum and maximum limits for this sub reserve are \$0 and \$175,000, respectively.

Executive Committee (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	268	437	437	437	437	437
Addition to reserve	169	0	0	0	0	0
Reduction to reserve	0	0	0	0	0	0
Closing Balance	437	437	437	437	437	437

In 2020, \$9.0 million was budgeted for allocation through the Executive Committee. The Executive Committee allocated nearly all the approved budget resulting in a \$169,000 addition to the reserve.

The sub reserve is currently above the recommended maximum limit. While it is difficult to estimate the exact amount of funding to be allocated in future years, it is expected that the committee will review all applications for funding to utilize amounts in excess of the limit in 2021. No transfer is recommended.

- **Events Conventions & Tradeshows Attractions Program** - provides financial support for educational, economic, and promotional purposes. The minimum and maximum limits for this sub reserve are \$0 and \$500,000, respectively.

Grants Reserve (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	0	0	0	0	0	0
Addition to reserve	0	325	325	325	325	325
Reduction to reserve	0	325	325	325	325	325
Closing Balance	0	0	0	0	0	0

The Events, Conventions & Tradeshow component reserve was established in 2020 to manage the approved budget for these expenditures. Funding of \$325,000 was approved through the 2021 Budget. At this time, spending is projected to match the budget allocation.

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.

Employer-Provided Parking (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	2,634	2,930	3,337	3,644	3,951	4,258
Addition to reserve	396	625	625	625	625	625
Reduction to reserve	100	218	318	318	318	318
Closing Balance	2,930	3,337	3,644	3,951	4,258	4,565

In 2020, a net addition of \$296,000 was made to the reserve to increase the balance to \$2.9 million at the end of the year. The reserve is projected to remain within its limit through 2021 and then increase above the maximum from 2022 to 2024. Administration recommends no action at this time and will continue to monitor this reserve.

Regina Police Service General Reserve

This is a 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 \$300,000 and \$4 million, respectively.

RPS General (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	1,456	1,618	1,618	1,618	1,618	1,618
Addition to reserve	162	0	0	0	0	0
Reduction to reserve	0	0	0	0	0	0
Closing Balance	1,618	1,618	1,618	1,618	1,618	1,618

In 2020, \$162,000 in operating surplus was transferred to the reserve, increasing the balance to \$1.6 million at yearend. Forecast shows the reserve would remain within its limit over the next five years assuming there are no unexpected operating deficits.

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.

Asphalt Plant (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	1,256	969	1,269	419	569	719
Addition to reserve	0	300	300	150	150	150
Reduction to reserve	287	0	1,150	0	0	0
Closing Balance	969	1,269	419	569	719	869

In 2020, the reserve invested \$287,000 in the asphalt plant capital program resulting in a reserve balance of almost \$1.0 million. Projections show that the reserve balance would decrease to \$869,000 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 2021-2025 capital plan. Based on this, a transfer from this reserve is not required.

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.

Technology (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	854	238	243	248	253	258
Addition to reserve	0	5	5	5	5	5
Reduction to reserve	616	0	0	0	0	0
Closing Balance	238	243	248	253	258	263

In 2020, the reserve invested \$616,000 in the Technology Capital program, reducing the reserve balance to \$238,000. 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.

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 & Engagement, and Assessment & Property Revenue Services.

Elections & Property Reassessment (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	642	192	417	642	867	193
Addition to reserve	161	225	225	225	225	225
Reduction to reserve	611	0	0	0	899	0
Closing Balance	192	417	642	867	193	418

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 2020, \$611,000 was invested from the reserve to fund the 2020 municipal election. The reserve received funding of \$161,000 through a budgeted transfer to prepare for the 2024 election. The 2020 ending balance of \$192,000 is within the allowable limit, and the reserve is expected to remain mostly within its limits over the next five years. A planned reduction to the reserve is forecast in 2024 for the civic election and property reassessment.

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)	2020	2021	2022	2023	2024	2025
Opening Balance	548	861	640	590	540	440
Addition to reserve	613	129	100	100	100	100
Reduction to reserve	300	350	150	150	200	200
Closing Balance	861	640	590	540	440	340

In 2020, an operating surplus of \$613,000 was transferred to the reserve while \$300,000 was invested in golf course capital projects resulting in a yearend balance of \$861,000. The reserve is expected to decline to \$640,000 at the end of 2021 due to planned capital expenditures from the 2021-2025 capital plan. The reserve is projected to decrease to \$340,000 at the end of 2025.

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 \$65,000 and maximum limit is \$300,000.

RPS Radio Equipment (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	320	125	125	125	125	125
Addition to reserve	0	0	0	0	0	0
Reduction to reserve	195	0	0	0	0	0
Closing Balance	125	125	125	125	125	125

In 2020, the reserve decreased by \$195,000 due to an operating loss of \$148,000 and a \$47,000 investment in police radio equipment, resulting in a yearend balance of \$125,000 which is within its current limit.

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.

Cemetery (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	250	306	(792)	(1,474)	(1,686)	(1,768)
Addition to reserve	266	142	58	58	58	58
Reduction to reserve	210	1,240	740	270	140	140
Closing Balance	306	(792)	(1,474)	(1,686)	(1,768)	(1,850)

In 2020, a capital investment of \$210,000 was made from the reserve to restore existing infrastructure, while an operating surplus of \$266,000 was added to the reserve, resulting in a net increase to the reserve of \$56,000 and a yearend reserve balance of \$306,000. The reserve is projected to decrease below the minimum balance in 2021 due to budgeted capital expenditures. Administration will review the reserve in 2021 and bring forward recommendations as required.

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)	2020	2021	2022	2023	2024	2025
Opening Balance	(1,780)	(4,312)	(6,823)	(4,985)	(4,075)	(2,954)
Addition to reserve	0	0	1,098	910	1,121	1,334
Reduction to reserve	(2,532)	(1,771)	0	0	0	0
Closing Balance	(4,312)	(6,823)	(4,985)	(4,075)	(2,954)	(1,621)

In 2020, \$2.5 million was drawn from this reserve to fund an operating deficit due to the impact of the pandemic on stadium activities, resulting in a negative balance of \$4.3 million at yearend. While the negative reserve balance was anticipated for this reserve due to annual debt repayment, the pandemic resulted in additional pressure and use of the reserve to offset unanticipated losses. The Reserve Bylaw allows for this reserve to go into a negative position to deal with anticipated temporary negative cash flows. 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. The stadium model is a 30-year model designed to achieve a balance of zero or higher on the thirtieth year, or by 2043.

COVID-19 Recovery Reserve

The COVID-19 Recovery Reserve was established to hold funds provided to the City pursuant to the Federal Governments Safe Re-Start Program. The reserve was funded by moving amounts not required immediately to offset the impacts of COVID-19. There are no limits established for this reserve as it does not lend itself to having reserve limits.

COVID-19 (\$000s)	2020	2021	2022	2023	2024	2025
Opening Balance	0	15,872	1,765	1,765	1,765	1,765
Addition to reserve	16,290	0	0	0	0	0
Reduction to reserve	418	14,107	0	0	0	0
Closing Balance	15,872	1,765	1,765	1,765	1,765	1,765

In 2020, the reserve was set up with \$16.3 million in funding received through the Federal Governments Safe Re-Start Program. The City drew \$418,000 to cover COVID-19 related costs. The remaining funds will be used in 2021 and beyond as required to offset pandemic-related costs.

CITY OF REGINA RESERVE BALANCE IN COMPARISON TO OTHER CITIES

The level of reserves maintained by a municipality depends on several 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.

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's AAA credit rating was confirmed by S&P Global in May 2021 based on its practice of strong financial management, including responsible management of reserves.

Reserve Per Capita

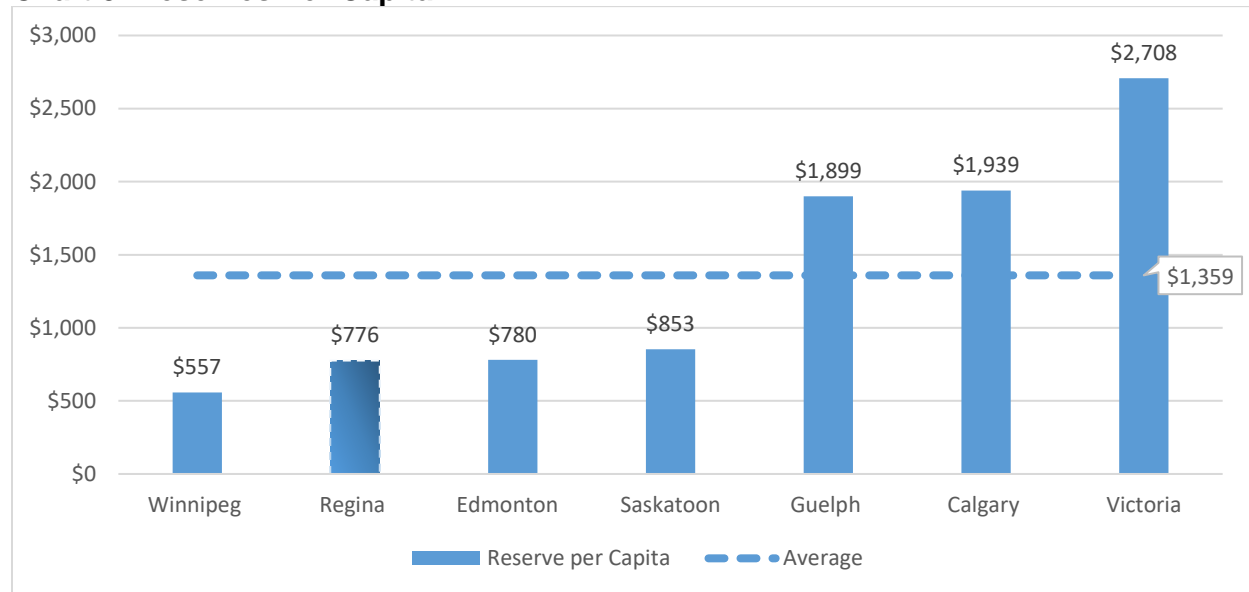
This ratio measures total reserve balances in relation to the population. This is a useful ratio as it illustrates the property taxes, rates and charges paid per person living a municipality

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.

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. Chart 3 below shows that the City of Regina has reserve per capita in-line with other large western Canadian cities (\$776), which is reasonable compared to \$1,359 for the average city. The City of Saskatoon has the median reserve per capita of the group (\$853), while the City of Victoria has the largest per capita reserves of \$2,708.

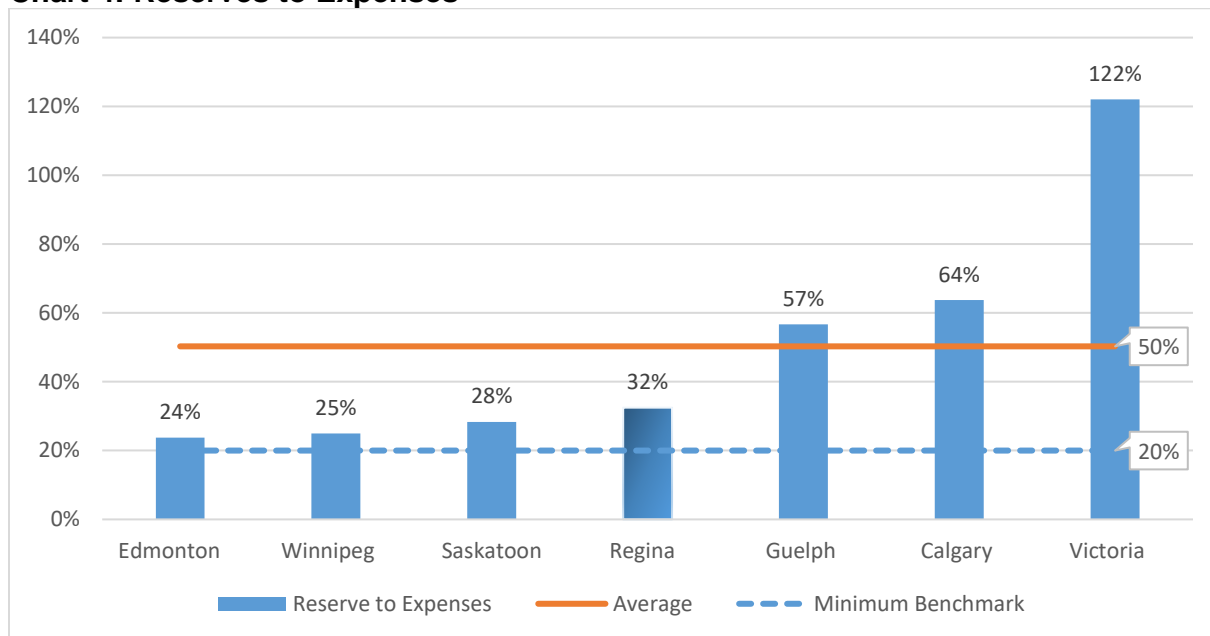
Chart 3: Reserves Per Capita



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 losses or cost increases without borrowing. A minimum ratio of 20% is recommended as good practice. The comparison in Chart 4 below shows the City of Regina ratio to be 32% compared to 50% for the average municipality. Although the City's ratio is lower than the peer group average, it is considered reasonable as it is above the recommended minimum and includes funding for planned capital requirements and obligations, as well as funding to smooth unexpected fluctuations in revenue or expenses.

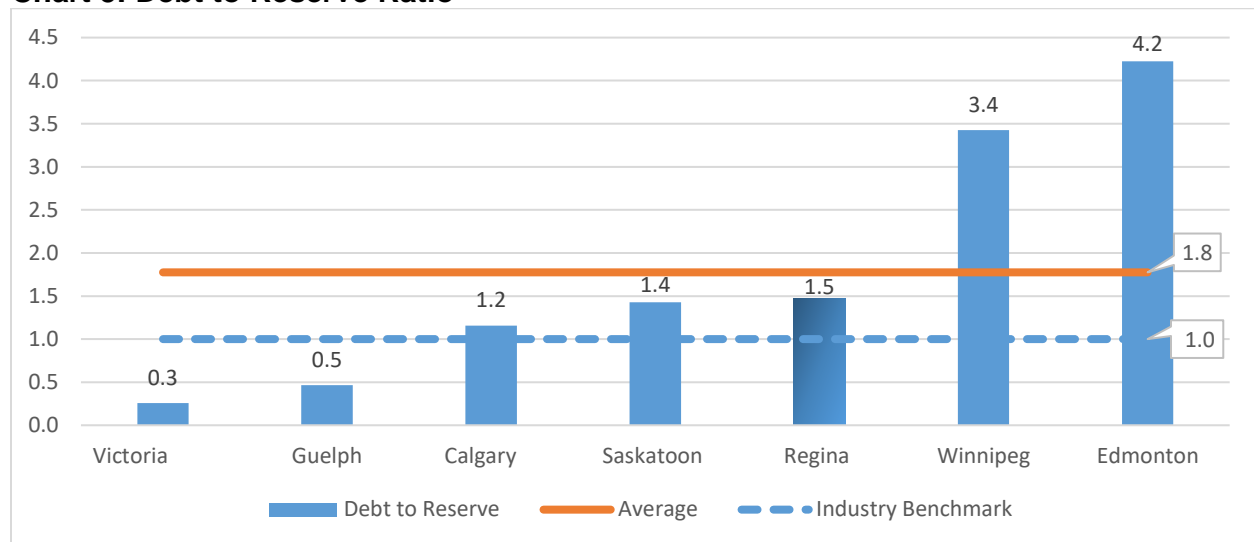
Chart 4: Reserves to Expenses



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 S&P Global 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. Chart 5 below shows the City of Regina has a ratio lower than the average of 1.8 for the peer group. 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 similar to that of the City of Saskatoon, and it indicates prudent use of debt and good financial management.

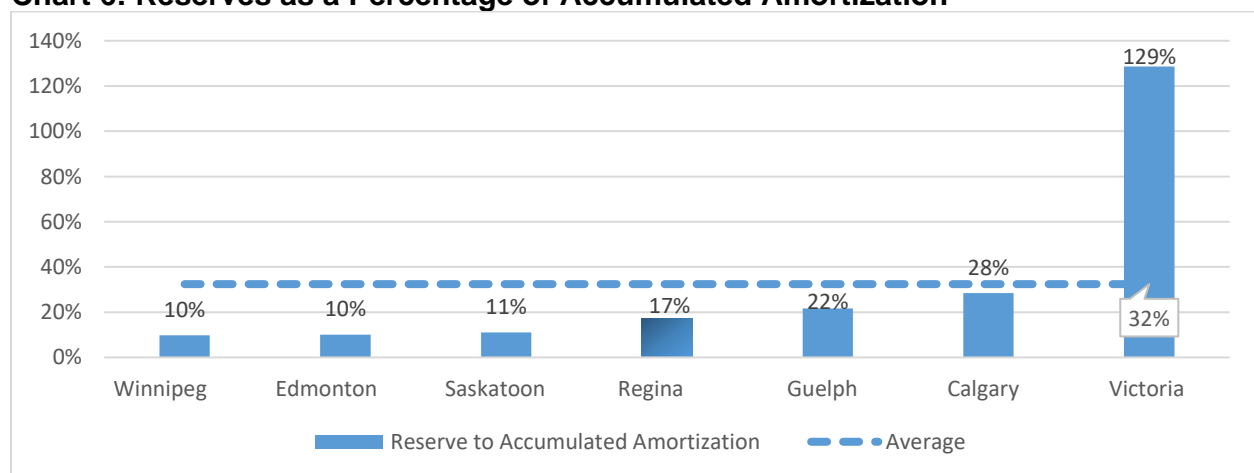
Chart 5: Debt to Reserve Ratio



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. Chart 6 below shows that in 2020, the City's reserve levels as a percentage of accumulated amortization was 17% compared to 32% 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, where 11% of consumed assets could be replaced with reserves.

Chart 6: Reserves as a Percentage of Accumulated Amortization



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 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 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 more robust 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. The City has provided increased funding to maintain, repair and acquire new capital assets in various manners. The City has dedicated funding to address specific assets through the Residential Roads Renewal Program. In addition, through the 2020 budget process, Council approved two new capital funding programs, the Recreation/Culture Capital Program (\$3 million per year) and a dedicated mill rate increase over five years (Recreation Infrastructure Program) to fund the implementation of the Recreational Master Plan and the Cultural Plan. Continued effort in the development of asset management plans for all 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

Chart 7 below shows that reserves are projected to decrease to \$183 million by the end of 2021 and to \$132 million by end of 2025. The projected decline in reserve balances is mainly due to planned capital projects identified in the five-year 2021-2025 capital plan. The majority of the decrease is related to self-sustaining reserves as the City invests in planned projects. Detailed projections for each reserve are shown in graph below and Table 3.

Chart 7: 5-Year Reserve Projection (\$Million's)

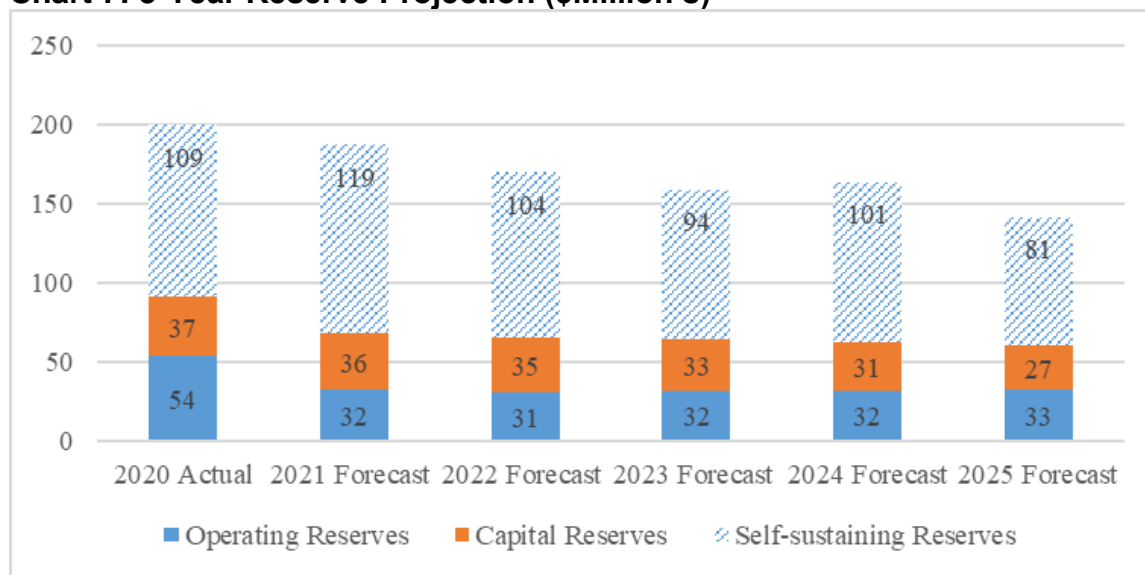


Table 3: Five-Year Reserve Balance Projection (\$000s)

Allowable Minimum	Allowable Maximum	Reserve Name	Actual 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025
Operating Reserves (Tax-Supported)								
23,000	46,000	General Fund Reserve	29,398	21,450	21,212	21,974	22,736	23,498
-	-	COVID-19 Recovery Reserve	15,872	1,765	-	-	-	-
-	-	Social Development Reserve	3,694	4,549	4,549	4,549	4,549	4,549
1,000	2,000	Winter Road Maintenance Reserve	2,169	1,805	1,805	1,805	1,805	1,805
300	4,000	Regina Police Service General Reserve	1,618	1,618	1,618	1,618	1,618	1,618
-	800	Elections & Assessment Reserve	192	417	642	867	193	418
-	850	Community Investment Grants Reserve	609	609	609	609	609	609
65	300	Regina Police Service Radio Equipment Reserve	125	125	125	125	125	125
24,365	53,950	Subtotal	53,677	32,338	30,560	31,547	31,635	32,622
Capital Reserves (Tax-Supported)								
1,700	14,300	Fleet Replacement Reserve	20,964	20,059	19,627	17,224	15,231	11,473
500	30,000	Asset Revitalization Reserve	14,625	13,953	13,968	13,968	13,968	13,968
200	1,300	Asphalt Reserve	969	1,269	419	569	719	869
-	-	māmawēyatitān Reserve	294	392	490	588	686	784
100	1,000	Technology Reserve	238	243	248	253	258	263
2,500	46,600	Subtotal	37,090	35,916	34,752	32,602	30,862	27,357
Self-Sustaining Reserves (Non-Tax Supported)								
25,000	90,000	General Utility Reserve	96,663	100,633	78,783	62,703	63,800	39,051
28,000	48,500	Solid Waste Reserve	30,915	40,035	47,547	53,553	58,052	61,545
200	3,500	Employer-Provided Parking Reserve	2,930	3,337	3,644	3,951	4,258	4,565
250	2,000	Golf Course Reserve	861	640	590	540	440	340
100	800	Cemetery Reserve	306	- 792	- 1,474	- 1,686	- 1,768	- 1,850
1,700	13,000	Planning & Sustainability Reserve	- 2,331	- 4,160	- 6,160	- 7,810	- 9,110	- 10,060
-	-	Regina Revitalization Initiative Stadium Reserve	- 4,312	- 6,083	- 4,985	- 4,075	- 2,954	- 1,621
2,000	12,000	Land Development Reserve	- 16,357	- 15,018	- 13,891	- 12,841	- 11,791	- 10,741
57,250	169,800	Subtotal	108,675	118,592	104,054	94,335	100,927	81,229
84,115	270,350	Total	199,442	186,846	169,366	158,484	163,424	141,208

CONCLUSION

In 2020, the City's reserves grew by a net \$26.8 million, largely due to grants from senior governments to offset the impacts of COVID-19. Much of these funds were used in 2020, but some will carry into 2021 and will be expended to mitigate COVID-19 impacts in 2021. Operating reserves account for 27% of the reserve balance, capital reserves represent 19% of the balance, while a significant portion of reserves (54%) are self-sustaining reserves.

Of the 21 reserves maintained by the City, five were outside of the limit while 16 were within their limits. Administration is recommending no transfers made due to planned expenditures as outlined in the report.

Reserves are projected to decrease to \$186.8 million at the end of 2021 due to planned projects approved by Council in the 2020 budget.

Overall, the City's reserve balance is considered reasonable compared to other municipalities and best practices. The City's reserve strength is underpinned by strong financial management and responsible fiscal practices that have resulted in high credit ratings. 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.