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September 22, 2015

CORPORATE SERVICES REPORT – FINANCIAL SERVICES 2015-46

TO: Joint Council Committee

SUBJECT: Central York Fire Services Reserve Fund

ORIGIN: Director, Financial Services/Treasurer

RECOMMENDATION

THAT Corporate Services Report – Financial Services – 2015-46 dated September 22, 2015 regarding the Central York Fire Services Reserve Fund be received and the following recommendations be adopted:

- 1. THAT JCC set a target level for the CYFS Reserve Fund as proposed in this report;**
- 2. AND THAT any 2015 CYFS operating surplus be allocated back to each municipality based on their budgeted allocation percentage;**
- 3. AND THAT JCC recommend that the Councils of each municipality waive the requirements specified in Schedule D of the Fire/Emergency Services Agreement between the Town of Aurora and the Town of Newmarket dated November 1, 2001, in this one instance.**

COMMENTS

Purpose

The purpose of this report is to recommend that JCC establish a target level for the CYFS Reserve Fund and to propose that any 2015 CYFS operating surplus be allocated back to each municipality in the same proportion as their budgeted allocation for the year.

Budget Impact

This report recommends a refund of the 2015 CYFS surplus which would have been otherwise transferred to the CYFS Reserve Fund. How each individual municipality uses their refund will determine whether or not their overall municipal budget is impacted.

Summary

CYFS has a stabilization reserve account with a balance of \$851,896 at the end of 2014. It is recommended that JCC set up an appropriate target level for this reserve, in order to avoid fluctuations in the tax increase and to allocate CYFS' annual operating surplus back to each municipality once the target is achieved.

In the Consolidated Fire and Emergency Services Agreement (Agreement) dated November 1, 2001, Schedule D – Statement of Financial Principals, it states, “*Any annual operating surplus or deficit will be allocated to/from a stabilization reserve account with initial funding of such stabilization fund to be borne by each municipality based on the cost allocation methodology attached*” in the Agreement.

A stabilization reserve fund (CYFS Reserve Fund) was set up in 2007 with an amount of \$498,394, of which \$475,000 was a transfer from CYFS operating and the remaining \$23,394 was the operating surplus in 2007. From then on, transfers to/from the CYFS Reserve Fund include:

- Annual operating surplus;
- Contributions from operating for light vehicle purchases;
- Funding for light vehicle purchases;
- Savings on vehicle leasing costs;
- Annual operating deficit, mainly resulting from unexpected expenditures in overtime, fuel, vehicle repairs, utility costs, legal costs, etc.;
- Funding for new capital asset acquisitions without any dedicated financing sources.

At the end of 2014, the CYFS Reserve Fund had a balance of \$851,896.

ANALYSIS

It is recommended that a target level for the CYFS Reserve Fund be established. Once the CYFS Reserve Fund achieves the target level, any annual operating surplus can be allocated back to each municipality based on the budgeted cost allocation percentage in that year. Based on the previous years’ CYFS operating experience, the CYFS Reserve Fund target amount can be determined by adding the following factors:

- 50% of CYFS’ total annual budget for the most volatile expenditure items such as overtime, fuel, vehicle repairs, utility costs, and legal costs. This amount is approximately \$500,000 per the 2015 Budget;
- Net contributions for light vehicle purchases, which will be \$221,000 at the end of 2015;
- Other contingency amounts defined by JCC from time to time. At this time, a starting amount of \$130,000 is recommended for additional capital financing.

IMPACT ON THE FIRE MASTER PLAN

This report has no impact on the Fire Department Master Plan Update.

CONSULTATION

This report has been reviewed by the Finance staff of both Aurora and Newmarket.

BUDGET IMPACT

Operating Budget

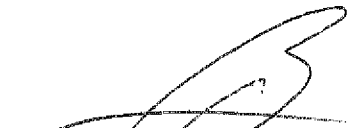
This report recommends a distribution of the 2015 CYFS surplus which would have been otherwise transferred to the CYFS Reserve Fund. How each individual municipality uses their refund will determine whether or not their overall municipal budget is impacted.

Capital Budget

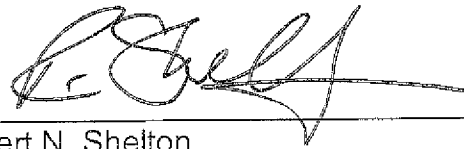
No impact, as net contributions for the light vehicles are maintained.

CONTACT

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