

2019 CITY OF CAMBRIDGE

# BUDGET

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Appendix A - Reserve & Reserve Fund Descriptions

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## Reserve and Reserve Funds

### Appendix A - Descriptions

	PURPOSE	FUNDING SOURCE (REVENUE)	INTENDED USE (EXPENDITURE)	FUNDING TARGET
<b>Reserves &amp; Reserve Funds for Tax-Supported Operating</b>				
<b>Reserves</b>				
Training and Development (Eliminate)	To stabilize the annual cost fluctuations in the training and development Tax Operating Budget.	Any unspent training and development budgets or other such funding sources as approved by Council.	To fund any training and development budget overage within the Tax Operating Budget.	One year's worth of Training and Development expenditures. Once the target has been reached, the Operating surplus will be transferred to a Tax Reserve/ Reserve Fund of greatest need.
Contaminated Sites Grant Program	To provide a source of funding for unanticipated contamination issues.	Any unspent grants for contaminated sites approved in the Operating Budget.	To assist with the restoration costs of contaminated sites for new development in core areas, up to a maximum of \$1,500 per residential unit and/or \$10 per square metre of gross floor area for non-residential development.	Annual Review of Funding needs.
Bldg Revitalization Program	To act as a revolving loan fund to support the Building Revitalization Program.	Contributions from the approved Operating Budget.	To be used as a revolving fund to advance loans/grants, cover related administration costs and to receive loan repayments for the Building Revitalization Program.	Annual Review of Funding needs.
Rate Stabilization	To provide a contingency for unforeseen events, stabilize tax rate fluctuations caused by one time expenditures, previous years' operating deficits or revenue shortfalls and to maintain the City's cash flow by minimizing the need for short term borrowing.	Year-end city Operating surplus.	To offset extraordinary one-time pressures or phase-in significant impacts affecting the general levy and not to be considered a long-term sustainable funding source for general operations. To fund Operating Deficits	5%-15% of tax revenues.  Once upper end of the target has been reached, the operating surplus will be transferred to a Tax Funded Reserves/Reserve Funds of greatest need.
Hydro Dividend Stabiliztn R.F.	To hold the proceeds of the Hydro Dividend in excess of the Operating Budget and to fund debt repayments on specified Capital projects.	Contributions from the approved Operating Budget.	Contributions to the approved Operating Budget.	One year of dividend proceeds net of debt obligations.
<b>Discretionary Reserve Funds</b>				
Capital Works Debt Retirement	To stabilize the Operating impact of any debt repayments.	Contributions from the Operating Budget, Investment Income and other sources approved by Council.	To fund debt payments to ensure the Operating impact remains consistent over the budget period.	Reviewed annually to reconcile to the Principal and Interest payments.
Heritage Conservation	To invest in architectural conservation.	Contribution from the tax rate.	To fund the acquisition, preservation and ongoing rehabilitation of heritage facilities or items of architectural/cultural significance.	Annual Review of Funding needs.
Archives Reserve Fund	To stabilize the annual costs related to conservation or acquisition of archival materials.	From unused budget allocations for conservation and acquisition of archival material.	To finance conservation or acquisition of archival materials.	Not to exceed \$50,000 and expenditures from the fund in any year will not exceed that year's budget allocation for acquisition and conservation unless such expenditure has the proper approval of Council.
Election	To amortize the cost of a municipal election over 4 years, rather than expensing the entire amount in the year of the election.	Annual contribution from the Operating Budget as recommended by the Deputy City Manager of Corporate Services.	To fund election related expenditures.	Forecasted direct election expenditures.

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<b>Reserves &amp; Reserve Funds for Tax-Supported Operating</b>				
<b>Reserves</b>				
Winter Reg Road Maintenance Res Fund (Eliminate)	To offset any significant unfavorable Regional Road Maintenance Operating Budget variance due to severe winter conditions.	From surpluses generated from the Regional Roads Maintenance Contract.	To fund maintenance as per the Regional Road Maintenance Agreement with the Region of Waterloo in the event of a deficit in the Regional Road Maintenance Operating Budget. Under the terms of the contract the City is responsible for paying the first 5% over the base budget should weather conditions dictate such need.	Not to exceed the Annual Regional Contract cost.
Winter Maintenance	To offset the significant unfavorable Public Works Winter Maintenance budget variances due to severe winter conditions.	Any surplus Public Works winter maintenance funds.	To fund any shortfall in the Public Works Winter Maintenance Operating Budget or defray costs of winter control in the City.  If winter permits the need for summer-type activities, i.e. street sweeping and cleaning, the required funds will be utilized from the Winter Maintenance Reserve Fund with the approval of the City Manager.	Maximum of 75% of the current year's budget. Any funds in excess of the ceiling will be allocated to the Rate Stabilization Reserve.
Legal Reserve Fund (Eliminate)	To hold funds for any overages within the Legal Program to minimize tax rate impacts.	From revenue fund allocations within the Legal Program of the unspent funds in the Outside Legal account.	To fund costs of outside legal where the outside legal expenditures account exceeds the budget amount for the year.	Legal Reserve Fund to be capped at a Maximum balance of \$500,000.
Self Insurance Reserve Fund	To fund any unforeseen claims that cause the city to go above the annual Insurance Operating Budget.	Any unspent funds from the Insurance Operating Budget.	To fund unforeseen claims.	Fund is not to exceed \$5 million.
Future Employee Benefits	To provide a source of financing to fund the cost of future employee benefits.	Contributions from the Operating Budget, Investment Income and other sources approved by Council.	To fund the cost of future employee benefits provided by the City along with the Early Retirement Incentive Program or similar programs however the Reserve is not to be depleted more than 10% for this purpose, with the limit being based on the opening balance in the fund at the beginning of the year.	Per actuarial review, which is conducted every three years.
Workplace Safety & Insurance	To hold funds for the payment of qualified WSIB claims and other expenses to minimize tax rate impacts.	Contributions from the approved Operating Budget.	To assist in funding unforeseen WSIB claims and administrative expenditures.	Per actuarial review.
Replacement Tree Planting RF	To hold funds for the purpose of planting trees in locations within the City other than the location where a tree has been removed.	Funds derived from the permit process as per the Private Tree Preservation By-Law.	Funds will be spent on replacing trees in locations within the City other than the location where a tree has been removed.	Annual review of funding needs.

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<b>Library Discretionary Reserve Fund</b>				
Facility Mtce-Library	Created as a sub-reserve of the Facility Maintenance Reserve (83914) to provide long term sustainable funding for repairs, replacements, retrofits and renovations of city library facilities.	Contributions from the approved Operating Budget.	To fund repairs, replacements, retrofits or renovation items. If an item is:  (a) less than \$50,000 - Expenditure forecast created in the Operating Budget with a contribution from the Facility Maintenance Reserve Fund.  (b) greater than \$50,000 - Expenditure forecast created as a Capital Project with financing from the Facility Maintenance Reserve Fund and/or any other financing sources.	Ceiling is to be based on life cycling of the asset components.
Book Processing -Library	To stabilize the annual handling and cataloguing costs of new books purchased by the Cambridge Library Board within the Library Operating Budget.	From revenue fund allocations of the Library Operating Budget.	To cover handling and cataloguing costs of new books purchased by the Cambridge Library Board.	Annual Review of Funding needs.
Book Purchase-Library	To stabilize the annual book purchase costs for the Cambridge Library Board within the Library Operating Budget.	From revenue fund allocations of the Library Operating Budget.	To defray costs for the purchase of books for the Cambridge Library Board.	Annual Review of Funding needs.
<b>Reserves and Reserve Fund for Water Utilities</b>				
<b>Reserves</b>				
Train & Dev Water/Sewer (Eliminate)	To stabilize the annual cost fluctuations in the training and development Water and Sewer Operating Budget.	Any unspent training and development budgets or other such funding sources as approved by Council.	To fund any training and development budget overage within the Water and Sewer Operating Budget.	One year's worth of Training and Development expenses. Once the target has been reached, the Operating surplus will be transferred to a Water or Sewer Reserves/Reserve Funds of greatest need.
<b>Discretionary Reserve Funds</b>				
Wastewater Rate Stabilization	To provide a contingency for unforeseen events and stabilize Wastewater rate fluctuations caused by one time expenditures, previous years' operating deficits or revenue shortfalls.	Funds from an annual Wastewater Operating Budget contribution that is reviewed annually to ensure compliance.  And, 50% of the year end surplus from the Wastewater Operating Fund until the Funding Target is reached.	To offset extraordinary one-time pressures or phase-in significant impacts affecting the Wastewater rate and not to be considered a long-term sustainable funding source for general operations. To cover Wastewater Deficits.	Balance up to a maximum of 10% of the rate revenue requirements as determined each year for the Wastewater Operating Budget.
Water Rate Stabilization R.F.	To provide a contingency for unforeseen events and stabilize Water rate fluctuations caused by one time expenditures, previous years' operating deficits or revenue shortfalls.	Funds from an annual Water Operating Budget contribution that is reviewed annually to ensure compliance.  And, 50% of the year end surplus from the Water Operating Fund until the Funding Target is reached.	To offset extraordinary one-time pressures or phase-in significant impacts affecting the Water rate and not to be considered a long-term sustainable funding source for general operations. To cover Water Deficits.	Balance up to a maximum of 10% of the rate revenue requirements as determined each year for the Water Operating Budget.

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<b>Capital Discretionary Reserve Funds</b>				
Capital Works Reserve Fund	To provide a source of financing for general capital projects. When the Office of the CFO allocates the annual contribution, up to Four Percent (4%) of the current contribution will be retained in the fund for contingencies during that year.	Funded through an annual Operating Budget allocation.	To fund the repair, replacement, rehabilitation and maintenance of Capital Infrastructure and other projects greater than \$50,000 as approved by Council.	Fully sustainable funding of City owned Capital Assets (not including water and wastewater infrastructure) based upon life cycle and condition analysis.
Capital Works Committed Fund	Sub-reserve of the Capital Works Reserve Fund (83930). To be used as a holding account for any committed capital works funds.	Contributions from the Operating Budget, Reserve Transfers, Investment Income and other sources approved by Council.	To fund the repair, replacement, rehabilitation and maintenance of Capital Infrastructure and other projects greater than \$50,000 as approved by Council for any committed capital works funds.	Annual Review of Funding needs.
Wastewater Capital Reserve Fund	To provide long term sustainable funding for the replacement and major rehabilitation of the Wastewater infrastructure.	Annual contribution from the Wastewater Operating Budget and 50% of the year end surplus from the Wastewater Operating Fund until such time as the cap within the Wastewater Rate Stabilization Reserve is reached.  When the cap within the Wastewater Rate Stabilization Reserve Fund is reached, then 100% of the year end surplus from the Wastewater Operating Fund will be transferred to the Wastewater Capital Reserve Fund.	To fund the replacement and major rehabilitation of the wastewater infrastructure for the current year capital projects as identified in the Wastewater Capital Budget and to provide funding for emergency or unforeseen needs.	Fully sustainable funding of Wastewater Capital Assets within the collection network based upon life cycle and system condition analysis.
Water System Capital Res Fund	To provide long term sustainable funding for the replacement and major rehabilitation of the water infrastructure.	Annual contribution from the Water Operating Budget and 50% of the year end surplus from the Water Operating Fund until such time as the cap within the Water Rate Stabilization Reserve is reached.  When the cap within the Water Rate Stabilization Reserve Fund is reached, then 100% of the year end surplus from the Water Operating Fund will be transferred to the Water System Capital Reserve Fund.	To fund the replacement and major rehabilitation of the water infrastructure for the current year capital projects as identified in the Water Capital Budget and to provide funding for emergency or unforeseen needs.	Fully sustainable funding of Water Capital Assets within the distribution network based upon life cycle and system condition analysis.
Cemetery Improvements	To provide funds for the perpetual care of City-owned cemeteries.	28% of funds from the sale of interment rights and 20% of funds from the sale of a crypt. The amount will be recommended by the Community Services Department and adjusted from time to time as deemed necessary.	To fund improvements and replacements including buildings on cemetery lands, and general operation improvements and replacements.	Annual Review of Funding needs.

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<b>Capital Discretionary Reserve Funds</b>				
Cemetery Land Purchase	To provide funds for cemetery expansion including any land acquisition.	1% of funds from the sale of interment rights and 1% of funds from the sale of a crypt. The amount will be recommended by the Community Services Department and adjusted from time to time as deemed necessary.	To fund cemetery expansion.	Annual Review of Funding needs.
Columbarium Purchase Res Fund	To provide funds for the replacement of the City's columbarium units.	31% of all niche sales and 52% of funds from the sale of a crypt.	To fund the replacement of the City's columbarium units, when all niche compartments have been sold.	Annual Review of Funding needs.
Equipment Reserve Fund	To fund the purchase of replacement fleet vehicles and equipment.	Contributions from the approved Operating Budget.	Equipment less than \$50,000 will be funded from the Operating Budget and equipment greater than \$50,000 will be funded from the Capital Budget. Equipment is not deemed to include office equipment, furnishings or building equipment such as boilers, air conditioners, etc.	Capped based on existing equipment levels and life cycle funding requirements.  Funds over the cap will be transferred to the Facility Maintenance Reserve Fund
Water Meter Replacement R.F.	To stabilize the annual meter replacement costs to avoid fluctuations in the Water rate and to ensure the Water Meter replacement program is fully sustainable.	From allocations in the Water Operating Budget.	To fund the replacement of water meters.	Fully sustainable funding of Water Meters based on existing equipment levels and life cycle funding requirements.
Facility Mtce RF	To provide long term sustainable funding for repairs, replacements, retrofits and renovations of city facilities.	Contributions from the approved Operating Budget.	To fund repairs, replacements, retrofits or renovation items. If an item is:  (a) less than \$50,000 - Expenditure forecast created in the Operating Budget with a contribution from the Facility Maintenance Reserve Fund.  (b) greater than \$50,000 - Expenditure forecast created as a Capital Project with financing from the Facility Maintenance Reserve Fund and/or any other financing sources.	Ceiling is to be based on life cycling of the asset components.
Sports Field Revitalization RF (Eliminate)	To holds funds for sports field capital improvements.	Hourly surcharge from sports field bookings.	To fund sports field capital improvements.	Capped based on existing equipment levels and life cycle funding requirements.
Jacob Hespeler Field RF	To hold funds for future capital repairs, replacements and/or additions to the field, track, and related facilities and infrastructure at Jacob Hespeler Secondary School.	Contributions from monthly rental revenues generated under the terms and conditions of the License and Joint User Agreement between the Corporation of the City of Cambridge and Waterloo Region District School Board.	For future capital repairs, replacements and/or additions to the field, track, and related facilities and infrastructure at Jacob Hespeler Secondary School	Annual Review based on Life Cycle Funding requirements.

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<b>Capital Discretionary Reserve Funds</b>				
Soccer Facility Capital Exp	To hold funds for future capital repairs, replacements and/or additions to the indoor soccer facility.	Contributions from monthly rental revenues generated under the terms and conditions of the Lease Amending Agreement between the Corporation of the City of Cambridge and Cambridge Youth Soccer.	For future capital repairs, replacements and/or additions to the indoor soccer facility.	Annual Review based on Life Cycle Funding requirements.
Public Art Reserve Fund	To hold funds for the acquisition, maintenance and preservation of Public Art.	Annual Contributions of \$25,000 from the Capital Works Reserve Fund and 1% of the costs of approved civic capital projects be allocated with construction budgets of \$100,000 or more. The 1% allocation from any one project will not exceed \$200,000 as outlined in C-30.140 Public Art Policy.	To help fund the acquisition, maintenance and preservation of Public Art.	Annual Review based on Funding requirements.
Energy Conservation	To act as a revolving loan fund to support Energy Conservation.	Based on repayment terms established for project loans and the investment of principal balances not allocated to projects at any point in time. The repayment of these loans will be from the Operating Budget savings as a result of the energy conservation projects.	To finance energy conservation projects through internal borrowing, to make these improvements available to the community earlier than would otherwise be possible.	Annual Review of Funding needs.
Economic Development	To acquire, service or develop land or to retire debt for industrial lands or services.	From the net proceeds from the sale of City owned industrial lands.	To be used to purchase industrial lands and make any necessary changes to the land to make it suitable for industrial development, or to fund economic development specific projects within the City.	Annual Review of Funding needs.
<b>Obligatory Reserve Fund</b>				
Cash in Lieu of Parking	To hold funds for the construction of municipal parking facilities.	Payments by developers in lieu of providing some or all of the parking required under zoning by-laws.	To provide funds to acquire land, parking lot construction, landscaping, parking lot lighting and long term parking lot maintenance.	As prescribed by Legislation
Gas Tax Reserve Fund	To provide funding for investments in Environmentally Sustainable Municipal Infrastructure Projects and Capacity Building Projects as per the Municipal Funding Agreement for the transfer of Federal Gas Tax revenue.	Semi-annual allocation of funds from the AMO on behalf of the Federal Government per the Agreement for the Transfer of Federal Gas Tax Revenues.	Funds will be spent according to the standing legislation regarding the use of Gas Tax Funding.	Funding Agreement requires that all excess funds are to be placed in the Gas Tax Reserve Fund to be allocated to future Capital Gas Tax Projects.

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<b>Obligatory Reserve Fund</b>				
Development Charges - Sanitation & Sewer Development Charges - Storm Sewer Development Charges - Watermains Development Charges - Roadways Development Charges - Indoor Recreation Development Charges - Parks Development Charges - Fire Services Development Charges - Library Development Charges - Works Yard Development Charges - Studies Development Charges - General Government Development Charges - Engineering	To defray net capital costs of growth-related services which may be provided by the City and for which the funds were raised.	Payments by developers in lieu of providing some or all of the parking required under zoning Development charges as outlined in the Development Charge Study.	To fund growth related costs as outlined in the Development Charge Study.	Funding targets are based on Development Charge Study requirements.
Parkland Cash in Lieu	In lieu of conveying parkland within the planned development, a developer may opt to provide the City with cash-in-lieu; the City then takes on the responsibility of parkland development within the community.	Under Section 42, 51.1 & 53(13) of the Planning Act, R.S.O. 1990, c. P.13 municipalities are given the authority to request the conveyance of land to the City for parks at a rate of 5% for residential development and 2% of industrial and commercial development. Cash in lieu of parkland can be taken at the discretion of the municipality.	To provide funds to acquire active and/or passive parkland and the associated costs of getting the land ready for its intended purpose.	As prescribed by Legislation
Building Permit Stabilization	To provide a contingency and stabilize the Building Permit revenue fluctuations.	From Building Permit Fees collected in excess of the annual Operating Budget.	To fund any shortfall in the annual Building Permit Fee Operating Budget.	Targeted ceiling of 150% of operating expenditures.
Density Bonusing Reserve Fund	To hold funds when the City grants a developer additional height or density for development of a site beyond that allowed by zoning standards in exchange for the provision of community benefits.	Bonusing agreements entered into and registered on property title under Section 37 of the Planning Act. Negotiated on a site-by-site basis through bonusing agreements as part of the development approvals process.	To fund community benefits such as: affordable housing; special needs housing; conservation of heritage resources; protection, enhancement and/or restoration of the natural environment; creation or establishment of public art; creation of day care centres; public transit infrastructure; public parking; parkland and/or improvements to parks over and above regular requirements.	As prescribed by Legislation

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