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May 6, 2015

CORPORATE SERVICES REPORT - FINANCIAL SERVICES-2015-30

TO: Mayor Tony Van Bynen and Members of Council
Committee of the Whole

SUBJECT: 2015 Reserves & Reserve Funds Budget

ORIGIN: Senior Financial Analyst

RECOMMENDATION

THAT Corporate Services Report - Financial Services - 2015-30 dated May 6, 2015 regarding 2015 Reserves & Reserve Funds Budget be received and the following recommendation be adopted:

THAT the projected revenues for the 2015 Reserves and Reserve Funds Budget, as set out in the attachment, be approved.

COMMENTS

Purpose

The purpose of this report is to seek Council approval of the projected 2015 Reserves and Reserve Funds Budget.

Budget Impact

This report has no direct impact on the operating and capital budgets for which the transfers have been previously approved.

Summary

The 2015 budgeted revenues for reserves and reserve funds, including obligatory reserve funds, are \$28.2 million. They include \$18.7 million in transfers from the operating budget, \$2.3 million from the gas tax grant, and \$4.6 million in Development Charges.

The projected December 31, 2015 balance of the reserves and reserve funds is a decrease of \$35.4 million from the beginning of the year. This is mainly due to a) \$9.8 million loan to capital for streetlights retrofit and water meter replacement; and b) the budgeted financing from the Asset Replacement Funds (ARF) exceeding the budgeted annual ARF contributions from the operating fund. \$11.8 million of this is for funding capital carryovers (see Corporate Services Report-Financial Services 2015-31).

Additional general background information on the Town's Reserves and Reserve Funds, terminology and categorization is provided by Corporate and Financial Services Report – Finance 2008-18, Guidelines for the Use of Reserves and Reserve Funds. This report is available in hardcopy at the Municipal Offices or online at:
<http://www.newmarket.ca/en/townhall/otherreports.asp>

The Reserves and Reserve Funds Budget has been developed based upon the following:

1. The 2015 Capital Budget including carryovers – approved funding requirements
2. The 2015 Operating Budget – approved contributions and funding requirements
3. Interest earned on projected Reserve Funds balances
4. Estimated Reserve Funds revenues – Developer contributions, etc.
5. Application of the Reserves and Reserve Funds Guidelines approved by Council

The majority of this budget has already been established through the previous adoption of the 2015 Operating and Capital budgets. Reserves and reserve funds, including obligatory reserve funds (for Development Charges and parkland contributions, Gas Tax Grant, etc.), had a combined balance of \$71.1 million at the beginning of 2015, and are projected to have a balance of \$35.8 million at the end of 2015.

Total reserves and discretionary reserve funds are projected to be \$16.7 million at the end of 2015, or 14.8% of 2015 budgeted operating expenses (41.2% in 2014). The 2015 reserves and reserve funds budget by group is summarized below.

1. Reserves and reserve funds for capital purposes

These reserves and reserve funds were set up for funding future capital projects. If all budgeted capital projects are completed, the projected balance of capital reserves will be -2.6% of the accumulated amortization of capital assets at the year end of 2015 (2014 actual ending balances were at 7.6%). Comparing capital reserves to accumulated amortization (also known as accumulated depreciation or the write down of assets over time) is a measure of the adequacy of capital reserves.

Category	Beginning Balance 2015	Revenues	Expenses	Ending Balance 2015	Change over 2014
General Capital	3,856,707	415,382	2,025,426	2,246,663	(1,610,044)
Loan to Capital	(8,714,270)	604,982	9,761,712	(17,871,000)	(9,156,730)
Designated Capital	8,208,953	658,837	3,763,973	5,103,817	(3,105,136)
Asset Replacement Funds	15,905,427	15,269,925	27,644,373	3,530,979	(12,374,448)
TOTAL	19,256,817	16,949,127	43,195,484	(6,989,540)	(26,246,357)

Revenues in the General Capital and Designated Capital reserve funds are mainly transfers from the operating fund for capital financing, environmental land purchases and the official plan.

The budgeted balance of the Asset Replacement Funds is projected to decrease by \$12.4 million. This is mainly due to budgeted financing from the Asset Replacement Funds exceeding the budgeted annual ARF contributions from the operating fund. \$11.8 million of this is for funding capital carryovers (see Corporate Services Report – Financial Services 2015-31).

2. Reserves and reserve funds for operating purposes

These reserves were set up for rate stabilization and operational contingencies. The projected balance will be 6.1% of tax revenues at the end of 2015 (2014-7.8%).

Category	Beginning Balance 2015	Revenues	Expenses	Ending Balance 2015	Change Over 2014
Operational Contingencies	1,117,025	-	247,442	869,583	(247,442)
Cyclical Expenses	245,291	110,756	-	356,047	110,756
Discretionary Operating	1,434,975	(906)	530,584	903,485	(531,490)
Operational Carry-overs	1,183,532	-	6,048	1,177,482	(6,050)
TOTAL	3,980,823	109,850	784,074	3,306,599	(674,223)

3. Obligatory reserves and reserve funds

These include cash-in-lieu contributions for parkland from developers, development charges, the unused portion of the Investing in Ontario grant received in 2007, gas tax grant, and engineering administration, design, review and field monitoring fees for development. They have statutory restrictions.

Category	Beginning Balance 2015	Revenues	Expenses	Ending Balance 2015	Change Over 2014
Parkland	1,332,231	239,922	1,307,000	265,152	(1,067,078)
Development Charges	21,668,361	4,810,982	9,027,593	17,451,751	(4,216,610)
Investing In Ontario	161,939	2,024	-	163,965	2,026
Gas Tax Grant	2,227,449	2,330,722	4,382,513	175,658	(2,051,791)
Engineering Administration	1,142,164	613,597	708,821	1,046,940	(95,223)
TOTAL	26,532,144	7,997,247	15,425,927	19,103,464	(7,428,677)

Revenue estimates for development charges and cash-in-lieu contributions for parkland are extrapolated from the trends of the preceding three years.

4. Other reserves and reserve funds

These are reserves and reserve funds not included in the above groups.

Category	Beginning Balance 2015	Revenues	Expenses	Ending Balance 2015	Change over 2014
Development Related Revenues	3,454,283	136,517	883,751	2,707,050	(747,234)
Restricted Operating	15,195,994	1,922,072	1,370,228	15,747,838	551,844
Growth Funds	2,719,108	1,130,288	1,953,958	1,895,438	(823,670)
TOTAL	21,369,385	3,188,877	4,207,937	20,350,326	(1,019,060)

Revenues in the Growth Funds include a projection of \$703,000 in voluntary trail contributions and \$400,000 in Recommending-- A-Strategy (RAS) surcharges. A detailed list of all the reserves and reserve funds is attached to this report.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

This report links to Newmarket's key strategic directions in being Well Managed through fiscal responsibility.

CONSULTATION

The 2015 Reserves and Reserve Funds Budget has been created from the 2015 Capital and Operating Budgets which were developed by staff and have undergone extensive review by the public and Council.

Hemson Consulting's report on the Capital Financing Sustainability Strategy will help inform a review of reserves and reserve funds which will be undertaken in 2015. Recommendations, including a formal policy and the consolidation of some reserves, will be presented to Council for consideration later this year.

BUDGET IMPACT

Reserves and Reserve Funds Budget

Projected reserves and reserve funds revenues, being interest earned, developer contributions, land sales and other items paid directly to the reserves and reserve funds, are being added to the consolidated budget.

Operating Budget (Current and Future)

This report has no direct impact on the Operating Budget. All transfers to or from the Operating Budget were previously approved by Council.

Capital Budget

This report has no direct impact on the Capital Budget. All transfers to the Capital Budget were previously approved by Council.

CONTACT

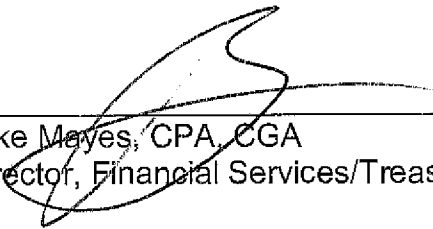
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FW/nh

Attachment:

- a) 2015 Reserves and Reserve Funds Budget (8 pgs.)

2015 RESERVES AND RESERVE FUNDS BUDGET

Reserve (Reserve Fund) Account	Account #	Balance Forward Jan. 1/2015	Closing Balance Dec. 31/2015
		\$	\$

REVENUES		EXPENDITURES		Total
Bank & Investment Interest	Contrib. Payments	To Capital Fund	To General Fund	Internal Transfers/Other
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$

REVENUES		EXPENDITURES		Total
Bank & Investment Interest	Contrib. Payments	To Capital Fund	To General Fund	Internal Transfers/Other
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$

Reserve (Reserve Fund) Account	Account #	Balance Forward Jan. 1/2015	Closing Balance Dec. 31/2015
		\$	\$

RESERVE FUNDS:

Reserve Funds for Development-Related Revenues

Account #	Balance Forward Jan. 1/2015	Bank & Investment Interest	Contrib. Payments	From General Fund	Other	Total Revenue	To Capital Fund	To General Fund	Internal Transfers/Other	Total	Closing Balance Dec. 31/2015
Tree Planting	432300	3,628	30,000			33,628		125,000		125,000	246,393
Perpetual Maintenance	442170	17,055				17,055	250,000			250,000	1,256,416
Planning Application Subdivision Fee	468110	12,235		73,600		85,835		408,751		408,751	823,431
Reserve Funds for Cyclical Expenses											
Election	413706	436		80,000		80,436					75,338
Inauguration	413707	319		20,000		20,319					35,879
Discretionary Operating Reserve Funds											
NEER Support	410907	(906)				(906)		145,000		145,000	(145,906)
Restricted Operating Reserve Funds											
CYFS Reserve Fund	421240	10,917		55,000		65,917		12,000		12,000	906,313
LTD - Town	410227	88,424		800,000		888,424					7,562,366
LTD - Medical Benefits Plan	410228	2,025		63,000		65,025					195,566
LTD - Dental Benefits Plan	410229	989		155,000		155,989					155,989
LTD - Library	455107	4,313		39,210		43,523					368,922
Seniors Fund	457371	14				14					1,162
McLarty Fund	457790	36				36					2,890
L.A.C.A.C.-Heritage Fund	455321	222				222					17,951
Fire Training Costs	421230								85,194	85,194	0
General Capital Reserve Funds											
Capital Contingency Fund	410901	983				983	152,353			152,353	3,454
Capital Financing Fund	410906	3,938		312,776		316,714	1,287,727			1,287,727	(169,520)
Community Benefit	410909	895				895					72,906
Designated Capital Fund	410903	20,336		50,000		70,336	246,845			246,845	1,548,830
Investment Income Fund	410910	135		26,319		26,454					24,086
Streetlight Retrofit Loan	410911			200,000		200,000	3,061,712			3,061,712	(8,439,506)
Water Meter Replacement Loan	410913						6,700,000			6,700,000	(6,700,000)
Solar Panel at RJT	410912			23,717		23,717					(615,466)
2013 Solar Panel	410902			10,077		10,077					(242,626)
Loan to Capital Fund	410900	(96,503)		467,696		371,193					(1,873,389)
Designated Capital Reserve Funds											
Road Reconstruction	432215	3,122				3,122					252,887
Purchase of Municipal Easement	432217	431				431					34,929
Sidewalks	432170	3,055				3,055					247,441
Pony Drive	432214	861				861					69,780

2015 RESERVES AND RESERVE FUNDS BUDGET

Reserve / Reserve Fund Account	Account #	Balances Forward Jan. 1/2015		REVENUES					EXPENDITURES			Closing Balance Dec. 31/2015	
		\$	\$	Bank & Investment Interest	Contributions	From General Fund	Other	Total Revenue	To Capital Fund	To General Fund	Internal Transfers/Other		Total
Dawson Manor Blvd.	432216	12,803	12,803	160				160					12,963
Insurance Proceeds Barn	410905	253,515	253,515	1,798				1,798	219,317				35,996
Public Art	457215	255,395	255,395	3,192				3,192					256,588
Theatre CIE Fund	457352	725,598	725,598	9,183		75,000		84,183	56,942				752,839
Theatre	457351	28,807	28,807	360				360					29,167
Museum Board	457531	8,318	8,318	104				104					8,422
Museum Conservation	457532	11,112	11,112	138				138					11,251
Museum Exhibit	457533	8,673	8,673	108				108					8,782
SWM Pond Maintenance	442183	926,461	926,461	8,306				8,306	523,944				410,823
Downstream Storm Drainage	442182	4,145	4,145	52				52					4,197
Stormwater Erosion	442181	6,001	6,001	75				75					6,076
Environmental Green Fund	410960	48,437	48,437	605				605					49,043
Environmental Land Purchase	410971	957,304	957,304	9,874		372,000		381,874	425,386	281,322			632,471
All Our Kids Playpark	457840	2,765	2,765	35				35					2,789
Playground Equipment	457881	200,843	200,843	2,511				2,511					203,354
Fence	432132	9,396	9,396	117				117					9,513
Secondary Planning Study	468000	139,030	139,030	1,488				1,488	40,000				100,518
Official Plan	468115	400,590	400,590	5,820		130,000		135,820					536,410
Parking Purposes	422717	345,351	345,351	4,296				4,296	5,000				344,656
Downtown Parking	422710	37,840	37,840	439				439					33,079
Holland River Walkway	457861	135,879	135,879	1,698				1,698	5,000				137,577
Trail Contribution-Eden Oak	462150	30,430	30,430	380				380					30,810
Sale of Property	410970	1,587,049	1,587,049	10,665				10,665	1,487,695				120,019
Stickwood-Walker Property	410973	1,000,925	1,000,925	8,016				8,016	719,367				289,573
Rawluk Property	410972	387,593	387,593	4,845				4,845					392,438
Fiddlefest	457893	5,285	5,285	66				66					5,352
Festival of Lights	457892	3,540	3,540	44				44					3,584

2015 RESERVES AND RESERVE FUNDS BUDGET

Reserve / Reserve Fund Account	Account #	Balance Forward		Closing Balance		REVENUES				EXPENDITURES				
		Jan. 1/2015	\$	Dec. 31/2014	\$	Bank, K. Investments, Interest	Commt. Subsidies	From General Fund	Other	Total Revenue	To Capital Fund	To General Fund	Internal Transfers/Other	Total
Restricted Operating Reserves														
Fire Services	327821	(0)		(0)										
Building Permits	324116	5,316,860		4,062,546							275,000	979,314		1,254,314
Main St BIA	326110	12,808		12,808										12,808
NEAC	327168	5,800		5,800										5,800
Library	325591	488,755		470,036								18,720		470,036
Library-Fund Raising	325592	1,665		1,665										1,665
Library-Strat. Plan Impmtn	325596	42,021		42,021										42,021
Library-Strategic Plan	325594	1,257		1,257										1,257
Library-Insurance	325595	10,000		10,000										10,000
Maintenance - Water	324942	60,648		60,648										60,648
Water Rate Stabilization Fund	327642	539,765		1,007,213			467,448		467,448					1,007,213
Sanitary Sewer Rate Stabilization F	327744	549,685		785,179			236,494		236,494					785,179
Apprenticeship Grants	328010	1,916		1,916										1,916
Youth Reserve	329274	15,053		15,053										15,053
Public Works Services	329332	61,068		61,068										61,068
General Capital Reserves														
Unexpended Capital	341010	1,104,808		766,307							336,501			336,501
Designated Capital Reserves														
Minor Capital	323610	16,500		15,500										15,500
Digital Initiative	328913	50,000		50,000										50,000
Community Service Group	323552	2,000		2,000										2,000
Growth Reserves														
Historic Downtown Centre	320410	15,122		15,122										15,122
Regional Healthcare Centre	328510	58,179		58,179										58,179
Regional Urban Centre	328610	37,326		37,326										37,326
TOTAL RESERVES		12,842,406		11,204,739			712,942		712,942		975,075	1,375,534		2,350,609

2015 RESERVES AND RESERVE FUNDS BUDGET

Reserve / Reserve Fund Account	Account #	REVENUES		EXPENDITURES		Closing Balance Dec. 31/2015		
		Bank & Investments Interest	Contributions	To Capital Fund	To General Fund		Internal Transfers	Other
		\$	\$	\$	\$	\$	\$	\$
Operational Contingencies		-	-	202,442	45,000	-	-	247,442
Development-Related Revenues		32,917	30,000	230,000	633,751	-	-	863,751
Cyclical Expenses		756	-	-	-	-	-	-
Discretionary Operating		(906)	-	153,064	377,500	-	-	530,504
Operational Carry-Overs		-	-	6,048	-	-	-	6,048
Restricted Operating		106,920	-	275,000	1,010,034	85,194	-	1,370,228
General Capital		(70,221)	-	11,787,138	-	-	-	11,787,138
Designated Capital		81,837	-	3,482,651	281,322	-	-	3,763,973
Asset Replacement Funds		112,455	111,040	22,360,893	5,368,674	(86,194)	-	27,644,373
Growth Funds		27,288	1,103,000	1,565,908	388,050	-	-	1,953,958
TOTAL RESERVE FUNDS AND RESERVES		291,046	1,244,040	40,083,164	8,104,331	-	-	48,187,495
		1,117,025						869,583
		3,454,283						2,707,050
		245,291						356,047
		1,434,975						903,485
		1,183,532						1,177,484
		15,185,594						15,747,838
		(4,857,563)						(15,624,337)
		8,208,963						5,103,817
		15,805,427						3,530,979
		2,719,109						1,895,438
		44,807,025						16,667,384

2015 DEFERRED REVENUE BUDGET

Reserve / Reserve Fund Account	Account #	REVENUES		EXPENDITURES		Closing Balance Dec. 31/2015	
		Bank & Investment Interest	Contributions	From General Fund	Other		To Capital Fund
		\$	\$	\$	\$	\$	
		\$	\$	\$	\$	\$	

Parkland	Account #	Balance Forward Jan. 1/2015	Total Revenue	Total	Closing Balance Dec. 31/2015
Parkland	457815	1,332,231	230,000	239,922	265,152
Development Charges					
General Government	460100	328,373	123,000	126,089	188,962
Library	460200	1,906,972	367,000	390,991	1,955,615
Fire	460300	354,527	157,000	162,413	516,940
Recreation Facilities	460400	6,456,893	1,675,000	1,759,217	7,102,121
Outdoor Recreation	460500	6,962,706	1,395,000	1,474,070	5,767,576
Yards & Fleet	460600	552,160	170,000	177,652	679,812
Town-Wide Engineering	460700	3,622,987	543,000	564,213	(207,728)
Dev. Charges-Parking	460800	734,907	138,000	146,976	710,255
Area Specific DC - Rotundo	460101	64,438	805	805	65,244
Area Specific DC - Rawluk Farm	460102	7,084	89	89	7,172
Area Specific DC - Block 9	460103	18,009	225	225	18,235
Area Specific DC - Walker Farm	460104	19,522	244	244	19,766
Area Specific DC - Goldstein	460105	639,785	7,997	7,997	647,783
Total DC's		21,668,363	4,568,000	4,810,982	17,451,752

Investing In Ontario	Account #	Total Revenue	Total	Closing Balance Dec. 31/2015
Investing In Ontario	470100	2,024	2,024	163,963
Engineering Administration				
Engineering Admin.-Subdivision	469991	13,597	613,597	1,046,939
Total DC's		242,982	4,810,982	17,451,752

Investing In Ontario	Account #	Total Revenue	Total	Closing Balance Dec. 31/2015
Investing In Ontario	470100	2,024	2,024	163,963
Engineering Administration				
Engineering Admin.-Subdivision	469991	13,597	613,597	1,046,939
Total DC's		242,982	4,810,982	17,451,752

2015 DEFERRED REVENUE BUDGET

Reserve / Reserve Fund Account	Account #	REVENUES		EXPENDITURES				Closing Balance Dec. 31/2015 \$	
		Bank & Investment Interest	Contributions	From General Fund	Other	To Capital Fund	To General Fund		Internet Transfers Other
Federal Gas Tax Grant									
Gas Tax	432250	14,926	2,315,796			4,382,513		4,382,513	175,658
TOTAL DEFERRED REVENUE		283,451	7,713,796	-	-	12,792,842	2,633,085	15,425,927	19,103,464 (7,428,680)
TOTAL RESERVE FUND & RESERVES & DEFERRED									
		574,497	8,957,836	18,712,767	-	52,876,006	10,737,416	63,613,422	35,770,848 (35,368,322)

Increase(Decrease)
Deferred Revenue Fund
Budget

Increase(Decrease)
RF & R/Def Revenue Fund
Budget