

# City of Regina

## Annual Reserve Report 2022

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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. There are 23 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 enablesthe 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.

## **Executive Summary**

The 2022 Annual Reserve Report provides detail on each reserve held by the City of Regina and their balances as of December 31, 2022. The report also provides projected balances until 2027. 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. Administration continues to analyze and monitor reserve balances, including possible impacts and opportunities as it relates to the City's reserves.

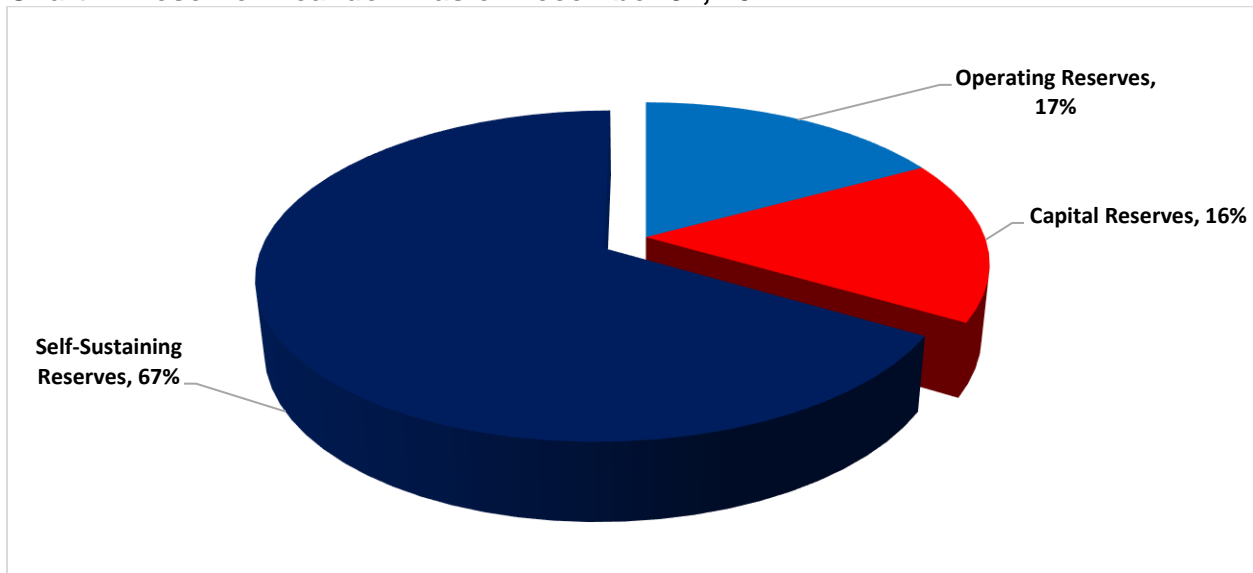
### **2022 Reserve Balance**

The City's overall reserve balance decreased by 10 per cent (\$23.6 million) from approximately 234.9 million (restated) at the end of 2021 to \$211.3 million at the end of 2022. The decrease of \$23.6 million was primarily related to decreases in the General Fund Reserve, General Utility Reserve, COVID-19 Reserve and the Asset Revitalization Reserve.

Breakdown of the reserve balance is as follows:

- **Operating reserves (\$36.1 million)**- account for 17 per cent 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 (\$34.3 million)** - represent 16 per cent of the total reserve balance. Capital reserves are used to fund capital expenses.
- **Self-sustaining reserves (\$140.9 million)** - account for 67 per cent 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, 2022**



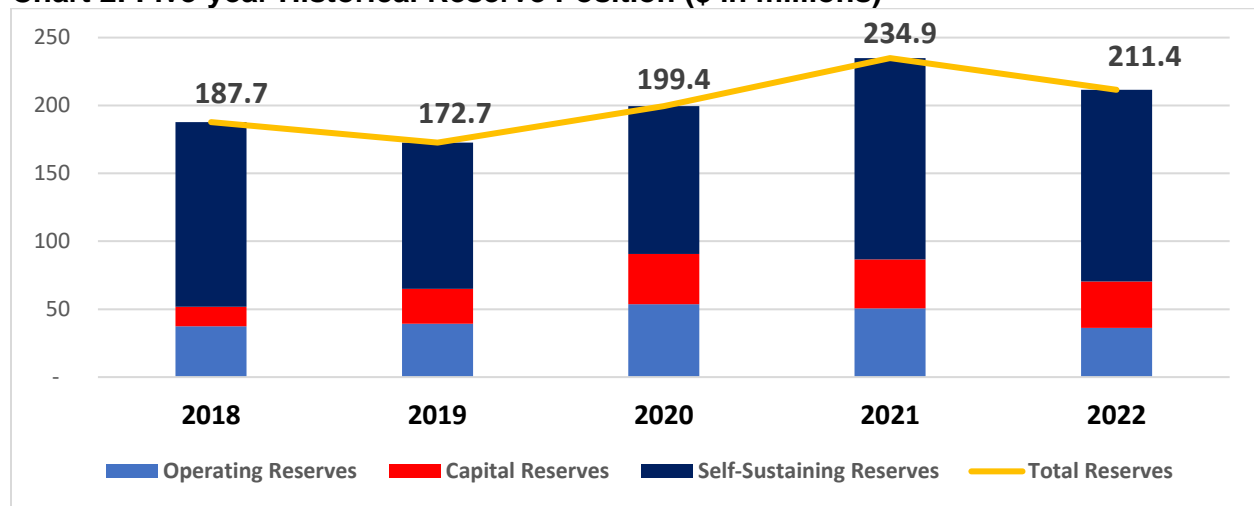
Operating and capital reserves are funded through tax revenues while self-sustaining reserves are funded from external user fees and charges. Allocating fee-based revenues and tax-based revenues to reserves allows for the renewal and replacement costs of an asset to be spread across beneficiaries over the lifecycle 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 2023-2028 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. 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 utility capital projects, while the other capital reserves and self-sustaining reserves are required to meet asset renewal needs.

**Five-year (2018-2022) Historical Reserve Position**

Reserve balances decreased from 2021 to 2022 by \$23.6 million. Overall, the reserve level has remained relatively the same over the last five-year period whilst total revenues and expenditures continued to grow.

**Chart 2: Five-year Historical Reserve Position (\$ in millions)**



\*Land Development Reserve Restated for 2021

**Table 1: 2022 Change in Reserve Balance (\$000s)**

Reserves	Year Activities	2022	2021	Change
<b>Operating Reserves (Tax-Funded)</b>				
General Fund Reserve	Draw to offset operational deficit and fund Council approved commitments.	24,559	36,421	(11,862)
Social Development Reserve	Net contributions from operations for Housing Incentive Policy.	6,364	4,954	1,410
Winter Road Maintenance Reserve	Draw to fund operational deficit.	0	1,812	(1,812)
Regina Police Service General Reserve	Net draw to fund operations	3,074	3,206	(132)
Elections & Property Reassessment Reserve	Annual contribution to fund the Election and Property Tax Reassessments.	649	424	225
Community Investment Grants Reserve	Draw to fund Community Investments Budget.	736	791	(55)
Regina Police Service Radio Equipment Reserve	Net contributions from operations.	152	142	10
Regina Police Service Community Policing Initiative Reserve	Net contributions from operations.	617	0	617
COVID-19 Recovery Reserve	Funds used to offset the effects of the pandemic.	0	2,902	(2,902)
<b>Total Operating Reserves</b>		<b>36,151</b>	<b>50,652</b>	<b>(14,501)</b>
<b>Capital Reserves (Tax-Funded)</b>				
Fleet Replacement Reserve	Net contribution to fund fleet replacements.	22,099	20,012	2,087
Asset Revitalization Reserve	Net draw from operations.	10,631	14,640	(4,009)

Asphalt Plant Reserve	Net contributions from operations.	888	767	121
Technology Reserve	Investment in capital as per the 2021 Budget.	183	236	(53)
mâwawêyatîtan Centre Reserve	Net contributions from operations.	490	392	98
<b>Total Capital Reserves</b>		<b>34,291</b>	<b>36,047</b>	<b>(1,756)</b>
<b>Self-Sustaining Reserves (External User-Fee Funded)</b>				
General Utility Reserve	Net draw to fund capital programs.	105,422	110,391	(4,969)
Solid Waste Reserve	Net contribution to fund capital programs.	38,978	38,839	139
Employer-Provided Parking Reserve	Net contributions from operations.	3,695	3,422	273
Golf Course Reserve	Net contributions from operations.	2,165	1,699	466
Cemetery Reserve	Net draw to fund operations and capital.	(854)	(391)	(463)
Planning & Sustainability Stabilization Reserve	Draw to fund operations.	(7,380)	(4,012)	(3,368)
Regina Revitalization Initiative Stadium Reserve	Net contributions from operations.	(1,815)	(3,734)	1,919
Land Development Reserve	Net draw from operations. 2021 (number has been restated).	1,359	(1,989)	(630)
Intensification Infrastructure Reserve	Draw to fund operations.	(665)	N/A	(665)
<b>Total Self-Sustaining Reserves</b>		<b>140,905</b>	<b>148,203</b>	<b>7,298</b>
<b>Increase (Decrease) in Reserve Balance</b>		<b>211,347</b>	<b>234,902</b>	<b>23,555</b>

### Summary of 2022 Reserve Balance in Comparison to Reserve Limits

At the end of 2022, 9 of the City's 23 reserves were outside their range while 14 were within range. Of the 9 reserves outside of their range, 5 were more than their maximum, while 4 reserves were below their minimum limit as shown in Table 2.

**Table 2: Reserves Balances in comparison to Reserves Limits (\$000'S)**

Allowable Minimum	Allowable Maximum	Reserve Name	Actual 2022	Compared to Minimum	Compared to Maximum
<b>Reserves Above their Maximum Limit</b>					
25,000	90,000	General Utility Reserve	105,422	80,422	15,422
250	2,000	Golf Course Reserve	2,165	1,915	165
1,700	14,300	Fleet Replacement Reserve	22,099	20,399	7,799
200	3,500	Employer-Provided Parking Reserve	3,695	3,495	195
-	675	Community Investment Grants Reserve	736	736	61
<b>Reserves Below their Limit</b>					
2,000	12,000	Land Development Reserve	1,359	(641)	(10,641)

Allowable Minimum	Allowable Maximum	Reserve Name	Actual 2022	Compared to Minimum	Compared to Maximum
1,000	2,000	Winter Road Maintenance Reserve	-	(1,000)	(2,000)
1,700	13,000	Planning & Sustainability Stabilization Reserve	(7,380)	(9,080)	(20,380)
100	800	Cemetery Reserve	(854)	(954)	(1,654)
<b>Reserves within their Limit</b>					
23,000	46,000	General Fund Reserve	24,559	1,559	(21,441)
N/A	N/A	COVID-19 Recovery Reserve	-	N/A	N/A
N/A	N/A	Social Development Reserve	6,364	N/A	N/A
N/A	N/A	Technology Reserve	183	N/A	N/A
N/A	N/A	mâwawêyatitân Reserve	490	N/A	N/A
N/A	N/A	Regina Revitalization Initiative Stadium Reserve	(1,815)	N/A	N/A
N/A	N/A	Intensification Infrastructure Reserve	(665)	N/A	N/A
28,000	48,500	Solid Waste Reserve	38,978	10,978	(9,522)
300	4,000	Regina Police Service General Reserve	3,074	2,774	(926)
-	800	Elections & Property Reassessment Reserve	649	649	(151)
65	300	Regina Police Service Radio Equipment Reserve	152	87	(148)
-	1,500	Regina Police Community Policy Initiative Reserve	617	617	(883)
200	1,300	Asphalt Plant Reserve	888	688	(412)
500	30,000	Asset Revitalization Reserve	10,631	10,131	(19,369)
<b>Total</b>			<b>211,347</b>		

The 5 reserves above their maximum limit include:

- General Utility Reserve – \$15.4 million more than its maximum limit of \$90 million.
- Golf Course Reserve – \$0.2 million more than its maximum limit of \$2.0 million.
- Fleet Replacement Reserve – \$7.8 million more than its maximum limit of \$14.3 million.
- Employer Provided Parking Reserve - \$0.2 million more than its maximum limit of 3.5 million.
- Community Investments Grant Reserve - \$61,000 above its limit of \$675,000.

The 4 reserves below their minimum limit include:

- Land Development Reserve – \$0.6 million below its minimum limit of \$2 million.
- Winter Road Maintenance – has a zero-balance compared to its minimum limit of \$1.0 million.
- Planning & Sustainability Stabilization Reserve – has a negative balance of \$7.4 million compared to its minimum limit of \$1.7 million.
- Cemetery Reserve – has a negative balance of \$0.9 million compared to its minimum limit of \$0.1 million.

The remaining 14 reserves were within their limit at the end of 2022. The General Fund Reserve (GFR) had a balance of \$24.6 million at the end of 2022, which was slightly above its minimum limit of \$23 million, and is projected to be just at its minimum limit at the end of 2023 due to Council approved commitments and expenditures related to the Housing Incentives Program. As the GFR has no dedicated funding source, funding is only acquired from unexpected surpluses in the General Fund. 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:

- a) 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.
- b) 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.
- c) 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 to or from any reserves outside their limits as Administration is undertaking a Reserve Review in 2023 to conduct further analysis on amending any limits, funding strategies, or purposes to address reserves outside their limits.

### **Recommended Bylaw Changes for the Land Development Reserve and COVID-19 Recovery Reserve**

Changes are being recommended to Schedule A of *The Regina Administration Bylaw 2003-69* for the following:



- Land Development Reserve with respect to the accounting for replenishing the reserve when City developed land held in inventory is sold. The details related to this change are provided in the land development reserve section of this report. To ensure a clear accounting process for the land development reserve, it is recommended that Schedule A, section 33 (a) be amended to read as follows: the net revenue or expenditures for the year of the City’s Land and Real Estate Management operations and the cost of land inventory sold, and the gains and losses of land inventory sold;
- That the COVID-19 Recovery Reserve be closed and removed from the list of reserves maintained by the City and the sections in Schedule “A” of Bylaw 2003-69 related to the Covid-19 Recovery Reserve be repealed.

**Detailed Analysis**

Detailed descriptions of the 2022 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, Wastewater and Stormwater Utility. The reserve is also used to smooth the effects of fluctuations in the operating budget for the Water, Wastewater and Stormwater Utility. Funding is through the net revenue generated from the Water, Wastewater and Stormwater Utility services. The minimum and maximum limits of this reserve are \$25 million and \$90 million, respectively.

**Table 3: General Utility Reserve**

<b>General Utility Reserve (\$000’s)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	110,391	105,422	88,922	80,622	72,622	74,622
<i>Additions to Reserve</i>	72,304	67,500	70,700	74,000	78,000	81,000
<i>Reductions to Reserve</i>	77,273	84,000	79,000	82,000	76,000	75,000
<b>Closing Balance</b>	<b>105,422</b>	<b>88,922</b>	<b>80,622</b>	<b>72,622</b>	<b>74,622</b>	<b>80,622</b>

In 2022, a net transfer of \$72.3 million was added to the reserve, including a planned transfer to the reserve of \$60.2 million, an operations surplus of almost \$700 thousand and \$11.4 million transferred back to the reserve from various completed capital programs. Total investments of \$77.3 million were made from the reserve on various capital projects. The 2022 Utility Capital Plan focuses on investment in the following key areas:

- Water infrastructure
- Wastewater collection infrastructure
- Stormwater infrastructure

Although the reserve balance in 2022 is \$15.4 million more than 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 the 2023-2027 capital plan. It is recommended that no transfers be made from the reserve as funds are currently dedicated to planned capital projects over the next five years and the balance in future years is within the \$90 million maximum balance guideline.

**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.

**Table 4: Golf Course Reserve**

<b>Golf Course Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	1,699	2,165	1,795	1,614	1,464	1,314
<i>Additions to Reserve</i>	616	0	68	100	100	100
<i>Reduction to Reserve</i>	150	370	250	250	250	400
<b>Closing Balance</b>	<b>2,165</b>	<b>1,795</b>	<b>1,614</b>	<b>1,464</b>	<b>1,314</b>	<b>1,014</b>

In 2022, an operating surplus of \$616,000 was transferred to the reserve while \$150,000 was invested in golf course capital projects resulting in a yearend balance of \$2.1 million. Although the reserve is slightly above its maximum limit there are projected capital expenditures that will bring the balance down to \$1.8 million in 2023 which is below the maximum balance guideline of \$2.0 million.

**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, and 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 not currently being recommended due to the reserve balance being reduced within the 5-year period.

**Civic Fleet Replacement Reserve**

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 2022, capital investments of \$8.7 million were made in civic replacement while \$8.1 million was transferred to the reserve to address future replacement requirements, resulting in a year-end balance of \$10.4 million. Administration does not recommend any transfer from this reserve as the reserve has planned future commitments.

**Table 5: Civic Fleet Replacement Reserve**

<b>Civic Fleet Replacement Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	10,963	10,427	11,988	10,985	5,181	5,078
<i>Additions to Reserve</i>	8,138	7,897	7,897	7,897	7,897	7,897
<i>Reduction to Reserve</i>	8,674	6,336	8,900	13,700	8,000	12,000
<b>Closing Balance</b>	<b>10,427</b>	<b>11,988</b>	<b>10,985</b>	<b>5,181</b>	<b>5,078</b>	<b>975</b>

**Transit Fleet Replacement Reserve**

The Transit Fleet Replacement Reserve provides funding for the maintenance and replacement of existing transit and paratransit fleet vehicles. This reserve is funded through a transfer of an amount each year equivalent to the annual amortization of the existing transit and paratransit fleet vehicles. The minimum and maximum limits for this reserve are \$600,000 and \$5 million, respectively.

In 2022, \$3.1 million was transferred to the reserve and \$618,000 was invested in transit and paratransit fleet assets resulting in a year-end balance of \$10.5 million. The reserve is above its limit at the end of 2022 and is forecast to continue to be above the limit until 2025 based on projected transit fleet maintenance and replacement schedule. The capital plan for 2023-2027 includes the purchase of 26 electric buses for approximately \$31 million. The Zero Emission Transit Grant covers 50% of the cost of electric buses, and the remaining 50% of costs (\$15.5 million) is planned to be spent from the Transit Fleet Replacement Reserve. This will bring the reserve below its minimum balance in 2026.

As more electric buses are scheduled to be purchased in 2027, there may not be enough funding in the Transit Fleet Replacement Reserve. Administration does not recommend any transfer from this component of the fleet reserve as there are future planned commitments and considerations. In future budget processes, Administration plans to bring forward a funding proposal to fund acquisitions of electric buses in 2026 and 2027.

**Table 6: Transit Fleet Replacement Reserve**

<b>Transit Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	8,090	10,536	12,364	9,864	5,379	1,985
<i>Additions to Reserve</i>	3,064	3,064	3,064	3,064	3,064	3,064
<i>Reduction to Reserve</i>	618	1,236	5,564	7,549	6,458	14,499
<b>Closing Balance</b>	<b>10,536</b>	<b>12,364</b>	<b>9,864</b>	<b>5,379</b>	<b>1,985</b>	<b>(9,450)</b>

**Fire Fleet Replacement Reserve**

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 equivalent to 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 2022, \$1.1 million was added to the reserve and \$1.04 million was invested in Fire Fleet assets, bringing the reserve balance to \$0.95 million at the end of the year. The reserve is currently within the target range for this reserve. The projected balance beginning in 2024 is expected to be above the target maximum till 2027 when the amount

will be used up to replace Fire Fleet assets. Administration does not recommend any action at this time.

**Table 7: Fire Fleet Reserve**

<b>Fire Fleet Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	852	945	938	1,807	1,745	1,740
<i>Additions to Reserve</i>	1,133	1,133	1,133	1,133	1,133	1,133
<i>Reduction to Reserve</i>	1,040	1,140	264	1,195	1,138	2,900
<b>Closing Balance</b>	<b>945</b>	<b>938</b>	<b>1,807</b>	<b>1,745</b>	<b>1,740</b>	<b>(27)</b>

**Small Tools Fleet Replacement Reserve**

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 equivalent to 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 2022, the reserve balance was \$91,000 more than 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.

**Table 8: Small Tools Fleet Replacement Reserve**

<b>Small Tools Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	107	191	191	191	191	191
<i>Additions to Reserve</i>	84	84	84	84	84	84
<i>Reduction to Reserve</i>	-	84	84	84	84	84
<b>Closing Balance</b>	<b>191</b>	<b>191</b>	<b>191</b>	<b>191</b>	<b>191</b>	<b>191</b>

**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 an employer-provided parking program. The reserve has minimum and maximum limits of \$200,000 and \$3.5 million, respectively.

In 2022, a net addition of \$0.3 million was made to the reserve to increase the balance to \$3.6 million at the end of the year. The reserve is projected to go above its limit starting in 2023. The intent of the reserve is to cover the cost of capital renewal including the replacement of the City Hall Parkade, which will far exceed the maximum allowable limit of the reserve. Administration recommends no action at this time and will continue to monitor this reserve.

**Table 9: Employer-Provided Parking Reserve**

<b>Employer-Provided Parking Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	3,422	3,695	3,991	3,736	4,081	4,426
<i>Additions to Reserve</i>	323	669	669	669	669	669
<i>Reduction to Reserve</i>	50	374	924	324	324	474
<b>Closing Balance</b>	<b>3,695</b>	<b>3,991</b>	<b>3,736</b>	<b>4,081</b>	<b>4,426</b>	<b>4,622</b>

### Community Investment Grants Reserve

The purpose of this reserve is to provide funding for Council approved contributions to programs and services that are aligned with Council Priorities, but beyond the approved grants budget. The reserve is funded through unspent community investment grants budget. The City funds and partners with community non-profit organizations to deliver programs and services to Regina residents that align with city priorities, have a clear community impact and respond to community needs. Typically, all budgeted funding gets allocated during the current year. As these reserves cumulatively are only slightly above the reserve maximum guidelines, no action is required as they are projected to be within guidelines in future years.

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

**Executive Committee** - provides financial support for special events, sports and recreation and Saskatchewan Urban Municipal Association (SUMA) The minimum and maximum limits for this sub reserve are \$0 and \$175,000, respectively.

**Table 10: Executive Committee Reserve**

Executive Committee Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	556	447	47	47	47	47
<i>Additions to Reserve</i>	91	1,282	-	-	-	-
<i>Reduction to Reserve</i>	200	1,682		-	-	-
<b>Closing Balance</b>	<b>447</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>

**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. The Events, Conventions & Tradeshows component reserve was established in 2020 to manage the approved budget for these expenditures. Funding of \$325,000 was approved through the 2022 Budget. Reductions to the reserve in 2023 relate to grant funding to Sask Winter Games, 2023 Pinty's Grand Slam, Agribition, and the 2025 IIHF Work Junior Championships.

**Table 11: Events, Conventions & Tradeshows Attractions Program Reserve**

Events, Conventions & Tradeshows Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	235	289	24	83	358	358
<i>Additions to Reserve</i>	54	325	325	325	325	325
<i>Reduction to Reserve</i>	-	590	267	50	325	325
<b>Closing Balance</b>	<b>289</b>	<b>24</b>	<b>83</b>	<b>358</b>	<b>358</b>	<b>358</b>

## B) RESERVES UNDER THEIR MINIMUM

### Land Development Reserve

This reserve was established in 2011 and it 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 and Real Estate Management operations of the City. The minimum and maximum limits for the reserve are \$2 million and \$12 million.

**Table 12: Land Development Reserve**

Land Development Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	1,989	1,359	(18,924)	(5,800)	1,029	9,944
Additions to Reserve	35,264	15,692	23,324	13,829	11,915	7,763
Reduction to Reserve	35,894	35,975	10,200	7,000	3,000	0
<b>Closing Balance</b>	<b>1,359</b>	<b>(18,924)</b>	<b>(5,800)</b>	<b>1,029</b>	<b>9,944</b>	<b>17,707</b>

In 2022, Administration reviewed the accounting practices for the Land Development Reserve (LDR) and identified that although the gains on the sale of land inventory was added to the LDR, the reserve was not being replenished for the initial investment into land development (cost of land in inventory). *The Regina Administration Bylaw 2003-69* for the LDR is ambiguous on what should be transferred back to the reserve. Specifically, Schedule A, Section 33 (a) states that *“the account balance of the Land Development Reserve shall include net revenue or expenditures from the City's land and Real Estate Management operations.”*

Previously, the capital costs for land development were being deducted from the reserve, with only the gains on land sales replenishing the reserve balance. As a result, the reserve would never return to a positive reserve balance under the former accounting method.

Administration's recommendation for change in accounting approach was confirmed with the City's external auditor and it was recommended that the Bylaw for the land development reserve be updated to reflect the current accounting treatment. Moving forward, the City's investment in land inventory will be accounted for as a separate component of accumulated surplus which will better reflect the cash outflow from the LDR. To reflect this correct accounting process for land development reserve, it is recommended that the Schedule A, section 33 (a) be amended to read as follows:

33. *The account balance for the Land Development Reserve shall include the balance of the reserve at the start of the year adjusted by:*
- (a) *The net revenue or expenditures for the year of the City's Land and Real Estate Management operations, the cost of land inventory sold and the gains/losses of land inventory sold.*

As a result, the 2021 ending reserve balance was restated from a negative balance of \$23.3 million to a positive balance of \$2.0 million. Given the initial investment required to develop land that are later recaptured through land sales, that is significant volatility with this reserve including water and waste water investment into lands, to be developed by Viterra. As the

reserve is expected to be in a positive position within the five year forecast, no actions are recommended at this time.

**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 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.

**Table 13: Planning & Sustainability Stabilization Reserve**

Planning & Sustainability Stabilization Reserve (\$000’s)	2022	2023	2024	2025	2026	2027
Opening Balance	(4,012)	(7,380)	(10,769)	(14,233)	(16,588)	(18,943)
<i>Additions to Reserve</i>	-	-	-	-	-	-
<i>Reduction to Reserve</i>	3,368	3,389	3,464	2,355	2,355	2,355
<b>Closing Balance</b>	<b>(7,380)</b>	<b>(10,769)</b>	<b>(14,233)</b>	<b>(16,588)</b>	<b>(18,943)</b>	<b>(21,298)</b>

In 2022, net operating expenses related to planning and development activities were approximately \$3.4 million, resulting in a draw from the reserve. The reserve balance is a negative \$7.4 million at the end of 2022. Administration will continue to monitor this reserve and will evaluate the relevant costs and suitability of fees and will report to Council at an appropriate time in the future.

**Winter Road Maintenance Reserve**

This is an operating reserve that is used to manage annual fluctuations 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 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.

In 2022, the winter road maintenance program expenditures were \$7.7 million higher than the 2022 budget due to high price of fuel, extreme winter season with above average snow fall and windy conditions requiring additional storm, systematic and routine maintenance responses in order to achieve the updated Policy objectives and level of winter maintenance service. As a result, the available balance of \$1.8 million was withdrawn from the reserve to help offset increased cost of the winter maintenance program. Administration will review the winter road maintenance budget and along with this reserve and bring forward a report to Council in the 2023.

**Table 14: Winter Road Maintenance Reserve**

Winter Road Maintenance Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	1,812	-	-	-	-	-
<i>Additions to Reserve</i>	-	-	-	-	-	-
<i>Reduction to Reserve</i>	1,812	-	-	-	-	-
<b>Closing Balance</b>	-	-	-	-	-	-

**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.

**Table 15: Cemetery Reserve**

Cemetery Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	(391)	(854)	(749)	(596)	(615)	(336)
<i>Additions to Reserve</i>	278	375	422	473	527	585
<i>Reduction to Reserve</i>	740	270	270	493	247	191
<b>Closing Balance</b>	<b>(854)</b>	<b>(749)</b>	<b>(596)</b>	<b>(615)</b>	<b>(335)</b>	<b>58</b>

In 2022, a capital investment of \$740,000 was made from the reserve for the Riverside expansion (\$600,000) and to restore existing infrastructure (\$140,000), while an operating surplus of \$278,000 was added to the reserve, resulting in and a yearend reserve balance of a deficit of \$854,000.

The reserve balance is below the minimum balance in 2022 due to budgeted capital expenditures. Administration reviewed the reserve in 2022 (CR 22-34). As a result, there was a new financial model that was implemented which will result in the reserve being in a projected positive balance by 2027.

**C) RESERVES WITHIN THEIR LIMITS**

Fourteen out of the 23 reserves were within their limits at the end of 2022. For informational purposes, the 2022 transactions and yearend balances of these reserves are provided below.

**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.



**Table 16: Solid Waste Reserve**

<b>Solid Waste Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	38,839	38,978	42,413	46,125	47,602	44,679
Additions to Reserve	7,923	7,319	5,500	4,000	3,000	2,500
Reduction to Reserve	7,784	3,884	1,788	2,523	5,923	3,023
<b>Closing Balance</b>	<b>38,978</b>	<b>42,413</b>	<b>46,125</b>	<b>47,602</b>	<b>44,679</b>	<b>44,156</b>

In 2022, \$7.8 million was invested in various capital projects, while the net operating surplus of \$7.9 million was transferred to the reserve. The reserve balance will remain within its maximum limit till 2027. The reserve balance is expected to cover future capital expenditures, especially landfill closure and post-closure costs. 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 an 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 per cent and 10 per cent of the City's annual budgeted general operating expenditures for the current year.

**Table 17: General Fund Reserve**

<b>General Fund Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	36,421	24,559	23,409	23,009	23,009	23,009
Additions to Reserve	762	762	762	762	762	762
Reduction to Reserve	12,624	1,912	1,162	762	762	762
<b>Closing Balance</b>	<b>24,559</b>	<b>23,409</b>	<b>23,009</b>	<b>23,009</b>	<b>23,009</b>	<b>23,009</b>

In 2022, \$12.6 million was drawn from the GFR, primarily to fund Council approved commitments as follows:

- \$2.1 million to fund the one-time shortfall in the Municipal Revenue Sharing grant due to impacts from COVID-19.
- \$3.9 million for the Regina Humane Society new facility (EX14-50).
- \$1.8 million to fund the Housing Incentive Policy program for 2022.
- \$1.7 million to fund 2022 COVID-19 impact on the City's finances.
- \$1.0 million to fund the 2022 Grey Cup.
- \$320,000 to fund Efficiency Review Implementation (EX22-10).
- \$115,000 to fund one-time investments related to the Council approved Winter City Strategy execution.
- \$1.6 million deficit in the 2022 general operating budget.

Transfers to the GFR in 2022 were \$762,000 allocated through the 2022 Budget to fund the Regina Humane Society new facility.

As approved by Council as part of the 2023 budget, the GFR projects an expenditure of \$1.15 million in 2023 and \$400,000 in 2024 to ensure that the annual funding of \$2.5 million for the Housing Incentives Program. The GFR is projected to be within its limits for the next 5 years. 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 an unexpected operating surplus. Given the tight financial outlook of the City, it is not anticipated that the City will have a significant operating surplus to be transferred to the GFR. Administration continues to monitor the GFR to ensure an appropriate balance is maintained.

**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 charged to developers or projects that are funded through a dedicated reserve. The Asset Revitalization Reserve (ARR) can be 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.

**Table 18: Asset Revitalization Reserve**

Asset Revitalization Reserve (\$000’s)	2022	2023	2024	2025	2026	2027
Opening Balance	14,640	10,631	3,664	664	664	664
Additions to Reserve	15	-	-	-	-	-
Reduction to Reserve	4,024	6,967	3,000	-	-	-
<b>Closing Balance</b>	<b>10,631</b>	<b>3,664</b>	<b>664</b>	<b>664</b>	<b>664</b>	<b>664</b>

In 2022, \$15,000 addition represents the last year for the committed annual reimbursement of ARR funds used in 2011 for City Hall 2<sup>nd</sup> Floor renovations and IT server room redevelopment. In 2022, the ARR supported \$2.7 million to the Customer Relationship Management System (CRM) implementation, \$687 thousand ICIP matching funds (Transit Driver Shields and Transit Mobility Stations), and \$538 thousand for the Safe Sidewalk Program. The ARR is projected to have a balance of \$700 thousand at the end of 2024 primarily due to Council approved investments of \$6 million in Rail Line Development in 2023 and \$3 million for the Alternative Fuel Bus Facility in 2024.

Like the GFR, the ARR provides Council flexibility to respond to one-time capital needs by 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 City invests up to \$1.5 million per year in the HIP and \$1 million in the Permanent Supportive Housing Operating Grant. The reserve does not have a dedicated funding source as it is funded through Council approved transfers. However, beginning in the 2022 budget, property tax revenue of \$675,000 per year for the next 4 years was added to the budget to ensure there is a dedicated ongoing funding of \$2.5 million for this program. There is no limit established for this reserve as it does not lend itself to having limits.

**Table 19: Social Development Reserve**

Social Development Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	4,954	6,364	6,364	6,364	6,364	6,364
<i>Additions to Reserve</i>	2,500	2,500	2,500	2,500	2,500	-
<i>Reduction to Reserve</i>	1,090	2,500	2,500	2,500	2,500	-
<b>Closing Balance</b>	<b>6,364</b>	<b>6,364</b>	<b>6,364</b>	<b>6,364</b>	<b>6,364</b>	<b>6,364</b>

In 2022, \$1.1 million was spent from the reserve leaving the yearend balance at \$6.4 million. There is a total of \$5.1 million outstanding in subsidized housing units contracted but not yet received.

The total cash payments made on HIP commitments on a year-by-year basis is difficult to predict but it is assumed the full funding \$2.5 million will be committed each year. However, actual cashflows are likely to be different due to timing of when housing units are completed

### **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.

**Table 20: mâdawêyatitân Reserve**

mâdawêyatitân Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	392	490	588	686	784	882
<i>Additions to Reserve</i>	98	98	98	98	98	98
<i>Reduction to Reserve</i>	-	-	-	-	-	-
<b>Closing Balance</b>	<b>490</b>	<b>588</b>	<b>686</b>	<b>784</b>	<b>882</b>	<b>980</b>

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. The transfer represents a budgeted transfer of \$98,000 per year for 2018-2022.

### **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.

**Table 21: Regina Police Service General Reserve**

<b>Regina Police Service General Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	3,206	3,074	2,119	2,119	2,119	2,119
<i>Additions to Reserve</i>	267	-	-	-	-	-
<i>Reduction to Reserve</i>	400	955	-	-	-	-
<b>Closing Balance</b>	<b>3,074</b>	<b>2,119</b>	<b>2,119</b>	<b>2,119</b>	<b>2,119</b>	<b>2,119</b>

In 2022, \$267,000 was transferred to the reserve and \$400,000 was transferred to the new reserve RPS Community Initiatives Policing Reserve, resulting in a balance of \$3.1 million at year end. Through the 2023 budget, Council approved funding of \$955,000 from this reserve for the RPS Campus Development project. The 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.

**Table 22: Asphalt Plant Reserve**

<b>Asphalt Plant Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	767	888	988	338	438	538
<i>Additions to Reserve</i>	171	100	100	100	100	100
<i>Reduction to Reserve</i>	50	-	750	-	-	300
<b>Closing Balance</b>	<b>888</b>	<b>988</b>	<b>338</b>	<b>438</b>	<b>538</b>	<b>338</b>

In 2022, \$171,000 was transferred to reserve and \$50,000 was invested in asphalt plant related capital assets resulting in a closing balance of \$880 thousand. Projections show that the reserve balance would be within its maximum limit till 2027.

### **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. The minimum and maximum limits of the reserve are \$100,000 and \$1 million respectively.

**Table 23: Technology Reserve**

<b>Technology Reserve (\$000'S)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	236	183	188	193	198	203
<i>Additions to Reserve</i>	-	5	5	5	5	5
<i>Reduction to Reserve</i>	54	-	-	-	-	-
<b>Closing Balance</b>	<b>183</b>	<b>188</b>	<b>193</b>	<b>198</b>	<b>203</b>	<b>208</b>

In 2022, the reserve was reduced to \$183,000. 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.

**Table 24: Elections & Property Reassessment Reserve**

<b>Elections &amp; Property Reassessment Reserve (\$000's)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Opening Balance	424	649	854	180	385	590
<i>Additions to Reserve</i>	225	205	205	205	205	205
<i>Reduction to Reserve</i>	-	-	879	-	-	-
<b>Closing Balance</b>	<b>649</b>	<b>854</b>	<b>180</b>	<b>385</b>	<b>590</b>	<b>795</b>

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 2022, \$225,000 was added to the reserve to ensure funding for the 2024 municipal election and property revaluation. The 2022 ending balance of \$649,000 is within the allowable limit. The reserve projects a reduction of \$879,000 in 2024 for the next cycle of elections and property revaluation. The reserve is expected to remain mostly within its limits over the next five years. Planned reduction to the reserve is forecast in 2024 for the civic election and property reassessment.

### **Regina Police Service Community Policing Initiatives Reserve**

This is a new reserve that was established in 2022. The primary purpose of this new reserve is to support the RPS community policing initiative and offset police overtime costs for providing police services at community events that require a police presence during the event. The reserve is funded primarily through the annual RPS operating budget. The minimum and maximum limits of the reserve are \$0 and \$1.5 million respectively.

**Table 25: Regina Police Service Community Policing Initiatives Reserve**

RPS Community Policing Initiatives Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	-	617	617	617	617	617
<i>Additions to Reserve</i>	617	-	-	-	-	-
<i>Reduction to Reserve</i>	-	-	-	-	-	-
<b>Closing Balance</b>	<b>617</b>	<b>617</b>	<b>617</b>	<b>617</b>	<b>617</b>	<b>617</b>

In 2022, \$400,000 was transferred for the RPS General Reserve and an additional \$217,000 was transferred from the small surplus for RPS community policing initiative, resulting in a yearend balance of \$617,000, which is within its limit.

### 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.

**Table 26: Regina Police Service Radio Equipment Reserve**

Regina Police Service Radio Equipment Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	142	152	152	152	152	152
<i>Additions to Reserve</i>	10	-	-	-	-	-
<i>Reduction to Reserve</i>	-	-	-	-	-	-
<b>Closing Balance</b>	<b>152</b>	<b>152</b>	<b>152</b>	<b>152</b>	<b>152</b>	<b>152</b>

In 2022, the reserve increased by \$10,000 due to an operating surplus, resulting in a yearend balance of \$152,000 which is within its current limit.

### 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.

**Table 27: Regina Revitalization Initiative (RRI) Stadium Reserve**

Regina Revitalization Initiative Stadium Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	(3,734)	(1,815)	(481)	752	(229)	1,267
<i>Additions to Reserve</i>	1,919	1,483	1,643	1,668	1,695	2,115
<i>Reduction to Reserve</i>	-	150	410	2,650	200	1,750
<b>Closing Balance</b>	<b>(1,815)</b>	<b>(481)</b>	<b>752</b>	<b>(229)</b>	<b>1,267</b>	<b>1,631</b>

In 2022, stadium operations resulted in a surplus of \$1.9 million which improves the balance in the reserve from negative \$3.7 million to negative \$1.8 million. The operating surplus is due to 2022 being the final year of the dedicated mill rate increase of .45 per cent for property tax revenue which means that this revenue stream is now up to its full amount. In addition, facility fee revenue is higher in 2022 as a full ten Rider home games and the Grey Cup were hosted at the stadium as opposed to 2021's COVID shortened partial season. The forecasted reduction to the reserve starting in 2023 represents Administration's current estimate of capital replacement & refurbishment requirements during those years. These capital investments include building systems (ex. HVAC), video display hardware and software and turf replacement.

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 will cover ongoing and future capital and operating expenditures over the long term. As a result, the stadium financial model was designed to breakeven over a 30-year time horizon. Administration continues to monitor the stadium's operation to ensure its long-term financial viability.

**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. There are no limits established for this reserve as the reserve's purpose is to provide funding for expenditures related to COVID-19 pandemic.

**Table 28: COVID-19 Recovery Reserve**

COVID-19 Recovery Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	2,902	-	-	-	-	-
<i>Additions to Reserve</i>	-	-	-	-	-	-
<i>Reduction to Reserve</i>	2,902	-	-	-	-	-
<b>Closing Balance</b>	-	-	-	-	-	-

In 2020, the reserve was set up with \$16.3 million in funding received through the Federal Governments Safe Re-Start Program. In 2022, the reserve was depleted of the \$2.9 million remaining balance to offset continued negative financial impacts due to COVID-19 pandemic. There are no funds remaining in the reserve nor is there any anticipated need for this reserve moving forward. Administration recommends the reserve be closed and removed from Schedule A of the *Regina Administration Bylaw, 2003-69*.

**Intensification Infrastructure Reserve**

This is a new reserve that was established in 2021. The intensification infrastructure reserve was established to provide funding for intensification related infrastructure, specifically the infill share of the Capital Projects identified in the Capital Project List as defined in *The Development Levy Bylaw, 2011* and *The Development Charges Policy*. The reserve has no established minimum and maximum limits.

**Table 29: Intensification Infrastructure Reserve**

Intensification Infrastructure Reserve (\$000's)	2022	2023	2024	2025	2026	2027
Opening Balance	-	(665)	(39,663)	(47,618)	(54,739)	(59,819)
<i>Additions to Reserve</i>	17	150	150	150	150	150
<i>Reduction to Reserve</i>	681	39,149	8,105	7,271	5,230	1,000
<b>Closing Balance</b>	<b>(665)</b>	<b>(39,663)</b>	<b>(47,618)</b>	<b>(54,739)</b>	<b>(59,819)</b>	<b>(60,669)</b>

Administration is undertaking of the Development Charge Model which includes the Intensification Infrastructure Reserve in order to address the Development Charges negative financial position. Administration intends to provide a report on strategies for this reserve in the future as part of the Development Charge Model review.

### 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)<sup>1</sup> of the United States 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 per cent 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 2022 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 in 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

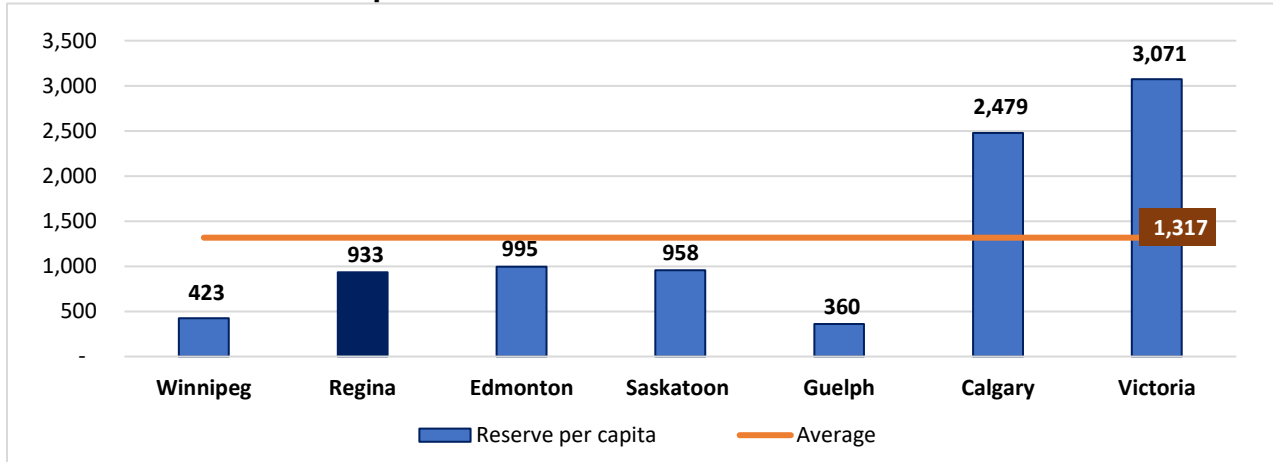
<sup>1</sup> The GFOA is a non-profit association of state and local government finance professionals and elected officials throughout the United States and Canada, with a mission to promote excellence and best practices in financial management, including reserve policies.

<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.



provides a good indicator of 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 (\$933), which is lower compared to \$1,317 for the average city. The City of Victoria has the largest reserve per capita of the group (\$3,071), while the City of Guelph has the smallest reserve per capita reserves of the group at \$360.

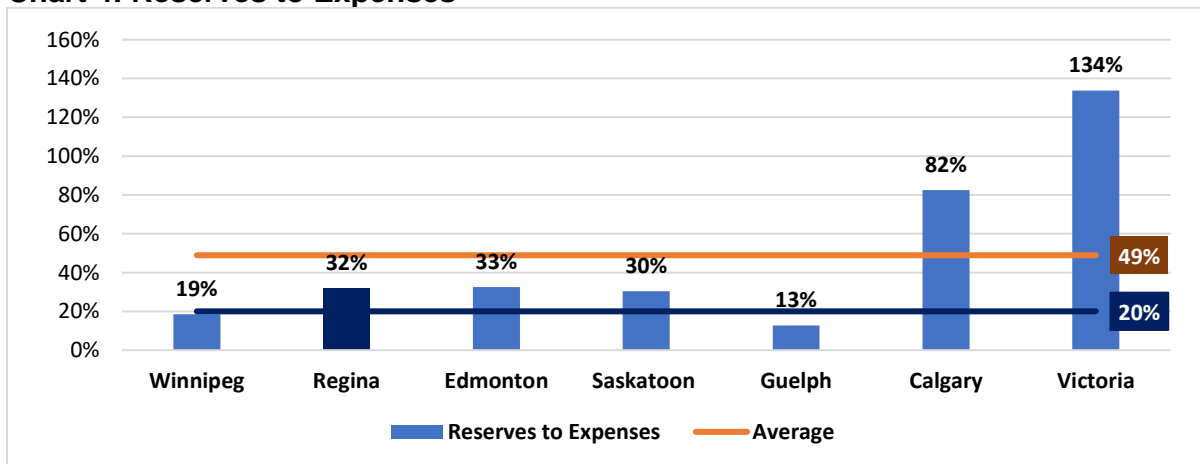
**Chart 3: Reserves Per Capita**



**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 per cent is recommended as good practice. The comparison in Chart 4 below shows the City of Regina ratio to be 32 per cent compared to 49 per cent 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.

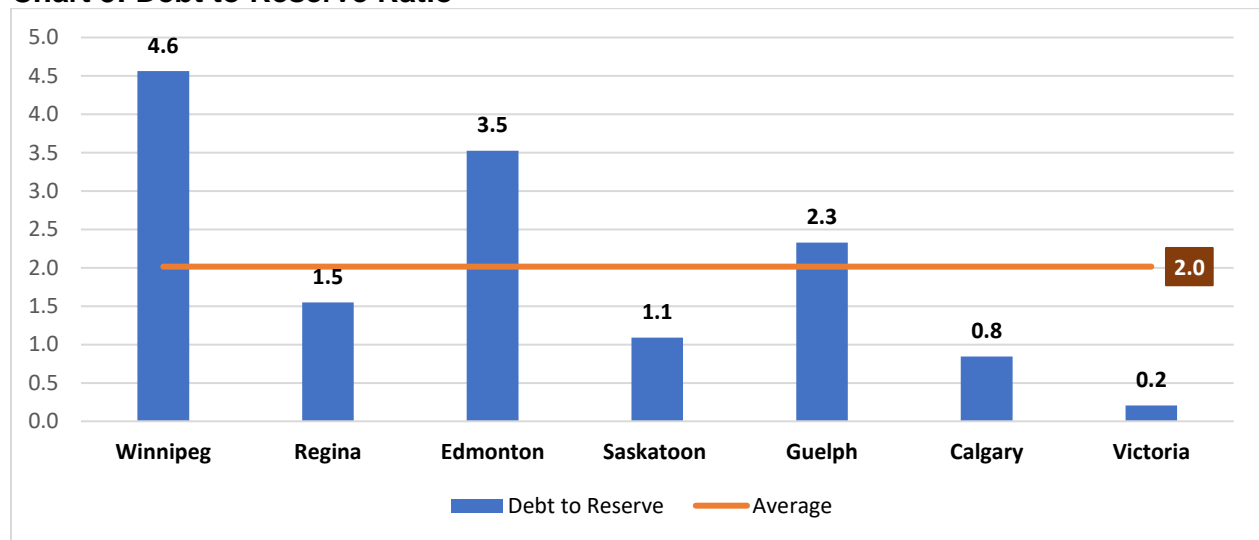
**Chart 4: Reserves to Expenses**



### 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 2.0 of 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.

**Chart 5: Debt to Reserve Ratio**

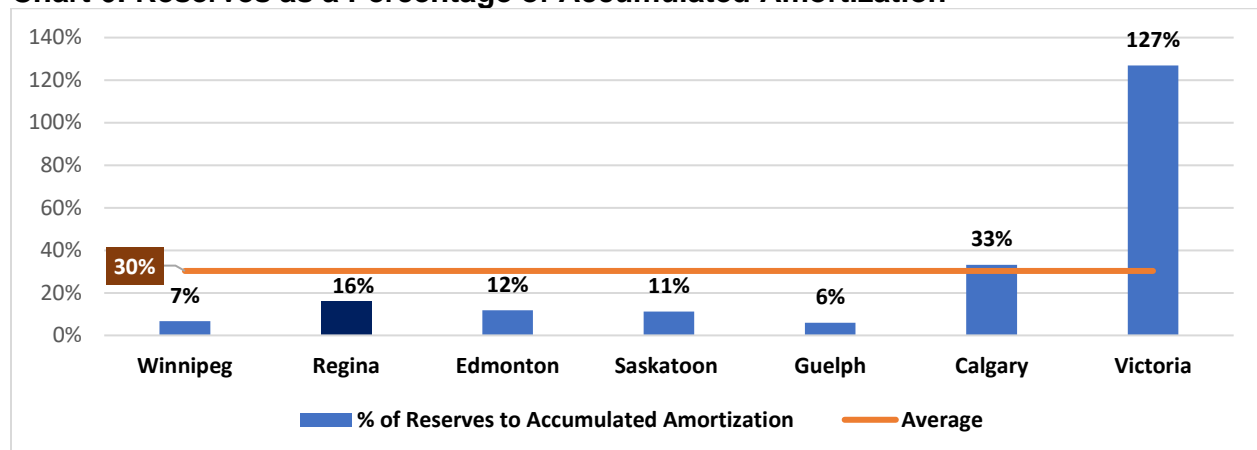


### Percentage of Reserves to Accumulated Amortization

Reserves were also compared to capital assets, using accumulated amortization. Accumulated amortization is the portion of a City's tangible capital 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. Chart 6 below shows that in 2022, the City's reserve levels as a percentage of accumulated amortization was 16 per cent compared to 30 per cent for the average municipality. This means that 16 per cent of the City's assets that have been consumed could be replaced through its reserves compared to Saskatoon, where 11 per cent of consumed assets could be replaced with reserves.

<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.

**Chart 6: Reserves as a Percentage of Accumulated Amortization**



### **Limitations of Reserve Balance Comparisons**

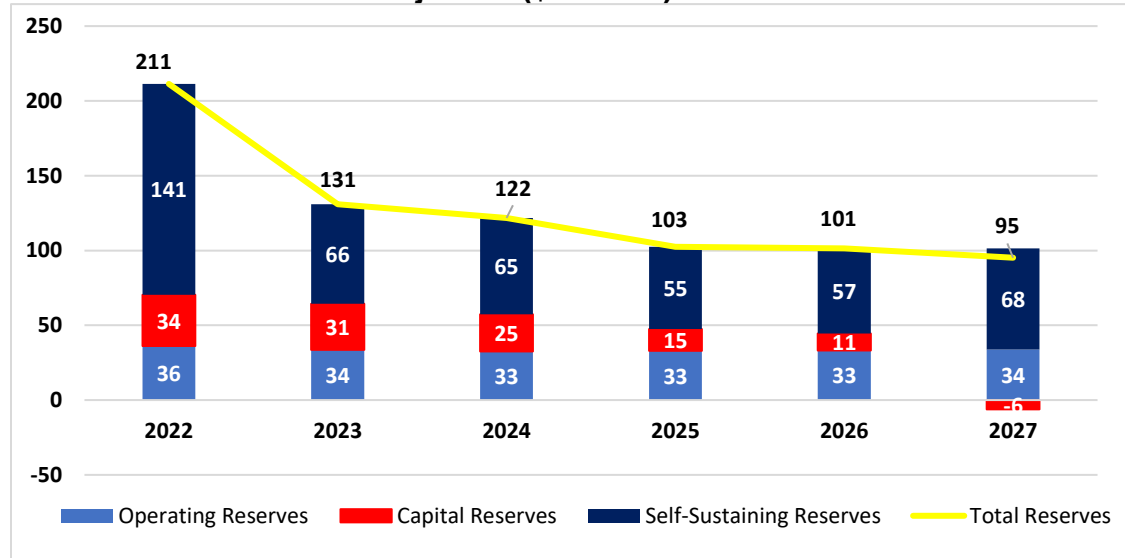
While jurisdictional comparisons provide useful context with respect to the appropriateness of reserve balances held by cities, it is important to note that comparatives are not necessarily indicative of what the City of Regina should have in its reserves. The following factors are worth considering 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 addressing 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 \$131 million by the end of 2023 and to \$95.2 million by the end of 2027. The projected decline in reserve balances is mainly due to planned capital projects identified in the five-year 2023-2027 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 the graph below and Table 3.

**Chart 7: 5-Year Reserve Projection (\$Millions)**



The projected decrease in reserve balances are primarily driven by decreases in two reserves, Intensification & Infrastructure Reserve and the Planning & Sustainability Stabilization Reserve. Both these reserves are undergoing reviews with reports being brought before Council at an appropriate time with related recommendations. Other reserves that see decreases include the Fleet Replacement Reserve as the City moves to replace its gas fleet of vehicles with electric vehicles and the General Utility Reserve in 2023.

**Table 30: Five-Year Reserve Balance Projection (\$000s)**

Allowable Minimum	Allowable Maximum	Reserve Name	Actual 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027
<b>Operating Reserves (Tax-Supported)</b>								
23,000	46,000	General Fund Reserve	24,559	23,409	23,009	23,009	23,009	23,009
N/A	N/A	COVID-19 Recovery Reserve	-	-	-	-	-	-
N/A	N/A	Social Development Reserve	6,364	6,364	6,364	6,364	6,364	6,364
1,000	2,000	Winter Road Maintenance Reserve	-	-	-	-	-	-
300	4,000	Regina Police Service General Reserve	3,074	2,119	2,119	2,119	2,119	2,119
-	800	Elections & Property Reassessment Reserve	649	854	180	385	590	795
-	675	Community Investment Grants Reserve	736	48	107	382	382	668
65	300	Regina Police Service Radio Equipment Reserve	152	152	152	152	152	152
-	1,500	Regina Police Community Policy Initiative Reserve	617	617	617	617	617	617
<b>24,365</b>	<b>55,275</b>	<b>Total Operating Reserves</b>	<b>36,151</b>	<b>33,563</b>	<b>32,548</b>	<b>33,028</b>	<b>33,233</b>	<b>33,724</b>
<b>Capital Reserves (Tax-Supported)</b>								
1,700	14,300	Fleet Replacement Reserve	22,099	25,435	22,800	12,449	8,947	(8,358)
500	30,000	Asset Revitalization Reserve	10,631	3,664	664	664	664	664
200	1,300	Asphalt Plant Reserve	888	988	338	438	538	338
N/A	N/A	Technology Reserve	183	188	193	198	203	208
N/A	N/A	mâdawêyatitân Reserve	490	588	686	784	882	980
<b>2,400</b>	<b>45,600</b>	<b>Total Capital Reserves</b>	<b>34,291</b>	<b>30,863</b>	<b>24,681</b>	<b>14,533</b>	<b>11,234</b>	<b>(6,168)</b>
<b>Self-Sustaining Reserves (Non-Tax Supported)</b>								
25,000	90,000	General Utility Reserve	105,422	88,922	80,622	72,622	74,622	80,622
28,000	48,500	Solid Waste Reserve	38,978	42,413	46,125	47,602	44,679	44,156
200	3,500	Employer-Provided Parking Reserve	3,695	3,947	3,648	3,949	4,250	4,402
250	2,000	Golf Course Reserve	2,165	1,795	1,614	1,464	1,314	1,014
100	800	Cemetery Reserve	(854)	(748)	(596)	(615)	(335)	58
1,700	13,000	Planning & Sustainability Stabilization Reserve	(7,380)	(10,769)	(14,233)	(16,588)	(18,943)	(21,298)
N/A	N/A	Regina Revitalization Initiative Stadium Reserve	(1,815)	(481)	752	229	1,267	1,631
2,000	12,000	Land Development Reserve	1,359	(18,924)	(5,800)	1,029	9,944	17,707
N/A	N/A	Intensification Infrastructure Reserve	(665)	(39,663)	(47,618)	(54,739)	(59,819)	(60,669)
<b>57,250</b>	<b>169,800</b>	<b>Total Self-Sustaining Reserves</b>	<b>140,905</b>	<b>66,492</b>	<b>64,514</b>	<b>54,953</b>	<b>56,979</b>	<b>67,623</b>
<b>84,015</b>	<b>270,675</b>	<b>Total</b>	<b>211,347</b>	<b>130,918</b>	<b>121,743</b>	<b>102,514</b>	<b>101,446</b>	<b>95,179</b>

## **CONCLUSION**

In 2022, the City's reserves decreased by a net \$ 23.6 million, largely due changes in the General Fund Reserve, General Utility Reserve, COVID-19 Reserve and the Asset Revitalization Reserve offset by changes in the accounting for the Land and Development Reserve. Operating reserves account for 17 per cent of the reserve balance, capital reserves represent 16 per cent of the balance, while a significant portion of reserves (67 per cent) are self-sustaining reserves.

Of the 23 reserves maintained by the City, 9 are outside of the limit while 14 were within their limits. Administration is recommending no transfers be made due to planned expenditures as outlined in the report. Reserves are projected to decrease to \$131 million at the end of 2023 due to planned projects approved by the Council in the 2023-2024 multiyear budget.

Administration is recommending amendments to the Reserve Bylaw for the Land Development Reserve to clarify how the City accounts for investments in land development and to remove the COVID 19 Recovery reserve that is depleted and no longer required.

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.