



City of Richmond

Report to Committee

To: General Purposes Committee

To: General Purposes - May 6, 2002
Date: April 29, 2002

From: J. Richard McKenna
City Clerk

File: 8060-20-7361

Re: Review and Reorganization of all Statutory Reserve Funds

Staff Recommendation

That Reserve Fund Establishment Bylaw No. 7361 be introduced and given first, second and third readings, and that all existing Reserve Fund balances be transferred to their corresponding new or re-established Reserve Funds (as shown in the report dated April 29th, 2002)

J. Richard McKenna
City Clerk

Andrew Nazareth
Manager – Budgets & Accounting

Att. 1

FOR ORIGINATING DIVISION USE ONLY	
	CONCURRENCE OF GENERAL MANAGER

Staff Report

Origin

As part of the continuing review and evaluation of existing City bylaws towards the development of a City code, we have focussed on the many bylaws which were enacted, beginning in the 1960's to establish what are known as Statutory Reserve Funds. Council has the option of creating such reserve funds, by bylaw, under the authority of the *Local Government Act*, for the purpose of giving additional protection to monies held by the City, which are for specific and usually long term purposes, and which therefore are not part of General Revenue. This additional protection takes the form of a requirement that the funds in the reserves can only be accessed by a Reserve Fund Expenditure Bylaw. In addition, expenditures from certain reserve funds require a 2/3 majority vote of Council. In short, bylaws are required to create the particular reserve funds in which the monies are held, and bylaws are required to expend the monies in those reserve funds – again, only to be used for the purposes for which the funds were created.

Analysis

The City's statutory reserve funds are created in one of two ways. The first is directly by provincial statute. Richmond has only one such reserve fund known as the "Development Cost Charges Reserve Fund". All of the remaining dozen or so reserve funds established by bylaw between 1965 and 2000 were created under the authority of what are now either Section 496, 497 or 500 of the *Local Government Act*. These are listed in Part Four of the attached bylaw. In the following table the left column shows the history and status of the 12 existing reserve funds created by bylaw, and the right column shows the 14 reserve funds which are proposed today.

The concept behind this new bylaw is to "wipe the slate clean" and to determine which reserve funds the City needs to establish (or merely re-establish) today and to eliminate those reserve funds created many years ago which no longer have any purpose or function. In several cases the bylaw re-establishes existing reserve funds because they are still appropriate for the current needs of the City. In the case of the two original reserve funds established in 1965, the reserve funds became a 'catch-all' as the City grew over the past 40 years, and in some cases it was necessary to create sub-funds within the original reserve fund to meet the City's financial requirements. In developing this new comprehensive Reserve Fund Establishment Bylaw, one of these remaining sub-funds is being formally established as a separate reserve fund in its own right. This report analyzes each existing reserve fund as to whether it should be eliminated, re-established, consolidated with others and proposes several new reserve funds.

It must be emphasized that the establishment or re-establishment of these reserve funds in one bylaw in no way affects the autonomy of the money held in each existing reserve, as the *Local Government Act* (and subsection 2.1.1 of the bylaw) clearly stipulates that each reserve fund must be accounted for separately and the monies held in each must only be used for the purposes for which they were placed in the reserve fund in the first place.

A full analysis of the existing and proposed reserve funds is shown in the following table.

EXISTING STATUTORY RESERVES	PROPOSED STATUTORY RESERVES
<p>(UNNAMED) RESERVE FUND (established December 1965)</p> <p>This generic reserve fund, which was one of two funds established almost 40 years ago has been used for the collection of monies for a very broad range of capital projects including land and new equipment purchases. The Capital Reserve Fund was established under the authority of this original bylaw and its sub-funds carrying year end balances are: (i) the Revolving Fund, (ii) the Industrial Use Fund and (iii) the Steveston Road Ends Fund. In the new bylaw, all sub-funds are re-established within the newly proposed Capital Reserve Fund, except one (the Steveston Road Ends sub-fund) which will now be established in its own right. These are shown in the right column. The original unnamed "catch-all" reserve fund established in 1965 can therefore be eliminated.</p>	<p>CAPITAL RESERVE FUND</p> <p>As described in the left column, this reserve fund will be established in its own right and will include sub-funds known as (i) the Revolving Fund and (ii) the Industrial Use Fund. The Revolving Fund lends funds for major capital projects which are repaid with interest over a 12 year period. The Industrial Fund provides monies for land acquisition.</p> <hr/> <p>STEVESTON ROAD ENDS RESERVE FUND</p> <p>As described in the left column, this reserve fund operates as a sub-fund under the (unnamed) Reserve Fund. It is proposed that this active sub-fund be re-established in the new bylaw in its own right to continue accepting Steveston Road End sale proceeds.</p> <p>This title accurately reflects the current purpose of this reserve fund which is being more properly established in its own right.</p>
<p>EQUIPMENT DEPRECIATION FUND (established December 1965)</p> <p>This was the second of the two original reserve funds established by the City in 1965. Its purpose was for the collection of monies towards the replacement of depreciated and obsolete City machinery and equipment. In the new bylaw, this original fund is being re-established under the more accurate title of the "Equipment Replacement Reserve Fund" - as shown in the right column opposite.</p>	<p>EQUIPMENT REPLACEMENT RESERVE FUND</p> <p>Among the sub-funds which will be created in this renamed Equipment Replacement Reserve Fund are the following:</p> <ul style="list-style-type: none"> - Public Works Vehicles, - Fire Rescue Vehicles, - Computer Systems, - Mechanical Equipment - Telecommunications Systems.
<p>AFFORDABLE HOUSING RESERVE FUND (established December 1989)</p> <p>This is an active reserve fund and is being re-established in the new bylaw to accept the collection of monies from developers for the purpose of purchasing property for lease by the City to non profit groups who develop social housing financed under senior government programs. (see column to the right).</p>	<p>AFFORDABLE HOUSING RESERVE FUND</p> <p>No changes proposed. This title accurately reflects the current purpose of this reserve fund.</p>
<p>NEIGHBOURHOOD IMPROVEMENT RESERVE FUND (established June 1991)</p> <p>This active reserve fund has been used for the collection of monies from developers in lieu of completing street improvement work for small developments. Once enough money is collected, the City undertakes the particular street improvement. This reserve fund is being re-established in the new bylaw - as shown in the right column opposite.</p>	<p>NEIGHBOURHOOD IMPROVEMENT RESERVE FUND</p> <p>No changes proposed. This title accurately reflects the current purpose of this reserve fund.</p>

<p>CITY FACILITIES RESERVE FUND (established March 1992)</p> <p>Although this reserve fund was created ten years ago, no monies were ever paid into the fund and it can be eliminated. As shown in the right column a more appropriate fund entitled The Capital Building and Infrastructure Reserve Fund is proposed as a replacement.</p>	<p>CAPITAL BUILDING AND INFRASTRUCTURE RESERVE FUND</p> <p>For convenience, this new reserve fund is being created at this time but will be the subject of a much more detailed report regarding potential sources of funds for the reserve and the proposed expenditures from the reserve. It is anticipated that separate sub-funds will be created for buildings as well as for infrastructure projects. The City monies which have been accumulating for eventual use for the development of special sports facilities will be placed in the latter sub-fund within the reserve.</p>
<p>CHILD CARE DEVELOPMENT RESERVE FUND (established October 1994)</p> <p>This is an active reserve fund and is being re-established in the new bylaw to accept private contributors as well as contributions from the City itself. The funds collected are expended on the development of a wide range of child care facilities and equipment which meet the City's child care objectives. (see column to the right).</p>	<p>CHILD CARE DEVELOPMENT RESERVE FUND</p> <p>No changes proposed. This title accurately reflects the current purpose of this reserve fund.</p>
<p>WATERMAIN REPLACEMENT RESERVE FUND (established June 1995)</p> <p>This is an active reserve fund and is being re-established in the new bylaw to accept the transfer of monies from the Water Utility Operating Budget for watermain replacement in the annual Capital Program. (see column to the right).</p>	<p>WATERMAIN REPLACEMENT RESERVE FUND</p> <p>No changes proposed. This title accurately reflects the current purpose of this reserve fund.</p>
<p>SANITARY SEWER LATERAL REPLACEMENT RESERVE FUND (established June 1995)</p> <p>This reserve fund was established seven years ago to accept the transfer of funds from the Sewer Utility Operating Budget for the replacement/renewal of major sewer lateral works in developing areas, and for the replacement/renewal of sewer mains. This is an active reserve fund however it is being combined with the Sanitary Sewer Trunk System Construction Reserve fund in the new bylaw- as shown in the right column opposite.</p>	<p>SANITARY SEWER RESERVE FUND</p> <p>The above title is proposed for the combination of the two existing Sewer Reserve Funds (Sewer Lateral and Sewer Trunk System) described in the column to the left.</p>
<p>SANITARY SEWER TRUNK SYSTEM CONSTRUCTION RESERVE FUND (established June 1995)</p> <p>This reserve fund was also established seven years ago to accept the transfer of funds from the Sewer Utility Operating Budget for major sewer trunk/pump works in developing areas and for the replacement/renewal of sewer mains. This is an active reserve fund but is being combined with the Sanitary Sewer Lateral Replacement Reserve fund in the new bylaw- as shown in the right column opposite.</p>	

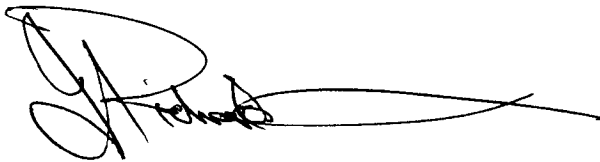
<p>PUBLIC ART PROGRAM RESERVE FUND (established September 1997)</p> <p>This is an active reserve fund and is being re-established in the new bylaw to accept private and community contributions as well as contributions from the City itself. The funds collected are expended on the creation of public art. (see column to the right)</p>	<p>PUBLIC ART PROGRAM RESERVE FUND</p> <p>No changes proposed. This title accurately reflects the current purpose of this reserve fund.</p>
<p>DRAINAGE IMPROVEMENT RESERVE FUND (established April 2000)</p> <p>This is an active reserve fund and is being re-established in the new bylaw to accept contributions from the City. The funds collected will be expended on drainage infrastructure maintenance work and capital drainage projects. This reserve is being re-established in the new bylaw- as shown in the right column opposite.</p>	<p>DRAINAGE IMPROVEMENT RESERVE FUND</p> <p>No changes proposed. This title accurately reflects the current purpose of this reserve fund.</p>
<p>STEVESTON AREA PARKING RESERVE FUND (established in Zoning Bylaw #5300)</p> <p>This active reserve fund was established in 1988 but was eliminated and re-established the following year with the adoption of Zoning and Development Bylaw #5300. The new bylaw will re-establish the fund separately to continue accepting monies from developers in the Steveston area in lieu of providing off-street parking stalls. The funds collected are expended towards land purchase for the purposes of parking lot development.</p>	<p>STEVESTON OFF-STREET PARKING RESERVE FUND</p> <p>This fund is being more properly recreated in the new Reserve Fund Establishment Bylaw. An amendment will be brought forward in the future to remove any redundancy/duplication with Zoning and Development Bylaw # 5300.</p>
	<p>LOCAL IMPROVEMENTS RESERVE FUND</p> <p>Monies collected annually from property owners for local improvement projects have been accounted for and treated as a statutory reserve in the City's accounting system. It is now necessary to formally establish this reserve fund in the new bylaw.</p>
	<p>WATERFRONT IMPROVEMENT RESERVE FUND</p> <p>For convenience, this new reserve fund is being created at this time but will be the subject of a much more detailed report with regard to potential sources of funds for the reserve and the proposed expenditures from the reserve.</p>

Financial Impact

There is no financial impact since the bylaw does not effect the Statutory Reserve balances.

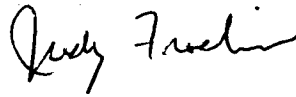
Conclusion

This is the first review of the status of the reserve funds created by various city councils going back almost 40 years. The new bylaw is not only an administrative cleanup and simplification of the existing reserve funds, it also proposes several new reserve funds needed to meet the changing needs of the city.



J. Richard McKenna
City Clerk

JRM:fja



Judy Froelich
Capital Budget Analyst

CITY OF RICHMOND
**RESERVE FUND ESTABLISHMENT
BYLAW NO. 7361**

The Council of the City of Richmond enacts as follows:

PART ONE: CATEGORIES OF RESERVE FUNDS

1.1 Capital Works Reserve Funds

1.1.1 In accordance with the provisions of Section 496 of the *Local Government Act*, separate **reserve funds** for the following purposes are established:

- (a) Affordable Housing;
- (b) Capital Reserve;
- (c) Capital Building and Infrastructure;
- (d) Child Care Development;
- (e) Equipment Replacement;
- (f) Neighbourhood Improvement;
- (g) Public Art Program;
- (h) Steveston Off-Street Parking;
- (i) Steveston Road Ends; and
- (j) Waterfront Improvement.

1.2 Reserve Funds for City Enterprises

1.2.1 In accordance with the provisions of Section 497 of the *Local Government Act*, **reserve funds** for the following purposes, are established:

- (a) Sanitary Sewer;
- (b) Watermain Replacement; and
- (c) Drainage Improvement.

1.3 Local Improvement Funds

1.3.1 In accordance with the provisions of Section 500 of the *Local Government Act*, a Local Improvement **reserve fund** is established.

PART TWO: DISPOSITION OF FUNDS

2.1 Separation and Sole Purpose of, and Expenditures from, Each Fund

2.1.1 Each **reserve fund** established under Part One must be accounted for separately by the **City**, and any money in any of the **reserve funds** must only:

- (a) be used for the purpose for which it was intended; and

- (b) be expended in accordance with the requirements of the *Local Government Act*.

PART THREE: INTERPRETATION

3.1 In this bylaw, unless the context requires otherwise:

CITY means the City of Richmond.

RESERVE FUND means a reserve fund established under Part One of this Bylaw.

PART FOUR: PREVIOUS BYLAW REPEAL

4.1 The following bylaws are repealed:

- (a) Reserve Fund Bylaw No. 2202 (adopted on December 13th, 1965);
- (b) Equipment Depreciation Fund Bylaw No. 2203 (adopted on December 13th, 1965);
- (c) Affordable Housing Statutory Reserve Fund Establishment Bylaw No. 5482 (adopted on December 18th, 1989);
- (d) Neighbourhood Improvement Statutory Reserve Fund Establishment Bylaw No. 5721 (adopted on June 17th, 1991);
- (e) City Facilities Statutory Reserve Fund Establishment Bylaw No. 5879 (adopted on March 9th, 1992);
- (f) Child Care Development Statutory Reserve Fund Establishment Bylaw No. 6367 (adopted on October 11th, 1994);
- (g) Watermain Replacement Statutory Reserve Fund Establishment Bylaw No. 6443 (adopted on June 13th, 1995);
- (h) Sanitary Sewer Lateral Replacement Statutory Reserve Fund Establishment Bylaw No. 6444 (adopted on June 13th, 1995);
- (i) Sanitary Sewer Trunk System Construction Statutory Reserve Fund Establishment Bylaw No. 6445 (adopted on June 13th, 1995);
- (j) Public Art Program Statutory Reserve Fund Establishment Bylaw No. 6808 (adopted on September 8th, 1997);
- (k) Drainage Improvement Statutory Reserve Fund Establishment Bylaw No. 7126 (adopted on April 25th, 2000).

PART FIVE: SEVERABILITY AND CITATION

- 5.1 If any section, subsection, paragraph, clause or phrase of this bylaw is for any reason held to be invalid by the decision of a court of competent jurisdiction, such decision does not affect the validity of the remaining portions of this bylaw.
- 5.2 This bylaw is cited as **“Reserve Fund Establishment Bylaw No. 7361”**.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating dept.
APPROVED for legality by Solicitor

MAYOR

CITY CLERK