



The Corporation of the City of Stratford
Finance and Labour Relations Committee
Open Session
AGENDA

Date: Tuesday, October 11, 2022
Time: 7:10 P.M.
Location: Electronic Meeting
Committee Present: Councillor Gaffney - Chair Presiding, Councillor Clifford - Vice-Chair, Mayor Mathieson, Councillor Beatty, Councillor Bunting, Councillor Burbach, Councillor Henderson, Councillor Ingram, Councillor Ritsma, Councillor Sebben, Councillor Vassilakos
Staff Present: Joan Thomson - Chief Administrative Officer, Tatiana Dafoe - City Clerk, Karmen Krueger - Director of Corporate Services, Kim McElroy - Director of Social Services, David St. Louis - Director of Community Services, John Paradis - Fire Chief, Anne Kircos - Director of Human Resources, Taylor Crinklaw - Director of Infrastructure and Development Services, Chris Bantock - Deputy Clerk, Jodi Akins - Council Clerk Secretary

To watch the Committee meeting live, please click the following link: <https://stratford-ca.zoom.us/j/81220963989?pwd=a1FMWEsreGJrWXhva0FZSTlvZHNTUT09>

A video recording of the meeting will also be available through a link on the City's website <https://calendar.stratford.ca/meetings> following the meeting.

Pages

1. Call to Order

The Chair to call the Meeting to Order.

2. Disclosure of Pecuniary Interest and the General Nature Thereof

The *Municipal Conflict of Interest Act* requires any member of Council declaring a pecuniary interest and the general nature thereof, where the interest of a member of Council has not been disclosed by reason of the member's absence from the meeting, to disclose the interest at the first open meeting attended by the member of Council and otherwise comply with the *Act*.

Name, Item and General Nature of Pecuniary Interest

- | | | |
|------|---|---------|
| 3. | Sub-committee Minutes | 5 - 18 |
| | Sub-committee minutes are attached for background regarding the discussion held at the September 20, 2022 Sub-committee meeting. | |
| 4. | Delegations | |
| | None scheduled. | |
| 5. | Report of the Director of Corporate Services | |
| 5.1. | Draft Surplus and Deficit Policy and Funding Unfinanced Liability (FIN22-037) | 19 - 31 |
| | This item is also listed on the October 11, 2022 reconvene Council agenda for consideration. | |
| | Staff Recommendations: THAT the report titled, "Draft Surplus and Deficit Policy and Funding Unfinanced Liability" (FIN22-037), dated September 20, 2022, be received; | |
| | THAT the Draft Surplus and Deficit Policy be adopted; | |
| | AND THAT Council authorize the use of the Tax Stabilization Reserve to clear the unfunded liability relating to the 2018 Transit Terminal project in the amount of \$225,497.44 | |
| | Motion by | |
| | Sub-committee Recommendations: THAT the report titled, "Draft Surplus and Deficit Policy and Funding Unfinanced Liability" (FIN22-037), dated September 20, 2022, be received; | |
| | THAT the Draft Surplus and Deficit Policy be adopted; | |
| | AND THAT Council authorize the use of the Tax Stabilization Reserve to clear the unfunded liability relating to the 2018 Transit Terminal project in the amount of \$225,497.44. | |
| 5.2. | Reserve and Reserve Fund Policy Update (FIN22-038) | 32 - 93 |
| | This item is also listed on the October 11, 2022 reconvene Council agenda for consideration. | |
| | Staff Recommendation: THAT the report titled, "Reserve and Reserve Fund Policy Update" (FIN22-038), be received; | |
| | THAT the amended Reserve and Reserve Fund Policy, attached to Report | |

(FIN22-038) as Attachment 1, be adopted;

AND THAT Council authorizes the changes to add, consolidate, close, and establish the reserves and reserve funds as noted in Report FIN22-038.

Motion by

Sub-committee Recommendation: THAT the report titled, "Reserve and Reserve Fund Policy Update" (FIN22-038), be received;

THAT the amended Reserve and Reserve Fund Policy, attached to Report (FIN22-038) as Attachment 1, be adopted;

AND THAT Council authorizes the changes to add, consolidate, close, and establish the reserves and reserve funds as noted in Report FIN22-038.

6. Report of the Stratford Economic Enterprise Development Corporation

6.1. SEEDCo Update Q2 to June 30, 2022 (FIN22-036)

94 - 99

This item is also listed on the October 11, 2022 reconvene Council agenda for consideration.

Staff Recommendation: THAT the Stratford Economic Enterprise Development Corporation (SEEDCo./investStratford) Update Q2 to June 30, 2022, dated September 20, 2022, be received for information.

Motion by

Sub-committee Recommendation: THAT the Stratford Economic Enterprise Development Corporation (SEEDCo./investStratford) Update Q2 to June 30, 2022, dated September 20, 2022, be received for information.

7. Report of Destination Stratford

7.1. Destination Stratford 2022 Q3 Update (FIN22-033)

100 - 119

This item is also listed on the October 11, 2022 reconvene Council agenda for consideration.

Staff Recommendation: THAT the Destination Stratford 2022 Q3 Update dated September 20, 2022 be received for information.

Motion by

Sub-committee Recommendation: THAT the Destination Stratford 2022 Q3 Update dated September 20, 2022 be received for information.

8. Report of Festival Hydro Inc. and Festival Hydro Services Inc.

8.1. Festival Hydro Financial Results 2022 Q2 (FIN22-034)

120 - 135

This item is also listed on the October 11, 2022 reconvene Council agenda for consideration.

Staff Recommendations: THAT the Festival Hydro Inc. financial statements and commentary for the period ending June 30, 2022, be received for information;

AND THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending June 30, 2022, be received for information.

Motion by

Sub-committee Recommendations: THAT the Festival Hydro Inc. financial statements and commentary for the period ending June 30, 2022, be received for information;

AND THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending June 30, 2022, be received for information.

9. Report of the Manager of Financial Services

9.1. Q2 Operating Budget Variance Report at June 30, 2022 (FIN22-035)

136 - 142

This item is also listed on the October 11, 2022 reconvene Council agenda for consideration.

Staff Recommendation: THAT the Q2 Operating Variance Report at June 30, 2022 be received for information.

Motion by

Sub-committee Recommendation: THAT the Q2 Operating Variance Report at June 30, 2022 be received for information.

10. Adjournment

Meeting Start Time:

Meeting End Time:

Motion by

Committee Decision: THAT the Finance and Labour Relations Committee meeting adjourn.



The Corporation of the City of Stratford Finance and Labour Relations Sub-committee MINUTES

Date:	September 20, 2022
Time:	3:30 P.M.
Location:	Electronic Meeting
Sub-committee Present:	Councillor Gaffney - Chair Presiding, Councillor Clifford - Vice-Chair, Councillor Ritsma
Regrets:	Councillor Beatty, Councillor Bunting
Staff Present:	Karmen Krueger - Director of Corporate Services, Spencer Steckley - Manager of Financial Services, Jodi Akins - Council Clerk Secretary, Tatiana Dafoe - City Clerk, Sam Day - Manager of Tax and Revenue, Joan Thomson – Chief Administrative Officer
Also present:	Cameron Johnston - Millards Chartered Professional Accountants, Joani Gerber - SEEDCo., Zac Gribble - Destination Stratford, Jeff Graham – Festival Hydro, Alyson Conrad – Festival Hydro, Members of the public

1. Call to Order

The Chair called the meeting to Order.

Councillors Beatty and Bunting provided regrets for the meeting.

2. Disclosure of Pecuniary Interest and the General Nature Thereof

The *Municipal Conflict of Interest Act* requires any member of Council declaring a pecuniary interest and the general nature thereof, where the interest of a member of Council has not been disclosed by reason of the member's absence

from the meeting, to disclose the interest at the first open meeting attended by the member of Council and otherwise comply with the *Act*.

Name, Item and General Nature of Pecuniary Interest

No disclosures of pecuniary interest were made by a member at the September 20, 2022, Finance and Labour Relations Sub-committee meeting.

3. **Delegations**

None scheduled.

7. **Report of the Director of Corporate Services**

7.1 **Draft 2020 Audited Financial Statements (FIN22-039)**

Staff Recommendation: THAT the report titled, "Draft 2020 Audited Financial Statements" (FIN22-039), be received for information;

AND THAT the Draft 2020 Audited Financial Statements be approved and finalized.

Motion by Councillor Clifford

Sub-committee Decision: THAT Cameron Johnston of Millards Chartered Professional Accountants be heard regarding the draft 2020 audited financial statements.

Carried

Sub-committee Discussion: Cameron Johnston of Millards Chartered Professional Accountants, presented the audited financial statements for the City of Stratford for the December 31, 2020 year end. Highlights of the draft financial statements and consolidated statement of financial position were provided as follows:

- cash and cash equivalents increased to \$40,503,000 from \$26 million;
- the reserve account balance is \$28,760,000;
- other receivables are made up of various items, such as water and sewage billings for December that are paid in January of each year;
- loan receivables include balance of loans outstanding at the end of the year;
- investments have a balance of \$24,900,000, although the market value at the end of 2020 was \$25,987,000;

- the City sold 3 industrial lots in 2020;
- year end payables and accrued liabilities include general payables, construction payables or anything outstanding totalling \$16 million;
- tangible capital assets total \$301,452,000;
- total accumulated surplus of \$311 million compared to \$293 million;
- total revenue was \$147 million which was an increase from \$137 million;
- expenditures increased to \$130 million from \$122 million; and
- there is an annual surplus of \$17,579,000.

It was noted that financial statements are presented on a consolidated full accrual basis, which presents differently than cash based financial statements. The financial statements are adjusted for reserve transfers and capital assets which are not expensed and depreciated. Total amortization was \$9,342,038, which is effective depreciation on the City's assets. There was an increase in tangible capital assets in the amount of \$13,426,000. The cash operating surplus was \$2,041,000.

With respect to notes on the financial statements, it was stated there was a significant change in ownership at Huron Perth Public Health as there was an amalgamation with the Huron County board which impacts the City's proportional ownership.

In response to whether the surplus of approximately \$2 million is unusual, Mr. Johnston stated that an operational surplus of \$2 million with an operational budget of \$138 million is pretty close to being balanced. The Director of Corporate Services stated that surplus funds are moved to the tax stabilization fund. \$500,000 from that fund was used in 2021 and in 2022, \$1 million was used for items from that fund. Generally, the fund is meant to put the tax dollars back to the residents and assist with any levy challenges for the year.

The Director reiterated that the \$18 million surplus noted in the financial statements is a culmination of all adjustments to reflect full-accrual accounting and is not a cash surplus.

Mr. Johnston reviewed the contents of the independent auditor's report attached to the staff report.

In response to a question regarding the delay in preparation of the 2020 year end financial statements, Mr. Johnston advised there was unusual circumstances which caused the delay. Mr. Johnston advised two key staff people left their positions in 2021 and there was a significant amount of tangible capital asset work that needed to be completed. It was noted that policies have since been put in place to assist with future preparation of tangible capital asset documentation.

4. Report of Destination Stratford

4.1 Destination Stratford 2022 Q3 Update (FIN22-033)

Staff Recommendation: THAT the Destination Stratford 2022 Q3 Update dated September 20, 2022, be received for information.

Motion by Councillor Ritsma

Sub-committee Decision: THAT Zac Gribble, Executive Director of Destination Stratford, be heard regarding the third quarter update.

Carried

Sub-committee Discussion: Referring to a PowerPoint presentation, Zac Gribble, Executive Director of Destination Stratford provided the following updates:

- the budget is tracking as expected;
- there were 31 influencer campaigns and a number of strategic partnerships as outlined in the report;
- advertising highlights were noted, including a mention in Forbes magazine;
- there is continued social media growth;
- the light displays that will be installed as part of Lights On Stratford 2022/2023 were shown;
- they will be using the Destination Stratford office as a warming station and public washroom during the event;

- 100,000 visitors are expected to attend the 2022-2023 Lights On event;
- a number of partnerships will be entered into for light displays including private businesses, a condo corporation, the Stratford Festival and the Alzheimer Society Huron-Perth;
- Winter Cities has initiated discussion with Destination Stratford about having a winter city strategy and the possibility of hosting a conference of 300-400 in the future;
- chocolate trail engagement remains strong;
- Maintenance of the AI Fresco program continuing to be difficult and there being a need to increase the budget will in 2023;
- the Executive Director is presenting at the 2022 AMCTO Municipal Leaders Forum;
- tourism advisory committees that are sector specific are being instituted; and
- a Welcoming Community initiative will run through the fall and winter to bring forward to Council an official definition for consideration.

In response to Sub-committee questioning whether there are enough accommodations in Stratford to keep people here for 2-3 nights, the Executive Director confirmed it is an issue across the board. Stratford is extremely seasonal and there is great pressure on accommodations for four months a year. The Executive Director advised he is confident that the free market will catch up with the need and suggested that more year-round tourism strategies will create interest for accommodators.

The long-term plan for public washroom capacity was questioned, particularly during Lights On programming. The Executive Director stated that they have been through the RFP process for the Boathouse washroom expansion. The bid process was completed and there were bids that came in on budget. Contractors have advised the project can be completed by the beginning of the Lights On program. The additional washrooms at the Boathouse and opening of the Destination Stratford office during Lights On will add capacity. He thinks there is demand to consider additional year round washroom opportunities and use of the

Boathouse and Destination Stratford washrooms during the winter will be a good test of the need.

Motion by Councillor Ritsma

Sub-committee Recommendation: THAT the Destination Stratford 2022 Q3 Update dated September 20, 2022 be received for information.

Carried

5. Report of Festival Hydro Inc. and Festival Hydro Services Inc.

5.1 Festival Hydro Financial Results 2022 Q2 (FIN22-034)

Staff Recommendations: THAT the Festival Hydro Inc. financial statements and commentary for the period ending June 30, 2022, be received for information;

AND THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending June 30, 2022, be received for information.

Motion by Councillor Clifford

Sub-committee Decision: THAT Jeff Graham, CEO, and Alyson Conrad, CFO, of Festival Hydro be heard regarding 2022 Q2 financial results.

Carried

Sub-committee Discussion: Alyson Conrad, CFO, of Festival Hydro provided the following highlights on the second quarter for Festival Hydro Inc.:

- net income is \$1.3 million, which is \$365,000 ahead of budget;
- projects receivable balance is more than 2021, however, the majority is arrears balances which indicates that arrears are being managed as much as possible;
- the disconnection process began again in May following a moratorium;
- they try to get most customer accounts up to date before winter;
- they have seen large fluctuations in the IASO bill due to fluctuations in the provincial energy market;

- distribution revenue is \$273,000 above budget;
- they are seeing steady customer growth and early indicators of increases in usage from past year;
- distribution revenue will continue to remain high as they planned for an increase that will be lower than the increase approved for by the Ontario Energy Board;
- operating and maintenance costs are over by \$33,000 due to operating and maintenance work in the beginning of the year, prior to the switch to capital works; and
- there being changes in staffing with an IT position leaving earlier in the year.

In response to questioning from Sub-committee as to whether the City has the infrastructure in Stratford to facilitate a move toward electric vehicles, the CEO stated they have a system planning process in place each year to review assets and load forecasts. There is still capacity at this point in time.

With respect to Festival Hydro Services Inc., the CFO provided the following highlights:

- they are in the process of going through strategic planning;
- at \$39,000 net income, which is \$13,000 higher than budget but \$51,000 lower than last year;
- the balance sheet is consistent, and they are continuing with capital asset planning;
- money has been spent on servers and spare parts to assist with maintaining operations and ensuring that if outages occur, they are short;
- with respect to the income statement, consulting revenue is down because it is tied to labour;
- staffing challenges being experienced due to a delay in hiring new positions and there being a resignation June;
- IT positions being hard to fill as the market is competitive; and

- pole attachment rates being determined by the Ontario Energy Board and the rate having decreased from \$44.50 in 2021 to \$34.76.

Motion by Councillor Ritsma

Sub-committee Recommendations: THAT the Festival Hydro Inc. financial statements and commentary for the period ending June 30, 2022, be received for information;

AND THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending June 30, 2022, be received for information.

Carried

6. Report of the Stratford Economic Enterprise Development Corporation

6.1 SEEDCo Update Q2 to June 30, 2022 (FIN22-036)

Staff Recommendation: THAT the Stratford Economic Enterprise Development Corporation (SEEDCo./investStratford) Update Q2 to June 30, 2022, dated September 20, 2022, be received for information.

Motion by Councillor Clifford

Sub-committee Decision: THAT Joani Gerber, CEO of SEEDCo., be heard regarding the Q2 update.

Carried

Sub-committee Discussion: Joani Gerber, CEO of the Stratford Economic Enterprise Development Corporation (SEEDCo.), provided the following highlights from the second quarter report:

- information on key metrics being included in the report and activity remaining high;
- all City-owned industrial land being sold or in reserve;
- two lots having been sold in May 2022 and generating \$1.6 million in revenue;
- with respect to the attainable housing project, a \$160,000 project having been announced and being matched by the Province;
- investStratford playing a role in workforce development and access to housing remaining a problem for area employers;

- the investStratford role being focused on the attainability aspect of housing;
- the community and supportive housing area being led by the Social Services department;
- Baker Planning Group having been engaged since July and moving the project through the system and developing an implementation workplan;
- public engagement beginning in late September on the attainable housing project;
- there being a number of ways to engage including in-person and virtual opportunities with the goal being to bring recommendations forward to Council in early 2023;
- development of a sports tourism strategy being completed with Destination Stratford and the Community Services department;
- public engagement on the sports tourism strategy having been commenced;
- with respect to the budget variance report, events and user fees are up as a result of special project funding;
- revenue being offset by associated expenses;
- with respect to Q3 and Q4, Starter Company is open, and an explanation of the program was provided; and
- the sports tourism strategy being presented for consideration by the end of 2022.

Discussion took place regarding land development. With respect to affordable housing opportunities on City-owned land, the CEO advised there are two City-owned parcels under consideration for building opportunities, one on Vivian Line and one on McCarthy Road West. investStratford is working with staff to determine what is serviced and ready for development. The potential is quite high in terms of number of units that could be built on those properties. There are also some smaller City-owned parcels that could be used for infill projects. As to whether Council would have input with respect to density and increasing height of buildings, the CEO stated she cannot comment on the planning

regulations. The Manager of Planning would be involved in those discussions.

With respect to green industry and sustainable land use, the CEO advised they take the approach to look at what companies can do around conservation efforts. Examples provided included EV car chargers and LEED building components. With respect to land use, planning components such as lot coverage, green roofs and natural features can be considered.

The CEO stated the green energy supply chain is huge right now and provided an overview of developments across Southwestern Ontario that are working to support the new industry. It was noted that companies are already thinking about their impacts in a lot of ways, particularly as conservation methods often result in financial savings.

The CEO of Festival Hydro stated they are willing partners and are always happy to help both the City Climate Change group, as well as potential investors with their energy needs, alternative energy linkages and climate change initiatives.

Motion by Councillor Ritsma

Sub-committee Recommendation: THAT the Stratford Economic Enterprise Development Corporation (SEEDCo./investStratford) Update Q2 to June 30, 2022, dated September 20, 2022, be received for information.

Carried

7. Report of the Director of Corporate Services

7.1 Draft 2020 Audited Financial Statements (FIN22-039)

Motion by Councillor Ritsma

Sub-committee Recommendation: THAT the report titled, "Draft 2020 Audited Financial Statements" (FIN22-039), be received for information;

AND THAT the Draft 2020 Audited Financial Statements be approved and finalized.

Carried

7.2 Draft Surplus and Deficit Policy and Funding Unfinanced Liability (FIN22-037)

Staff Recommendations: THAT the report titled, "Draft Surplus and Deficit Policy and Funding Unfinanced Liability" (FIN22-037), dated September 20, 2022, be received;

THAT the Draft Surplus and Deficit Policy be adopted;

AND THAT Council authorize the use of the Tax Stabilization Reserve to clear the unfunded liability relating to the 2018 Transit Terminal project in the amount of \$225,497.44

Sub-committee Discussion: The Director of Corporate Services advised the goal is to improve policies, reporting and framework documents. The purpose of this policy is to establish a framework for the treatment of surpluses and deficits. It was noted there is a standardized process, but it has not been documented in a framework document.

The second component came out of the work completed for the 2020 audit and year end procedures. It came to light there was an unresolved matter of an unfinanced liability related to construction of the transit terminal and there is no funding source attached. History was provided on the financing for the project. The initial approvals for the borrowing by-laws did not include this component. The project did end over budget and it may relate to that.

Motion by Councillor Clifford

Sub-committee Recommendations: THAT the report titled, "Draft Surplus and Deficit Policy and Funding Unfinanced Liability" (FIN22-037), dated September 20, 2022, be received;

THAT the Draft Surplus and Deficit Policy be adopted;

AND THAT Council authorize the use of the Tax Stabilization Reserve to clear the unfunded liability relating to the 2018 Transit Terminal project in the amount of \$225,497.44.

Carried

7.3 Reserve and Reserve Fund Policy Update (FIN22-038)

Staff Recommendation: THAT the report titled, "Reserve and Reserve Fund Policy Update" (FIN22-038), be received;

THAT the amended Reserve and Reserve Fund Policy, attached to Report (FIN22-038) as Attachment 1, be adopted;

AND THAT Council authorizes the changes to add, consolidate, close, and establish the reserves and reserve funds as noted in Report FIN22-038.

Sub-committee Discussion: The Director of Corporate Services stated this is a housekeeping matter. The framework was already in place and this report is to bring forward modifications to address some things that have happened since then, including establishing new reserves and making changes related to the Surplus and Deficit Policy.

In response to financial ramifications, the Director stated any policy that comes forward to Council for approval is subject to review by future Councils. The framework could be modified in the future if necessary. With respect to reserves and reserve funds, there are legislative components in that certain types of funds such as development charges are required to be segregated from other funds. Discretionary reserves are always subject to change by Council.

Motion by Councillor Ritsma

Sub-committee Recommendation: THAT the report titled, "Reserve and Reserve Fund Policy Update" (FIN22-038), be received;

THAT the amended Reserve and Reserve Fund Policy, attached to Report (FIN22-038) as Attachment 1, be adopted;

AND THAT Council authorizes the changes to add, consolidate, close, and establish the reserves and reserve funds as noted in Report FIN22-038.

Carried

8. Report of the Manager of Financial Services

8.1 Q2 Operating Budget Variance Report at June 30, 2022 (FIN22-035)

Staff Recommendation: THAT the Q2 Operating Variance Report at June 30, 2022 be received for information.

Sub-committee Discussion: The Manager of Financial Services stated the report sheds light on the City's financial results for the second quarter of 2022, however, there are a lot of unknowns that remain for the year.

The report is based on best estimates and is subject to change as more information becomes available.

The City is forecasting a variance to budget (deficit) by \$163,000, which is an increase from the forecasted deficit in Q1 of \$68,000. A notable variance is in Fleet Services related to supply chain issues and increase in prices for key items. Fuel and repairs in particular have seen a surge in prices. Actual expenses represent 93% of budget at the end of August. Staff are exploring ways to mitigate but it can be difficult due to the need to maintain operations.

Wages and benefits related to staffing vacancies is emerging as a possible variance item. It can be challenging to fill roles in a timely manner in the current labour market. It is expected that any possible staffing variances will offset any negative overall variances in 2022.

It was questioned whether community services ice use and transit are expected to return to pre-pandemic levels. The Manager confirmed that the arenas are very busy with ice rentals and the Director did not foresee any further variances. With respect to transit, it was noted that each quarter has seen a rise in ridership.

Motion by Councillor Clifford

Sub-committee Recommendation: THAT the Q2 Operating Variance Report at June 30, 2022 be received for information.

Carried

9. Advisory Committee/Outside Board Minutes

There were no Advisory Committee/Outside Board minutes to be provided to Sub-committee.

10. Next Sub-committee Meeting

Due to the upcoming Municipal Election, Sub-committee meetings have been cancelled for the months of October, November and December, 2022.

Sub-committee Discussion: The Chair thanked the Director of Corporate Services, the Chief Administrative Officer and all City staff that assisted him in his role as Chair.

The Vice-chair, who served as Chair of the Finance and Labour Relations Sub-committee for the previous 14 years, stated that he has enjoyed his experience and noted the strong relationship between staff and Sub-committee.

11. Adjournment

Motion by Councillor Clifford

Sub-committee Decision: THAT the Finance and Labour Relations Sub-committee meeting adjourn.

Carried

Meeting Start Time: 3:30 P.M.

Meeting End Time: 4:52 P.M.



MANAGEMENT REPORT

Date: September 20, 2022
To: Finance and Labour Relations Sub-committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services
Report #: FIN22-037
Attachments: Draft Surplus and Deficit Policy

Title: Draft Surplus and Deficit Policy and Funding Unfinanced Liability

Objective: To provide the Finance and Labour Relations Sub-committee background information, analysis and a draft policy around managing the City's annual operating surpluses or deficits, and to seek approval of the draft policy, plus address an outstanding unfunded liability from 2018.

Background: This report provides background and recommendations around best practices for allocating surpluses and managing deficits.

Adoption of a Surplus and Deficit Policy should work in coordination with the Reserves and Reserve Funds Policy by Council, which is also before Council. The Reserve and Reserve fund policy has been reviewed for significant changes since adopted, and no significant issues have been identified.

The terms "surplus" and "deficit" are commonly used in a municipal government environment and can be described in a more simplified accounting term as follows:

"A difference between a municipality's annual operating budget and the final actual statement of revenue and expenditure will be recognized as surplus (favourable) or deficit (unfavourable)."

It is quite common for multi-million-dollar operations, including municipalities, to have a variance between their final actual numbers versus the approved budget numbers. This is simply because the budget process at its best, provides estimated numbers for a complex work environment in a complex business world, influenced with many unknown facts and unexpected events. As such, to offset future uncertainties and to stabilize fluctuations caused by any unexpected revenue/expenditure windfalls/shortfalls that were not anticipated in the budget, Council can approve measures that assist in mitigating erratic impacts on the operating budget, property tax rates, and the user fees and charges.

Section 290 of the Municipal Act requires all Ontario Municipalities to prepare and adopt budgets including estimates of sums required for the duration of the fiscal year. The budgeting process allows municipalities to prioritize projects, programs and service levels based on anticipated revenue and expenses. A municipality's annual budget routinely consists of two components:

1. The operating budget plans for a municipality's day-to-day expenditures (e.g., salaries, wages, benefits, heat, hydro and maintenance of buildings and infrastructure and special projects).
2. The capital plans for the purchase and financing of assets or improvement of existing infrastructure (e.g., libraries, storm sewers, recreation centres, parks, and roads).

Under "Allowance" Subsection 4, the Municipal Act states; *in preparing the budget for a year, the local municipality:*

shall treat as estimated revenues any surplus of any previous year that resulted because;

(i) Revenues for that year were greater than the amount estimated for the year

(ii) Expenses for that year were less than the amount estimated for the year

Section 290, S (4)(b) shall provide for any deficit of any previous year that resulted because;

(iii) Revenues for that year were less than the amount estimated for the year

(iv) Expenses were incurred by the municipality that were not in the budget for that year or were greater than the amount estimated for the year

Section 290, S (4)(c)

Clarification of the local Municipality

Notwithstanding that the City provides funding for many services directly and via internal service departments and divisions, such as public works, fire and community services, the City also provides funding to various entities that are considered separate from the City. These entities are governed and controlled by separate Boards, including the Library and Police Services Boards, as well as separate corporate entities such as Destination Stratford or entities governed by separate shared services committees. In addition, the City has 'wholly-owned' entities that are outside of the Municipality like Stratford Economic Enterprise Development Corporation (SEED Co.) and Festival Hydro, that are ultimately consolidated with the City's operations upon financial statement preparation.

Because some of these externally governed entities may be significantly financially dependent upon City funding (taxation), it can sometimes be unclear where the authority over surpluses and deficits lays. For the purposes of this report, staff are proposing a framework that recognizes the financial dependence upon the City of these

external agencies while still allowing them some flexibility in managing their regular operations.

In researching other City and municipal structures, the approach taken in managing surpluses and deficits of external boards varies widely. Some municipalities do what the City of Stratford currently does in the absence of a structured policy, and just flow any surpluses or deficits from these entities through the City's financial records.

Their surpluses or deficits are rolled into the total surplus or deficit of the City. Other municipalities have established various sharing arrangements that allow the Boards to retain some control over surpluses, while also requiring them to view long-term planning in a similar fashion as the Municipality. This approach does have additional considerations, in that if the City and the Board agree that the surpluses are managed by the entity directly, then there must also be structured reserve and reserve fund policies and very clear indications of how surplus funds are to be utilized to ensure appropriate stewardship over these taxpayer dollars.

Separate Governance Boards

In the Municipal Act, a "local board" means a municipal service board, transportation commission, public library board, board of health, police services board, planning board, or any other board, commission, committee, body, or local authority established or exercising any power under any Act with respect to the affairs or purposes of one or more municipalities, excluding a school board and a conservation authority; ("conseil local").

The Acts that govern these boards take precedence over the Municipal Act. It can be observed that in the City of Stratford, the Library and Police 'departments' are included in the City's overall direct service provision model, very similarly to departments like Public Works or IT. They provide their budgets in a similar fashion to be reviewed by Council and are included in the City's consolidated budget documents each year. The City performs all the financial and bookkeeping services for these entities, including payroll administration, but it is the responsibility of these Boards to ensure they have appropriate governance policies in place, including policies over Human Resources, Information Technology, Risk Management, Procurement and so on. Conversely, the Huron-Perth Public Health Board while covered under the definition of 'local board', is more independent in that they perform all their own record-keeping, prepare separate audited financial statements and are a one-liner in the City's 'requisitions to others' budget.

The budgets from these boards include identification of short and long-term capital requirements and transfers to reserves in their budget presentations, like internally provided services. Reserve funds are maintained for capital and are built and used via transfers to and from these reserves. As noted in the proposed reserve and reserve fund policy update, staff have proposed that operating surpluses and deficits from the library and police 'departments' are transferred to capital reserves for future capital

needs. Because the City is ultimately the primary funder for these boards and owns the buildings and assets, the intent is that these reserves would contribute to those needs. This approach does make sense given the dependence on taxation as a revenue source.

Third Parties

Where the City provides financial contributions for services to external entities there cannot be any expectation of control over the operations nor over surpluses or deficits. It can be expected that these entities do and should report to Council on operational variances or capital requirements, but Council does not have any jurisdictional authority to authorize or control surpluses nor control the use of reserves.

Where Council can influence these entities is in their role within these separate governing structures. The members of Council that are directly involved with these third-party agencies have a responsibility to ensure that these parties have good financial controls and policies. Sometimes, there may be an opportunity to manage the annual contributions made to support them. Using an example of where one of these entities had a surplus or deficit in a current year, Council could potentially indirectly influence the operations by adjusting the amount contributed to the organization in the subsequent year, thereby requiring the agency to manage any funds held differently.

This degree of involvement is not typically recommended, however, unless Council fully understands what adjusting the City's contribution might mean to the service delivery, work plans, strategic plans and on the recipients of the services. Examples of these entities include Huron-Perth Public Health, Spruce Lodge, Destination Stratford and Stratford Economic Enterprise Development Corporation, to name a few. These entities are not governed by the City's surplus/deficit policy.

Shared Services Agreements

Shared services surpluses and deficits are very much determined by the agreements that are in place and approved by the corresponding Committee and respective Councils. The administering partner in these structures ultimately has reporting responsibilities to the member participants, and as these are typically intended to be fully shared, any surpluses or deficits are shared according to the agreement. Surpluses or deficits would typically be reflected in adjustments to the subsequent years where any surpluses offset subsequent year costs or deficits form part of subsequent costs to make up the deficit but again, are excluded from the City's surplus/deficit policy.

Local Boards of Management

This is slightly different from local boards referred to earlier.

The City currently has two entities that fall into this structure.

- 1) The Stratford City Centre Business Improvement Area (BIA), which operates independently of the City. The City's role is to simply administer the funds the BIA requires by applying the BIA-approved levy required to the applicable property accounts and flowing these funds through to the BIA for their administration and service delivery. As an aside, the City does also provide financial and bookkeeping support services in our Finance Department, but these revenues and expenses do not form part of the City's general revenues and expenses, or surpluses and deficits operationally, but are ultimately consolidated in the City's financial statement presentation. Council does not have authority over any surpluses or deficits, or the reserve established by the BIA.
- 2) The Board of Parks Management, which is more entwined with City operations. This board is an example of 'legacy' structure within the City and while initially established as an independent board, with some delegated authorities, all activities for parks go through City staff. By definition, the City's Board of Parks Management is responsible for setting policy to maintain, improve and expand the City's existing designated parkland and consider the overall municipal beautification of parks and to co-operate with future expansion and development of parks. Based on how this Board is structured, the Board has no financial responsibility or authority (aside from those delegated), and for all intents and purposes, it operates more like an advisory Committee of Council. No funds are available to the Board, rather Council approves the Parks Division operating budget and capital program within Community Services, and City staff execute the operational works for the City. Surpluses or deficits within the City's Parks Division, are part of the Corporation's surplus/deficit and Council has full authority over this, similarly to the rest of the City's departments.

Understanding Various Definitions

In a municipal budget, the operating surplus/deficit of the previous year shows whether the planned revenues for the previous year were sufficient to cover the planned expenses (cash outlays). Any differences are to be carried forward into the budget year period as revenue (surplus) or expense (deficit) in accordance with the rules in the legislation. This however can create unnecessary fluctuations in the calculation of the annual property taxes as the amount of year end surplus/deficit varies from one year to another. The City uses the tax stabilization reserve fund to mitigate these fluctuations.

In consolidated audited financial statements, the annual surplus/deficit shows whether the revenues generated were greater than the expenses incurred and includes adjustments to reflect public sector accounting rules. These adjustments include non-cash expenses such as amortization, adjustments for long-term debt, reserve transfers and consolidations of owned and shared entities. The year-end closing surplus or deficit shown in an audited financial statement is a combination of these adjustments and the cash surplus/deficit.

- A surplus does not mean that a municipality has extra funds to spend. It could mean that a municipality has funds reserved for future obligations.
- A deficit could be the result of an emergency, or the reporting of the non-cash expenses or other adjustments.

Public Sector Accounting Board (PSAB) Rules

Under the updated guidelines of PSAB, when calculating the annual surplus/deficit in the audited financial statements, the costs of using capital assets over the lives of the assets is recognized - meaning a portion of the asset's cost is charged as an amortization cost each year, until the asset is considered fully used. The City does not budget for this, and instead budgets for transfers to reserves to replace capital. Sometimes these two types of expenses are similar but often not.

This kind of adjustment creates the difference between how municipalities typically budget on a 'cash basis' and what the audited final financial statements end up looking like. The focus of this report, however, is on the "operating" or "cash" surplus/deficit, only with the caveat that the differences between these approaches can create significant variances between the City's regular reporting and the audited year-end reporting.

Analysis:

History of the City's Operating Surplus/Deficit Amount and Follow-up Actions

Over the past several years, the City of Stratford has recorded annual operating surpluses to the Tax Stabilization Reserve and has used some of those surpluses as follows:

2021: used prior surpluses of \$500,000 to reduce tax levy impacts
 2022: used prior surpluses of \$1,000,000 to reduce tax levy impacts

Surpluses arise from a variety of factors. Planned expenses might not occur for various reasons, or additional revenues may be recorded that were not planned. Examples of expenses not being incurred include things like timing differences for planned activities, such as a consultant study, or planned wages being lower than expected due to short-term vacancies. Surpluses can arise from supplementary taxes being higher than anticipated or fees from a specific service area being higher than anticipated. It should be noted that grants received, but not yet spent, do not impact revenues each year as these are removed from the year they are received (deferred) and recorded in the year they are utilized.

Surpluses that arise within 'user-pay' divisions are transferred to the respective reserve funds before the overall general surplus is realized. These include water, wastewater

and building permits, as these are required by legislation to be fully user-pay and not impact the tax levy.

Some specifically identified divisions transfer surpluses to build operating reserves up to the maximum thresholds, such as winter maintenance, but most reserves and reserve funds are structured to be funded on specific budgeted contributions only.

Currently, the City's remaining overall general corporate surpluses simply flow to the Tax Stabilization Reserve Fund. This treatment results in the overall audited financial statements reflecting zero operating surplus. After adjustments, the audited financial statement surplus is then a combination of the consolidation activity and the PSAB adjustments.

The Tax Stabilization Reserve then is used to flow out prior year surpluses to mitigate the tax levy increases in the subsequent budget year(s). The biggest risk with this approach, is if the Tax Stabilization Reserve is used to fund more than temporary fluctuations, the impact on future years can be that much more. This method does fully comply with the Municipal Act requirements and does represent transparent use of surpluses.

Other options that could be considered for surpluses include redirecting them (via policy or resolution) towards specific projects, or future capital requirements. Most often, the Tax Stabilization Reserve is used to offset temporary increases to the tax levy in a given budget year or to handle unexpected costs in a year for a planned or unplanned project.

Should the City experience a deficit rather than a surplus, the deficit would be funded from the Tax Stabilization reserve fund, but IF there were insufficient funds for this, there would be a requirement to add the amount of unfunded deficit to the future tax levy to be recovered at that time.

Staff are recommending the surplus/deficit policy as attached be approved. One item being proposed that is a change from previous treatment, is that police and library operating surpluses be flowed to the respective capital reserve funds to be used for capital requirements. This is being recommended to assist in addressing the identified capital requirements facing all departments in the future, including but not limited to facilities. It is not the intent that this change would replace the need to sufficiently fund capital projects on a planned basis, rather that unplanned surpluses could assist in meeting the capital and operating goals of the Boards.

In addition to the draft policy, staff are also asking Council to consider transferring a portion of the Tax Stabilization Reserve to clear an outstanding unfunded liability still sitting on the City's books.

The item relates to the Transit Division and the construction of the Transit Terminal in 2017-2018. At that time, Council directed staff to fund the project using long-term

debt. Upon what was determined to be project completion, a loan was approved and undertaken for \$1,118,000 to be repaid over 15 years. The annual payments on this include principal (\$74,578.60) and interest (\$29,969.41).

From a review of the 2018 records in the Finance Division, it appears that the loan was approved and drawn before all costs were realized. So, on top of the loan of \$1,118,000 there was an additional \$225,497.44 that should have been included in the total project cost of \$1,343,497.44. It is unclear what exactly transpired, but note that this residual amount closely resembles the construction holdbacks that were paid after completion.

This amount of \$225,497.44 has been recognized as an unfunded liability in the City's accounting records since that time.

While unfunded liabilities often exist due to timing differences between getting financing in place (whether loans, or grants or other funding sources), this balance represents a residual amount that requires a funding source. Based on the amount, and that the option does not exist to add to the existing loan for this balance, staff are recommending using the Tax Stabilization Reserve to clear it up.

Financial impact: This report is being presented for policy purposes, therefore no financial impact applies directly to current or future budgets. The recommendations in this report and drafted policy are intended to provide a consistent approach for the treatment of corporate surpluses or deficits and is intended to work in conjunction with the Reserve and Reserve Fund policy previously adopted.

The financial impact of using the Tax Stabilization Reserve to fund the residual transit terminal costs does not have an impact to the operating budgets but does have a balance sheet impact to reduce liabilities and reserves (accumulated surplus) accordingly.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Not applicable: This is an administrative policy report with no connection to the One Planet Principles.

Staff Recommendations: THAT the report titled, "Draft Surplus and Deficit Policy and Funding Unfinanced Liability" (FIN22-037), dated September 20, 2022, be received;

THAT the Draft Surplus and Deficit Policy be adopted;

AND THAT Council authorize the use of the Tax Stabilization Reserve to clear the unfunded liability relating to the 2018 Transit Terminal project in the amount of \$225,497.44.

Prepared by:	Karmen Krueger, CPA, CA, Director of Corporate Services
Recommended by:	Karmen Krueger, CPA, CA, Director of Corporate Services Joan Thomson, Chief Administrative Officer



The Corporation of the City of Stratford Policy Manual

Policy Number:	F.1.20
Policy Section:	Financial and Fiscal
Department:	Corporate Services
Date Adopted:	September xx, 2022
Date Amended:	
Scheduled for Review:	September xx, 2028
Date of Last Review:	
Policy Type:	Council-adopted Policy

Surplus and Deficit Policy

Policy Statement:

A policy governing the treatment of City surpluses and deficits under Section 290 of the *Municipal Act, 2001*.

Purpose:

- to ensure that operating surpluses are returned to the taxpayers; and,
- to establish a priority framework for the allocation of any operating surpluses and to eliminate any operating deficits using the same priority framework.

Guiding Principles:

- A deficit shall be funded as outlined in the "Priority Application for Operating Deficits" noted below.
- Surpluses not required to fund reserve balance thresholds shall be distributed as outlined in the "Priority Application for Operating Surpluses" noted below.
- Department staff will respect the nature of and manage a global budget by first offsetting higher than expected spending in one area through savings in another.
- Surpluses that arise as a result of the timing of a project not completed in the year must be included in the subsequent budget presentations from staff that reflect a current year 'transfer to reserve' for the specific purpose, and a 'transfer from the same reserve' in the subsequent year to offset the expenditure that must also be reflected in the subsequent year expenses. The intent is that funds levied in a current year and not utilized are brought forward to the subsequent year to ensure that taxpayers are not impacted twice for the same purpose.

Application:

This policy applies to all City of Stratford departments and divisions, boards, committees, and other organizations falling within the legislative control and financial reporting requirements of the City of Stratford.

This policy will not apply to entities that the City of Stratford's Municipal Council has no governance jurisdiction, including separate third-party entities or shared services governed separately that the City may or may not provide financial support to, including the Stratford City Centre Business Improvement Area (BIA), the Stratford Municipal Golf Course, Destination Stratford and Stratford Economic Enterprise Development Corporation (SeedCo.).

For the purposes of this policy, the Stratford Police Services Board and the Stratford Public Library Board are included, notwithstanding these Boards are governed by legislation outside the Municipal Act. This is due to the administrative and financial supports currently provided by the City of Stratford.

Internal exclusions from this policy are those services that are fully funded through user fees as it is the understanding that these departments and divisions have no impact to the City's levy-based operating surplus or deficit, and that any surpluses or deficits for user-pay divisions are managed within the scope of the applicable legislation.

Definitions:

"Act" means the *Municipal Act 2001, S.O.2001,c.25*, as may be amended or replaced from time to time.

"Year-end Operating Surplus" means any excess funds reported during the year after all budgeted transfers to reserve or reserve funds have been accounted for pursuant to the Reserve and Reserve Fund Policy. If a budgeted transfer from reserve is not necessary because a project did not proceed due to timing or other, OR, if a budgeted transfer from reserve is not required, due to other operational efficiencies and such transfer would increase the City's general surplus, then these transfers shall not occur, to not create a larger general surplus that would be allocated per this policy.

"Year-end Operating Deficit" means any shortfall of cash funds reported during the year after all budgeted transfers to reserve or reserve funds and divisional surpluses have been allocated pursuant to the above and in conjunction with the Reserve and Reserve Fund Policy.

"Tax Rate Stabilization Reserve" means the reserve established to mitigate tax rate impacts during the annual budget, and to protect the City against unanticipated expenditures of an operating nature. It is also the reserve that would be used to fund any deficits in a fiscal year.

“Reserves and Reserve Funds” means the specific funds as defined in the Reserve and Reserve Fund Policy

Scope:

The following divisions are designed to be zero-levy impact OR specific reserves have been established to build or support the activities without impacting the approved annual budget as outlined in the Reserve and Reserve Fund Policy.

- Police
- Library
- Infrastructure and Development Services as follows:
 - o Building Inspection Administration, Activity Code 2400
 - o Water
 - o Sanitary
 - o Winter Maintenance

Therefore, these divisions will reflect zero variance from planned budgets, with adjustments occurring through the respective reserves.

The remaining departments/divisions impact the City’s overall surplus/deficit due to variances that arise in a given budget year and form part of the overall surplus/deficit.

These include:

- Corporate Services (all)
- Community Services (all)
- Social Services (all)
- Fire (all, includes airport)
- Chief Administrative Officer (all)
- Human Resources (all)
- Infrastructure and Development Services as follows:
 - o City Buildings
 - o Development Services (excepting Building Inspection Administration)
 - o Engineering
 - o Fleet
 - o Roads
 - o Storm
 - o Waste

These divisions’ surplus or deficit annually will comprise the overall remaining corporate cash surplus or deficit.

Priority Allocation for Operating Surpluses:

The Council of the City of Stratford is committed to demonstrating financial stability and sustainability. This framework assists in formalizing a defined and transparent process for ensuring stability and sustainability while maintaining the flexibility to react to changing circumstances.

The Treasurer is authorized to allocate any year-end operating surplus or deficit as identified in this policy.

If the Tax Stabilization Reserve has met the upper limit as outlined in the Reserve and Reserve Fund policy, the Treasurer is authorized to transfer any remaining operating surplus to the Capital Replacement Reserve Funds in order of urgency, defined by significance and magnitude of unfunded 10-year capital.

Priority Application for Operating Deficits:

In the event of an operating deficit, the Treasurer is authorized to transfer the necessary funds from the Working Capital Reserve Fund and/or Tax Stabilization Reserve Fund in order to ensure that the year-end financial records reflect zero deficit.

Reporting Requirements:

In addition to any information requested by Council or that the Chief Administrative Officer and/or Treasurer consider appropriate, Council shall receive a report detailing the distribution of the operating surplus or deficit funding.

Policy Review:

This policy will be reviewed every five years, or upon direction of Council, or if staff identify an issue requiring addressing.

Legislative Authority:

Municipal Act, 2001, Subsections 290 (3), 293 and 417

Related Documents:

F.1.13 Reserve and Reserve Fund Policy



MANAGEMENT REPORT

Date: September 20, 2022
To: Finance and Labour Relations Sub-Committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services
Report #: FIN22-038
Attachments: 1. Proposed Revised Reserve and Reserve Fund Policy
 2. Reserve and Reserve Fund balances on December 31, 2021
 (unaudited)

Title: Reserve and Reserve Fund Policy Update

Objective: To review the current Reserve and Reserve Fund Policy for the City of Stratford.

Background: The City of Stratford established its formal reserve and reserve fund policy in 2018. The intent at that time was to establish parameters around which reserve and reserve funds could /should be created and to ensure these parameters were consistent with the City's long-term vision. The purpose for each reserve and reserve fund was established, and appropriate threshold balances were determined.

With several years of data available now, and some experience in operating these funds, there is now an opportunity to make a few minor adjustments to the policy.

Analysis: The development, maintenance and review of financial policies is critical to the financial health and sustainability of the City. The policy assists in decision-making by ensuring clear and agreed-upon parameters for the creation, management and use of reserves and reserve funds. This policy also forms part of the City's overall financial funding strategy and assists in guiding us through future budgets. It represents a framework for a sustainable capital program based upon the principles of asset management and provides for planning for general operational ups and downs.

For the City to position itself strategically for effective asset management and capital planning, it is necessary to review the reserve and reserve fund policy periodically and consider whether these resources are being best used to support a responsible and sustainable financial strategy for the City.

Reserve funds for capital purposes are generally separated from working capital and stabilization accounts (operating reserves). Currently, reserves consist of general reserves,

capital/departmental-specific reserve funds, obligatory reserve funds (where restricted grant funds flow through), and Development Charges reserve funds to be used for the established purposes.

A review of the current use, balances and purposes has been conducted, and some recommendations identified.

1. A reserve fund labeled Economic Development originated in 2014 from a grant received by the Province for the Stratford Perth Centre for Business. The program was intended to be three years in duration, with an audit at the end. The program is now completed, with remaining unallocated funds of \$37,520. Staff are recommending that this balance be transferred to the Special Projects Reserve to be utilized for projects intended to fund specific or unique initiatives that have a corporate or community-wide impact. This maintains the integrity of the origin of the funds which are still subject to Council approval. The Economic Development reserve fund would then be closed.
2. A reserve fund labeled Impost Fees originated many years ago before the introduction of Development Charges. Impost fees were collected by developers to pay for growth-related capital expenditures. There are no restrictions on these funds at this time and the balance of \$9,245 has not changed in many years. In 2018, the intent was to utilize the funds for capital projects, but this did not occur. Staff are recommending that this balance be transferred to the significantly underfunded Capital - Public Works reserve fund where the City's portion of growth-related capital is typically funded from. This maintains the integrity of the origin of the funds and any use would be approved by Council. The Impost Fees reserve fund would then be closed.
3. The DC background study completed in April 2022 resulted in the combination of 'Indoor Recreation' and 'Outdoor Recreation' accounts together, closing one of them and relabeling the other to 'Recreation'.
4. The closing of the Parking DC Reserve Fund and transferring balances to the Capital - Parking Reserve Fund to maintain the integrity of the intent of the use of funds for future Parking Capital projects.
5. The establishment of the Affordable Housing DC Reserve Fund.
6. The Building Code requires that surpluses established in a building reserve be utilized towards permit and inspection activities, thereby making it a restricted reserve fund. Staff are seeking authorization to reclassify this reserve by establishing a new Building Code Reserve Fund and collapsing the building permit reserve G-R07-BSUR-0000. While primarily an administrative and compliance exercise, this has the effect of transferring the balance of funds from the general operating bank account to the reserve fund bank account to segregate the funds as required.

7. PC Connect Reserve was established in the absence of a treasurer to hold funds related to community transit. These funds should be part of the provincial grant funds and tracked as an obligatory reserve fund. This is a reclassification only.
8. The Municipal Accommodation Tax by-law recently approved by Council requires that any funds received be stored initially in this reserve fund. Therefore, this requires a separate reserve fund to be established.
9. Amending the Library and Police Capital Reserve Funds to include a clause that funding relating to operating surpluses in the departments will be transferred to the Capital Reserve. This is to build, even if only slightly, the Capital Reserve Funds beyond budgeted transfers and ensure that any budget overages are not impacting the tax levy unexpectedly. In the event of operating deficits, the Capital Reserve Fund would be looked to, if sufficient reserve balances existed otherwise, the deficit would become part of the City's overall operating surplus/deficit.

One of the key attributes of financial sustainability is establishing appropriate targets for reserves and reserve funds that are used for future capital planning purposes, but also, ensuring that for general reserves, that funds are not accumulated with no limits or direction once certain levels are achieved.

Appropriate reserve balances ensure the best financial flexibility, mitigate risk, allow flexibility to weather uncertainty, and ensure the financial stability of the City for planned capital expenditures.

Without justified target balances for reserves and reserve funds, reserve and reserve fund balances may become excessive, inadequate, or just uncertain.

The previous iteration of the policy and the attached proposed revised policy provides further reserve and reserve fund guidance and supports financial sustainability. It considers for each reserve and reserve fund:

- Purpose and intended use
- Funding source(s)
- Minimum and maximum targets, where applicable
- Specific reporting or guiding legislation references

The proposed revisions have been based upon best practices in managing reserves and reserve funds, feedback from the Corporate Leadership Team, along with the Library CEO and Police Chief. The Treasurer will continue to manage reserves and reserve funds and work with Department Heads to ensure balances are appropriate for their needs, and that annual budgets work strategically toward more sustainable reserve and reserve fund conditions.

Financial Implications:

Financial impact to current year operating budget:

This report is being prepared for information, and as such does not have a direct impact to current or future operating budgets.

Link to asset management plan and strategy:

While this is an informational report, it is worth noting the significant connection between the reserves and reserve funds, and the sustainability and achievability of the strategic asset management plans and policies. Without careful management of reserves and reserve funds, meeting the objectives in the asset management priorities would not be possible.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Not applicable: As this is a financial policy update, One Planet principles do not apply to this report.

Staff Recommendation: THAT the report titled, "Reserve and Reserve Fund Policy Update" (FIN22-038), be received;

THAT the amended Reserve and Reserve Fund Policy, attached to Report (FIN22-038) as Attachment 1, be adopted;

AND THAT Council authorizes the changes to add, consolidate, close, and establish the reserves and reserve funds as noted in Report FIN22-038.

Prepared by: Karmen Krueger, CPA, CA, Director of Corporate Services
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services
 Joan Thomson, Chief Administrative Officer



The Corporation of the City of Stratford Policy Manual

Policy Number:	F.1.13
Policy Section:	Financial and Fiscal
Department:	Corporate Services
Date Adopted:	April 23, 2018
Date Amended:	
Scheduled for Review:	At least once every 5 years, and as required by legislative and operational necessity, or Council direction
Date of Last Review:	2022
Policy Type:	Council-adopted Policy

Reserve and Reserve Fund Policy

Policy Statement:

It is the policy of the City of Stratford:

- to establish reserves to smooth the impact of events or extraordinary expenditures which would otherwise cause fluctuations in the operating budget,
- to establish discretionary capital reserve funds for planned future capital expenditures in accordance with the City's ten year capital forecast and Asset Management Plan,
- to establish obligatory reserve funds as required by statute or legislative requirement,
- to support the least-cost alternative for funding Council initiatives by using internal capital financing when it is more cost effective than external borrowing,
- to manage reserves and reserve funds in a responsible manner.

Purpose:

The purpose of this policy is to optimize the financial stability and flexibility of the City by establishing consistent standards and guidelines for the development, maintenance, transparency and management of Reserves and Reserve Funds.

Definitions:

In this Policy,

"Reserve" means an appropriation of accumulated net revenue that makes no reference to any specific asset and does not require the physical segregation of money. Reserves do not earn interest because they are part of the revenue fund. Reserves are established primarily for the purpose of providing working funds.

"Reserve Fund" means a fund that is segregated and restricted to meet a specified purpose. All earnings derived from investment of reserve funds must form part of the reserve fund. There are two types of reserve funds: obligatory reserve funds and discretionary reserve funds.

"Obligatory Reserve Fund" means a reserve fund created whenever a grant funding agreement or government statute or legislation requires that revenue received for special purposes be segregated from the general revenues of the City. Obligatory reserve funds are created by by-law and solely for the purpose prescribed for them.

"Discretionary Reserve Fund" are created by by-law under *s.417 Municipal Act* when Council wishes to set aside revenue to finance a future expenditure or to provide for a specific contingent liability, for which it has authority to spend money, so that the funds are available as required. Revenues set aside for the replacement of capital assets are examples of discretionary reserve funds.

"Development Charges" are fees collected from developers at the time of issuing a building permit to help pay for the cost of infrastructure required to provide municipal services to new development, such as roads, transit, water and sewer infrastructure, community centres and fire and police facilities.

"Council" means the municipal Council of the City of Stratford.

"City" means the Corporation of the City of Stratford.

"Treasurer" means the Treasurer of the City of Stratford or designate.

Application of Policy:

The Reserve and Reserve Fund Policy applies to all departments, committees and local boards (including Library, Museum, Parks and Police Services) of the Corporation of the City of Stratford.

Responsibilities:

City Council

City Council shall:

- Authorize the establishment of new reserves,
- Authorize the closing of existing reserves no longer required,
- Ensure that administrative policies, practices and procedures are in place and maintain the financial integrity of the Municipality,
- Approve transactions to and from reserves and reserve funds through the budget process or by formal resolution of Council.

Treasurer

The Treasurer shall:

- Ensure that the principles of this policy are applied consistently,
- Determine the need for reserves and reserve funds and provide recommendations to Council for the establishment and dissolution of reserves and reserve funds,
- Perform the transfers to and from reserves and reserve funds as authorized by Council,
- Amalgamate reserves and reserve funds that have a similar purpose while maintaining the intent of allocations by segregating funds within each account,
- Manage reserves and reserve funds in accordance with legislation and the City's financing strategies,
- Determine the appropriate source of funding for City programs and capital works, and make recommendations to Council on the use of reserves and reserve funds,
- Set targets for various reserves and reserve funds to ensure reserve adequacy,
- Report to Council the reserve balances and forecasts as part of the annual budget approval or any other time as requested,
- Develop and update this policy as necessary and present changes to Council,
- Ensure that any interest earned is distributed to the applicable Reserve Funds in a fair and consistent manner.

Department Directors

Department Directors and Managers shall:

- Ensure the most current capital asset information is used in the assessment of the adequacy of capital replacement reserve funds,
- Ensure capital asset information is updated annually during the budget process,
- Ensure that the adequacy of the reserves and reserve funds for identified future purposes is communicated to Council during the budget process.

General Policies:

Formation and Dissolution

Council approval must be received prior to the formation or dissolution of any reserve or reserve fund. These approvals may be reviewed by the external auditor at the close of the fiscal year.

Before creating a new reserve or reserve fund, the option of adding an incremental contribution to an existing reserve or reserve fund of a like nature will be considered by the Treasurer.

Reserves may be apportioned for accounting purposes and direction of funds.

If the purpose or purposes for which the reserve or reserve fund was created have been accomplished and the reserve or reserve fund is determined to be no longer necessary, the Treasurer shall make recommendations to Council on:

- The closure of the reserve or reserve fund,
- The disposition of any remaining funds,
- The necessary by-law amendment to this Policy.

Limitations

Transfers shall be made into or from reserves or reserve funds as prescribed by provincial statute or approved Council resolution or by-law (including but not limited to the annual budget by-law).

Direct contributions to reserve and reserve funds shall occur, such as development charge contributions.

Money in a reserve fund shall be spent only for the predetermined purpose of the reserve fund.

Withdrawals/Transfers

Utilization of funds from a reserve or reserve fund must be identified in the approved annual budget by-law or a separate report submitted to Council for approval outside the normal annual budget process, with the following exceptions:

- Transfers that are the direct result of the year end surplus or deficit reconciliation (Operating Surplus / Deficit Policy),
- Transfer of funds as a result of reserve restructuring which in the opinion of the Treasurer have not changed the purpose for which the funds were intended,

- Transfer of funds between asset replacement reserve funds based upon reserve adequacy analyses at the discretion of the Treasurer and the Chief Administrative Officer.

Utilization of funds from a stabilization reserve must be accompanied by a timeline and commitment to restore the reserve to its target balance.

Expenditures from reserves or reserve funds should not exceed the reserve balance available. In this case, inter-fund borrowing will be investigated as a funding source.

All reserve account activity will be clearly identified and segregated within the City's accounting system and shown as either an entry to or from an operating cost centre of a capital project.

Funding strategies developed for reserves and reserve funds will take into account fairness to current and future taxpayers.

Temporary Reserve Fund Borrowing

Temporary borrowing to cover a reserve or reserve fund short-term deficit is permitted and encouraged to avoid external debt charges.

Temporary reserve fund borrowing must be approved by the Treasurer and the Chief Administrative Officer, and authorized by Council. The following conditions must be met:

- An analysis has demonstrated that excess funds are available and that borrowing will not adversely affect the intended purpose of the lending reserve / reserve fund,
- A plan to repay the lending reserve / reserve fund within a reasonable time is required. The timeframe shall be guided by the cash-flow requirements of the lending reserve,
- Interest will be paid to the reserve / reserve fund that provided the borrowed funds (rate will be that as currently earned on general bank account deposits),
- If approved by Council, the Treasurer shall prepare a promissory note setting out the terms and conditions of the loan transaction,
- Where applicable, legislative requirements may apply. For example, the Development Charges Act permits inter-fund borrowing only between development charge reserve funds and prescribes a minimum interest rate (i.e. Bank of Canada prime rate as of the document approval date, updated on the first business day of every January, April, July, and October).

Transfer Timing

Contributions from operating budgets to reserves shall be transferred upon the approval of the City's budget.

Contributions from reserves and reserve funds to capital or operating accounts shall be transferred at least bi-annually (June and December) or upon completion of a project and only to the extent of expenditures incurred to date.

Investment of Reserve Funds

Reserve Funds may be invested for a term that will not exceed its expected date of need and in accordance with the City's approved Investment Policy F.1.7.

Earnings from combined investments shall be credited to each separate Reserve Fund in proportion to the amount invested from it.

Interest shall be allocated monthly and based on the average balance of the reserve fund (calculated as the sum of the opening and closing balances divided by 2) and the actual rate of return of the City.

If a reserve or reserve fund is in a negative balance, interest will be charged to that fund at the actual monthly rate of return from Investment of Reserve Funds.

Reserve Fund External Debt

Debt servicing costs shall be paid through the operating fund and identified in the City's annual operating budget.

These costs may be supported by an offsetting reserve contribution. Analysis of the reserve forecasts by the Treasurer is required on an annual basis to ensure adequate funding availability.

Section 66 of the Development Charges Act 1997 and s.18 of O.Reg. 82/98 permit debt to be included as a capital cost to leverage development charge revenue while waiting for development charge collections to catch up to growth-related spending.

Reporting

For all reserves and reserve funds, a Statement of Continuity and Forecast shall be prepared by the Treasurer in conjunction with the Chief Administrative Officer, and submitted annually with the capital budget.

Balances of reserves, discretionary reserve funds, and obligatory reserve funds with comparative figures shall be disclosed by way of a note to the financial statements, with specific reference made on the financial statements to the note, in conformity with the requirements of Public Sector Accounting Standards.

Annually, the Treasurer of the City is required to provide Council with a financial statement related to the Development Charge by-law and reserve funds. This statement must also be forwarded to the Minister of Municipal Affairs and Housing within sixty days of the statement being filed with Council.

Target Balances:

A minimum and maximum target balance shall be established for every reserve or reserve fund at the time that it is created. A minimum target balance will ensure that each fund is not depleted to the degree that it is no longer able to serve its intended purpose. A maximum target balance ensures that it does not grow beyond its intended purpose.

Reserve targets shall be determined on a case-by-case basis using an estimate of the timing and magnitude of the costs to be incurred and a projection of expected contributions and interest earned. These shall be maintained as set out in the policy appendix.

Capital Reserve Fund Targets

The minimum annual contribution to the Capital Reserves will be funded from ongoing operations at an amount equivalent to the next years' planned spending requirements.

The optimum annual contribution to capital reserves for the full cost of replacement or rehabilitation of capital assets will be funded from ongoing operations at a rate which reflects the consumption of that asset by current ratepayers. The optimum balance shall be a rolling balance such that the projected balance would be in a position to fund the 10-year capital program.

Disposition of Annual Operating Surplus:

Year-end operating budget surpluses and deficits will be allocated in accordance with the Operating Surplus / Deficit policy.

Legislative Authority:

Municipal Act, 2001, Subsections 290(3), 293, and 417

Related Documents:

- Reserve Schedule



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Tax Rate Stabilization

RESERVE ACCOUNT #: G-R14-TAXS-0000

PURPOSE:

- To mitigate tax rate changes during preparation of the annual budget and to protect the City against any unanticipated expenditures of an operating nature.
- This reserve would also be used to fund any unanticipated deficits that may occur in the fiscal year.

TARGET BALANCE:

- 5% of previous year's municipal tax levy with a minimum balance of \$500,000.

FUNDING SOURCES:

- Planned contributions from Operating budget.
- Net Corporate year-end operating surplus.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenditures or mitigate temporary impacts that are not expected to recur.
- Funding of net year-end operating deficits.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Water Rate Stabilization

RESERVE ACCOUNT #: G-R18-WATR-0000

PURPOSE:

- To mitigate user rate changes during preparation of the annual operating budget and to protect the City against any unanticipated expenditures of an operating nature.
- This reserve would also be used to fund any unanticipated deficits that may occur in the fiscal year.

TARGET BALANCE:

- Maximum balance not to exceed 10% of the user rate Water expenditure budget.
- Once target has been met, surpluses to be reallocated to the Water Capital Reserve Fund

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Year-end net operating surplus of Water division up to reserve maximum, then balance to Water Capital Replacement Reserve Fund.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.
- Funding of Water Fund year-end operating deficit.
- Transfers to Water Capital Reserve Fund



RESERVE AND RESERVE FUND POLICY F.1.13

CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Wastewater/Sanitary Rate Stabilization

RESERVE ACCOUNT #: G-R18-WWTR-0000

PURPOSE:

- To mitigate user rate changes during preparation of the annual operating budget and to protect the City against any unanticipated expenditures of an operating nature.
- This reserve would also be used to fund any unanticipated deficits that may occur in the fiscal year.

TARGET BALANCE:

- Maximum balance not to exceed 10% of the user rate Wastewater/Sanitary expenditure budget.
- Once target has been met, surpluses to be reallocated to the Water Capital Reserve Fund

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Year-end operating surplus of Wastewater/Sanitary division up to reserve maximum, then balance to Wastewater/Sanitary Capital Replacement Reserve Fund.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.
- Funding of Wastewater/Sanitary Fund year-end operating deficit.
- Transfers to Wastewater/Sanitary Capital Reserve Fund



RESERVE AND RESERVE FUND POLICY F.1.13

CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Winter Control

RESERVE ACCOUNT #: G-R00-WNTR-0000

PURPOSE:

- To provide for winter control costs which exceed the amount provided for in the City's operating budget so as not to adversely impact the current year's operating fund.

TARGET BALANCE:

- Total balance should not be less than 10% of the prior year's annual operating budget for winter control.
- Total balance should not exceed more than 25% of the prior year's annual operating budget for winter control.
- When threshold is exceeded, subsequent operating budgets shall utilize excess and/or cease further contributions to the reserve. Surpluses creating excess in the reserve shall become part of the general operating surplus and accordingly form part of the tax stabilization reserve.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Unexpended winter control funds.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.



RESERVE AND RESERVE FUND POLICY F.1.13

CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Building Permit Reserve

RESERVE ACCOUNT #: G-R07-BSUR-0000

PURPOSE:

- To ensure that the Building Department operates as a self-sustaining operation
- As per Bill 124, this reserve will be used to mitigate fluctuations in building permit fees by managing the risk associated with an economic downturn and managing the financial implications resulting from additional compliance costs.

TARGET BALANCE:

- One year of costs to operate the Building Department. Significant variances above or below this will trigger a review of the fees being charged.

FUNDING SOURCES:

- Net operating surplus earned from building permit and inspection revenues.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Election Expenses

RESERVE ACCOUNT #: G-R00-ELEC-0000

PURPOSE:

- To mitigate significant cyclical fluctuations in the operating budget resulting from the expenditures of a municipal election. One quarter of the estimated costs of the election will be transferred annually to this reserve and then drawn upon in the year of the election.

TARGET BALANCE:

- Full estimated cost of the upcoming election by election year.

FUNDING SOURCES:

- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses in the election year.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Clerks Investigations

RESERVE ACCOUNT #: G-R18-CLRK-0000

PURPOSE:

- To mitigate budget pressure resulting from unexpected cost of complaints filed with the City's Integrity Commissioner or Ontario Ombudsman.

TARGET BALANCE:

- \$50,000.

FUNDING SOURCES:

- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Insurance

RESERVE ACCOUNT #: G-R00-INSR-0000

PURPOSE:

- To finance insurance claims and related expenses that are less than the City's insurance deductible.

TARGET BALANCE:

- Minimum balance not less than 10% of prior year's insurance policy premiums.
- Maximum balance not more than 40% of prior year's insurance policy premiums.
- *Point of reference: 2022 premium \$995,000. Current balance \$241,153 or 24.2%.*

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Third party recoveries not otherwise utilized through the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses to cover extraordinary and unbudgeted number of claims.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: WSIB

RESERVE ACCOUNT #: G-R00-WCBO-0000

PURPOSE:

- As a municipal government, the City is classified as a Schedule 2 employer through the Workplace Safety and Insurance Board (WSIB) which means that the City is responsible for the full cost of any accident claims filed by its employees.
- This reserve is used to fund any claims associated with accidents in the workplace so as not to impact the operating fund as claims occur.

TARGET BALANCE:

- To be in a fully funded position as determined by the annual report prepared by WSIB.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Payroll contribution of 1% for all City employees, except
- 2.88% payroll contribution for Fire Department.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.
- To fund accident claims filed by employees who are injured in the workplace.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Sick Leave

RESERVE ACCOUNT #: G-R00-SICK-0000

PURPOSE:

- In accordance with collective bargaining agreements for Fire, Police, Library, Inside and Outside workers, to fund:
 - Accrued sick time payouts on retirement or resignation
 - Extended sick time events where the department had to hire additional staff
- This does not apply to Water, Transit or Management employee groups who are covered by Long term Disability insurance coverage.

TARGET BALANCE:

- To remain fully funded as determined by the independent actuarial review.

FUNDING SOURCES:

- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses as determined by payouts within each calendar ~~year~~



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: HR Salary Contingency

RESERVE ACCOUNT #: G-R18-HRCO-0000

PURPOSE:

- To fund significant or unbudgeted human resources costs including legal fees, recruitment ~~or~~ termination costs, costs to backfill vacant positions, etc.

TARGET BALANCE:

- Not to exceed more than 2.5% of the total annual municipal employee compensation expense budget.

FUNDING SOURCES:

- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Management & Planning Studies

RESERVE ACCOUNT #: G-R18-STUD-0000

PURPOSE:

- To set money aside for the future completion of various management and planning studies. For example;
 - Zoning By-Law Update
 - Stratford More Affordable Study
 - Official Plan Update
 - Various departmental master plans

TARGET BALANCE:

- Timing and balances as determined by needs of operating budgets and capital plans and ~~funds~~

FUNDING SOURCES:

- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund operating or capital projects. Studies are operating in nature but may be funded from capital reserve funds since they may be tied to specific infrastructure.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Library – Perth County Information Network (PCIN)

RESERVE ACCOUNT #: G-R06-PCIN-0000

PURPOSE:

- To be used as needed for special projects of the Perth County Information Network group (PCIN).
- Does not include PCIN main capital project – Integrated Library System replacement

TARGET BALANCE:

- No target.

FUNDING SOURCES:

- Planned contributions from Library's annual PCIN operating budget.
- Includes operating funds from all 5 PCIN libraries.

UTILIZATION OF FUNDS:

- Planned contributions to fund the Operating budget as required.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Special Projects

RESERVE ACCOUNT #: G-R18-SPEC

PURPOSE:

- To fund specific, unique initiatives, typically projects or events that have corporate or community-wide levels of significance.

TARGET BALANCE:

- \$250,000.

FUNDING SOURCE:

- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Local Boards & Committees

RESERVE ACCOUNT #: G-R18-BRDS-0000

PURPOSE:

- To track funds available for committees of Council
- Funds may have been derived from grants or donations or may be unspent operating funds from prior years.

TARGET BALANCE:

- No target balance. Committees are generally expected to utilize their approved budget each year.

FUNDING SOURCES:

- Grants and donations.
- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Working Capital

RESERVE ACCOUNT #: R-R11-WORK

PURPOSE:

- To fund emergency capital requirements outside of the annual budget process and over-expenditures in capital projects.
- To provide financing to capital projects where tenders exceed approved budgets.

TARGET BALANCE:

- 5% of previous year's City source funding in the capital fund.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Excess funds from completed capital projects.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13

CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Information Technology (I.T.)

RESERVE ACCOUNT #: R-R11-ITCA

PURPOSE:

- To maintain the current level of Information Technology service and infrastructure, while also improving the system to meet future needs.
- May also be utilized for contracted services or other purposes as required to maintain the approved service levels

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of I.T. assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Maintain, upgrade, and enhance I.T. Infrastructure.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital - Fleet

RESERVE ACCOUNT #: R-R11-FLET

PURPOSE:

- To fund the capital replacement needs of City Fleet assets.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- User based rate charges.
- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of Fleet assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Public Works

RESERVE ACCOUNT #: R-R11-PWCA

PURPOSE:

- To fund the capital replacement needs of Public Works assets and the City share of growth-related projects.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of Public Works assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Storm Water

RESERVE ACCOUNT #: R-R11-STRM-0000

PURPOSE:

- To fund the replacement of City storm-water linear inventory and the City share of growth-related projects.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of Storm Water assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Fire

RESERVE ACCOUNT #: R-R11-FIRE

PURPOSE:

- To replace, upgrade or purchase the addition of assets required to support Fire Department operations, life safety, infrastructure, and life cycle management of assets.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of Fire assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Maintain and upgrade Fire infrastructure.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital - Police

RESERVE ACCOUNT #: R-R11-POLI

PURPOSE:

- To replace, upgrade or purchase the addition of assets (tangible or service-driven) required to support Stratford Police Services operations, life safety, infrastructure, and life cycle management of assets.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of Police assets unless otherwise utilized in the budget process.
- Net departmental surplus from operations

UTILIZATION OF FUNDS:

- Maintain and upgrade Police infrastructure.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Facilities

RESERVE ACCOUNT #: R-R11-FACI

PURPOSE:

- To fund capital projects related to life cycle needs of City Facilities.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast needs for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of City facilities unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital - Recreation

RESERVE ACCOUNT #: R-R11-RECR

PURPOSE:

- To fund capital projects related to recreation equipment.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast needs for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Social Services

RESERVE ACCOUNT #: R-R11-SSCA

PURPOSE:

- Comprised of amounts related to Social Housing, Affordable Housing, Child Care and General Social Services used in the continuous improvement of social programming within the City of Stratford, Town of St. Marys, and County of Perth.
- A certain amount of this funding is restricted to specific programming (restricted funding) and other funding is more general in nature (unrestricted funding).

TARGET BALANCE:

- No target identified.

FUNDING SOURCES:

- Funded through Ministry authorized transfers and grants over various years.
- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Library

RESERVE ACCOUNT #: R-R11-LIBR

PURPOSE:

- To replace, upgrade or purchase the addition of assets required to support the Stratford Public Library operations, life safety, infrastructure, and life cycle management of assets.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

Planned contributions from the Operating budget.

Proceeds of disposition on sale of Library assets unless otherwise utilized in the budget process.

Grants and donations as determined by the Board.

Net departmental surplus from operations

UTILIZATION OF FUNDS:

- Maintain and upgrade Library infrastructure.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Airport

RESERVE ACCOUNT #: R-R11-AIRP

PURPOSE:

- To replace, upgrade or purchase additional assets required to support Municipal Airport operations, life safety, infrastructure, and life cycle management of assets.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of Airport assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Maintain and upgrade Airport infrastructure.
- Planned contributions to fund Capital projects.



**RESERVE AND RESERVE FUND POLICY F.1.13
CORPORATE SERVICES DEPARTMENT**

RESERVE NAME: Capital – Golf Course

RESERVE ACCOUNT #: R-R11-RMUN

PURPOSE:

- To fund Municipal Golf Course capital requirements.

TARGET BALANCE:

- \$150,000.

FUNDING SOURCES:

- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Cemetery

RESERVE ACCOUNT #: R-R11-CEME

PURPOSE:

- To fund Cemetery and Parks capital projects.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Water

RESERVE ACCOUNT #: R-R11-WATR

PURPOSE:

- To fund Water capital projects as identified in the current Water and Wastewater/Sanitary Rate Study, and as described in the 10-year capital plan of the City.

TARGET BALANCE:

- As set out in the current Water and Wastewater/Sanitary Rate Study.
- Maximum balances as determined by 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Balance of year end Water division surplus when Stabilization Reserve balance has been achieved.
- Proceeds of disposition on sale of Water assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Wastewater/Sanitary

RESERVE ACCOUNT #: R-R11-WWTR

PURPOSE:

- To fund Wastewater/Sanitary capital projects as identified in the current Water and Wastewater/Sanitary Rate Study, and as described in the 10-year capital plan of the City.

TARGET BALANCE:

- As set out in the current Water and Wastewater/Sanitary Rate Study.
- Maximum balances as determined by 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Balance of year end Wastewater/Sanitary division surplus when Stabilization Reserve balance has been achieved.
- Proceeds of disposition on sale of Wastewater/Sanitary assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Waste Management

RESERVE ACCOUNT #: R-R11-WAST

PURPOSE:

- To fund Waste Management capital projects as identified in the current Waste Management Rate Study, and as described in the 10-year capital plan of the City.

TARGET BALANCE:

- As set out in the current Waste Management Rate Study.
- Maximum balances as determined by 10-year capital forecast needs for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Excess financing from completed capital projects.
- Proceeds of disposition on sale of Waste Management assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Landfill Closure and Post-Closure

RESERVE ACCOUNT #: R-R11-LAND

PURPOSE:

- To provide funding to cover the costs of closure and post-closure activities required at the City's landfill site(s).

TARGET BALANCE:

- As set out in the current approved Waste Management Rate Study.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Excess financing from completed capital projects.
- Waste Management fund surplus.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Capital – Parking

RESERVE ACCOUNT #: R-R11-PRKG

PURPOSE:

- To maintain the current level of service and infrastructure, while also improving the system to meet future needs.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget parking revenues.
- Minimum of \$500,000 to a maximum of \$1,000,000 from parking revenue in a given year.
- Proceeds of disposition on sale of Parking assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Maintain parking inventory, including capital repairs and improvements to parking lots.
- Addition of technology to enhance and improve system.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Development Deposits

RESERVE ACCOUNT #: R-R11-RPLA

PURPOSE:

- There is little detail on this account. The name on the existing account is "Cobra Plan 481".
- Funds have been on deposit with no activity since prior to 2002.
- Staff are investigating the nature of these funds and the appropriate disposition.

TARGET BALANCE:

- Zero balance once appropriate fund disposition is determined.

FUNDING SOURCES:

- Nil.

UTILIZATION OF FUNDS:

- Balance of the Development Deposits Reserve Fund will be assessed by Building and Planning staff and appropriate allocation made.
- When balance is zero at year end this reserve fund will be closed.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Industrial Land

RESERVE ACCOUNT #: R-R11-RPRO

PURPOSE:

- To track the purchase, servicing, and sale of industrial land inventory of the City.

TARGET BALANCE:

- Sale price of industrial land shall be sufficient to at least cover the cost of preparation of lots for sale, including interest cost on borrowed funds.
- This reserve may run at a deficit as revenue cash flow lags the expenditure necessary to purchase and service the lots.

FUNDING SOURCES:

- Sale of industrial land.
- Sale of other municipally owned property.
- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Purchase of industrial land.
- Servicing of industrial land inventory.
- Costs to prepare industrial land for sale.
- Debt servicing obligations if servicing expenditures are converted to long term debt.
- Planned contributions to fund Operating expenses.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Strategic Community Development

RESERVE ACCOUNT #: R-R11-STRA

PURPOSE:

- For the funding of capital and operating strategic community development initiatives.
- Eligible capital projects are typically categorized as growth, “new” to the City, or promotional in nature.
- The replacement of existing assets is managed by Capital Replacement ReserveFunds or the Working Capital Reserve Fund.

TARGET BALANCE:

- \$500,000 or 1% of the municipal tax levy, whichever is greater.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Grants or donations.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Local Housing Corporation

RESERVE ACCOUNT #: R-R11-HOUS

PURPOSE:

- To assist in the costs of maintenance, capital upgrades, new builds (rejuvenation) and emergency major repairs of the Public Housing buildings throughout the City of Stratford, Town of St. Marys, and County of Perth.

TARGET BALANCE:

- None identified.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Funding is provided from Ministry transfers and grants, user fees as well as cost sharing between the three partner municipalities.

UTILIZATION OF FUNDS:

- Planned contributions to fund Operating expenses.
- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Britannia Street Capital Reserve Fund

RESERVE ACCOUNT #: R-R11-BRIT

PURPOSE:

- To assist in the costs of maintenance, capital upgrades, new builds (rejuvenation) and emergency major repairs of the Britannia Street Housing Development.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Home Ownership Loan Reserve

RESERVE ACCOUNT #: R-R11-SHOL

PURPOSE:

- To track balances available for Home Ownership Loan program.

TARGET BALANCE:

- None identified.

FUNDING SOURCES:

- Repayment of home ownership loans.

UTILIZATION OF FUNDS:

- Issuance of home ownership loans.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Transit Capital Reserve

RESERVE ACCOUNT #: R-R11-TRAN

PURPOSE:

- To fund the capital replacement needs of Transit assets.

TARGET BALANCE:

- Maximum balance as determined by the 10-year capital forecast need for City funding.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Proceeds of disposition on sale of transit assets unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Grand Trunk (Cooper) Block

RESERVE ACCOUNT #: R-R11-GTCH

PURPOSE:

- To fund the development of the Grand Trunk Community Hub at the Cooper site.

TARGET BALANCE:

- As determined by the costing estimates of the approved Master Plan.

FUNDING SOURCES:

- Planned contributions from the Operating budget.
- Grants or donations.
- Sale of City-owned property unless otherwise utilized in the budget process.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Parkland: Cash In Lieu

RESERVE ACCOUNT #: R-R11-RPLT

PURPOSE:

- In accordance with the Planning Act R.S.O 1990 S42. (1), municipalities may adopt a by-law requiring a percentage of land being developed or redeveloped to be conveyed to the municipality for park or other recreational purposes.
- S42. (6) Where parkland cannot appropriately be provided, *"the council may require a payment in lieu, to the value of the land otherwise to be conveyed."*

TARGET BALANCE:

- Based on growth related development.

FUNDING SOURCES:

- Planned contributions received in lieu of land being conveyed to the City for parkland requirements as per the Planning Act.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects for:
 - the acquisition of land for parks or other public recreational purposes.
 - the development or redevelopment of land, parks, and recreational facilities.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Provincial Infrastructure Grants

RESERVE ACCOUNT #: R-R11-OCIF

PURPOSE:

- To track funding received from provincial infrastructure grant programs and the expenditure of these funds on eligible and approved infrastructure capital projects.

TARGET BALANCE:

- No target balance.
- Balance will depend on timing of grant receipts in relation to the year of eligible project completion.

FUNDING SOURCES:

- Planned contributions from Provincial Infrastructure grant programs.

UTILIZATION OF FUNDS:

- Planned contributions to fund Capital projects for provincial share of eligible and approved infrastructure projects.



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Canada Community Building Fund (CCBF)

RESERVE ACCOUNT #: R-R11-RFED

PURPOSE:

- To track funding received from the CCBF, formerly the Federal Gas Tax Fund as administered by the Association of Municipalities Ontario (AMO), and the Eligible Expenditure of these funds in respect of Eligible Projects as governed by the Municipal Funding Agreement (MFA).

TARGET BALANCE:

- No target balance
- Balance will depend on timing of semi-annual grant receipts in relation to the year of eligible expenditures.

FUNDING SOURCES:

- Planned contributions from AMO for the federal government.
-

UTILIZATION OF FUNDS:

- As per Section 6.4 of the Municipal Funding Agreement:
 - *The Recipient acknowledges and agrees the Funds are intended for and shall be used only for Eligible Expenditures in respect of Eligible Projects.*
- There are seventeen eligible project categories listed in the MFA that *include investments in Infrastructure for its construction, renewal, or material enhancement.*

Appendix A



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Provincial Gas Tax

RESERVE ACCOUNT #: R-R11-RGAS

PURPOSE:

- To track funding received from the Ministry of Transportation and the permitted expenditure of these funds as per the guidelines of the Dedicated Gas Tax Funds for Public Transportation Program.

TARGET BALANCE:

- No target balance.
- Balance will depend on timing of quarterly grant receipts to the year of fund usage.

FUNDING SOURCES:

- Planned contributions from the Ministry of Transportation.

UTILIZATION OF FUNDS:

- The funding provided under the Dedicated Gas Tax for Public Transportation Program must be used exclusively for public transportation expenses (capital and operating) above the municipality's baseline spending, while not exceeding 75% of the municipality's spending on public transportation.

Appendix A



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Municipal Accommodation Tax

RESERVE ACCOUNT #: R-R11-RMAT

PURPOSE:

- To retain unspent funds relating to the Municipal Accommodation Tax
- To accumulate funds for the purpose of funding partially or wholly, specific Tourism-related initiatives.

TARGET BALANCE:

- No target balance as proceeds are determined by the volumes of stays in the City and projects are linked to tourism-related initiatives as approved by Council

FUNDING SOURCES:

- Accommodator remittances relating to short-term accommodations as outlined in the MAT by-law.

UTILIZATION OF FUNDS:

- Tourism initiatives which can include but are not limited to programs and services that visitors take advantage of when visiting (e.g., roads, transit, culture, parks, natural areas and recreation).
- Funds received on behalf of the portion due to Destination Stratford will be remitted according to the Municipal Accommodation Tax by-law

Appendix A



RESERVE AND RESERVE FUND POLICY F.1.13 CORPORATE SERVICES DEPARTMENT

RESERVE NAME: Development Charges

RESERVE ACCOUNT #: Separate accounts maintained for each type

PURPOSE:

- As per the *Development Charges Act*, 1997, c.27, S2(1) "The council of a municipality may by by-law impose development charges against land to pay for increased capital costs required because of increased needs for services arising from development of the area to which the by-law applies".
- Services include Roads, Fire, Library, Parking, Transit, Recreation, Parks, Police, Water, Wastewater, Storm Water, Other Transportation and Administration.

TARGET BALANCE:

- Based on growth activity and as calculated through Development Charge Background Study.

FUNDING SOURCES:

- Planned contributions received from developers as per the Development Charges by-law.

UTILIZATION OF FUNDS:

- Growth related capital projects as funded by the Development Charges by-law and identified in the Development Charge Background Study

THE CORPORATION OF THE CITY OF STRATFORD					
RESERVE FUND CONTINUITY EXTRACT					
At December 31, 2021					
Red denotes that reserve is in a deficit					
	Year	2021			
SOURCE			General Ledger Account #		Y/E Balance
RESERVES					
	Election Expenses		G-R00-ELEC-0000		(224,117.86)
	Insurance		G-R00-INSR-0000		(241,153.79)
	Sick Leave		G-R00-SICK-0000		(6,118,110.81)
	WSIB		G-R00-WCBO-0000		(695,510.57)
	Winter Control		G-R00-WNTR-0000		(253,591.91)
	Library - PCIN		G-R06-PCIN-0000		(20,031.73)
	Building Permit		G-R07-BSUR-0000		(318,822.82)
	Economic Development		G-R14-STAR-0000		(37,520.00)
	Tax Rate Stabilization		G-R14-TAXS-0000		(1,711,406.32)
	Local Boards & Committees		G-R18-BRDS-0000		(43,437.44)
	Clerks Investigations		G-R18-CLRK-0000		(56,256.29)
	Community Supports & Grants		G-R18-COMG-0000		(46,538.63)
	HR Salary Contingency		G-R18-HRCO-0000		(230,190.00)
	Special Projects		G-R18-SPEC-0000		(504,779.48)
	Management & Planning Studies		G-R18-STUD-0000		(200,094.41)
	Water Rate Stabilization		G-R18-WATR-0000		(1,229,911.59)
	Wastewater Rate Stabilization		G-R18-WWTR-0000		(1,442,104.75)
	PC Connect		G-R20-PCCO-0000		(246,314.74)
TOTAL RESERVES					(13,619,893.14)
DISCRETIONARY RESERVE FUNDS					
	Capital - Airport		R-R11-AIRP		(552,241.76)
	Britannia St		R-R11-BRIT		(289,166.56)
	Capital - Cemetery		R-R11-CEME		(60,734.38)
	Capital - Facilities		R-R11-FACI		(503,950.60)
	Capital - Fire		R-R11-FIRE		(998,130.21)
	Capital - Fleet		R-R11-FLET		(4,812,905.93)
	Grand Trunk (Cooper) Block		R-R11-GTCH		(5,536,009.34)
	Local Housing Corporation		R-R11-HOUS		(636,525.05)
	Capital - IT Equipment Replacement		R-R11-ITCA		(1,229,091.99)
	Capital - Landfill Closure		R-R11-LAND		(526,084.69)
	Capital - Library		R-R11-LIBR		(286,944.32)
	Capital - Police		R-R11-POLI		(1,271,844.62)
	Capital - Parking		R-R11-PRKG		(4,096,084.24)

THE CORPORATION OF THE CITY OF STRATFORD			
RESERVE FUND CONTINUITY EXTRACT			
At December 31, 2021			
Red denotes that reserve is in a deficit			
	Year	2021	
SOURCE		General Ledger Account #	Y/E Balance
	Capital - Public Works	R-R11-PWCA	(6,419,559.30)
	Capital - Recreation	R-R11-RECR	(805,416.07)
	Capital - Golf Course	R-R11-RMUN	(76,376.18)
	Development Deposits -Cobra	R-R11-RPLA	(115,809.75)
	Industrial Land	R-R11-RPRO	1,421,926.35
	Social Services Homeownership	R-R11-SHOL	(256,821.50)
	Capital - Social Services	R-R11-SSCA	(2,780,003.00)
	Strategic Community Development	R-R11-STRA	(444,109.67)
	Capital - Storm Water	R-R11-STRM	(1,614,227.95)
	Transit Capital	R-R11-TRAN	(102,012.00)
	Capital - Waste Management	R-R11-WAST	(3,628,397.77)
	Capital - Water	R-R11-WATR	(4,901,431.37)
	Working Capital	R-R11-WORK	(1,516,908.57)
	Capital - Waste Water	R-R11-WWTR	(2,451,402.82)
TOTAL DISCRETIONARY RESERVE FUNDS			(44,490,263.29)
OBLIGATORY RESERVE FUNDS			
	Provincial Infrastructure Grants	R-R11-OCIF	(2,018,325.52)
	Federal Gas Tax	R-R11-RFED	(9,540,575.63)
	Provincial Gas Tax	R-R11-RGAS	(423,117.34)
	Impost Fees	R-R11-RIMP	(9,425.49)
	Parkland: Cash In Lieu	R-R11-RPLT	(768,258.11)
TOTAL OBLIGATORY RESERVE FUNDS			(12,759,702.09)
DC OBLIGATORY			
	DC - Administrative	R-DGS-ADMN	(414,701.02)
	DC - Fire Protection	R-DGS-FIRE	(1,308,104.55)
	DC - Indoor Recreation	R-DGS-IREC	(3,440,815.99)
	DC - Library	R-DGS-LIBR	(1,181,549.04)
	DC - Parking	R-DGS-MPKG	(113,114.89)
	DC - Outdoor Recreation	R-DGS-OREC	(1,822,617.83)
	DC - Police	R-DGS-POLI	(853,703.81)
	DC - Transit	R-DGS-TRAN	(502,099.81)
	DC - Other Transportation	R-DIS-OTRN	(521,085.97)
	DC - Roads	R-DIS-ROAD	(2,835,835.15)
	DC - Waste Water	R-DIS-WAST	(1,385,815.25)

THE CORPORATION OF THE CITY OF STRATFORD					
RESERVE FUND CONTINUITY EXTRACT					
At December 31, 2021					
Red denotes that reserve is in a deficit					
	Year	2021			
SOURCE			General Ledger Account #		Y/E Balance
	DC - Water		R-DIS-WATS		(596,381.86)
	DC - Storm Water		R-DSC-STWM		345,855.06
	DC Clearing		R-R11-RDEV		-
TOTAL DC OBLIGATORY					(14,629,970.11)
TOTAL RESERVES					(85,499,828.63)



MANAGEMENT REPORT

Date: September 20, 2022
To: Finance and Labour Relations Sub-committee
From: Karmen Krueger, Director of Corporate Services
Report #: FIN22-036
Attachments: SEEDCo Update Q2 to June 30, 2022

Title: Stratford Economic Enterprise Development Corporation
 (SEEDCo./investStratford) – Q2 Update to June 30, 2022

Objective: To receive an update on SEEDCo.'s second quarter 2022.

Background: SEEDCo. gives regular updates to Council through the Finance and Labour Relations Sub-committee.

Analysis: Joani Gerber from SEEDCo. has been invited to attend to present the attached report.

Financial Implications:

Financial impact to current year operating budget:

SEEDCo. receives financial contributions from the City as outlined in the attachment. Beyond this, there are no additional direct financial implications to the City's operating budget.

Alignment with Strategic Priorities:

Widening our Economic Opportunities

Strengthening Stratford's economy by developing, attracting and retaining a diversity of businesses and talent.

Alignment with One Planet Principles:

Equity and Local Economy

Creating safe, equitable places to live and work which support local prosperity and international fair trade.

Staff Recommendation: THAT the Stratford Economic Enterprise Development Corporation (SEEDCo./investStratford) Update Q2 to June 30, 2022, dated September 20, 2022, be received for information.

Prepared by: Karmen Krueger, CPA, CA, Director of Corporate Services
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services
Joan Thomson, Chief Administrative Officer

September 20, 2022

Title: Report to Finance & Labour Relations Sub-Committee

Councillor Gaffney, Chair & Sub-Committee Members

CC: Karmen Krueger, Director of Corporate Services & Joan Thomson, CAO

Activities of the Stratford Economic Enterprise Development Corporation

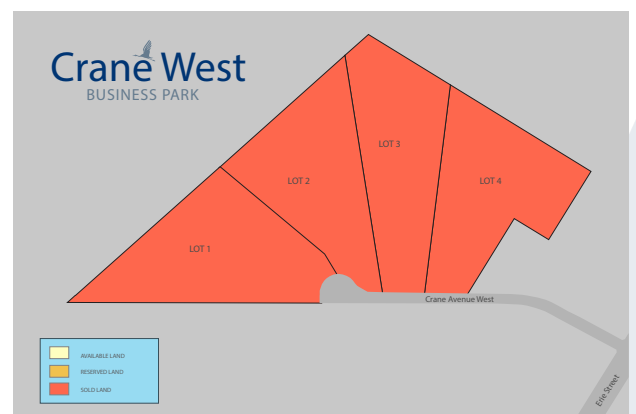
Aligning to the strategic priority of Council, **Widening our Economic Opportunities**, the following projects and activities are ongoing and underway. In some areas, delays and priority shifts have been experienced as a result of COVID-19.

Key Metrics (April 1, 2022, through June 30, 2022):

- Staff worked with 15 ongoing new investment opportunities for both City-owned and privately held industrial and commercial properties. 16 start-up small businesses were supported by the Small Business Centre
- Staff are working with 23 existing companies, supporting their retention and expansion efforts
- Staff hosted 2 workshops and events for Small Businesses and Entrepreneurs
- Staff participated in 44 Workforce development activities (includes the Attainable Housing Project)
- Staff attended the Economic Developers Council of Ontario Annual Conference and the Canadian Foreign Direct Investment Forum.

City-Owned Industrial Land Activity (April 1, 2022, through June 30, 2022):

- All City-owned Industrial Land is sold or in reserve
- Two City-Owned parcels closed in May 2022 generating \$1,642,125 in revenue.



2022 Attainable Housing Special Project – Key Performance Indicators (April 1, 2022 – June 30, 2022)

- Continue interdepartmental Working Group activities
 - Ongoing
- Explore, apply for, and leverage external funding programs
 - \$80,000 received from the Rural Economic Development Program of the Ontario Ministry of Agriculture, Food and Rural Affairs
 - Matches \$80,000 in special project funding from both Infrastructure & Development Service and investStratford as approved by Council for 2022
- Secure project management resource(s)
 - Baker Planning Group has been engaged since July
- Develop the implementation work plan
 - Underway via Baker Planning Group
- Develop budget and financial modelling of CIP & Incentive Program
 - Stantec is the successful consultant and has begun this work. Public consultation and stakeholder engagement begins in September
- Support the work & recommendations to City Council to declare lands surplus for residential development
 - Underway via Baker Planning Group.

Stratford Sport Tourism Strategy (April 1, 2022 – June 30, 2022)

(Council Strategic Priority – Strengthening our Plans, Strategies, and Partnerships)

- Regional Tourism Organization #4 (RTO4) is supporting this work. As a result, this project has no additional impact on City budgets.
- investStratford took the lead as the applicant working directly in partnership with the Department of Community Services (Director and Manager of Recreation and Marketing) and Destination Stratford
- RFP process is complete, and the successful consultant begins work in August
- Stakeholder and public engagement will begin in September
- Final report to be presented to Council in December 2022

Budget Variance Analysis (Year to Date, effective July 28, 2022), Attached.

- Note 3 – Revenues from My Main Street and RTO4 (sport tourism) are included. Spending for these projects will commence through 2022/2023. These projects will have no additional impact on City budgets.
- Note 2 – “My Main Street” project salaries are reflected and will be offset by project funding of 100%. This project has no additional impact on City budgets.
- All SBEC related expenses (rent, grants, events) are reported on a fiscal year end (April-March)

Looking Ahead to Quarter Three and Four (July-December 2022)

- The first cohort of Starter Company (the grant and education program for start-up companies) will begin in October. Applications will open mid-September
- A completed Sport Tourism Strategy will be presented to Council in December 2022
- Staff will attend the following Foreign Direct Investment trade shows:
 - IAA Transportation Show (transportation, logistics, mobility)
 - Processing, Packaging & Machinery Show
 - K-Show (plastics & rubber industries)
 - Bauma Trade Show (construction, mining, building materials)
 - SEMA Show (automotive and after-market automotive)

Respectfully Submitted,



Joani Gerber
CEO, investStratford
jgerber@investstratford.com

Attachments:

SEEDCo. April-July 2022 Finance Subcommittee Variance Report

2022 Budget for SEED Co.**OPERATIONS**

as of Jul 28, 2022

	Budget	(unadjusted)	
	2022	Year to Date	
	2022	2022	
REVENUE			
City of Stratford - InvestStratford	514,000	514,000	
City of Stratford - SBEC	108,202	108,202	
City of Stratford - Housing Special Project	35,000	40,000	
Province Funding- SBEC	217,806	130,684	
Recoverable Expenses and Charges	8,000	71,160	3
Events and User Fees	-		
	\$ 883,008	\$ 864,046	
EXPENSES			
Salaries, Benefits and Contract Labour	518,045	295,115	2
Training and Professional Development	7,500	-	
Insurance and Custodial	6,000	109	
Equipment, Capital and Software	5,000	1,323	
Support Services and Fees	28,200	17,403	
Office Supplies and Operations	29,176	10,976	
Consultants and Mentorship	45,000	-	
Legal and Audit	5,000	702	
Meals and Meetings	6,000	4,069	
Contingency/Reserve Transfer	10,000	-	
Conferences, Trade Shows, Travel and Mileage	40,000	24,422	
Promotion, Marketing, and Materials	30,000	14,879	
Memberships	35,000	33,351	1
Rent and common area maintenance	21,781	7,971	
Events	10,306	-	
Grants	86,000	12,000	
	\$ 883,008	\$ 422,320	
Projected Ending Surplus (Deficit)	\$ -	\$ 441,726	

1 2022 Annual Memberships paid in January (SOMA, APMA, EDAC)

2 includes additional 2FTE for My Main Street Program

3 includes funds for My Main Street Program and Sport Tourism Project

NB: City operations are a calendar year end, December 31, 2022, SBEC operations are reported on a March 31, 2023 fiscal



MANAGEMENT REPORT

Date: September 20, 2022
To: Finance and Labour Relations Sub-committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services
Report #: FIN22-033
Attachments: Destination Stratford 2022 Q3 Update

Title: Destination Stratford 2022 Q3 Update

Objective: To receive an update on Destination Stratford's year-to-date financial activities for 2022.

Background: Destination Stratford gives regular updates to Council through the Finance and Labour Relations Sub-committee.

Analysis: Zac Gribble from Destination Stratford has been invited to attend to present the attached report.

Financial Implications:

Financial impact to current year operating budget:

Destination Stratford receives financial contributions from the City as outlined in the attachment. Beyond this, there are some in-kind impacts relating to specific programs, such as the Al Fresco program. The financial costs relating to these in-kind contributions are absorbed in the Community Services division primarily, mainly in the form of labour costs as outlined in a previous report to Council.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Widening our Economic Opportunities

Strengthening Stratford's economy by developing, attracting and retaining a diversity of businesses and talent.

Alignment with One Planet Principles:

Equity and Local Economy

Creating safe, equitable places to live and work which support local prosperity and international fair trade.

Staff Recommendation: THAT the Destination Stratford 2022 Q3 Update dated September 20, 2022 be received for information.

Prepared by: Karmen Krueger, CPA, CA, Director of Corporate Services
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services
Joan Thomson, Chief Administrative Officer



Destination Stratford

2022 Q3 FINANCE UPDATE

Destination Stratford (DS) expenses are tracking as expected with no surprises

Destination Stratford 2022 Budget	2021 Budget	2022 Budget	2022 Variances	Actuals	%	Notes				
				As of 08/31/22						
Income										
4050 · MARKETING SALES	48,000.00	75,000.00	112,500.00	70,180.60	62%					
4240 · MEMBERSHIP SALES	0.00	0.00	0.00	0.00		Non-member model adopted				
4260 · PARTNERSHIPS	745,000.00	748,500.00	687,000.00	618,325.00	90%	*Boathouse Bathroom Project NOT included				
(4001 · City of Stratford Portion)	540,000.00	580,000.00	580,000.00	580,000.00	100%	2.15% increase over 2019 budget				
4280 · DESTINATION MARKETING FUND	32,000.00	20,000.00	40,000.00	16,936.34	42%	Expected increase with improved pandemic conditions				
TOTAL INCOME	825,000.00	843,500.00	839,500.00	705,441.94	84%					
Expense										
5100 · CONTRACT AND CONSULTING	5,500.00	5,500.00	2,500.00	0.00	0%					
5107 · Four Season Tourism Development	0.00	0.00	0.00	0.00		* Lights On Stratford is a separately funded entity managed by DS				
5637 · BANK CHARGES	3,800.00	3,800.00	3,800.00	3,025.73	80%					
5645 · INSURANCE	3,600.00	4,019.00	4,899.00	4,899.00	100%	Increased expenses due to higher costs				
5660 · TRAVEL	4,400.00	2,200.00	200.00	0.00	0%	Conferences to be attended virtually				
5950 · SPECIAL PROJECTS		15,000.00	18,625.00	10,046.89	54%	Al Fresco support. DEI Community Projects				
5990 · RTO4 Partnerships Animation Fund	5,000.00	10,000.00	30,000.00	11,750.00	39%	Includes \$20k revenue from other funding partners				
Total Administration Fees	16,800.00	35,019.00	57,524.00	29,721.62	52%					
6000 · MARKETING - INTERNET	90,230.00	65,230.00	22,975.00	11,196.63	49%	Decreased expenses due to streamlining digital operations				
6150 · MARKETING - Media & Print	114,300.00	99,300.00	99,300.00	40,228.22	41%					
6151 · MARKETING - RADIO	5,000.00	2,500.00	2,500.00	0.00	0%					
6152 · MARKETING	77,300.00	75,000.00	118,250.00	63,922.62	54%	Increased expenses with additional marketing projects				
6153 · PROFESSIONAL FEES	23,000.00	23,000.00	24,700.00	9,052.00	37%					
6155 · FACILITY MAINTENANCE	4,500.00	4,500.00	2,000.00	0.00	0%					
6480 · PAYROLL	453,724.00	473,804.00	464,635.00	305,923.85	66%	Salary review to be completed in 2022				
6540 · OFFICE EXPENDITURES	24,550.00	24,550.00	16,800.00	13,720.08	82%					
6550 · EVENT EXPENSES	3,900.00	2,200.00	2,000.00	648.11	32%					
7000 · TELEPHONE/COMMUNICATIONS	11,190.00	12,890.00	16,000.00	10,563.48	66%	Increased expenses due to higher costs				
7300 · Stratford Always On (RRRF)										
Total Expense	824,994.00	823,493.00	829,184.00	484,976.61	58%					
5154 Transfer to Reserve	0.00	20,000.00	10,000.00	0.00	0%	Reduced yearly contribution as per Board direction				
7100 City Repayment on Loan	0.00					Loan repaid in full in 2020				
Net Income	6.00	7.00	316.00	220,465.33						

2022 Destination Marketing

Media Relations Highlights:

- 31 Influencer campaigns & supported itineraries
- 23 Instagram video reels created
- 63 generated articles (as a result of industry press releases, articles, interviews etc.).

Strategic Partnerships Highlights:

- Stratford Festival – Collaboration and support for various media relations
- Stratford Summer Music & SpringWorks – Supported various media
- Perth County Tourism & RT04 – Perth County Farms to Stratford Tables video series
- Ontario by Bike (also in partnership with St. Marys and Perth County)
- The Bruce Hotel – Partnership for large prize package on social media page
- Supported Stratford Golf and Country Club in welcoming the Canadian Under 21 Curling Championship

Advertising Highlights:

- Toque Magazine 6-page editorial + ½ page ad, 10-page editorial + ½ page ad
- Ontario by Bike – digital ads and blog post
- Secured the front cover and 2-page editorial in Canada Travel & Lifestyle Magazine
- Regional digital billboard campaign with ~3 million impressions: London, KW, Cambridge, Mississauga, Vaughn, Toronto, GTA including 400 series highways
- Broadcast TV – 2-week time slot featuring newly created Bacon & Ale video

Social Media Highlights:

- Facebook Followers: 18,281 (+1.2%)
- Instagram Followers: 10,994 (+4.1%)
- Facebook Organic Reach 122.6K (up 241.8% in the last 90 days from the 90 days prior)
- Facebook Organic Engagement 6K (up 31.5% in the last 90 days from the 90 days prior)

The Love Stratford Box:

- Destination Stratford launched 2 successful consumer boxes in 2022 featuring 28 local businesses
- Both boxes sold out and were distributed across Canada
- As a result of the sales, \$1,900 was donated to local charities





LIST

A Perfect Day in Stratford, Ontario

Forbes

[Destination Stratford's](#) Chocolate Trail is a chocolate lover's dream. The self-guided tour provides an introduction to the city's bakers and confectioners. Booklets for purchase contain six vouchers which can be traded for a chocolate treat found on the trail, like the chocolate mocha drink for which Stratford is known. Or head to Bradshaws Stonewall Kitchen to pick up a jar of dark chocolate sea salt caramel sauce. In addition to the chocolate trail there's also a self-guided Bacon and Ale Trail that offers insight into the region's the pork and brewing history.



Braai House Chef de Cuisine Julian Palmer

AN EMBARRASSMENT OF RICHES: MARVELING AT KEYSTONE HOSPITALITY'S FOODIE EMPIRE

WORDS & PHOTOS BY CHRIS TIESSEN

'The recipe for that dollop of peri-peri alone was years in the making,' Chef de Cuisine Julian Palmer tells me as I scoop a bit onto my fork and touch it to my tongue. The flavour is electrifying – smoky, spicy, complex. A triumph. Julian continues: 'Chef [Arron Carley] and I began experimenting with ingredients three years ago – trialing with smoked chillies, white onion, lemons.' I portion a few drops of the sauce onto a piece of the succulent duck with which it's been paired and take a bite. The flavours of the peri-peri and duck

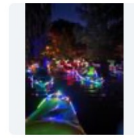
lemons worth of peels three separate times for each batch of peri-peri – and add lots of white vinegar.'

White vinegar? 'It's often used in South African cooking,' Julian adds matter-of-factly. Ah, of course. South African cooking: the (wonderfully-)inescapable theme of this whirlwind junket of Stratford-based Keystone Hospitality's triad of South African-inspired culinary gems. There's BRCH & Wyn: a daytime café that transforms into a tapas-style wine bar in the evening. And Brû



Content ⓘ

Sort by: Reach ▼



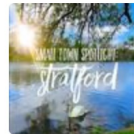
Wed Aug 17, 11:20am
Save the Date this upc...
Post
Reach 88,660



Thu Jun 16, 7:26am
Road Trip Idea, details ...
Post
Reach 64,776



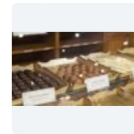
Wed Jun 15, 8:20am
Who would you bring h...
Post
Reach 48,610



Tue Jun 14, 5:18am
HOW TO SPEND 48 H...
Post
Reach 40,408



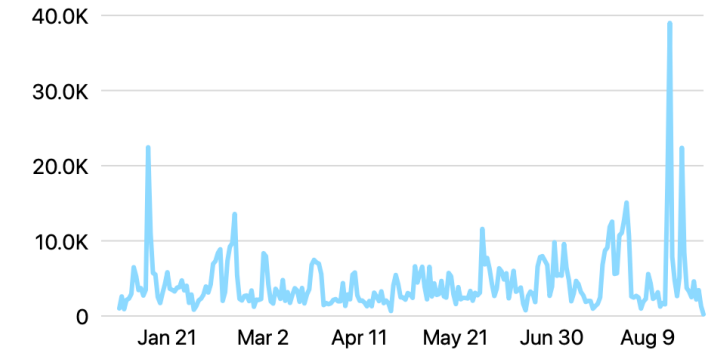
Thu Jan 13, 1:38pm
This week's Stratford ...
Post
Reach 31,982



Wed Jul 27, 7:00am
Chocolate lovers unite!...
Post
Reach 31,361

Reach

Facebook Page reach ⓘ

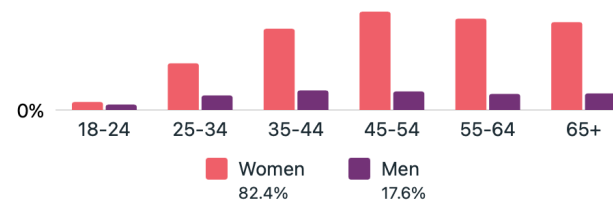
304,433 ↑ 9.1%

Audience ⓘ

Facebook Page likes ⓘ

17,600

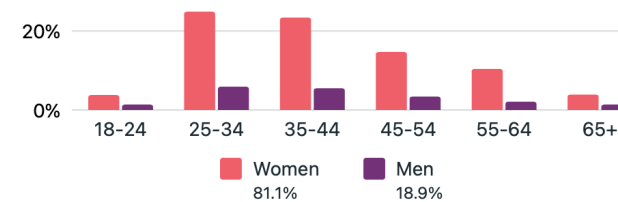
Age & gender ⓘ



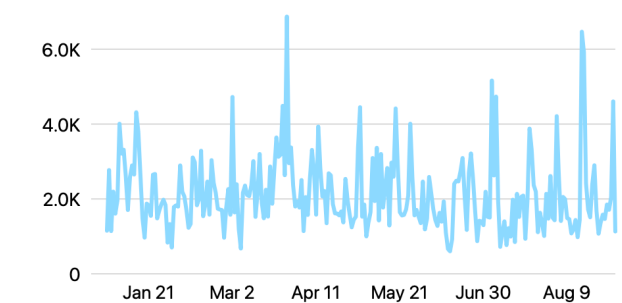
Instagram followers ⓘ

10,994

Age & gender ⓘ



Instagram reach ⓘ

66,760 ↓ 14.2%



**explore.ontario and
visitstratfordon**
Stratford, Ontario



explore.ontario HOW TO SPEND 48
HOURS IN STRATFORD!



Save this post for future travels



We've partnered with
[@visitstratfordon](#) to bring you the
ultimate guide to spending 48 hours
in Stratford - although after visiting
you'll definitely plan on staying
longer! 😊

DAY 1 AFTERNOON

Check into the ultra-cool Bradshaw
Lofts that offer 12 different suites -
all which belong in a magazine. This



Liked by **lightsonstratford** and
1,425 others

JUNE 14



Add a comment...

Post

**StratfordON**

Published by Later ·
August 17 at 2:20 PM ·

Save the Date this upcoming Saturday for the one year anniversary to "Light Up the Night Kayaking"! 🌟🇺🇸

To celebrate they're holding an Aloha Hawaiian Night on August 20th at 8pm on the Avon River! So grab your life jacket and your best costume and enjoy lighting up the night on the water (or watching from the river banks)!

For more information, visit the Facebook event link:

<https://www.facebook.com/events/1255748068567074/?ref=newsfeed>

Edit

👍❤️ 398

80 💬 331 ➦

👍 Like 💬 Comment ➦ Share 📺

Most relevant ▼

**Mona Lee Smith**

looks like fun 👍❤️ 2

Love Reply Hide 1w

**Gwen Thomson**

Would be very cool to do ❤️

Love Reply Hide 1w

**MaryAnn Hill Derkson**

Ken Hill you can light up your kayak for night kayaking ❤️

Love Reply Hide 1w

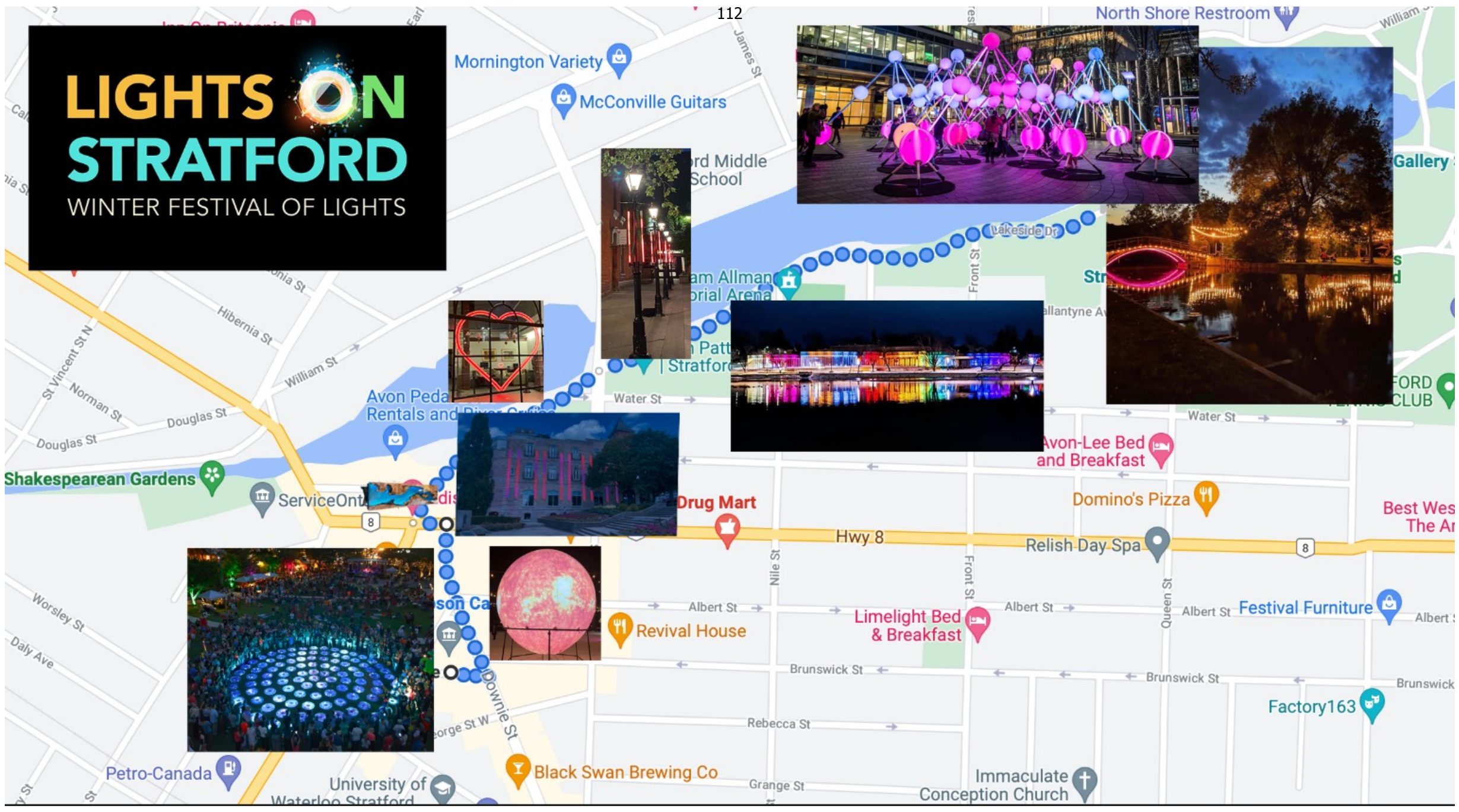
2022 Q3 Destination Development

- Preparing Lights On Stratford (LOS) 2022/23
- >\$50,000 in local cash sponsors raised for LOS
- All LOS major light displays budgeted and confirmed
- LOS Light Trail to include LED wayfinding light tubes on lampposts linking Market Square to Tom Patterson Island
- \$25,000 LOS Shareable Moments program launches in September with \$500-\$5,000 grants for Stratford businesses/organizations to create unique light displays. In partnership with RTO4
- LOS Interactive “LightWall” light display announced for 70 Ontario Street (façade by Memorial Gardens)
- Culinary Trail sales continue to outperform pre-pandemic 2019 levels
- Managing Stratford Al Fresco - consistently busy, especially at lunchtime and weekends (Market Square alone averages 51 patrons per hour during midday and evening)



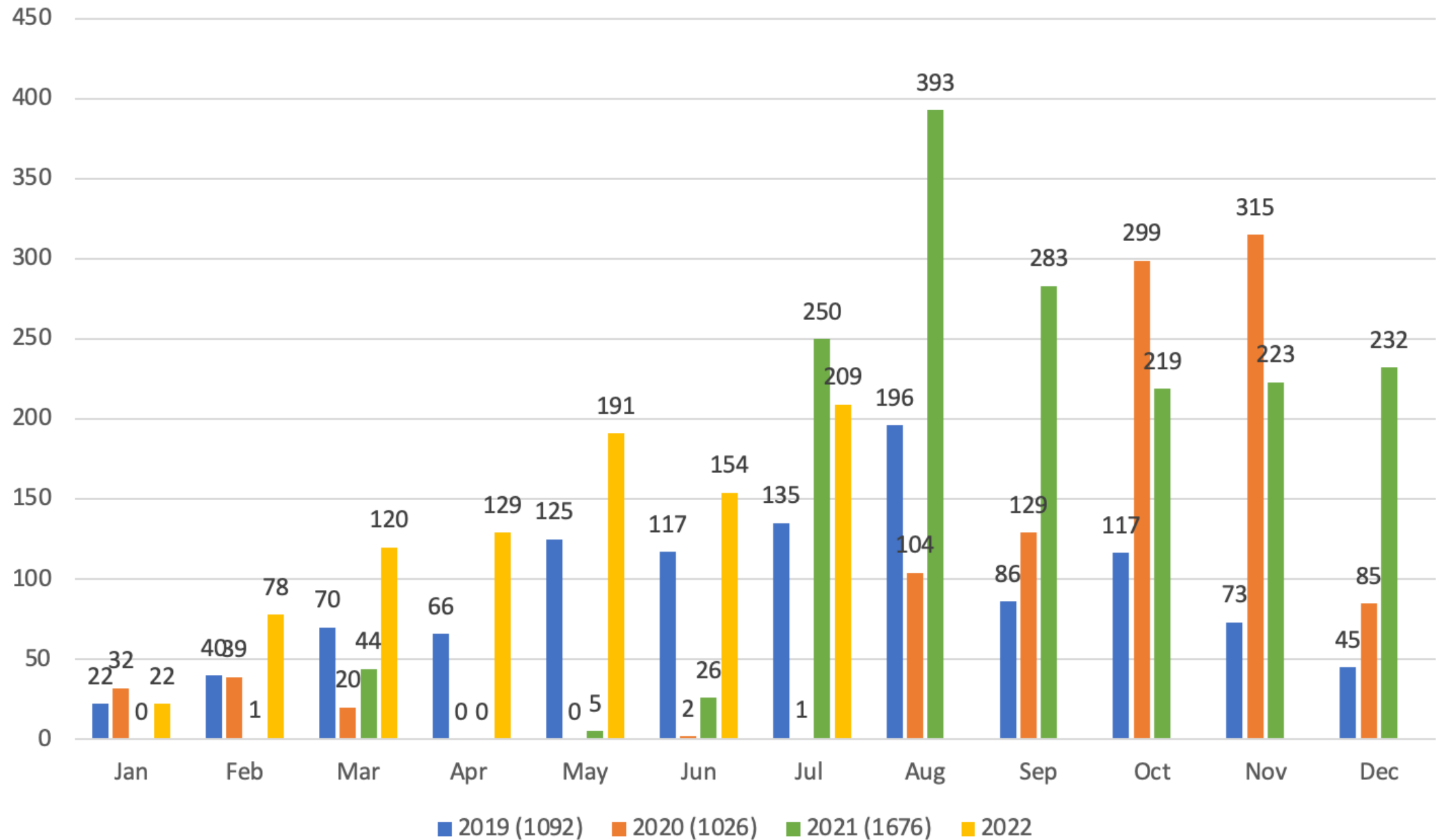
LIGHTS ON STRATFORD

WINTER FESTIVAL OF LIGHTS





Chocolate Trail - 2019 vs 2020 vs 2021 vs 2022





STRATFORD
Al Fresco



2022 Q3 Destination Management

- Presenting to AMCTO 2022 Municipal Leaders Forum in September about Lights On Stratford and Destination Development Initiatives
- Presenting to County of Elgin Economic Development and Tourism Department in September about Destination Development
- 2022 Sport Tourism Strategy - active partner with City and investStratford
- 2022 Municipal Cultural Plan – active partner with City
- Established regular check-in regional meetings with leadership at Explore Waterloo Region and Tourism London
- Boathouse Public Washroom Project is expecting up to 8 firms bidding. Selection by mid-September with start in October: visitstratford.ca/boathouse
- DS leading EDIAR “Welcoming Community” initiative with additional funding support from RTO4 and Downtown Stratford BIA: visitstratford.ca/welcoming-community
- Formation of local Tourism Advisory Committees: visitstratford.ca/tac



Tourism Advisory Committees (TAC)

Destination Stratford (DS) has created advisory committees for tourism sub-sectors, including accommodation, culinary, festival/event/attraction, and retail. Each TAC will meet twice per year (early Spring and late Fall) to share and discuss opportunities and challenges from each sector's perspective that will help inform and shape DS Marketing, Development and Management initiatives. There are approximately 10 members on each committee that represent a broad spectrum within each sub-sector. See visitstratford.ca/tac for more details.

Accommodation Tourism Advisory Committee

Jennifer Belanger – The Bruce Hotel / DS Board
 Missy Bockmaster – The Juliet Loft
 Bill Cutt – The Parlour Inn
 Andrea Hayter – Best Western The Arden Park Hotel
 George & Debra Mackie – Hughson Hall Bed and Breakfast
 Shawna MacNeil – Ariel's Boutique B&B
 Brendan McKenna – The Kressley Group (Bradshaw Lofts)
 Elena Pastura – Birmingham Manor Bed and Breakfast
 Tobias Walch and Magdalena Walch – Servus Stratford Bed & Breakfast
 Shelley Windsor – Windsor Hospitality / Mercer Inn

Retail Tourism Advisory Committee

Dana Bertelsen – Got it Made
 Karina Bogle – White-Balmer Shoes
 Jackie Catania – Treasures
 Jo Gordon – Resonance
 Elsa Fahraeus – Illume Wellness Spa
 Sarah Smithers – Wills & Prior
 Kristene Steed – Rhéo Thompson Candies / DS Board
 Carrie Wreford – Bradshaws / Small Mart / Werk-Shop

Culinary Tourism Advisory Committee

Kim Cosgrove – Stratford Chefs School / DS Board
 Tricia DeSando – Black Swan Brewing
 Craig Foster – Foster's Inn
 Alondra Galvez – El Cactus Taco Shop
 Trena Hough – The Pulp
 Kimberly Hurley – Keystone Hospitality
 Steve Ireson – The Parlour Inn
 Elizabeth Kerr – Stratford Chefs School
 Chloé Miller – Pazzo / DS Board
 Ryan O'Donnell – Windsor Hospitality

Festivals, Events and Attractions Tourism Advisory Committee

Richard Beaty – Stratford Art in the Park
 Curator/Rep – Gallery Stratford
 Ron Dodson – Stratford Arts & Culture Collective
 Kendra Fry – Stratford Summer Music / DS Board
 Sarah Hamza – Stratford Festival / DS Board
 John Kastner – Stratford Perth Museum
 Eileen Smith – SpringWorks
 Jamie Cottle – WinterFest



CITY OF STRATFORD SPORT TOURISM STRATEGY

Work Begins on City of Stratford Sport Tourism Strategy

The City of Stratford has partnered with investStratford and Destination Stratford to develop a Sport Tourism Strategy for the City.

The project, funded through a grant that will be announced shortly, will assess the City's current tourism assets, gather information through public consultations and provide a strategy for growth and next steps.

All members of the public, sports groups, and service clubs are encouraged to participate in the consultations. Opportunities will include online engagement via the City of Stratford's [Engage Stratford](https://engagestratford.ca) platform (<https://engagestratford.ca>), as well as in-person public consultations.

The Sport Tourism Strategy project aims to:

- determine the economic impact, and the size and scope of existing sport tourism opportunities – including an inventory of capital assets (infrastructure) and human assets (volunteer groups, local sport associations)
- explore the potential to expand those existing opportunities and to identify new areas for growth, complete with financial and socio-community impacts, effects and outcomes
- consider and recommend technology tools that link sport bookings to tourism assets, amplifying the visitor experience with local retail, food/beverage and accommodation providers
- provide a needs analysis for growth and potential funding

WELCOMING COMMUNITY

WELCOMING COMMUNITY

Our initial diversity, equity and inclusion (DEI) project goals to engage and empower leaders within the Destination Stratford business, public and community catchment area to identify and dismantle personal and systemic racism and other biases within organizational structures, practices, and policies; and provide internal Destination Stratford board members and stakeholders access to learning experiences (skills, language, and tools) designed to understand how to identify and dismantle racism and bias, were completed as of May 2021 and we are now ready to move on to define what it means to be a “welcoming community” and to bring this definition to Stratford City Council for formal recognition to continue EDIAR awareness and action within our community, especially for our front-line tourism teams and local residents.

More details coming soon!

This project is made possible with funding from Destination Stratford, RTO4 and Downtown Stratford BIA.

Contact



MANAGEMENT REPORT

Date: September 20, 2022
To: Finance and Labour Relations Sub-committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services
Report #: FIN22-034
Attachments: 1. FHI Financial Results to June 30, 2022; 2. FHSI Financial Results to June 30, 2022

Title: Financial Results, Statements and Commentary for Festival Hydro Inc. (FHI) and Festival Hydro Services Inc. (FHSI), for the period ending June 30, 2022

Objective: To receive an update on Festival Hydro activities for the period ending June 30, 2022.

Background: City Council is updated regularly on the financial and operating activities of Festival Hydro.

Analysis: As noted in the attached statements. Representatives from Festival Hydro have been invited to attend as a delegation to present the attached reports.

Financial Implications:

Financial impact to current year operating budget:

The reports are being provided for information so there are no significant financial impacts to note. One area of interest is the top up dividend paid in Q2 relating to 2021: These revenues have been reflected in 2021's financial records.

The City receives quarterly interest payments of \$282,750 for the loan. To date in 2022, two quarterly interest payments have been received = \$565,500 and no dividends for 2022 to date. Budgeted revenues for interest and dividends for 2022 were estimated at \$1,658,900.

Alignment with Strategic Priorities:

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Culture and Community

Nurturing local identity and heritage, empowering communities and promoting a culture of sustainable living.

Staff Recommendations: THAT the Festival Hydro Inc. financial statements and commentary for the period ending June 30, 2022, be received for information;

AND THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending June 30, 2022, be received for information.

Prepared by:

Karmen Krueger, CPA, CA, Director of Corporate Services

Recommended by:

Karmen Krueger, CPA, CA, Director of Corporate Services

Joan Thomson, Chief Administrative Officer



Festival Hydro Services Inc.

Financial Statements

Prepared For:

Dave Gaffney and the Finance & Labour

Relations Committee

September 2022

To: Dave Gaffney and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Commentary on Financial Results – For the period ended June 30, 2022

The net income for the period was \$39K which is \$13K higher than budget but \$51K lower than at this point last year. Detailed commentary on the balance sheet and income statement activity are noted below:

Balance Sheet Commentary:

A/R & Prepaids – This balance is higher than Q1 by \$14K. This is due to Q1's joint use being billed in this quarter. The amount is lower than the Q2 balance in 2021 because of the decreased shared revenue from Wightman.

Outstanding accounts receivable balances are generally held in Festival Hydro as they hit the intercompany account and revenues when they are billed, not when they are collected. They are being monitored through the monitoring of the miscellaneous AR aging in Festival Hydro. We will continue to monitor the aged miscellaneous AR balances regularly to ensure Rhizome receivables are not impacting Festival's cash flows increasingly.

Capital Asset Additions – Additions to the end of June 2022 are \$83K, or 106% of Q2 budget. This includes \$59K in computer hardware additions, \$19K on Fibre and \$5K on WIFI related projects. Details on the capital spend to date are as noted below:

Computer Hardware: Total spend for FHSI on hardware YTD is \$59K of which \$52K was spent on our new server project. We had budgeted \$55K for this project. These are the main network servers as the previous servers (4) were nearing end of life from an age perspective and were at risk of failure. A couple of the old servers may be repurposed for a sandbox environment and potentially as a backup server. There was also a purchase of rack extenders for the data centre totalling \$3.5K.

Fibre Capital: Total spend on fibre capital YTD is \$19K, \$8K was spent on AdTran spare parts. This allows for quick access to critical parts in case of component failures on the primary Stratford fibre device and therefore significantly decreases lengthy outage time risks. \$6K was spent on the AdTran migration in St. Mary's. There have been limited costs related to Wightman network expansion.

WI-FI Capital: Total YTD spend on WIFI related activity is \$5K. This was spent on the St. Mary's Wi-Fi project that was delayed in 2021 due to supply chain issues. This project is currently on hold.

Due to Festival Hydro Inc. – The balance in this account decreased from the March 31, 2022, balance by \$3K. The change is due to projects completed by FHSI staff for FHI.

Deferred Revenue – This balance has decreased from the March 2022 balance as a portion of the balance has been recognized into revenue for Q2 2022. No new contributions have been received in the year.

Income Statement Commentary:

Revenues – Revenues are \$46K lower than budget in Q2. Consulting revenue is down from budget because of labour challenges. We had a delay in hiring a new position that was to start May 1st and also had a resignation at the beginning of June. These positions have been subsequently filled, one on a part time contract basis and one on a full-time basis. This decrease is offset by the increase in LIT revenue. This revenue budget is split evenly throughout the year, but the actual revenues were higher due to the previous Wightman contract. The full impact of the new contract which will decrease revenue after April 1st has not been seen yet. We are also behind budget for fibre, Wi-Fi and co-locate revenues due to slower growth than projected.

Operating Expenses – Operating expenses are below budget by \$57K at the end of Q2 but higher than Q2 2021 by \$50K. While we have not consistently had a full staff compliment in 2022, we have improved compared to the prior year which is why the business development expenses are lower than budget but higher than prior year. There were also decreases in fibre and Wi-Fi expenses compared to budget as the pole attachment rate determined by the OEB dropped from \$44.50 in 2021 to \$34.76.

Cash Flow Commentary:

The cash balance has increased to \$18K from the \$14K March 2022 balance. As discussed above, net income is ahead of budget. The variances in cash from year end and Q1 are due to the net change in receivables and payables loan repayments, capital purchases and working capital items.

FESTIVAL HYDRO SERVICES INC.

Balance Sheet For the period ending June 30, 2022

	YTD as at Jun 30, 2021	YTD as at Dec 31, 2021	YTD as at Jun 30, 2022		YTD as at Jun 30, 2021	YTD as at Dec 31, 2021	YTD as at Jun 30, 2022
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Cash	36,626	9,016	18,322	Accounts Payable	41,795	33,211	18,270
Accounts Receivable & Prepaids	102,577	62,215	63,680	Due to Festival Hydro Inc.	522,067	332,803	289,978
Income Tax Receivable/(Payable)	—	(62,500)	(7,299)	Current Portion of LTD	20,853	42,508	21,254
Other Assets	—	—	—	Promissory Note	372,000	372,000	372,000
Inventory	7,773	7,617	7,617				
Total Current Assets	146,976	16,347	82,319	Total Current Liabilities	956,715	780,522	701,502
Fixed Assets				Other Liabilities			
Gross Book Value	5,435,440	5,362,691	5,446,033	Deferred Revenue	641,798	597,465	564,309
Accumulated Depreciation	(2,191,556)	(2,254,559)	(2,442,451)	Deferred Tax Liabilities	238,000	212,000	243,000
Net Book Value	3,243,884	3,108,132	3,003,582				
Other Assets				Long Term Debt			
Investment in QR Fibre Co.	—	—	—	RBC Financing	—	—	—
Investment Tax Credit Receivable	6,000	6,000	—	POP Loan Long Term Portion	363,813	321,305	321,305
				TOTAL LIABILITIES	2,200,326	1,911,292	1,830,116
				EQUITY			
				Share Capital	249,236	249,236	249,236
				Retained Earnings	947,299	969,952	1,006,550
				TOTAL EQUITY	1,196,534	1,219,187	1,255,786
TOTAL ASSETS	3,396,861	3,130,479	3,085,901	TOTAL LIABILITIES AND EQUITY	3,396,861	3,130,479	3,085,901

FESTIVAL HYDRO SERVICES INC.

Statement of Operations For the period ending June 30, 2022

	YTD as at Jun 30, 2021	YTD as at Jun 30, 2022	YTD Budget at Jun 30, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
TOTAL REVENUE	662,084	659,928	705,850	(45,922)	(7%)
TOTAL OPERATING EXPENSES	363,688	413,264	470,164	(56,900)	(12%)
NET INCOME BEFORE DEPRECIATION & INTEREST	298,396	246,664	235,686	10,978	5%
Depreciation	183,208	187,928	187,928	—	—
Interest Expense	25,341	19,741	21,910	(2,170)	(10%)
Interest Income	(73)	(66)	—	(66)	—
NET INCOME FOR THE PERIOD BEFORE TAXES	89,921	39,061	25,847	13,214	51%
Current Tax Provision	—	—	—	—	—
Future Tax Provision	—	—	—	—	—
NET INCOME(LOSS) FOR THE PERIOD	89,921	39,061	25,847	13,214	51%

FESTIVAL HYDRO SERVICES INC.

Cash Flow Statement

For the period ending June 30, 2022

	YTD as at Dec 31, 2021	YTD as at Jun 30, 2022
Cash from Operations		
Net Income	172,110	39,062
Future tax provision	(57,000)	—
Current tax provision (ITC portion)	34,000	(20,701)
Depreciation	362,439	187,928
Amortization of contributed capital	(72,698)	(35,671)
Amortization of deferred revenue	(17,437)	2,515
Accretion of interest	—	—
Investment in QR Fibre Co.	—	—
Net Change in Receivables/Payables	(1,388)	(16,406)
Net Cash Provided	420,026	156,727
Cash from Financing		
Capital expenditures - Festival	(84,563)	(83,342)
Contributed capital received DSRC - AVIN	—	—
Loan - Wightman	(41,707)	(21,254)
Loan - RBC	—	—
Loan from/(repayment to) Festival	(294,268)	(42,825)
Net Cash Used	(420,539)	(147,421)
Increase (Decrease) in Cash Position	(513)	9,306
Cash Beg of Period	9,529	9,016
Cash End of Period	9,016	18,323

FESTIVAL HYDRO SERVICES INC.

Statement of Capital For the period ending June 30, 2022

	YTD as at Jun 30, 2022	YTD Budget at Jun 30, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
CAPITAL				
Office Furniture & Equipment	—	—	—	—
Computer Equipment - Hardware	58,646	52,415	6,231	12%
Computer Software	—	1,988	(1,988)	(100%)
Sentinel Lighting Rental Units	—	—	—	—
Buildings	121	—	121	—
Fibre Capital	19,351	20,500	(1,149)	(6%)
WiFi Capital	5,224	3,833	1,391	36%
TOTAL CAPITAL	83,342	78,735	4,606	6%



Financial Statements

Prepared For:

Dave Gaffney and the Finance & Labour

Relations Committee

September 2022

To: Dave Gaffney and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Financial Statement Commentary for the period ended June 30, 2022

Net income for the period is \$1.3M, which is \$365K above the YTD budget. Detailed commentary on the balance sheet and statement of operations are noted below:

BALANCE SHEET COMMENTARY:

Accounts Receivable – The accounts receivable balance is \$656K more than it was in June of 2021. This variance is the result of the following:

- Electric receivables are \$376K higher than June 2021, the majority of this being current balance i.e., not in arrears. Arrears balances have decreased by \$111K compared to June 2021.
- Water and sewer receivables are \$40K lower than June 2021 with the majority being current balances and \$13K in arrears balances.
- Miscellaneous receivables have decreased in the quarter due to a large deposit received by a developer in May.

Electric receivables are being continuously monitored due to the disconnection moratorium which ended on April 30, 2022. The customer service staff have been diligently working through the disconnection process with customers and attempting to receive payments or make payment arrangements prior to disconnection. Their success has been demonstrated through consistently decreasing arrears balances each quarter.

Due from FHSI – The balance in this account decreased by \$3K from March 2022. This balance is remaining consistent due to continual work being complete by FHSI staff for FHI offset by operational transactions paid for by FHI for FHSI.

Unbilled Revenue – This balance is \$158K higher than the balance in June of 2021 and \$351K lower than the balance at March 2022. The main difference between March and June balances was a decrease in kWhs by 2 million. The overall cost of power is slightly up from the prior year.

Regulatory Assets – The regulatory asset balance has increased by \$2.18M since March 2022 and is driven virtually all by the commodity accounts (1588/89). \$1.2M relates to 1589 which is the Global Adjustment (GA) Variance. Non-RPP customers are billed on the first estimate which was 5.9 cents in April and 6.0 cents in May, but we settle on the actual rate which was 8.3 cents in April and 8.5 cents in May. This will be settled in a future IRM application (or the variance can swing in the opposite direction in future months). These rates also impact the 1588 variance for RPP customers which changed by \$1M since March 2022; these are cleared through our monthly settlement process.

A/P and Accrued Liabilities – This balance has decreased by \$2.1M from the March 2022 balance. The majority of this variance relates to a lower accrued IESO invoice payable by \$1.3M.

INCOME STATEMENT COMMENTARY

Gross Margin on Service Revenue (Distribution Revenue) – The distribution revenue to the end of Q2 2022 is \$273K above budget. We have seen steady customer growth month over month as well as a slight kWh increase compared to the prior year. The actual IRM inflationary increase built into rates is higher than what was included in the budget in October.

Other Revenue – Other revenue is running \$69K above budget at the end of Q1 mainly due to a larger than anticipated scrap metal refund in the amount of \$73K.

Controllable Costs - Total controllable costs are \$162K less than budget to the end of Q2.

Operating and Maintenance expenses are up overall by \$33K compared to the budget. We are currently up \$30K in maintenance of underground services with increases in labour, trucking and material costs. Generally, we are higher in the first six months as maintenance work is done early in the year and capital work increases through the summer months.

Billing, Collecting and Meter Reading expenses are down \$44K compared to the budget. This is mainly due to FHI's dedicated IT staff leaving in May and less CIS work than projected completed by FHSI staff.

Administration expenses are down overall by \$151K. The majority of this balance is due to the vacancy of the VP of IT position for the first half of the year and incentive plans that were budgeted but not implemented.

CASH FLOW COMMENTARY

As per the cash flow statement, the June 30 cash balance decreased by \$2.9M since March 2022. We have been seeing large swings in IESO invoices with the April, May and June payments being \$6.7M, \$10.2M and \$1.7M respectively. At the end of May the month end cash balance was \$5.2M. We are closely monitoring the cash flow impacts from IESO invoices. The 2021 top up dividend to the City of Stratford was also paid in Q2.

LOAN COVENANT RATIOS

The Loan Covenant liquidity ratios and debt to equity ratios as prescribed by our lender, RBC, are being met.

Presented for information purposes.

Balance Sheet
For the period ending June 30, 2022

	YTD as at Jun 30, 2021	YTD as at Dec 31, 2021	YTD as at Jun 30, 2022		YTD as at Jun 30, 2021	YTD as at Dec 31, 2021	YTD as at Jun 30, 2022
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Accounts Receivable	6,274,057	8,517,199	6,929,756	Bank Indebtedness	526,191	15,768	2,834,129
Inventory	309,019	163,445	391,285	Accounts Payable & Accrued Liabilities	8,723,981	10,920,398	8,457,903
Prepaid Expenses	295,752	357,282	271,191	Current Portion of Consumer Deposits	1,085,980	1,169,541	982,501
Due from FHSI	522,067	332,803	289,978	Current Portion of Long Term Loans	339,536	707,717	357,067
Corporate PILS Recoverable	144,937	356,057	406,962	Dividends Declared	—	500,556	—
Unbilled Revenue	5,397,811	5,230,771	5,555,972	Promissory Note	15,600,000	15,600,000	15,600,000
	12,943,643	14,957,557	13,845,145		26,275,687	28,913,981	28,231,600
Property, Plant & Equipment	55,669,520	57,113,909	56,582,409	Other Liabilities			
Other Assets				Unrealized loss on interest rate swap	1,585,033	938,948	938,948
Intangible Assets	1,849,304	1,734,841	1,872,281	Deferred Revenue	2,291,610	2,648,087	2,671,794
Future payments in lieu of income taxes	(947,981)	(3,109,920)	(3,109,920)	Employee Future Benefits	1,492,917	1,361,643	1,361,643
Regulatory Assets	1,844,839	4,597,210	6,641,675	Long Term Debt			
				Consumer Deposits over one year	—	594,311	—
				RBC Loan - LT Portion	10,366,000	10,540,477	10,540,477
				Infrastructure Ontario Loan - LT Portion	746,654	—	—
				TOTAL LIABILITIES	42,757,901	44,997,447	43,744,462
				EQUITY			
				Share Capital - Common	9,468,388	9,468,388	9,468,388
				Share Capital - Preferred	6,100,000	6,100,000	6,100,000
				Retained Earnings	13,471,379	15,085,499	16,876,478
				Accumulated Other Comprehensive Income	(438,343)	(357,737)	(357,737)
				TOTAL EQUITY	28,601,424	30,296,150	32,087,129
TOTAL ASSETS	71,359,325	75,293,597	75,831,591	TOTAL LIABILITIES AND EQUITY	71,359,325	75,293,597	75,831,591

Income Statement

For the period ending June 30, 2022

	YTD as at Jun 30, 2021	YTD as at Jun 30, 2022	YTD Budget at Jun 30, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
REVENUE					
Service Revenue	33,726,881	37,865,904	43,278,562	(5,412,658)	(13%)
Cost of Power	27,943,637	31,529,417	37,214,700	(5,685,283)	(15%)
GROSS MARGIN (DISTRIBUTION REVENUE)	5,783,245	6,336,487	6,063,862	272,625	4%
Other Operating Revenue	551,524	622,722	553,261	69,461	13%
OPERATING & MAINTENANCE EXPENSE					
Transformer & Distribution Station Expense	77,766	87,301	95,753	(8,451)	(9%)
Distribution Lines & Services Overhead	805,614	877,579	883,447	(5,868)	(1%)
U/G Distribution Lines & Services	130,472	132,787	105,082	27,704	26%
Distribution Transformers	60,964	36,342	39,478	(3,137)	(8%)
Distribution Meters	129,157	229,691	213,806	15,886	7%
Customer Premises	104,094	92,068	84,869	7,199	8%
TOTAL OPERATING AND MAINTENANCE	1,308,069	1,455,767	1,422,435	33,333	2%
ADMINISTRATION					
Billing, Collecting & Meter Reading	662,007	670,676	714,399	(43,723)	(6%)
Administration	1,286,679	1,311,444	1,462,732	(151,287)	(10%)
TOTAL ADMINISTRATION	1,948,685	1,982,121	2,177,131	(195,010)	(9%)
Allocated Depreciation	(61,096)	(63,015)	(63,015)	—	—
TOTAL CONTROLLABLE COST	3,195,658	3,374,873	3,536,551	(161,677)	(5%)
NET INCOME BEFORE DEP'N, INTEREST & TAX	3,139,111	3,584,336	3,080,573	503,763	16%
Depreciation	1,195,441	1,279,671	1,279,671	—	—
Interest Expense	784,945	785,527	772,070	13,457	2%
Interest Income	(15,275)	(21,007)	(16,500)	(4,507)	27%
NET INCOME BEFORE SWAP, ICM & PBA & INC TAXES	1,173,999	1,540,144	1,045,331	494,813	47%
Current Tax	369,206	234,000	104,000	130,000	125%
NET INCOME BEFORE SWAP & ICM	804,793	1,306,144	941,331	364,813	39%
Unrealized Gain/Loss on Swap	—	—	—	—	—
Marketable Security - recorded as OCI	—	—	—	—	—
NET INCOME	804,793	1,306,144	941,331	364,813	39%

FESTIVAL HYDRO INC.

Cash Flow Statement

For the period ending June 30, 2022

	YTD as at Dec 31, 2021	YTD as at Jun 30, 2022
Cash from Operations		
Net Income	3,195,240	1,306,144
Depreciation	2,412,000	1,279,671
Amortization of deferred revenue in other revenue	(65,645)	23,707
Unrealized loss on interest rate swap	(646,085)	—
Decrease/(Increase) in Receivables	(1,111,618)	1,587,442
Decrease/(Increase) in Inventory	9,168	(227,840)
Decrease/(Increase) in Prepaids	32,568	86,090
Decrease/(Increase) in Due from FHSI	294,268	42,825
Decrease/(Increase) in PILS	(178,120)	(50,905)
Decrease/(Increase) in Unbilled Revenues	1,140,450	(325,201)
Decrease/(Increase) in Future Tax (offsetting entry in payal	2,161,939	—
Decrease/(Increase) in Regulatory Assets	(3,330,007)	(1,569,465)
Increase/(Decrease) in Payables	1,322,917	(2,257,496)
Increase/(Decrease) in Deposits	269,859	(781,351)
Increase/(Decrease) in Employee Future Benefits	(131,274)	—
Contributed Capital	486,469	507,109
Net Cash Provided	5,862,129	(379,269)
Cash from Financing		
Loan Repayments	529,445	350,650
Cash Used - Capital Expenditures	3,865,723	1,392,721
Cash Used - TS expansion	—	—
TS Expansion Construction Loan Proceeds	—	—
Cash Used - Dividends paid current year	390,330	695,721
Cash Used - Dividends declared in prior year	115,211	—
Net Cash Used	4,900,709	2,439,092
Increase (Decrease) in Cash Position	961,420	(2,818,361)
Bank Indebtedness, Beg of Period	(977,188)	(15,769)
Bank Indebtedness, End of Period	(15,769)	(2,834,129)
Bank and Line of Credit Analysis	2021	2022
High balance (YTD)	3,245,015	3,383,301
Low Balance (YTD)	(4,904,523)	(8,463,958)
Overdraft interest (annualized)	24,449	70,861
Interest rate (avg annual for period)	2.45%	3.70%
Average overdraft balance	997,918	1,915,175

Key Financial Ratios:	Actual Ratio	Required Ratio
RBC Compliance Ratio - Funded Debt to Total Capital	0.48	Less than 0.65
Infrastructure Ont Compliance - Debt to Equity Test	31:69	Less than 75:25
Infrastructure Ont Compliance - Debt Service Ratio	2.48	Not less than 1.30X

Statement of Capital

For the period ending June 30, 2022

	YTD as at Jun 30, 2021	YTD as at Jun 30, 2022	YTD Budget at Jun 30, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
DISTRIBUTION					
Distribution Overhead	512,073	457,073	683,757	(226,684)	(33%)
Underground Conductor and Devices	176,033	91,787	409,050	(317,263)	(78%)
Distribution Transformers	183,065	148,063	97,538	50,526	52%
Services	170,511	172,274	—	172,274	(100%)
Distribution Meters	24,667	95,526	193,575	(98,048)	(51%)
SCADA/Distribution Automation	5,770	19,113	27,500	(8,387)	(30%)
Tools and Miscellaneous Equipment	11,867	4,811	15,000	(10,189)	(68%)
TOTAL DISTRIBUTION	1,083,986	988,646	1,426,419	(437,773)	(31%)
OTHER CAPITAL					
Land and Buildings	267,204	83,769	137,346	(53,577)	(39%)
Transformer Station	70,598	7,524	69,500	(61,976)	(89%)
Vehicles and Trailers	—	—	105,000	(105,000)	(100%)
Computer Hardware and Software	272,279	312,781	227,150	85,631	38%
TOTAL OTHER CAPITAL	610,080	404,074	538,996	(134,922)	(25%)
TOTAL CAPITAL	1,694,067	1,392,721	1,965,415	(572,694)	(29%)



MANAGEMENT REPORT

Date: September 20, 2022
To: Finance and Labour Relations Sub-committee
From: Spencer Steckley, Manager of Financial Services
Report #: FIN22-035
Attachments: Q2 Variance Report - 2022

Title: Q2 Operating Budget Variance Report at June 30, 2022

Objective: To explain variances in the operating budget as at June 30, 2022 and highlight preliminary non-consolidated year-end results for 2020.

Background: Regular monitoring of budgetary performance provides an early warning of potential problems and gives decision makers time to consider actions that may be needed if major deviations in budget to actual results become evident.

This is especially important during the COVID-19 pandemic as we try to mitigate revenue losses.

Analysis: Similar to the first quarter in 2022, results derived from the second quarter are not reliably a predictor for the remainder of the year due to the timing of revenue being received and expenses being incurred. Emphasis continues to be placed on qualitative analysis to identify any areas of potential concern.

Based on discussion and analysis from city staff, a variance to budget (deficit) of \$163,000 has been forecasted for the year. This is a minor increase from the first quarter's forecasted deficit of \$68,000. As more information becomes known, these forecasts will be revised accordingly.

Detailed commentary on each of the departments' variances has been included in the attachment with this report. A high-level departmental discussion has been provided below.

Human Resources

The department continues to see significant legal costs and additional wages related to collective bargaining and arbitration. These expenses are expected to continue in subsequent quarters. At this time, the department is forecasting to be over budget by \$50,000 (or 7%) due to these legal costs. If required, based on the overall corporate

surplus/deficit position at year-end, this may be mitigated through the use of existing reserves for this purpose.

Corporate Services (including Finance, Taxation, Clerks, IT)

At this time, Corporate Services is forecasted to be \$105,000 under budget. The Clerk's department is forecasting a reduction in salary expenses (\$71,500) due to a staff vacancy while the Financial Services department has deferred planned consulting services for the tax assessment (\$33,500).

Infrastructure & Development Services

With the strain on the supply chain due to COVID and geopolitical environment overseas, the Fleet department is forecasting to be \$250,000 (or 15%) over budget. Unanticipated escalations in fuel costs and repairs/parts have resulted in significant costs to date for the department. At the time of drafting this report, actual expenses as at August 31 represented 93% of the budgeted amount for fuel and repairs/parts cost. Staff are exploring ways to mitigate the increase in costs however it is difficult with these expenses being necessary and time sensitive for operational purposes.

Community Services

Consistent with the first quarter, the Transit Division is forecasting to be under budget by \$60,000. This is a result of operational savings from the 'School Specials' program and staff vacancies within the mobility services from the first quarter of the year. Recreation's variance to budget forecast remains unchanged, with a deficit of \$153,000 due to a loss in ice rental revenue from a provincially mandated lockdown in January.

Social Services

As a whole, Social Services is forecasting to be under budget by \$125,000. This is primarily attributed to reduced programming in Ontario Works (\$50,000) and Child Care (\$50,000) as well as savings from staffing vacancies in Housing (\$25,000). Although these services are shared between Perth County and St. Marys, the figures provided represent the City of Stratford's portion of the estimated surplus.

Staffing Comment

Overall, the City continues to struggle to fill staffing vacancies in many divisions. As such, variances continue to exist in the wages and benefits areas within most divisions. These variances have created larger than expected corporate surpluses in both 2020 and 2021 preliminary unaudited results and will quite likely offset any negative variances experienced overall in 2022 as well.

2020 Non-Consolidated Preliminary Financial Results

The 2020 audit continues to progress with financial statements expected to be presented to the Finance and Labour Relations Sub-committee as soon as available. Preliminary figures for the December 31, 2020 year-end have resulted in a non-consolidated unaudited surplus of approximately \$2 million. This is due largely to the staffing variances noted above. Similar to previous years, this surplus joins the 'Tax Rate Stabilization' reserve and is used to stabilize fluctuations in the levy requirements year-over-year. In 2022, the budget included a \$1 million contribution from this reserve that was derived from cumulative audited surpluses available.

Although detailed variances will accompany financial statement presentation at a later date, a couple of themes emerged during 2020 that are worth noting. Given the COVID pandemic was in its early stages, measures were put in place to mitigate risk and reduce potential exposure to the City. Staffing levels were thus reduced to reflect provincial closures and health mandates. As a result, the City's payroll-related expenses were 94% of the budgeted amount (budget of \$47,524,580 vs actual of \$44,668,197), contributing to the overall surplus. Conversely, on the revenue side, there were corresponding figures under-budget, including parking revenue \$1.5 million under budget and community services revenue (i.e. recreation facility rentals, recreation programs and transit revenue) approximately \$1.8 million under budget. Safe Restart funding of \$1.8 million received during the year helped to reduce these losses. All of these significant impacts along with various other minor variances contribute to the unaudited \$2 million surplus at year end.

Financial Implications:

Financial impact to current year operating budget:

Year-end forecasts as noted in the attached. Currently forecasting variance to budget (deficit) of \$163,000 for the 2022 year-end at this time.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Not applicable:

As this report is being prepared for informational purposes, the One Planet Principles do not apply.

Staff Recommendation: THAT the Q2 Operating Variance Report at June 30, 2022 be received for information.

Prepared by: Spencer Steckley, CPA, CA, Manager of Financial Services
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Joan Thomson, Chief Administrative Officer

City of Stratford Q2 Operating Variance Report as at 30th June 2022						
Department	2022 Net Budget	Q2 YTD Jun 30/22	% of Budget Spent	(Surplus) / Deficit FORECASTED Variance At 31 Dec 2022	Variance as a % of Budget	Explanation
<u>Mayor/Council/CAO Office</u>						
101 - Mayor's Office	99,640	48,495	48.7	0	0%	No variance anticipated at this time.
102 - Council Services	373,930	191,637	51.2	0	0%	No variance anticipated at this time.
111 - CAO's Office	875,047	370,606	42.4	0	0%	No variance anticipated at this time. Timing of some larger budgeted line items (i.e. Leadership training and conferences) to occur in Q3 & Q4.
<u>Human Resources</u>						
112 - Human Resources	691,710	345,656	50.0	50,000	7%	Significant legal costs and associated additional wages related to collective bargaining/arbitration continue to be incurred.
<u>Corporate Services</u>						
100 - Taxation	(68,520,591)	(68,580,925)	100.1	0	0%	No variance anticipated at this time - final tax bills have now been issued and recorded as revenues in the general ledger.
100 - General Revenues	(1,658,900)	(282,750)	17.0	0	0%	No variance anticipated at this time. Timing of Festival Hydro dividend and interest payments account for the current variance at June 30, 2022.
121 - City Clerk	508,770	198,348	39.0	(71,500)	-14%	One vacant position in Clerk's Office resulting in an expected surplus associated with salaries and benefits.
131 - Financial Services	1,404,230	705,241	50.2	(33,500)	-2%	Projecting a small surplus - budgeted consulting services related to assessment (tax) not taking place during the year.
134 - Information Technology	1,705,196	859,233	50.4	0	0%	No variance anticipated at this time.
135 - Parking	(464,230)	(165,864)	35.7	0	0%	No variance anticipated at this time - Q2 parking revenue returning to levels consistent with pre-pandemic figures. Provided public health guidance remains unchanged (i.e. no further lockdowns), it is expected that this revenue trend should continue for the remainder of the year. Recruitment efforts also continue to ensure a full compliment of parking enforcement officers are staffed.
136 - Crossing Guards	242,910	99,788	41.1	0	0%	No variance anticipated at this time.
139 - General Financial Services	1,818,477	5,356,849	294.6	0	0%	No variance anticipated at this time - yearly insurance premium paid in full in first quarter (\$995,000). Principal and interest payments related to long term debt still to be reallocated to departments (approximately \$3 million).
513 - Industrial Land Sales	0	(1,639,203)	0.0	0	0%	Activity in this division is balanced through the Industrial Land Reserve Fund (no surplus/deficit expected).
810 - Requisitions from Others	9,284,432	5,243,437	56.5	0	0%	No variance anticipated at this time.
820 - Other Municipal Services	103,945	(4,913)	-4.7	0	0%	No variance anticipated at this time.
872 - Community Grants	769,050	343,682	44.7	0	0%	No variance anticipated at this time - Community payments are paid sporadically throughout the year.
<u>Infrastructure & Development Services</u>						
141 - City Building Maintenance	862,318	373,618	43.3	0	0%	No variance anticipated at this time.
251 - Building & Planning	491,632	144,714	29.4	0	0%	No variance anticipated at this time.
310 - Engineering	803,839	717,248	89.2	0	0%	No variance anticipated at this time. Payroll reallocation entries will be completed for Q3 analysis and will bring the current variance in line with the budget.

City of Stratford Q2 Operating Variance Report as at 30th June 2022						
Department	2022 Net Budget	Q2 YTD Jun 30/22	% of Budget Spent	(Surplus) / Deficit FORECASTED Variance At 31 Dec 2022	Variance as a % of Budget	Explanation
315 - Fleet	1,614,790	953,281	59.0	250,000	15%	Variance attributed to continued escalation in fuel prices and repair/parts. Supply chain issues also having significant impact on expenses.
320 - Roads	5,888,580	2,445,352	41.5	0	0%	No variance anticipated at this time.
330 - Sanitary	0	(1,483,934)	0.0	0	0%	User pay - Activity in this division is balanced through the reserve/reserve fund for no levy impact.
340 - Storm	4,416,682	805,365	18.2	0	0%	No variance anticipated at this time. Principal and interest payments still to be reallocated from department 139 - General Financial Services (\$1.35 million). Will be completed for Q3 analysis.
350 - Water	(7,235)	(186,225)	0.0	0	0%	User pay - Activity in this division is balanced through the reserve/reserve fund for no levy impact.
360 - Waste	1,035,740	82,093	7.9	0	0%	No variance anticipated at this time. Current variance related to timing of journal entries as well as revenue and expenses (i.e. leaf/yard waste pickup concentrated in the Spring and fall months).
<i>Fire</i>						
211 - Fire	8,390,884	4,082,255	48.7	0	0%	No variance anticipated at this time.
512 - Airport	184,742	52,047	28.2	0	0%	No variance anticipated at this time - timing of larger budgeted expenses (i.e. annual maintenance and asphalt resurfacing) historically incurred in Q3.
<i>Community Services</i>						
711 - Parks	2,563,180	923,898	36.0	0	0%	No variance anticipated at this time - the majority of seasonal employee expenses are incurred in Q3.
721 - Recreation	5,320,967	1,244,811	23.4	153,000	3%	Loss in ice rental revenue in Q1 in the amount of \$153,000 due to the provincially mandated closure of indoor recreational facilities in January. Principal and interest payments still to be reallocated from department 139 - General Financial Services (\$800,000). Will be completed for Q3 analysis.
731 - Cemetery	460,180	287,075	62.4	0	0%	No variance anticipated at this time - some revenue related journal entries completed at year end.
750 - Transit	2,092,955	346,713	16.6	(50,000)	-2%	The extension of the Christmas break for students into January recognized some operational savings as 'School Specials' were not required to operate. On Demand transit on weekends also continues to recognize some additional savings in operating costs. Note payroll reallocation entries will be completed for Q3 analysis and bring the current variance reasonably in line with the budget.
751 - Parallel Transit	517,180	241,065	46.6	(10,000)	-2%	Surplus expected to be realized through the two vacant part-time driving positions in the department. Ridership does continue to increase with each quarter however it is still below pre-pandemic levels.
752 - Community Transportation	87,829	16,514	18.8	0	0%	No variance anticipated at this time - current variance due to timing of Ministry funding and invoicing of service provider.

City of Stratford Q2 Operating Variance Report as at 30th June 2022						
Department	2022 Net Budget	Q2 YTD Jun 30/22	% of Budget Spent	(Surplus) / Deficit FORECASTED Variance At 31 Dec 2022	Variance as a % of Budget	Explanation
<u>Social Services</u>						
610 - Social Services Administration	17,000	0	0.0	0	0%	No variance anticipated at this time. Small surplus to budget anticipated in staffing due to vacancies however these will be offset by reduced chargebacks to other divisions within Social Services.
611 - Ontario Works	573,980	(942,508)	-164.2	(50,000)	-9%	Small surplus anticipated due to staffing vacancies and no expenses related to the Community Social Investment Fund budget line. Timing of significant service payments will be reflected in the latter part of the year.
613 - Anne Hathaway Day Care Centre	1,170	400,429	34224.7	0	0%	No variance anticipated at this time. Accounting to recognize flow through funding from Early Learning & Child Development still to be done.
614 - Social Housing	0	1,205,767	0.0	0	0%	Department '614 - Social Housing' and department '615- Housing' should be viewed in conjunction with one another. A small surplus (see department 615) is anticipated based on staffing vacancies.
615 - Housing	2,356,750	(767,479)	-32.6	(25,000)	-1%	Department '614 - Social Housing' and department '615- Housing' should be viewed in conjunction with one another. A small surplus (see department 615) is anticipated due to staffing vacancies.
616 - Child Care	239,210	(1,598,067)	-668.1	(50,000)	-21%	Anticipated surplus as a result of no Resource Centre expenses incurred during the year. Significant provider payments will take place in subsequent quarters once the Canada Wide Early Learning & Child Care program is implemented (funds received but not yet disbursed).
617 - Early Learning & Child Development	115,260	(540,867)	-469.3	0	0%	No variance anticipated at this time. Significant provider payments will take place in subsequent quarters once the Canada Wide Early Learning & Child Care program is implemented (funds received but not yet disbursed).
618 - Britannia Street Apartments	0	(95,186)	0.0	0	0%	No variance anticipated at this time.
<u>Police</u>						
231 - Police	12,097,829	5,714,863	47.2	0	0%	No variance anticipated at this time.
<u>Library</u>						
411 - Library	2,640,922	1,413,268	53.5	0	0%	No variance anticipated at this time.
Total Net Expenses (Revenue)	\$ -	(41,074,571)		163,000		